

Preliminary Findings on the Economic Impact of Washington D.C.'s Initiative 82



Memorandum Report 2024-2

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On September 19, 2023, the Montgomery County Council introduced Bill 35-23, County Minimum Wage – Tipped Employees, co-sponsored by Councilmembers Jawando and Mink.¹ The bill would:

- Adjust the calculation of the minimum wage for tipped workers; and
- Phase out the tip credit under the current minimum wage law.

In November 2022, Washington D.C. voters adopted a very similar change to D.C. law, Initiative 82 or the “District of Columbia Tip Credit Elimination Act,”² implementation of which began on May 1, 2023.

Given the similarity to the pending bill in Montgomery County, the Council’s Economic Development Committee and the Health and Human Services Committee asked the Office of Legislative Oversight (OLO) to compile available information that could shed light on the economic impact to date of Initiative 82 on D.C. establishments. This report does not examine how Initiative 82 may have economically impacted tipped workers.

The remainder of this section explains the following: a) how minimum wage currently operates in Montgomery County for tipped workers, and b) the timeframes for changes to the tipped minimum wage in Washington D.C. and in Montgomery County if the Council enacts Bill 35-23. In the rest of this report:

- **Section I** describes the results of a survey OLO conducted in December 2023 and January 2024 of business establishments in Washington D.C. that have been impacted by Initiative 82;
- **Section II** describes potential economic indicators that could provide relevant data in the future on the impacts of Initiative 82;
- **Section III** summarizes data points found in outside reports relevant to the impact of Initiative 82 on establishments in Washington D.C.; and
- **Appendices** include 1) survey solicitation language, questions, and answer choices; 2) narrative responses from survey open-ended question; and 3) data on potential economic indicators.

¹ [Bill 35-23](#), County Minimum Wage – Tipped Employees, Introduced Sept. 18, 2023.

² [“Initiative 82, increasing minimum wage for DC restaurant employees, goes into effect”](#), WJLA (May 1, 2023).

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A. Operation of Tipped Minimum Wage in Montgomery County

Under federal law, tipped employees (employees who earn more than \$30 per month in tips) can be paid a lower direct wage by an employer (\$2.13/hour) if that wage combined with tips earned equals the federal minimum wage (\$7.25/hour).³ If the lower wage combined with tips does not add up to the minimum wage, the employer must make up the difference. Thus, federal law requires that tipped employees receive a minimum of \$7.25/hour. State and local jurisdictions can set minimum wages higher than the federal minimum wage.

In Montgomery County, employers must pay tipped employees at least \$4.00 per hour. Minimum wage for businesses in the County is \$15.00/hour for businesses with 1-50 employees and \$16.70/hour for businesses with 51 or more employees.⁴ The next examples show when a mid-size employer does or does not have to make up the wage difference based on the tips earned by an employee.

	Example 1: Tipped Min. Wage + Tips Is Less Than Minimum Wage (\$/hour)	Example 2: Tipped Min. Wage + Tips Is Greater Than or Equal to Minimum Wage (\$/hour)
Tipped Minimum Wage (base wage paid by business)	\$4.00	\$4.00
Tips Earned per Hour	+ \$8.00	+ \$15.00
Total Hourly Wage with Tips	\$12.00	\$19.00
Minimum Wage for Mid-Sized Employer	\$15.00	\$15.00
Total Hourly Wage with Tips	\$12.00	\$19.00
Additional Wage Paid by Employer	\$3.00	\$0.00

In Example 1, the employer is required to pay the employee wages of \$7 per hour (base of \$4 per hour plus additional \$3 per hour to ensure the employee earns minimum wage). In Example 2, the employer is required to pay the employee wages of \$4 per hour.

³ [Tips](#), U.S. Department of Labor.

⁴ [Minimum Wage Increase – Effective January 1, 2024](#), Montgomery County Office of Human Rights.

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B. Operation of Washington D.C. Initiative 82 and Montgomery County Bill 35-23

This section outlines the timeframes for implementing the change to minimum wage in D.C. under Initiative 82 and in Montgomery County, if the Council adopts Bill 35-23. D.C. voters adopted Initiative 82 in November 2022, which scheduled wage increases to begin in January 2023. The D.C. Council adopted emergency legislation to push the beginning of the wage changes to May 2023. On May 1, 2023, the minimum wage for tipped workers in D.C. increased to \$6 per hour and on July 1, 2023, it increased to \$8 per hour. On July 1, 2027, employers in D.C. will be required to pay tipped employees the regular minimum wage.

Table 1. Washington D.C. Implementation of Initiative 82

Tipped Worker Minimum Wage	Effective
\$5.35 per hour	
\$6.00 per hour	May 1, 2023
\$8.00 per hour	July 1, 2023
\$10.00 per hour	July 1, 2024
\$12.00 per hour	July 1, 2025
\$14.00 per hour	July 1, 2026
D.C. minimum wage	July 1, 2027

In Montgomery County, Bill 35-23 would increase the base wage employers would have to pay tipped employees beginning July 1, 2024, until the base wage for tipped employees equals the minimum wage on July 1, 2028.

Table 2. Montgomery County Implementation if Council Adopts Bill 35-23

Tipped Worker Minimum Wage	Effective
\$4.00 per hour	Until July 1, 2024
\$6.00 per hour	July 1, 2024
\$8.00 per hour	July 1, 2025
\$10.00 per hour	July 1, 2026
\$12.00 per hour	July 1, 2027
County minimum wage	July 1, 2028

I. Survey Methodology, Design, and Results

To examine the impact of DC's Tipped Wage Law on DC establishments with tipped workers, OLO conducted a survey in November 2023/January 2024 that focused on the law's impacts on the industry most affected by it—full-service establishments like restaurants and caterers. This chapter describes the survey methodology and design and summarizes the results.

A. Survey Methodology and Design

The process of compiling a list of full-service establishments in DC involved the following:

- (1) OLO attained the District of Columbia's Alcoholic Beverage and Cannabis Administration (ABCA) 2024 roster of alcohol licensed businesses, which included 2,382 records of licensees.
- (2) To narrow the list to full-service establishments, OLO eliminated records of licenses held by establishments that typically do not have tipped workers (e.g., fast food restaurants, bed and breakfasts, retail liquor stores, grocery stores, wholesalers). This left 1,611 records of establishments more likely to offer full-service dining.
- (3) The ABCA roster did not include contact information for licensees. OLO found contact information through online searches of individual establishment websites. OLO eliminated establishments that only posted phone numbers on their websites.
- (4) Based on a search for contact information for establishments, OLO ultimately identified a sample of 592 establishments.

On November 29, 2023, OLO emailed the survey to 592 establishments. The solicitation language, survey questions, and answer choices are found in Appendix 1. OLO designed and sent the survey via the online survey platform, SurveyMonkey. The questions on the survey aimed to gather information from establishments on the following:

- How many employees at the establishment depend on tips as a significant part of their salaries.
- How long had the establishment been in business.
- Average hourly salary (excluding tips) tipped employees were paid before the DC Tipped Wage Law went into effect.
- Average monthly gross sales of the establishment over the course of the last 12 months.
- Which measures (i.e., increasing prices, reducing tipped employee hours, instituting a service fee, etc.) had the establishment implemented as a result of the Tipped Wages Law.

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- Which measures the establishment was looking to implement in the next 12 months as part of the Tipped Wage Law.
- To what extent has the DC Tipped Wage Law had a positive or negative impact on the profitability of the establishment; and
- To what extent the establishment supported or opposed the Tipped Wage Law.

The survey was open from November 29, 2023, to January 5, 2024. OLO sent bi-weekly email reminders to complete the survey.

From the 592 establishments that were sent the survey, OLO received a total of 60 responses, for an overall response rate of 10%. To ensure the survey was completed by establishments with tipped employees, the first question in the survey asked respondents to indicate whether their establishment employed workers who depended on tips as a significant part of their salaries. The online survey ended if the respondent answered “no” to this question. All but one response reported employing workers who depended on tips as a “significant part of their salaries.” This gives OLO confidence that the process of compiling the sample of full-service establishments was effective in targeting those reliant on tipped workers and, therefore, impacted by DC’s Tipped Wage Law.

Importantly, the establishments that responded to the survey (hereinafter, “respondents”) are unlikely to be a representative sample of all full-service establishments with tipped workers in DC. First, there are establishments that rely on tipped workers that do not possess liquor licenses. Second, it is possible that establishments with email addresses or contact pages on their websites may differ systematically from those without this information or without websites. Finally, respondents were a self-selected subset of the establishments OLO contacted to participate in the survey.

B. Survey Results

This section summarizes the results from OLO’s survey. Despite the limitations of the data collected, the results provide clear and consistent insight into the attitudes of respondents towards the economic impacts of DC’s Tipped Wage Law.

1. Establishment Characteristics

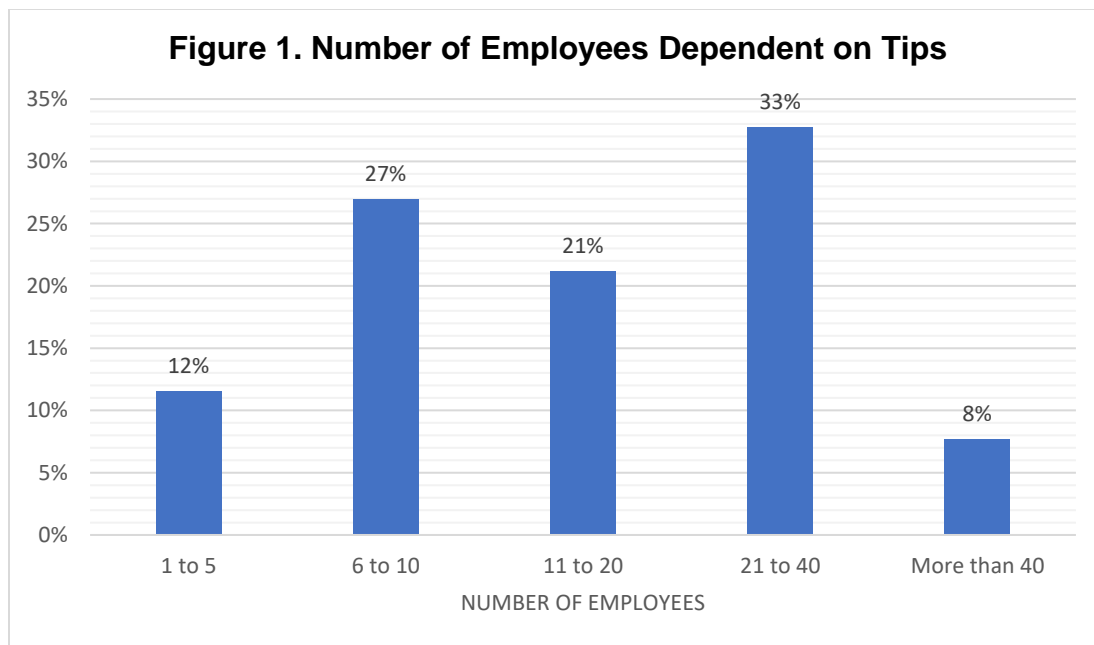
Respondents were asked about the following characteristics of their establishment:

- Number of tipped employees;
- How long the establishment has been in business;
- The average hourly wage of tipped employees before the change in DC law; and

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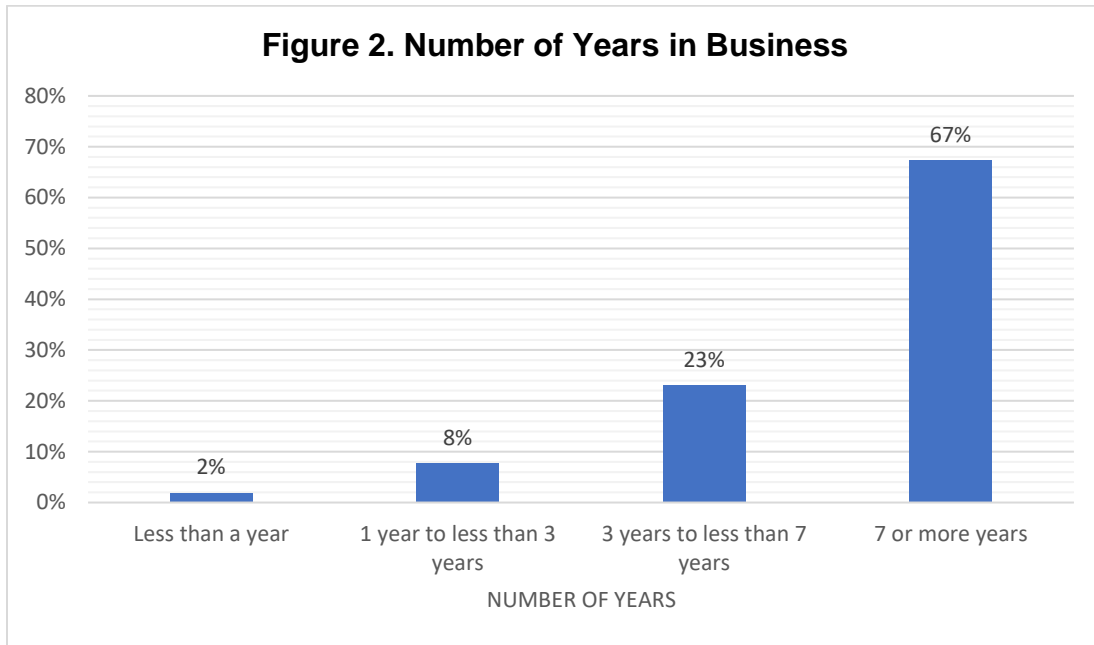
- The average monthly gross sales of the establishment over the past 12 months.

Number of Employees. The survey asked respondents to indicate the number of employees at their establishment who “depend on tips as a significant part of their salaries.” As shown in Figure 1 below, most respondents (62%) reported having 11 or more employees who depend on tips. The remaining respondents (38%) had 10 or fewer employees dependent on tips.



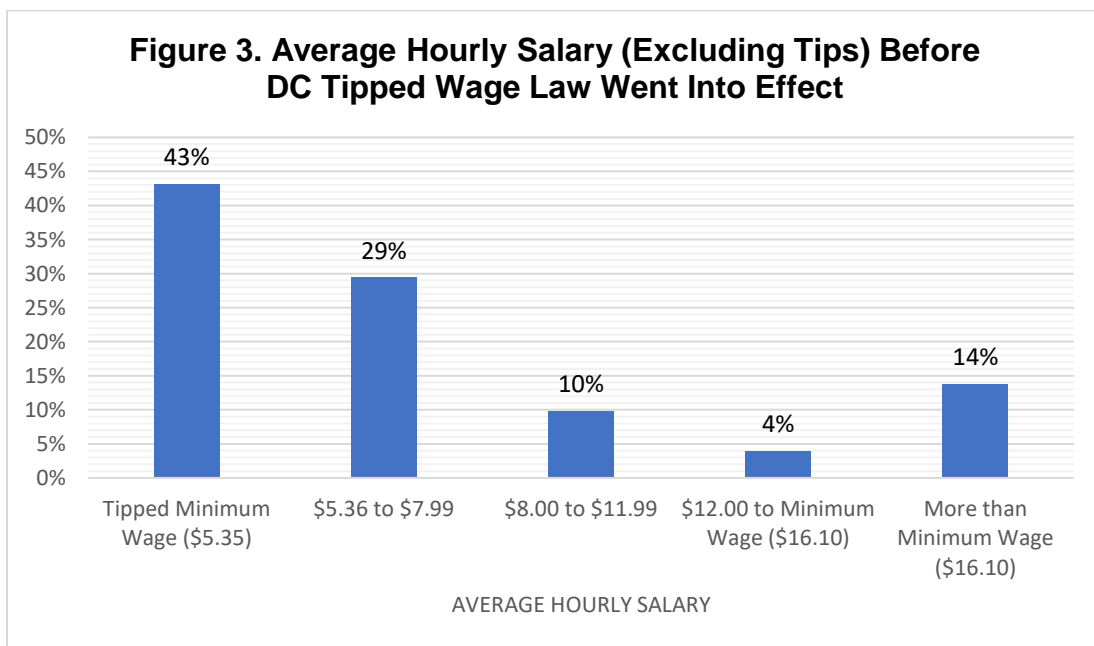
Source: OLO, January 2024

Years in Business. The survey asked respondents to indicate how long their establishment had been in business. The data in Figure 2 show that most of the respondents (67%) indicated that their establishments had been in business for seven or more years.



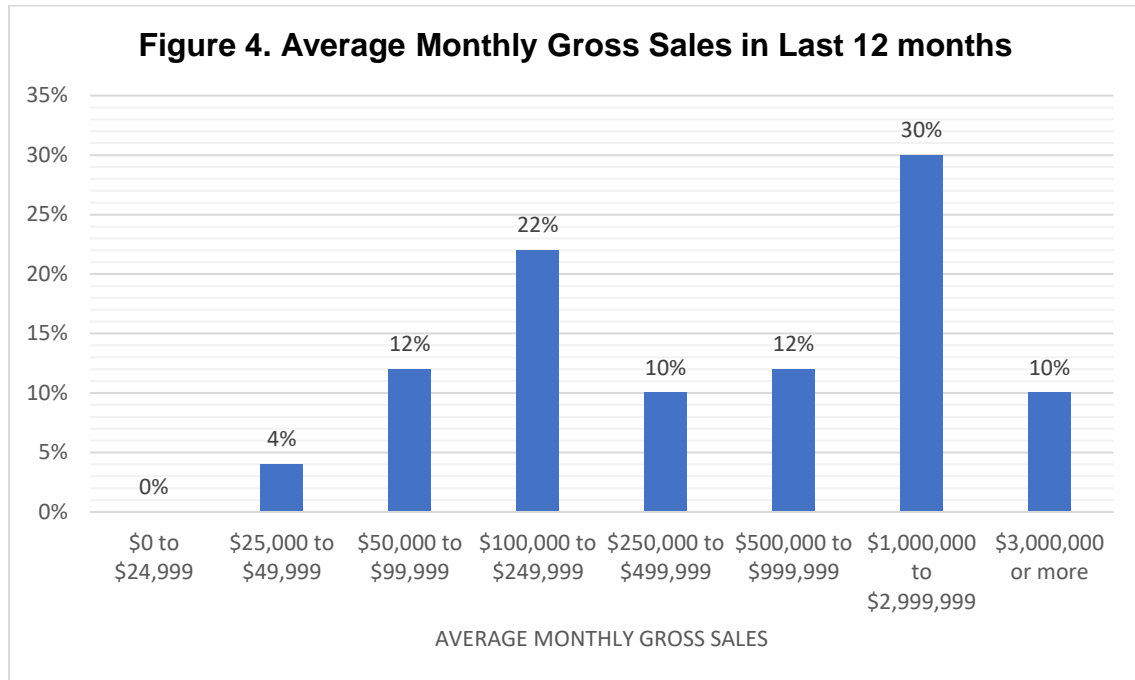
Source: OLO, January 2024

Average Wages Pre-Initiative 82. The survey asked respondents to indicate the average hourly salary (excluding tips) they paid tipped employees before the DC Tipped Wage Law went into effect. The most common response reported by establishments (43%) was that they paid tipped employees \$5.35 per hour (the tipped minimum wage at that time) before the Tipped Wage Law went into effect. Over half of employers overall paid more than the tipped minimum wage and 14% paid more than minimum wage (\$16.10 per hour).



Source: OLO, January 2024

Monthly Gross Sales. The survey also asked respondents for the establishment's average monthly gross sales during the previous 12 months. As shown in Figure 4, 38% of businesses reported average monthly gross sales below \$249,999 and 62% reported sales above \$250,000.



Source: OLO, January 2024

2. Measures Implemented as a Result of the Tipped Wage Law

The survey asked respondents to indicate measures they have implemented in response to DC's Tipped Wage Law and measures they intend to implement in the next 12 months. Both questions provided six response options and gave respondents the opportunity to write-in other measures they have taken. Respondents were asked to mark all responses that apply.

Measures Implemented. The data in Table 3 show more than half of respondents reported increasing menu prices (82%), reducing hours for tipped employees (67%), and reducing part-time and full-time employment (52% and 51% respectively). A third of establishments reported instituting a service charge, while 6% reported increasing an existing service charge. In their open-ended responses, several respondents identified measures they had taken, including, removing items from the menu, implementing technology to offset labor, renegotiating leases, changing insurance, and discontinuing employee health insurance. See Appendix 2.

Table 3. Actions Taken in Response to Law

Answer Choices	Responses
Increased prices of items on the menu	82%
Reduced the number of hours offered to tipped employees	67%
Reduced the number of part-time employees	53%
Reduced the number of full-time employees	51%
Instituted a service charge	33%
Increased an existing service charge	6%
Other	17%

Source: OLO, January 2024

Measures Planned in Next 12 Months. When asked what measures they plan to take in the next 12 months, over half of respondents indicated they plan to increase menu prices (82%), reduce the number of hours for tipped employees (69%), and reduce full-time employment (53%), while 46% indicated they would reduce the number of part-time employees. Twenty-eight percent of respondents indicated they would institute a service charge and 22% reported they would increase an existing service charge. Only 10% reported planning to adopt other measures such as reducing service hours and menu items. See Appendix 2 for open-ended responses.

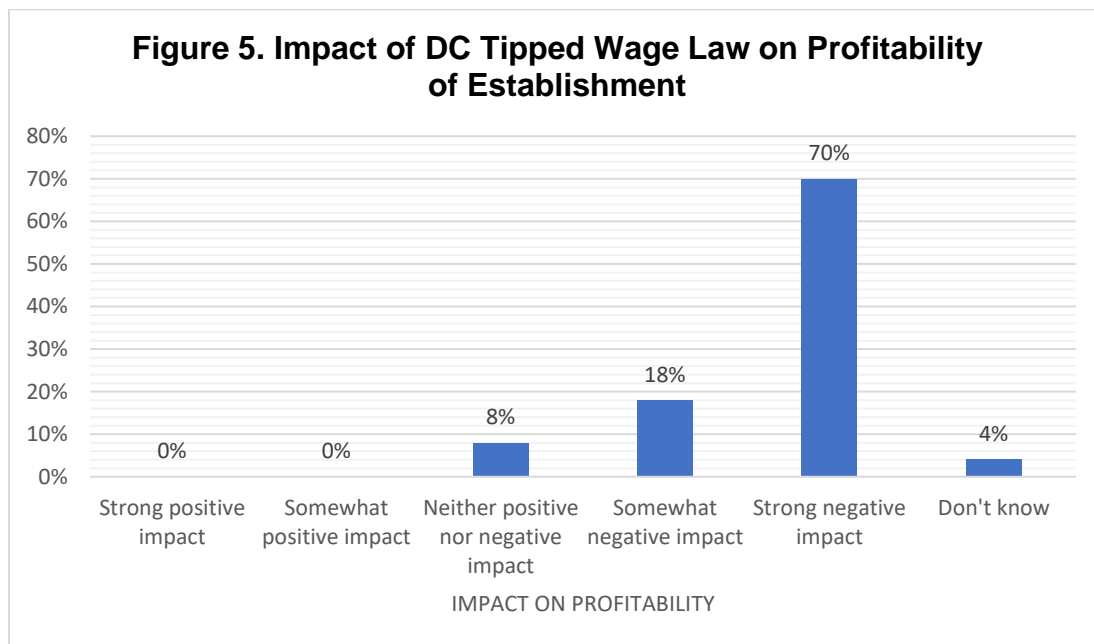
Table 4. Actions Planned in Next 12 Months in Response to Law

Answer Choices	Responses
Increase prices of items on the menu	82%
Reduce the number of hours offered to tipped employees	69%
Reduce the number of full-time employees	53%
Reduce the number of part-time employees	47%
Institute a service charge	29%
Increase an existing service charge	22%
Other	10%

Source: OLO, January 2024

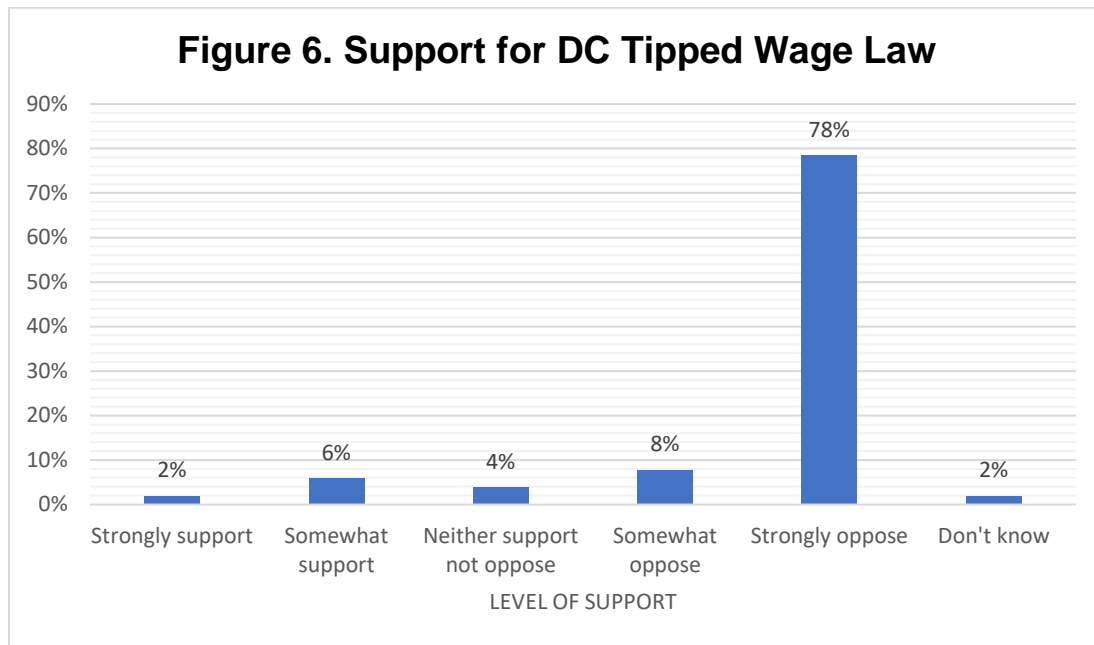
3. Economic Impact and Support

The survey asked respondents whether the Tipped Wage Law has had a positive or negative impact on the profitability of their establishment. Respondents were provided six choices ranging from “strong positive impact” to “strong negative impact.” As shown in Figure 5, the overwhelming majority of respondents (88%) reported the law having had a negative impact on profitability, with 71% reporting a “strong negative impact.” No respondents indicated that the law has had a positive impact on their establishment’s profitability.



Source: OLO, January 2024

The survey also asked respondents to indicate their level of support for or opposition to the Tipped Wage Law. As shown in Figure 6, a majority of respondents (86%) oppose the law, whereas a minority (8%) support it.



Source: OLO, January 2024

4. Additional Comments

Finally, OLO asked the participants to provide advice or suggestions to Montgomery County Councilmembers considering the change to County law. The survey allowed for an open-ended response. OLO received 41 comments under this question. These comments are included in Appendix 2.

II. Potential Economic Indicators

For this report, Councilmembers asked OLO to examine the impact of the District of Columbia's Tipped Wage Law on establishments with tipped workers. One of the primary conclusions OLO reached is that the impacts of the law on establishments **cannot be known at this point**.

The law has been in effect since May 1, 2023. It incrementally increases the tipped minimum wage over time.¹ Currently, the tipped minimum wage is \$8 per hour. It will not reach DC's general minimum wage until July 1, 2027 – approximately 3.5 years from the publication of this report. Due to the incremental increase in the tipped minimum wage, the law's economic impacts on businesses have largely not yet been felt.

While it is premature to conduct a study on the law's impacts at this time, OLO believes that an informative study could be conducted after the law goes into full effect. In this chapter, OLO presents a preliminary plan for a future study that focuses on the law's impacts on the industry most affected by it—full-service restaurants.

A. Research Design

To examine the law's impacts on the full-service restaurant industry in the District of Columbia, OLO would use a research design called Time-Series Cross-Section (TSCS) analysis. TSCS data includes observations on different units over time.

Using existing data sources, OLO would track changes in key indicators for full-service restaurant industries in DC and surrounding jurisdictions over time. Doing so would allow OLO to estimate potential changes in the economic performance of full-service restaurant industry in DC before and after the full implementation of the Tipped Wage Law in July 2027 and compare its performance to the performance in surrounding jurisdictions with different tipped wage policies. The comparison jurisdictions likely would be:

- Fairfax County, VA
- Arlington County, VA
- City of Alexandria, VA
- Montgomery County, MD
- Prince George's County, MD

¹ See Table 1 in the Introduction to this report.

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B. Potential Indicators

OLO has identified five indicators that would measure the economic performance of full-service restaurants in DC and surrounding jurisdictions.

Indicator 1: Number of establishments in a quarter;

Indicator 2: Number of employees in the third month of the quarter;

Indicator 3: Average weekly wages for employees in the quarter;

Indicator 4: Total annual tax revenues from full-service restaurants; and

Indicator 5: Number of restaurants with liquor licenses.

Indicators 1-3 would be useful in monitoring the economic performance of full-services restaurant industries across the selected jurisdictions. These indicators would allow OLO to observe changes in the number of full-service restaurants (Indicator 1), total employment in the industry (Indicator 2), and employee earnings in the industry (Indicator 3) before and after the full implementation of the Tipped Wage Law in DC and surrounding jurisdictions with different tipped wage policies.

Data for indicators 1-3 would come from the U.S. Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages (QCEW). The QCEW, reported quarterly, includes data on over 95 percent of available jobs in the U.S. at the county level and by detailed industry.² Data currently available likely will not reflect impacts from Initiative 82 because the latest available data are from the second quarter (Q2) of 2023, which only includes two months when Initiative 82 was in effect (May and June 2023).

QCEW reports data using the North American Industry Classification System (NAICS). The NAICS is a classification of businesses used by the federal government (and Mexico and Canada) to provide uniformity and comparability when collecting and analyzing data. OLO obtained data for businesses with NAICS code 722511, Full-Service Restaurants. The hierarchy of this 6-digit code is:³

72	Accommodation and Food Services
722	Food Services and Drinking Places
7225	Restaurants and Other Eating Places
72251	Restaurants and Other Eating Places
722511	Full-Service Restaurants

² "[Handbook of Methods: Quarterly Census of Employment and Wages](#)," U.S. BLS.

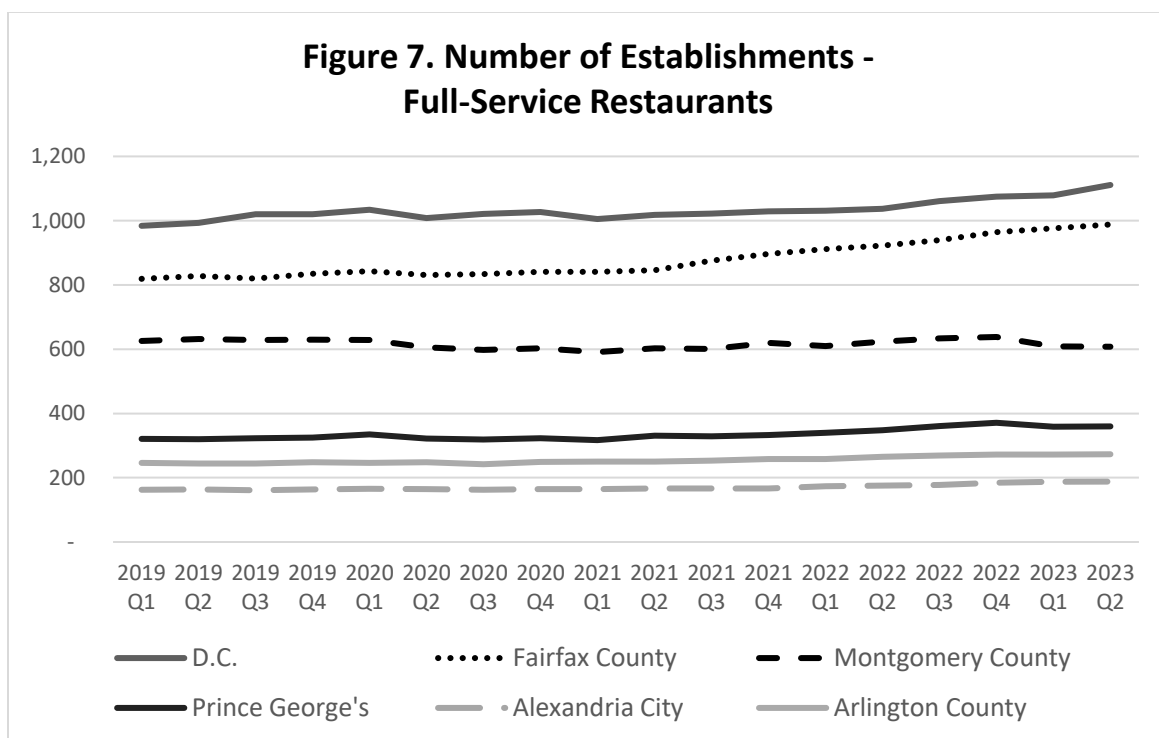
³ The North American Industry Classification System (NAICS) is a classification of businesses used by the federal government (and Mexico and Canada) to provide uniformity and comparability when collecting and analyzing data related to business. The system uses 2-6 digit codes that are a hierarchy and that become more specific as digits are added. Specifically, NAICS uses: 2-digit codes for SECTORS, 3-digit codes for SUBSECTORS, 4-digit codes for INDUSTRY GROUPS, 5-digit codes for NAICS INDUSTRIES, and 6-digit codes for NATIONAL INDUSTRY.

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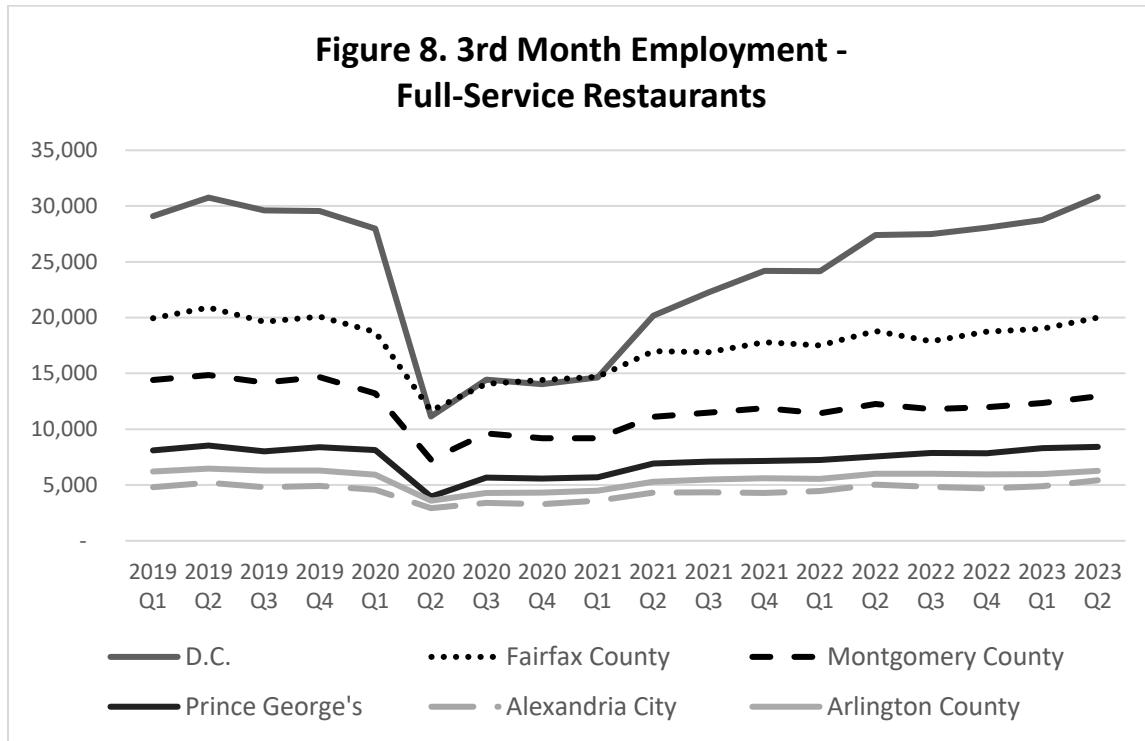
The current publicly available data from the BLS at this level of specificity (6-digit) are from the first quarter of 2019 (2019 Q1) through the second quarter of 2023 (2023 Q2).

OLO notes that data points for the number of employees and average weekly wages include all employees in full-service restaurant establishments (e.g., cooks, hosts, managers, dishwashers), not only tipped employees. Tables with these data can be found in Appendix 3.

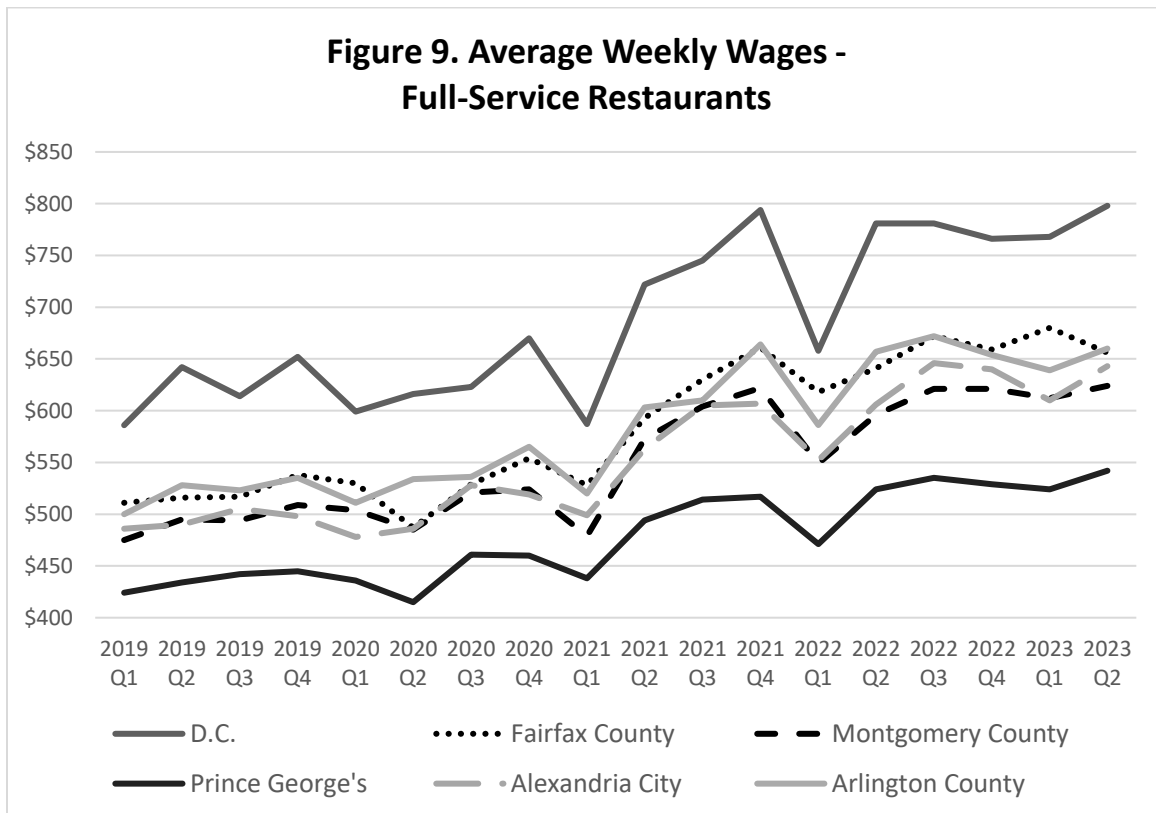
2019 Q1-2023 Q2 Data. This section presents the existing data for the first three indicators. Figures 7-9 show the data points described above for selected jurisdictions from 2019 Q1 to 2023 Q2. Figure 10 shows the percentage change from 2019 Q1 to 2023 Q2 for the data points.



Source: QCEW



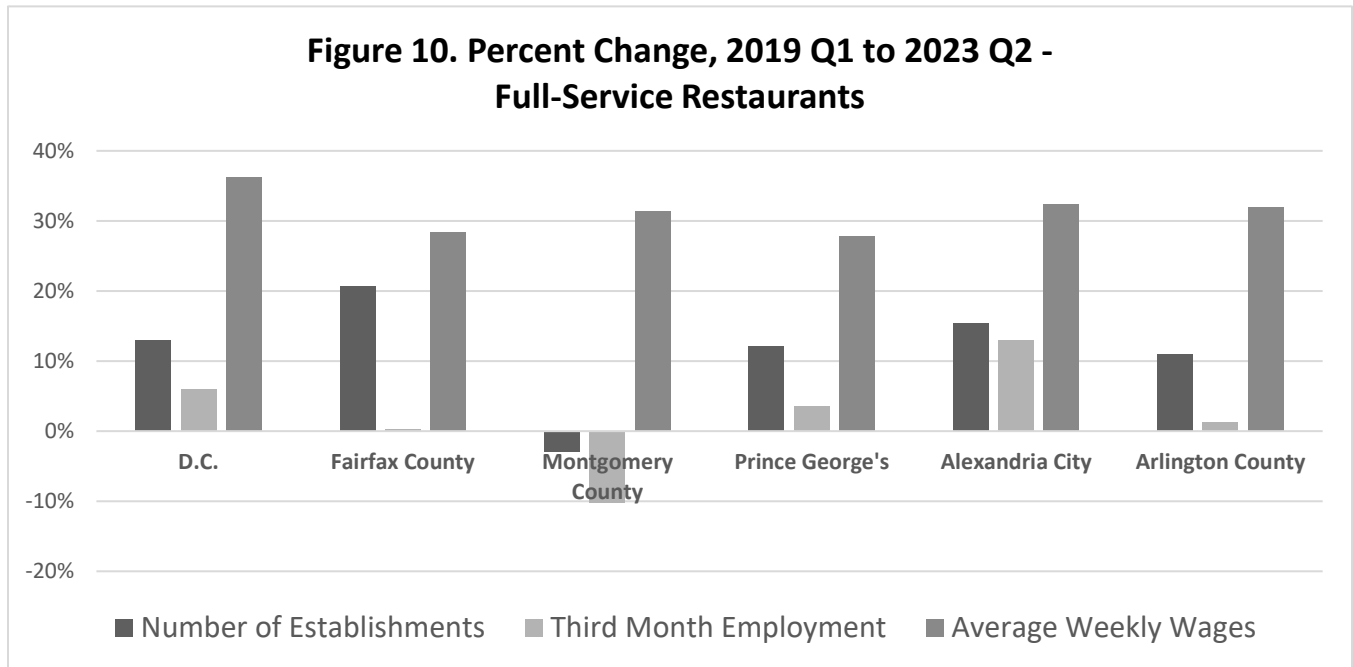
Source: QCEW



Source: QCEW

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The next figure shows the percent change for the three data points from 2019 Q1 to 2023 Q2. The data for Montgomery County show the number of establishments and number of employees in full-service restaurants was lower in June 2023 than in March 2019. The data for all other data points were either relatively flat (Fairfax and Arlington Counties 3rd Month Employment) or showed increases.



Source: QCEW

In addition to the QCEW indicators, OLO would also try to attain data on the annual total tax revenues from full-service restaurants (Indicator 4) and total number of restaurants with liquor licenses (Indicator 5).

Given the relationship between business income and total tax collections, tracking changes in total annual tax revenues from full-service restaurants may serve as an effective proxy for the profitability of the full-service restaurant industries while also providing insight into the fiscal implications of the differing tipped wage policies. Unlike Indicators 1-3, the data are not publicly available. OLO would need to request the data from DC and other governments and examine the extent to which the data are comparable.

Changes in the total number of restaurants with liquor licenses would also be useful to monitor. It may provide insight into performance of “night-time economies.” Like Indicator 4, local governments may not make total annual tax revenues by industry publicly available. OLO would need to request data from DC and other governments and examine the extent to which the data are comparable.

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III. Outside Reports

Initiative 82 has only been in effect in Washington D.C. since May 1, 2023 - increasing the tipped minimum wage to \$6 per hour on May 1 and \$8 per hour on July 1. Given that fewer than nine months have elapsed since then, very little data exists on the economic impacts of Initiative 82. OLO found two outside reports with some information worth noting, summarized below:

- D.C.-based national public radio station WAMU released an article on December 12, 2023 discussing the impact of Initiative 82 on D.C. restaurant workers;¹ and
- The Restaurant Association of Metropolitan Washington (RAMW) conducted a survey of 287 member restaurants in September and October 2023.

WAMU Story. In December 2023, WAMU reported on the implementation of Initiative 82. Below is a summary of relevant data points mentioned in the article.

Citing data from Square, a point-of-sale system used by restaurants, between January 2022 and October 2023, the average hourly wages and total earnings increased more than inflation for front-of-house and kitchen staff in D.C. restaurants. During the same period, average tips and overtime decreased by \$1 per hour. A chart in the article compares growth in earnings to growth in consumer prices for the time period:

In D.C., restaurant worker earnings have grown faster than inflation, Square data shows

Growth in average hourly earnings for restaurant workers in D.C. vs. growth in consumer price index, indexed to December 2021



¹ Gomez, Amanda Michelle, "[One year in, here's how Initiative 82 is affecting D.C. restaurant workers](#)," WAMU (Dec. 12, 2023).

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RAMW Survey. The Restaurant Association of Metropolitan Washington released a memorandum on November 1, 2023 summarizing results from an online survey it conducted in September and October 2023. The memo states that “a member survey of 287 restaurants was conducted online Sep. 28 to Oct. 8.” The data in the memo relevant to the discussion of tipped wages compares restaurant sales and traffic from before and after implementation of Initiative 82 and is summarized below. OLO notes several caveats to the data in the RAMW memo.

- The memo does not specify if the 287 restaurants represent: 1) the number of restaurants asked to complete the survey; or 2) the number that actually completed the survey. The memo does not report the percentage of restaurants given the survey that actually responded to the survey.
- The memo does not provide the questions or potential responses asked in the survey.
- For the data described below, the memo only reports the responses to certain answers.

The next table shows the percentage of restaurants in the survey reporting a drop in sales or in customer traffic.

Table 5. Data from RAMW September/October 2023 Survey

		% of Restaurants Reporting	Average Change
METRIC: Change in Restaurant Sales Summer 2022 vs. Summer 2023			
Reported Data	Sales Down	35%	31% drop
Unreported Data	Other Answers	65%	Unknown
METRIC: Change in Customer Traffic Summer 2022 vs. Summer 2023			
Reported Data	Customer Traffic Down	44%	28% drop
Unreported Data	Other Answers	56%	Unknown
		% of Restaurants Reporting	Average Change
METRIC: Change in Restaurant Sales September 2022 vs. September 2023			
Reported Data	Sales Down	40%	28% drop
Unreported Data	Other Answers	60%	Unknown
METRIC: Change in Customer Traffic September 2022 vs. September 2023			
Reported Data	Customer Traffic Down	46%	27% drop
Unreported Data	Other Answers	56%	Unknown

As time passes, OLO anticipates that additional data relevant to analyzing impacts of DC’s Tipped Wage Law will be made available.

Appendix 1. OLO Survey Solicitation, Survey Questions, and Answer Choices

Survey Solicitation

We want your opinion - Survey on Tipped Wages

In 2022 Washington DC raised the minimum wage businesses are required to pay tipped workers. Montgomery County, Maryland is considering similar legislation and the Office of Legislative Oversight (OLO) was tasked with determining how the change in required wages has impacted DC businesses.

OLO is asking for your participation in a short survey to help us understand how this initiative has impacted establishments like yours. The survey will take no more than five minutes to complete, and all responses will be kept anonymous.

To complete the survey please copy the link below and open it in a browser. If you have any questions, please contact Gabriela Monzon-Reynolds at 240-777-7875.

[Hyperlink to survey]

Thank you for your participation!

Survey Questions and Answer Choices

Q1. Does your establishment employ workers who depend on tips as a significant part of their salaries?

Answer Choices

- Yes
- No

Q2. How many employees at your establishment depend on tips as a significant part of their salaries?

Answer Choices

- 1-5
- 6-10
- 11-20
- 21-40
- More than 40

Q3. How long has your establishment been in business?

Answer Choices

- Less than a year
- 1 year to less than 3 years
- 3 years to less than 7 years
- 7 or more years

Q4. Before the DC tipped wage law went into effect, what was the average hourly salary (excluding tips) tipped employees were paid?

Answer Choices

- Tipped Minimum Wage (\$5.35 per hour)
- \$5.36 per hour to \$7.99 per hour
- \$8.00 per hour to \$11.99 per hour
- \$12.00 per hour to Minimum Wage (\$16.10 per hour)
- More than Minimum Wage (\$16.10 per hour)

Q5. Over the course of the last 12 months, what is the average monthly gross sales of your restaurant?

Answer Choices

- \$0 to \$24,999
- \$25,000 to \$49,999
- \$50,000 to \$99,999
- \$100,000 to \$249,999
- \$250,000 to \$499,999
- \$500,000 to \$999,999
- \$1,000,000 to \$2,999,999
- \$3,000,000 or more

Q6. In response to the DC tipped wage law, have you done any of the following? Mark all that apply.

Answer Choices

- Increased prices of items on the menu
- Reduced the number of full-time employees
- Reduced the number of part-time employees
- Reduced the number of hours offered to tipped employees
- Instituted a service charge
- Increased an existing service charge
- Other (please specify)

Q7. In response to the DC tipped wage law, do you plan to do any of the following in the next 12 months? Mark all that apply.

Answer Choices

- Increase prices of items on the menu
- Reduce the number of full-time employees
- Reduce the number of part-time employees
- Reduce the number of hours offered to tipped employees
- Institute a service charge
- Increase an existing service charge
- Other (please specify)

Q8. To what extent has the DC tipped wage law had a positive or negative impact on the profitability of your establishment?

Answer Choices

- Strong positive impact
- Somewhat positive impact
- Neither positive nor negative impact
- Somewhat negative impact
- Strong negative impact
- Don't know

Q9. To what extent do you support or oppose the DC tipped wage law?

Answer Choices

- Strongly support
- Somewhat support
- Neither support not oppose
- Somewhat oppose
- Strongly oppose
- Don't know

Q10. The County Council in Montgomery County, Maryland is considering a law similar to the one passed in Washington D.C. What advice or suggestions would you give to the Councilmembers who are considering the law?

Answer Choices

- Open ended response

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Appendix 2. Responses from Washington D.C. Establishments to Open-Ended Survey Questions

Three survey questions let respondents write open-ended responses. The comments provided by respondents are below. OLO has not edited the comments to correct typographical or other errors.

Question: In response to the DC tipped wage law, have you done any of the following?

Open-Ended Responses

1. Increased the portion of the service charge that we keep
2. Took food off menu
3. None
4. We will institute a service charge as wages go up
5. Introduced more tech to offset labor
6. Rent and insurance is tied to sales, so we had to renegotiate lease terms and shop for different insurance
7. We are so small we aren't required to offer health insurance, we stopped. The money has to come from somewhere. We have not started a service charge because a service charge is considered revenue and would drastically increase total revenue thus increase our liquor liability insurance cost. A tip is not revenue and doesn't increase our insurance costs.
8. Had no impact on us as we paid above minimum wage.
9. Changed the whole concept and business model of our restaurant as our original model was wildly unprofitable under the new laws.

Question: In response to the DC tipped wage law, do you plan to do any of the following in the next 12 months?

Open-Ended Responses

1. Reduce service hours, reduce menu items
2. We aren't sure, there's a lot of confusion in the public
3. Increase an existing service charge
4. Probably close

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Question: The County Council in Montgomery County, Maryland is considering a law similar to the one passed in Washington D.C. What advice or suggestions would you give to the Councilmembers who are considering the law?

1. The rollout of the increase is what has been most frustrating. The gradual increase is confusing to consumers and employees. A long lead time with one big increase would have been a better way to implement the increase.
2. This survey is a very good start. The combination of the recession, rising crime, rising cost of goods, fuel surcharges from vendors and I-82 has made running and owning a restaurant almost impossible. It is a very difficult puzzle that is costing jobs and livelihood of many people.
3. Understand that it is harder and harder to run a restaurant these days. With the cost of food and delivery at an all-time high... Labor cost are skyrocketing as well. When service charges go up... tips for staff goes down.
4. The new law only helps fast food workers and servers/bartenders that are not good at their job. My part time bartender/servers made 50k in tips in 2022. The new law will greatly affect the amount servers/bartenders make and will eventually put their entire wage on business. Under the old law customers paid their wage. And all in all servers like it that way. A server at [REDACTED] that is full time making 75k a year or more won't be able to make that salary under the new law. The restaurant won't be able to take on that salary burden. The good servers and bartenders will leave the business in DC and we will have shortage of qualified individuals in when we are already struggling to find help.
5. I feel the system in our city of tipped wage was not broken. I feel that businesses did not plan for this and many are forced to close because it was not in the business model
6. Don't do it! You employees will be upset, customers don't want to see an increase on menu prices. Everything is costing us more. A lot of business in DC are closing. Within the last 6 months a total of 12 business restaurants and club have closed. I suggest you don't do it.
7. Don't understand the push for this. Most bartenders/waiters/waitresses and the like have been happy with their income of low pay/high tips. I'm hearing that they are now making less as customers are not tipping as high, knowing that their base is now more. The wage increase did not effect our business model much. Employees have always made at least minimum wage plus their tips and we are a fast casual and do not have employees waiting on tables/at the bar

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8. As a previous tipped wage earner for many years, I stand opposed these measures in general, as they will ultimately cause a drop in income for these positions. Now as an operator, I still believe they will cause a drop in real income for tipped employees over time; however, they are inevitable considering the swing in public sentiment and it is our responsibility to mitigate losses for everyone involved. Having watched the implementation in DC, I think the best way forward is honesty in price increases. Many restaurants in D.C. hid behind "service fees", "initiative 82 fees", etc., which not only created problems for those restaurants, but also more generated more distrust of restaurants for the public AND for their employees in general. I'd advise hospitality operators to be more honest in how they adjust prices, hours of operations, staffing levels, or however else they choose to compensate, and roll through the pain of adjustment. The reality is that the true labor costs have been long subsidized through the Tipped Income Credit, and we have to adjust to the new norm, sooner or later, and hiding those costs in any way will hurt our business in the intermediate period. I think that there is a real opportunity for local governments to teach fixed and/or underdeveloped operators how to develop mixed pricing models that allow for restaurants to run profitably while still offering affordable options, how to implement more fiscal discipline through better inventory control, and how to change staffing levels in a way that still provides reliable service to the guest despite reduced numbers on the floor at a given time. Profitably will drop, but can be mitigated through reviewing expenditures and be flexible in changing old procedures from the top down. It is a difficult time, for sure, but honest engagement has helped us not to lose as much as many other locations this year, at least.
9. Don't do it as it will negatively impact your business
10. It makes the experience worse for everyone.
11. I encourage Councilmembers to speak to actual tipped wage employees. You will find that most are opposed to this legislation. It means that consumers tip less, and tipped wage employees are reduced to minimum wage rather than having the opportunity to make on average 20% of their sales. There is no incentive to work as a skilled employee in food & beverage establishment if you are unable to make more than minimum wage. It is also has a huge impact on small businesses that rely on consumers to tip, based on service, and forces them to pay increased labor which therefore gives no incentive for skilled labor.
12. This should happen.
13. please, no. ty
14. Work as a tipped employee somewhere and watch your wages reduce.

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15. Don't do it. The law already guarantees employees make minimum wage between their hourly and tips. Enforce the law you have. 99.9% of places let their employees keep 100% of tips as it should be. In order to make up for the difference in wages restaurants are now using the service charge to compensate for increased wages. Government COVID restrictions, inflation, worker shortages, increased regulations and a host of other issues over the past several years have greatly increased our costs as is, wages being one of the main ones. In our area we have seen dozens of restaurants close since summer when the law went into effect. We have also lost a lot of the top tier servers and bartenders in our industry as their maximum earning potential has taken a huge hit by this unnecessary policy. Please leave the laws as is. It already protects workers and ensures they make minimum wage. Feel free to increase minimum wage. Don't get rid of the tipped service minimum wage as is. It will close businesses, cost people their jobs and make it far more expensive to eat out with worse service. I appreciate you all seemingly doing your due diligence to some extent and asking what businesses think of it. This is something that was not done in DC. This is on top of a public campaign that mislead people citing extreme and extremely rare instances as justification. Enforce the law you have, educate workers and business owners alike. Don't pass this law
16. Don't do it! Tipped workers want to keep tips and changing the law makes that almost impossible
17. Ask them if they would prefer self-service counters when they eat out.
18. The customers, servers and the restaurant are not happy with this. We already had to make up the difference if the servers did not earn enough tips to reach the \$17 minimum wage. Enforce compliance on that do not change the whole system.
19. I understand the need to make sure that people are making fair wages. It's a great initiative. The problem with this law is that it applies a blanket regulation to restaurants that are vastly different in their profitability models. Where is the money coming from? The math doesn't math. If the common suggestion is that we raise prices, well, put that in the ballot as well. Most people do not understand how this law affects their experience. American diners are conditioned to value hospitality and food in a certain manner. I believe most people undervalue food service workers and don't know the true cost of dining out. Forever, this is the way we've dined out. And now, laws like these make us increase costs. That's fine, but what has happened in DC is that diners do not agree with the increases. Whether by service charge or increase in menu price. There's confusion and eventual anger. The advocates for this policy have not helped workers as far as I can see, and there's no one helping owners educate the public on what the change means. Sure, we all should be valued higher, but it's just not that simple when instituting blanket rules. As far as being attractive to businesses, this rule has seriously made us hesitate in opening traditional restaurants in the city. We have places in Virginia and as NOVA continues to develop, we do wonder if we can afford do business in DC.
20. Don't do it My staff in downtown DC are making anywhere from \$40-\$60 in tips plus hourly. I think it should have been decided by different classes of restaurants. To prove in payroll what they are making. I understand that some fast casual places or types of restaurants operating in different places may not be making that kind of money, but they are required by law to pay service staff a minimum wage tip make up if they don't make more than minimum wage.

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21. Jobs will be lost.
22. Do not do it. You basically are increasing the cost of doing business and creating jobs and it's passed on to the taxpayers who complain about the measures taken to account for the increase in labor costs. Most restaurants operate with a 3%-7% margin so why play out this experiment when the system works for the majority of tipped workers? Enforcement of the current laws on bad actors/operators should be the priority. 82 in DC is a terrible idea, and again, people who have an agenda other than helping business creating narratives to further their objectives. Why create a solution to a problem that doesn't exist, especially in DC where most tipped workers earn well over \$20 per hour? Our tipped workers average \$45 an hour but my tipped labor has by 60% thus far. Why?
23. I don't recommend passing this law bc it will not be good for business owners or the Community. But as a DC restaurateur I think you should pass it bc it would allow us to play by the same rules
24. You're at risk of losing businesses to VA
25. Lease terms are generally 10 years and include percentage rent. Be familiar with percentage rent and that landlords make more money. Insurance costs also go up. Customers are also tipping less and visit less frequently. Our bartenders do not feel like they are making more money and are frustrated by all the confusion.
26. Look at the data for Montgomery County. How many tipped employees are currently making less than the minimum wage. This legislation tried to find a solution to a problem that we believe didn't exist.
27. My tipped employees will suffer from lower total average hourly wage and customers will pay more.
28. Our industry is burdened by the various hidden costs associated with service charges and increased payroll expenses that have to be considered. These financial strains are not always apparent, but they significantly affect our day-to-day operations and profitability. Moreover, there seems to be a lack of public awareness regarding the tax implications on a serve charge. Many DC residents were surprised to learn that service charges are subject to sales tax, whereas tips are not. Washington D.C. does not exempt service charges from the 10% sales tax. My concern is once this tax revenue gets scored into the budget it becomes a permanent fixture in the DC budget, making it challenging to reduce it in the future. This situation gives Maryland an operational advantage over D.C. in this regard. There's almost a first logic and hoping it passes so that it levels our plain field where MD has the clear advantage at the moment, I urge you to consider the implications of this policy on your local businesses and the wider community.
29. Do not implement this law. If you do, you need to have CLEAR expectations outlined for both restaurants and customers. Prices WILL increase. Fees WILL be utilized to offset costs. Servers who have built their business and service WILL loose tips. Customers aren't happy. Servers aren't happy. Owners aren't happy.

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30. Please understand the economics of independent restaurants. Our bottom-line margins are extremely thin, and changes to labor cost have a huge impact on these margins. We have 6 different concepts in DC and have calculated the impact the tipped minimum wage law in DC will have on our businesses. If we made no changes to our labor structure or prices, the law would make every single business of ours structurally unprofitable. Some of these businesses have been around for 20+ years. Please do not make the same mistake DC is making.
31. Increase to max \$10 business can afford without increasing/ losing customers- regulate service fees and don't limit the total earnings wages plus's tips
32. Make service charge exempt from sales tax.
33. Make service charges exempt from sales tax.
34. There has been no assistance from DC Council to help prop up the business that are now forced to adhere to the DC law. Nothing has been offered to help supplement or in any way support the business. Meanwhile the public doesn't understand the nuances of the law and demand their local businesses increase wages but have massively reduced their patronage. Raising prices is not a feasible solution to the problem as prices are already high. Additionally, I have had to stop offering health insurance to all full-time employees as I can't afford it anymore. My staff was already earning between \$25-30/hour on tips before the law was implemented.
35. Your citizens will complain for the added fees to the bill, when they visit restaurants. The raised wages will be paid by the citizens. The food item prices will raise in order to compensate the raised wages. Patrons will be unhappy about new fees and new food prices, plus the current high costs of every product due to the inflation. This law creates a real struggle to businesses. I recommend not to consider this law. Thank you!
36. Don't do it. Tipped employees are making less The restaurant industry is dead in DC It's much more lucrative from employer, employee and customer perspective to work, operate and dine out in md or va. Don't make the same mistakes dc has made
37. If you are going to do it, make tipping illegal. Rip off the band aid. Give workers a predictable wage or salary. Give operators a predictable playing field. Raising the wage but keeping tipping doesn't accomplish anything. Our tipped workers always made far more than minimum wage. If I kept tipping at our increased prices, plus regular minimum wage, our tipped employees would make far more than their managers. Not opposed to people making more, but there should be compensation based on skill, experience, education, certifications, level of restaurant, etc. Just like every other field. A worker with a master's degree in hospitality from Cornell makes on average about \$55-60k out of college. A server with no formal education and a couple years' experience at a chain restaurant in a major metropolitan area probably makes more. An entry-level public-school teacher with a degree only makes about \$48k in Washington DC for a frame of reference.

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38. Why don't you just shut down small businesses? Big businesses refuse to pay their employees a livable wage, but hey, why not put the pressure on small businesses instead? Make it make sense. This law has already made businesses close in DC.
39. I'm moving my \$2.6m a year restaurant that generates at least \$500k in taxes to Virginia. DC is averaging over 1 restaurant closure a week in 2023. Don't do this to yourselves.
40. Please listen to the Tipped Wage workers - in DC the tipped wage workers were and remain overwhelmingly against the forced change. Our employees averaged over \$40/hour and now with increased prices (due to labor and costs of goods), people are tipping less so employees are making less now than they were. Listen to the people whose lives this will actually affect.
41. Don't like the idea

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Appendix 3. U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Number of Establishments

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	% Change - 2019 Q1 to 2023 Q2
D.C.	984	993	1,020	1,020	1,034	1,008	1,021	1,027	1,005	1,018	1,022	1,029	1,031	1,037	1,061	1,075	1,079	1,111	13%
Fairfax County	819	828	820	835	843	831	834	841	841	846	876	897	911	922	939	964	976	988	21%
Montgomery County	626	632	629	630	629	606	598	603	591	603	601	620	610	624	634	638	609	608	(3%)
Prince George's County	321	320	323	325	335	322	319	323	317	331	329	333	340	348	361	371	359	360	12%
Arlington County	246	244	244	248	246	248	242	249	250	250	253	258	258	265	269	272	272	273	11%
Alexandria City	163	164	161	164	166	165	163	165	165	167	167	167	174	176	178	184	187	188	15%

Third Month Employment

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	% Change - 2019 Q1 to 2023 Q2
D.C.	29,089	30,751	29,597	29,552	27,981	11,142	14,432	14,049	14,653	20,174	22,268	24,202	24,155	27,406	27,490	28,052	28,739	30,828	6%
Fairfax County	19,937	20,901	19,631	20,075	18,710	11,656	14,053	14,417	14,710	17,001	16,912	17,795	17,500	18,785	17,893	18,730	18,993	20,000	0%
Montgomery County	14,400	14,853	14,174	14,666	13,217	7,275	9,634	9,182	9,190	11,117	11,488	11,886	11,416	12,246	11,800	11,967	12,357	12,934	(10%)
Prince George's County	8,111	8,536	8,019	8,381	8,136	3,957	5,668	5,590	5,691	6,924	7,087	7,142	7,247	7,551	7,876	7,829	8,313	8,404	4%
Arlington County	6,197	6,470	6,306	6,301	5,926	3,594	4,277	4,306	4,479	5,289	5,495	5,598	5,559	6,002	6,004	5,962	5,982	6,274	1%
Alexandria City	4,796	5,217	4,790	4,932	4,562	2,924	3,402	3,297	3,604	4,303	4,335	4,275	4,468	5,022	4,820	4,702	4,898	5,421	13%

Average Weekly Wages

	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	% Change - 2019 Q1 to 2023 Q2
D.C.	\$586	\$642	\$614	\$652	\$599	\$616	\$623	\$670	\$587	\$722	\$745	\$794	\$658	\$781	\$781	\$766	\$768	\$798	36%
Fairfax County	\$511	\$516	\$517	\$538	\$530	\$487	\$529	\$554	\$528	\$593	\$630	\$661	\$618	\$641	\$672	\$659	\$680	\$656	28%
Montgomery County	\$475	\$495	\$494	\$509	\$504	\$485	\$521	\$524	\$479	\$573	\$604	\$622	\$549	\$596	\$621	\$621	\$612	\$624	31%
Prince George's County	\$424	\$434	\$442	\$445	\$436	\$415	\$461	\$460	\$438	\$494	\$514	\$517	\$471	\$524	\$535	\$529	\$524	\$542	28%
Arlington County	\$500	\$528	\$523	\$535	\$511	\$534	\$536	\$565	\$520	\$603	\$610	\$664	\$586	\$657	\$672	\$654	\$639	\$660	32%
Alexandria City	\$486	\$490	\$505	\$498	\$478	\$486	\$528	\$519	\$499	\$563	\$605	\$607	\$552	\$606	\$646	\$640	\$610	\$643	32%