

J. Timothy's Taverne

Testimony Before the Labor Committee- HB 5291

Good afternoon Representative Zalaski, Senator Prague and Members of the Labor Committee. My name is Tim Adams and I am a board member of the Connecticut Restaurant Association and have previously served as its Chairman. I am also a co-owner of J. Timothy's Taverne in Plainville.

Over the years I have sat here to testify about issues concerning our industry and those related to it. Never before have I come to the Capitol with such a sense of impending dread about the direction and economic future of our nation and especially our state.

For over a year Connecticut restaurants have been swirling in the midst of an economic "perfect storm". It begins with being challenged because we are located in what is undeniably one of the least business friendly states in our country. We have been pummeled from all sides. Our state and local taxes have increased, unemployment rates have increased and are accompanied by special assessments at the state level, and the federal government takes money directly from us to cover the interest on loans that Connecticut has outstanding. Even as we sit here there are talks of changes to worker's compensation and our liquor statutes that can dramatically increase costs. Our minimum wage and tip credit wages are already among the highest in the nation and dramatically exceed those in neighboring states, and now we stand to lose "tip credit" completely. We have also recently been taxed with an ill-conceived "paid sick leave" law which is nothing more than mandatory vacation pay. These are only the tip of the iceberg when it comes to anti-business activity on the part of the legislature. Our commodity costs have risen significantly and will only go higher fueled by the increased cost of gasoline and its associated taxes.

Historically cost increases were spread out over time and occurred in generally better economic times. Menu prices rose slowly and were absorbed as being normal. Recent times have force obvious menu price increases with most operators hesitant to take increases that fully cover their costs. Correspondingly margins have decreased since the beginning of the real estate crash. Our guest counts have suffered as well. For many of our customers, that spare twenty dollar bill in their wallet that once allowed for a burger and a few beers is gone because they had to fill their gas tank before they could go out to eat.

Any minimum wage increase or the loss of tip credit will create significant expenses and corresponding price increases over and above those we have already incurred. Cash strapped consumers will once again respond by staying home more than they do now. It will not be a matter of a job or two being cut, but, this time we will see business failures and the loss of an entire staff. Weaker businesses will fail and this legislature will be directly responsible for another increase in the exodus from our state and for the loss of more jobs and sales tax revenue.

As government increases its demands of taxation, regulation, and labor legislation, three things happen. New businesses do not open, old businesses die, and a rapid move to an expanding cash economy

occurs. The obvious loser here is the state, as their tax revenues and fees dramatically shrink. The other losers are businesses too small to benefit from economies of scale, those that are stuck in Connecticut, and those that are too large to go to the cash economy. These businesses will bear the brunt of increased pressure as the state looks further for ways to pay its bills.

The biggest losers will be the folks you think you are helping. A 10% increase on overall labor costs will move money out of the kitchen and onto the floor. And even this will be short lived. High earning tipped employees will now become hourly staff and a service charge on your dinner tab will be put in place to cover increased wages and government mandates. Single mothers, working as servers, now are able to provide fully for their families because of their tipped income. This will be a thing of the past.

We can end this vicious cycle when we all realize that small business is the mainstay of our American economy. Government creation of artificial jobs and the social welfare of minimum wage mandates have never proven a viable solution. The under employed and unemployed are best served when small business prospers, for it is there they gain the tools and are provided the opportunities they need to truly provide for their families and to escape the yoke of minimum wage legislation.

In light of the facts it is important to resist any increase to an already flawed minimum wage. And, in an effort to move our economy forward, "tip credit" should be increased and removed from any connection to minimum wage or any other indexing. This is currently being acted on in Florida and Arizona. It would seem to make sense to follow states whose economies are growing instead of becoming more and more like a failing California.

Thank you for your time and for listening to another perspective.