

Testimony Cornelius J. Russell

LD 403

"An Act to Eliminate the Exception from Minimum Wage Laws For Workers Who Receive Tips"

Senator Volk, Representative Herbig, and distinguished members of the Joint Standing Committee on Labor, Commerce, Research, and Economic Development,

My name is Cornelius J. Russell; I reside in Rockport, Maine and am the General Manager of the Samoset Resort. I am here today to respectfully oppose LD 403.

I have been employed as a second generation Maine hotelier in the hospitality industry for over 30 years. I cut my teeth in the industry at an early age working in my family's Orono and Bangor motels. It is a career that I am very passionate about, that once it's in your blood, is here to stay. Tourism is the state's number one business as Maine offers endless possibilities for our guests to enjoy. We would like to think that many of our guests and those staying at other establishments return year after year due to not only the beauty of our state but the service and hospitality they receive.

Our tipped food service staff ranges from \$10.00-\$40.00 per hour in tips received directly from customers in addition to their \$3.75 hourly wage. The elimination of the tip credit would give employees an additional \$3.75 per hour which cumulatively represents 3 or 4 more times minimum wage.

The full service restaurant industry operates on thin margins netting 10-15% profit. A typical net tip credit labor cost (recording the employee expense at the tip credit rate of \$3.75 per hour) represents approximately 8% of revenues. Eliminating the tip credit would add approximately 6-8% of increased costs to operations, depleting profitability that, in many cases, would be at levels incapable of sustaining debt service and would not allow accumulation of reserves necessary to maintain operations and facilities. Accordingly, the seemingly harmless act of eliminating the tip credit could be the difference between profitability and the continuation of many businesses.

I respectfully ask that the committee, while deliberating on this issue, to please consider the unintended consequences of passing this bill and its potential impact on all sizes of hardworking Maine businesses.

Thank you for your time. It would be my pleasure to answer questions or provide additional information for the work session.