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To: The Honorable Members of the Illinois House Labor & Commerce Committee

From: Noah Finley, State Director

Date: April 2, 2024

Subject: Protect Independent & Family-Owned Restaurants—Oppose HB 5345

Small businesses are under strain in the current economy. According to NFIB's monthly Small Business Economic Trends Survey, small-business owners continue to wrestle with ongoing inflation and price pressures.

For small, independent restaurants, it is even worse. COVID closures hit these restaurants particularly hard. As the *Atlantic* recently noted, full-service restaurants are still hundreds of thousands of employees shy of their pre-pandemic numbers.

On top of the forced closures during the pandemic, restaurants have borne the brunt of elevated inflation. Restaurants often have low profit margins. As such, higher food and labor costs hit them particularly hard, especially independent and family-owned restaurants with less market bargaining power.

The federal Bureau of Labor Statistics reported that—year over year—the price of dining out had risen over 5% in January. In an age where wages are not keeping up with inflation, many consumers have cut back on the restaurant experience, especially full-service dining. For many Americans, it is no longer affordable.

And, as Americans eat out less, restaurants suffer. The *Wall Street Journal* reported last month that more independent restaurants had closed than had opened last year—4,590 more closures through November.

This legislation will further increase costs for small and independent restaurants. It will also impact their employees. Studies have indicated that eliminating the tip credit reduces full-service restaurant jobs. Even if a restaurant keeps its doors open, it will be forced to cut costs somewhere—often by reducing employee head counts.

Illinois cannot afford additional layoffs. As a state, Illinois has one of the highest unemployment rates in the nation at 4.8%. Only California and Nevada have unemployment rates higher than Illinois.

This legislation would put additional strain on independent restaurants, increasing costs and forcing them to raise their prices to stay open. This strain will trickle down to their employees and customers, resulting in fewer jobs and higher menu prices.

NFIB urges you to support small, independent restaurants, their employees, and their customers, and vote “no” on HB 5345.

Thank you for your support of Illinois' small-business community.