



October 17, 2023

The Honorable Natalie Fani-Gonzalez
Chair, Economic Development Committee
Montgomery County Council
100 Maryland Ave.

Rockville, MD 20850

RE: Council Bill 35-23 County Minimum Wage – Tipped Employees — (SUPPORT)

Dear Chair Fani-Gonzalez:

On behalf of Prosperity Now, I am writing in **SUPPORT** of **Council Bill 35-23 County Minimum Wage – Tipped Employees**, establishing a gradual phase out of the current tipped minimum wage system which allows for employers to pay employees below the minimum wage and offer an alternative of an established wage by increasing the minimum wage for tipped workers to \$12 per hour by July 1, 2028. This past July, the tipped minimum wage was addressed on the federal level with the Raise the Wage Act of 2023 introduced by the U.S. House of Representatives and U.S. Senate, which would raise the federal minimum wage to \$17 an hour by 2028. [The bill would also gradually raise and then eliminate subminimum wages for tipped workers, workers with disabilities, and youth workers, so that all workers covered by the Fair Labor Standards Act \(FLSA\) would be at the same wage level](#) (EPI). The passage of this bill by the Montgomery County Council would place the county alongside a growing number of municipalities that have passed or introduced legislation to eliminate the tipped minimum wage including Washington, DC and Chicago, IL; further addressing the economic recovery post COVID-19 that has disproportionately impacted service workers in the restaurant industry.

Extensive research from policy experts has shown that eliminating the tipped minimum wage provides a pipeline to reducing poverty, ending wage theft, and creating more stability within the economy. The U.S. Department of Labor found that in just a 2-year period, specifically 2010-2012, there were 1,170 tip credit infractions which resulted in the loss of \$5.5 million in wages for workers in almost 9,000 restaurants in the U.S. According to research presented by the Center for American Progress "The

poverty rate in key tipped industries for tipped and nontipped workers alike is lower in one fair wage states. Overall, in low states, 13.8 percent of workers in these industries are in poverty, compared with 10.2 percent in one fair wage states. Tipped workers specifically see an even steeper decline, with 14.8 percent in poverty in low states compared with 11 percent in one fair wage states. While it is possible that there are extraneous factors contributing to the improved economic outcomes in states that have eliminated the tipped minimum wage, it is clear that these workers are by no means faring worse than their counterparts in states paying a lower base wage to tipped workers.” For far too long, the service industry has exploited and repressed workers, especially at an excessive rate for that of Black and Brown workers, that has ultimately left many with limited wage growth and financial means. Steady income primarily comes from a single source of income for the average U.S. resident and has been an intricate part of the foray into the wealth generating process.

At Prosperity Now, we are working to transform current systems, practices, and policies in service of an economy that works for everyone. We aim to build an economy that is just, fair, and free from structural racism that allows every person, family, and community to have the power to build sustainable wealth and prosperity. Prosperity Now supports policies that create wealth-building opportunities and provide greater economic opportunity for children born into low-income households. Through research, policy advocacy and the strength of our nationwide networks, our efforts support access to the financing, financial capability services and housing options that families need to successfully become homeowners.

Additional research from Economic Policy Institute found that workers from states who adopted one minimum wage and those who have a minimum wage greater than the federal tipped minimum wage experienced less poverty than those states who only have the federal tipped minimum. It can be said that the closer a state inches towards one minimum wage for all workers the less poverty workers experienced. Providing assistance that aids in transitioning families into stability through wage increase will create more financial security and can help to level the playing field.

Currently, Montgomery County has already taken incremental steps in wage equity through increasing the minimum wage in general to \$16.70. The proposed legislation of Council Bill 35-25 would begin to level the playing field for disproportionately marginalized communities by recognizing the very different circumstances for individuals that are low-income and help to close both the gender and racial wealth gaps — which as of 2022 has Women led households employed significantly lower by 30% less than White men, Latine households of employment at 18.5%, and Black households of employment at 12.6%.

For these reasons, Prosperity Now is pleased to **SUPPORT** and urge a **YES** vote on **Council Bill 35-25**.

Sincerely,

Lauren Bealore
Associate Director of State & Local Policy
Prosperity Now
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cc: Economic Development Committee
Members