

February 13, 2016

Chairman Representative Paul Holvey
Vice Chairman Representative Bill Kennemer
Representative Greg Bareto
Representative Dallas Heard
Representative Margaret Doherty
Representative Sal Esquivel
Representative Paul Evans
Representative Shemia Fagan
Representative Rob Nosse
Representative Jim Weidner

RE: SB 1532

Mr. Chairman and Honorable Members of the House Committee on Business & Labor:

Raising our state's minimum wage to help ensure that hard-working Oregonians are earning enough to take care of their families sounds like a noble concept – and one that individuals of conscience and compassion would support...

...but only if they knew nothing about basic economic laws and therefore did not anticipate the negative consequences.

Assuming that these caring and conscientious individuals do in fact know something about economics, they would of course realize that arbitrarily raising one relatively small state's minimum wage will inevitably – not just possibly, but with absolute certainty -- result in consequences that will actually damage the economic prospects of the very low-income wage earners they are desiring to help. In particular:

- Employers will use more machines to do what lower-wage workers did previously, because the machines become less expensive relative to the worker when labor costs increase. **Result: fewer entry-level jobs in Oregon.**
- Employers will decide to move to or expand their businesses in lower-wage states, because the costs of doing business in Oregon will become relatively higher than other locations. **Result: fewer entry-level and fewer higher-wage jobs in Oregon, resulting in a lower tax base, larger budget deficits, and fewer and lower quality opportunities for Oregonians.**
- Employers and site selectors looking for places to do business will take Oregon off their list, because of the higher costs, and because it has gained the reputation of being unfriendly to business. Mandatory paid sick leave. Ballot measures that will levy additional taxes on gross sales receipts and high income earners. And now one of the highest minimum wages in the nation. Rational decision-makers will inevitably look to other states to do their business. **Result: fewer jobs of all types for Oregon workers, lower tax base, etc. (see above).**
- Employers that can't move their businesses to other states – like food, retail and service companies – will raise their prices to allow for their higher costs. **Result: higher prices for the basic products**

and services that working families purchase, with the result that their wage dollars buy less than previously.

This, of course, is known as inflation, which history has shown to be a deadly destroyer of real income growth, job creation and wealth generation.

I consider myself to be a caring and conscientious individual. I sit on the board of Redmond Economic Development, Inc. (REDI), whose mandate is to support the creation of quality economic opportunities for local residents. As the founder of a new technology start-up, I am highly motivated to keep as many of the jobs I hope to create here in Central Oregon. But at the end of the day I am running a business, not a non-profit. If I can't compete because my labor costs are too high, I will be forced to look at other options – whether a machine to do what workers might do, or relocation to a lower-wage state.

And it's not just my business. The local Starbucks will charge more for their drinks. The traded sector businesses in town who are working with the local high school to train and hire more high school students will hire fewer entry-level workers, because the costs of using a higher-paid, better-trained worker, or a machine, just got relatively lower. The California company that has been looking at Redmond as a location option will decide to move to Nevada instead. The Redmond company that has been hiring 80-100 customer service workers a month will make their next hire in their Arizona facility instead.

Where are the long-term benefits to hard-working Oregonians in this scenario? A few will make more per hour, yes. But a greater number won't have jobs at all, and all will face higher costs and fewer opportunities. For every traded sector job lost in particular, 3.5 other jobs will also be negatively affected. The tax base will shrink, resulting in less money for education and social services. Budget deficits will rise, resulting in greater burdens on future generations.

I am appealing to you as caring and conscientious individuals who have been entrusted with the responsibility of governing our state in the interests of current and future citizens. Please do not support this short-sighted bill. Raising the State's minimum wage might look good and sound good, but it will have terrible economic consequences for the future of our state.

Please do not support SB 1532.

Sincerely yours,



Linda Cavalli Nelson
Principal, Smith Rock Resources, LLC
Founder, Bella Mia Technologies

Cc: Rep. Gene Whisnant
Rep. John Huffman
Rep. Knute Buehler
Sen. Tim Knopp
Rep. Mike McLane