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Statewide Candidate Questionnaire

Attached is an overview of the current state of the Wisconsin Restaurant Industry and the Wisconsin restaurant Association's questionnaire for candidates running for statewide office. These nine questions center around issues that are important to the restaurant industry. It is not an all inclusive list of issues we are either advocating for or are concerned about, but just a snapshot of what restaurant owners, managers and employees are talking to us about from all over Wisconsin.

Some of these issues are long-term subjects that WRA has advocated on for many years and will play a role in the industry's long term success. Others are present day problems that need to be addressed for immediate impact on our industry's needs.

The WRA is encouraging our members to vote on November 8 and to research and determine who they wish to vote for. Each statewide candidate's answers to these questions will be posted on the WRA's GOTV webpage, giving readers the information they need to make voting decisions based on restaurant industry issues.

The WRA will not be endorsing candidates for the November 8 election. Our members overwhelmingly have told us they want us to provide them the information needed to make their voting decisions, but not to tell them who they should vote for. The entrepreneurial/independent spirit is alive and well in the restaurant industry and our goal is to provide our members and the industry what they need to make informed decisions.

Questions regarding this questionnaire can be directed to Susan Quam, WRA Executive Vice President, squam@wirerestaurant.org

Restaurant Industry Priorities and Questionnaire for State Candidates

Candidate Name:

State of the Restaurant Industry

Despite outward appearances of recovery, Wisconsin restaurants still struggle to be profitable and stay in business. Our latest survey (August 2022) shows that **Restaurant operators expect business conditions to remain challenging**

- Business conditions deteriorated in recent months, according to many restaurant operators. 36% of Wisconsin operators say business conditions for their restaurant are worse now than they were 3 months ago. Only 20% say business conditions improved during the last 3 months.
- Looking forward, most Wisconsin restaurant operators do not expect a return to normal business conditions any time soon. 12% of operators think it will be 7-12 months before business conditions return to normal for their restaurant, while 27% think it will be more than a year. An additional 42% of operators say business conditions will never return to normal for their restaurant.
- Soaring costs across all parts of the business are creating challenges for restaurant operators
 - ◇ A majority of Wisconsin operators say their costs are higher now than they were before the pandemic
 - ⇒ 88% of operators say their total food and beverages costs are higher than 2019
 - ⇒ 85% of operators say their total labor costs are higher than 2019
 - ◇ Wisconsin restaurants took a number of actions in recent months as a result of higher costs:
 - ⇒ 94% of restaurants increased menu prices, while 73% changed the food and beverage items offered on the menu
 - ⇒ 59% of restaurants reduced hours of operation on days that they are open, while 42% closed on days that they would normally be open
 - ◇ Profitability is down from pre-pandemic levels
 - ⇒ Despite the wide variety of mitigating actions taken to address higher costs, the vast majority of Wisconsin restaurants are less profitable now than they were before the pandemic.
 - 75% of Wisconsin operators say their restaurant is less profitable now than it was in 2019 before the pandemic.
 - Only 10% of operators say their restaurant is more profitable, while 15% say their profitability has remained about the same.
 - ◇ The majority of Wisconsin restaurants are understaffed and actively seeking to fill positions
 - ⇒ Although the industry added back many of the jobs lost during the pandemic, a majority of Wisconsin restaurants remain understaffed. 73% of operators say their restaurant currently does not have enough employees to support its existing customer demand.
 - ⇒ For most Wisconsin restaurants, staffing is significantly below necessary levels. Among restaurants that are currently understaffed, 64% of operators say their restaurant is more than 10% below necessary staffing levels. 18% of operators are currently more than 20% below necessary staffing levels.
 - ⇒ 87% of Wisconsin operators say their restaurant currently has job openings that are difficult to fill.
 - ⇒ 90% of Wisconsin restaurant operators say they will likely hire additional employees during the next 6 months if there are qualified applicants available.

1. Personal Property Tax

Personal property tax (PPT) is paid by businesses on their annual property tax bills. Items that are not real property, such as furniture and office equipment, are itemized and property tax is paid on its depreciated value. Year after year, the tax is paid on the value of items for which sales tax was already paid when they were purchased. This method of taxation discourages restaurants from investing in new equipment and supporting Wisconsin based equipment manufacturers and suppliers. There are many carve outs and exemptions for various industries and WRA members believe it is unfair that they pay this tax on their equipment and fixtures, when business owners in other major industries do not. The tax is made even more inconsistent because it is applied differently in different municipalities.

The 2017-18 Budget Bill gave restaurants and other small businesses some PPT relief by exempting “machinery, tools and patterns” in Schedule C of the PPT form and backfilling the lost revenue to municipalities. However, municipal assessors are balking at honoring the legislature’s intent in exempting pieces of machinery, especially restaurant related items that meet the machinery definition. Even worse, assessors are making up “lost” PPT revenue by increasing property value assessments in equal amounts. WRA members believe it’s long overdue to level the playing field for all Wisconsin businesses and eliminate PPT. This move would put \$200 million back into the hands of business owners, which would stimulate reinvestment into their businesses.

WRA supports backfilling municipalities for lost revenue provided by PPT. We also recognize that many municipalities will realize administrative savings once the onerous PPT paperwork and audits will not longer be required, and therefore indexing the backfill is not necessary.

Do you support the elimination of the Personal Property Tax?

2. Alcohol Delivery

The WRA represents over 7,000 locations, most of which have licenses to serve alcohol.

The majority of WRA's 7,000 member locations have Class B and C alcohol licenses. Restaurants need help to stay in business due to lost sales during the pandemic and the difficult economic situation they are currently facing. The restaurant and bar industry has razor thin profit margins. Sales of alcohol for on-premise consumption is where many restaurants make their profit, while profit from food sales are very tight as labor and food costs continue to increase. While delivery of food provides some cash flow, it provides very little if no margin for restaurants to use to pay their bills.

Consumer dining trends were already changing prior to the pandemic. The pandemic forced many diners who wanted restaurant quality meals to have that food delivered rather than dining in. Even now, two and one-half years into the pandemic, when each new COVID variant emerges, we see dips in on-premise dining and more demand for delivery - consumers will still want restaurant quality food delivered rather than dine out. Research shows delivery of restaurant meals will not go away. With the trend to dine off-premise comes a reduction in high-margin alcohol sales. Our survey of Wisconsin residents shows that 76 percent of adults age 21+ would favor a proposal to allow for alcohol to be delivered with their food orders.

Many Wisconsin restaurants and bars either have hired their own delivery drivers or are contracting with third party delivery companies in order to meet consumer demand for delivered meals. As more traffic moves off premise, offering alcohol delivery can give restaurants an opportunity to recapture the high-margin alcohol sales they are losing as consumers continue to use delivery of restaurant food. Current Wisconsin statute does not allow for the delivery of alcohol. Forty states, including neighboring Michigan and Illinois, have enacted laws that allow for the safe delivery of alcohol, including protocols to prevent purchase by underage persons. While other groups believe that alcohol delivery cuts into on-premise sales, WRA believes that with the long term trend of restaurant food being eaten away from the restaurant, owners need to have tools to recapture the alcohol revenue that they already have lost and will continue to lose.

Do you support changing Wisconsin law to allow the delivery of alcohol?

3. RNC Bar Time Extension

Milwaukee and southeast Wisconsin will host the Republican National Convention (RNC) in summer 2024. This event brings over 45,000 people from all over the United States and the world to participate - as delegates, news media and general observers. Unlike any other large event that has visited the state, the RNC brings a wide range of visitors – many with a large amount of disposable income or expense accounts funding their visit. The overall economic impact to our state is estimated to be \$200 million.

The RNC is a prime-time television event - activities at the Fiserv Forum and surrounding security zone will not end until 11:00 p.m. or Midnight. This means delegates, media and other visitors will not return to their hotel areas until after Midnight. This late-night return does not only affect the voting delegates who are staying in adjacent counties. We already know based on pre-pandemic planning done for the 2020 Democratic National Convention (DNC), that media outlets and large non-delegate groups will contract with hotels in Sheboygan, Walworth and Dane counties. We expect more in the entire southeast quadrant of Wisconsin to be utilized as well.

This late evening travel means that visitors will be looking for late night food and beverages in and near their hotels. Most of these visitors will be walking or using ride sharing, taxis or buses. The hospitality industry is preparing to meet the demand, but mandatory closing time on the nights of the RNC is 2:00 a.m. Activities will just be ramping up at that point in time. Extending legal bar time to 4:00 a.m. on these nights only makes sense to meet customer demand, serve adult beverages safely, and maximize visitor spending. Precedent has already been set in previous RNC and DNC cities, where municipalities temporarily moved bar time to 4:00 a.m.

Wisconsin statute sets closing hours in Wisconsin, therefore a change in statute to allow for this extraordinary opportunity is needed.

This is a win-win for small hospitality businesses in Wisconsin. It is an opportunity to maximize visitor spending and help restaurants, bars and hotels meet customer demand. We are competing with these same businesses in Chicago and northern Illinois, some areas of which already enjoy a later bar time. Let us keep the playing field level and keep these tourism dollars in Wisconsin.

Do you support extending bar time for the RNC?

Would you support changing state law to allow for municipalities to extend bar time (without legislative approval) when future large events, similar to the RNC come to Wisconsin?

4. Third Party Delivery Consent

In the next legislative session, the WRA will again introduce a bill which focuses on permission and transparency for delivery services and defines best practices for third-party delivery.

The bill is based on principles that the national, third-party delivery companies have agreed to in cooperation with the Council of State Restaurant Associations and the National Restaurant Association. Similar legislation has been passed in 11 other states and more states will do so when their sessions reconvene. While the national companies have agreed to the principles, they are not necessarily abiding by them until required to do so via legislative action.

Delivery represents one of the most important segments of growth for the restaurant industry and third-party platforms play an important role in helping restaurants survive the pandemic and grow their business. However, many restaurants have contacted WRA because they are concerned that their restaurant has been listed on third party delivery platforms without their permission. This has led to old menus being posted, old menu prices being listed, unhappy customers and undeserved bad reviews for restaurants. It is very difficult for restaurants to get their information re-moved from these platforms, and many times the menus get reposted again within a few weeks.

Restaurants have a right to know and determine when and if their food is being delivered. It is very difficult for restaurants to constantly fight these kinds of battles, while still trying to keep their business afloat during a pandemic and economic downturn. Many times, engaging legal counsel to help is not possible due to the cost involved. Those who can afford legal help tell us it is a constant game of “whack-a-mole” to keep a restaurant’s menu off a platform.

This bill requires delivery companies to have written consent from a restaurant before they can post its menus on their platform. The bill also has other measures to ensure transparency in fees/other charges and food safety expectations. The requirements would be enforced by the Department of Agriculture, Trade and Consumer Protection, with fines for non-compliance.

Do you support requiring third party delivery companies to get consent before listing a restaurant on its platform?

5. Tourism Promotion

The state tourism marketing budget returns \$7 to the state coffers for every \$1 spent, generating \$1.4 billion in state and local taxes in 2021. It generated \$2 billion during 2019, before the COVID-19 pandemic. The tourism industry was hit harder than any other industry during the pandemic and certain sectors of the industry have yet to recover, specifically meetings and conventions and business travel. Every dollar spent in a restaurant is a tourism dollar. Both business and leisure travel are integral to the restaurant industry's success.

Are you willing to invest in tourism marketing and tourism development if elected, so the state can better compete for meetings and convention travel as well as leisure travelers? Do you support an increase in the Department of Tourism marketing budget to be more competitive with Michigan, Illinois, Iowa and Minnesota?

6. Minimum Wage and the Tip Credit

The WRA agrees a discussion is needed regarding the current federal minimum wage. It has been over a decade since it was increased, and those discussions are overdue. However, now is not the time to raise the minimum wage or eliminate the tip credit. Restaurants are experiencing extreme economic struggles, including market driven wage increases of 20 percent or higher. Some restaurants will not see an economic recovery from pandemic related forces until 2024, or later. The restaurant industry needs time to recover, but at the same time, the WRA and its members are ready to have a conversation about a balanced way to address wage levels in the foodservice industry and the unique impact any change would have on the economic recovery of its employees and restaurant operators.

The minimum wage was created to be an entry level wage and to protect vulnerable workers, not to guarantee a “living wage” to all workers. The “tip credit” is the mechanism that allows tipped employees to earn a lower base wage as long as their reported tips bring their earnings up to minimum wage or higher. Since servers in Wisconsin typically make \$15-\$30 per hour in tips alone, this frees up resources to allow kitchen and other non-tipped staff to earn higher hourly wages.

Do you believe the minimum wage should be increased at the federal level?

Do you believe the minimum wage should be increased at the state level?

Do you support the current law allowing the tip credit?

7. Cottage Foods

Proper food safety practices are the number one priority for restaurants and other licensed retail food establishments, such as bakeries and grocery stores. Protecting public health and their own business is important for restaurant owners. In fact, the WRA was founded in 1933 in order to force the state of Wisconsin to develop what is now the Wisconsin Food Code, which provides food safety regulation for all retail food establishment. The WRA is a strong supporter of science-based regulation that protects the public and the restaurant industry.

Up until recently, any person or business needed to obtain a license from either the Department of Agriculture, Trade and Consumer Protection (DATCP) or one of its local agent health departments to sell food to the public. Two court cases in Lafayette County challenged DATCP's authority to regulate home-based, for-profit food businesses and the requirement of licensure to sell to the public. A county judge ruled that DATCP does not have authority to prevent home based businesses from selling "non-hazardous" food directly to the consumer. These rulings not only go against sound food safety principles, but it has also created a lot of confusion on what foods can and cannot be created in a home kitchen and sold to the public.

WRA has many concerns about the safety of food created in an unlicensed, uninspected home-based kitchen. This is not about church bake sales or potluck suppers. These are for-profit businesses, which currently have no regulations, other than what is laid out by court decree - which is ambiguous, limited, and does not take into account industry supported food safety principles.

Legislation requiring registration or licensure, along with at least an initial face-to-face kitchen inspection, is needed to put some regulatory structure in place for home-based food businesses (aka cottage food businesses). Many of these unlicensed businesses are selling foods that are not even allowed under the court rulings, such as meat pies and cheesecakes. Some are even catering pig roasts or selling fully prepared meals. As these cottage food businesses grow, at some point a licensed commercial kitchen needs to be required. As it stands now, these unlicensed businesses not only are producing foods that are considered potentially hazardous, they directly compete with local businesses that are required to have licensing and inspection. This creates an unlevel playing field for licensed businesses.

We understand the need to promote entrepreneurship and support the growth of small businesses. There also needs to be some common sense rules in place on what can and cannot be sold out of unlicensed, home kitchens.

Do you support allowing people to produce food in home kitchens and sell for profit to the public?

Would you support regulations that allow for cottage food production, but requires inspection and food safety training?

8. September 1st School Start Date

Wisconsin has had a K-12 September 1 School Start Date for twenty years. In 2021, tourism represented a \$20.9 billion total economic impact to Wisconsin, represented more than 160,000 full and part-time jobs, resulted in \$1.4 billion in state and local taxes collected, and sustains 1 in 21 jobs in our state. This sector, of which restaurants are a key part, is critically important to our state's economy.

After more than a decade of debate in the Legislature during the 1990's and early 2000's, a compromise was finally reached between those who want a post-Labor Day school start and those who want the flexibility to start the school year in early to late August. September 1st was that compromise. In the hospitality industry, we count on the business generated by families who vacation in Wisconsin in July and August. Families want to swim in Wisconsin lakes in the warm water of August, not in the cold water of early June, and many kids have summer school classes in June and team sporting events in July and early August. Revenue from tourists is greater in August, compared to June. If forced to trade a week in August for a week in June, our industry loses out on tens-of-millions of dollars, and thousands of young people lose out on a week of work during prime tourism season. Restaurants and other tourism business count on high school and college age employees being able to work until the end of August.

Do you support the current September 1st School Start law?

9. Public Assistance Benefit Cliffs

One in every three adult workers had their first job working in a restaurant. This is because restaurants have many “entry-level” positions that are meant to be temporary stepping-stones as people enter the work force. Some people move their way up the career ladder within our industry. Others enter other career pathways. Either way, restaurants are where many learn work soft skills, basic work ethics and how to work with colleagues. In many parts of the state, these entry level positions are now paying adults \$15/hour or more.

Our members tell us that many times when they wish to promote an employee to a new position, with higher pay and full-time hours, often times the employee turns down the position. Why? Because the increase in pay may not cover the loss of the public assistance benefits the employee receives. In addition, current market conditions have significantly increased hourly wages in restaurants, making it even harder for employees to earn more without losing all of their benefits at once.

Our current public assistance programs play an important role in allowing people to maintain a standard of living in spite of situations or personal challenges that may make it harder for them to gain employment or work full time. However, the system is woefully out of date and actually keeps people it is meant to help from earning more money and moving up the career ladder.

Public assistance programs need to be updated and reformed to allow people to increase their income and gradually reduce their need for additional help. Unfortunately, many assistance programs cut off help abruptly or in drastic reductions, which make it impossible for people to take promotions or increase their work hours. Many times, a \$1.00 increase in hourly wages or eight additional works hours/week can put a person above the benefit threshold, and they abruptly lose thousands of dollars in assistance, which is valued more than their increase. This upside-down ratio – aka a cliff - makes it hard for a person to follow a career path that leads them to independence from assistance. The gradual decline needs to be a scale based on wages earned on not based on an arbitrary timeline.

The WRA urges elected officials to reform Wisconsin’s public assistance programs. These programs need to be updated to take into account the current labor market’s wages and the need to gradually help people move away from public assistance. Elected officials need to remove the barriers to work and reward those who are learning additional skills to move up the career ladder.

Do you support efforts to eliminate benefit cliffs and get more people working and earning additional income?