

Please share the following testimony with the appropriate committee:

Dear Senator/Representative,

I'm writing today in regard to the various House and Senate bills concerning raising the minimum wage and placing other expenses on small businesses. I'll use the example of Senate bill 610 which raises the minimum wage to \$15 per hour to focus the discussion. I own a small business, The Rain Shed Inc. which has been open for 38 years. I've had it the last 8, and we currently operate a storefront in the Two Rivers Market in Albany.

Here's how the minimum wage pencils out in real life. Our gross sales are about \$280,000/yr. With 4 part time employees, we pay out about \$60k/yr in salary and payroll taxes, which works out to an average wage of \$10/hr. As the owner I get \$2k/mo, paid about ½ the time. Generally we end the year with a small loss overall to claim on taxes, so one could argue that the employees, not the owner, make the most at this business. All this is to say the business does not generate vast quantities of cash for anyone, but does manage to pay its bills and stay solvent.

Increasing the minimum wage to \$15/hour will increase expenses around \$30k/year, or around 10% of sales. Note that nothing else changes, sales don't go up, employees aren't suddenly doing half again as much work, and so on. Now if we only provided services in Oregon, I'd be content to just raise prices 10% and post a note asking all comments and complaints to go directly to the legislature. Unfortunately, 70% of our business is mail order to points outside Oregon. Jumping prices up that much will result in decreased sales, necessitating yet higher prices and thus does the death spiral begin.

Instead, should significantly higher wages, and paid time off, and whatever else pass I'll respond by LAYING OFF a couple of part timers shortening hours, and dropping Saturdays. The 2 remaining employees will be happy with their 50% raise over 3 years, the other 2 will have to be content with, well, nothing. Should this result in the business not remaining viable my backup plan is to liquidate everything remaining and close, laying off the remaining 2 employees and myself.

Here's the question assuming the 5 employed people who contributed say \$1000/year to state coffers become unemployed and start costing the state say \$10-20K/year and only 10-20% of the small businesses in Oregon react in a similar way just how broken will the state budget become?

You can't mandate free lunches for all on the back of small business. The numbers simply don't work. Please vote wisely, not emotionally, on these issues.

Michael Sernach
The Rain Shed Inc
Albany, Or.