

Statement to the Vermont House Committee on General, Housing, and Military Affairs

February 9, 2017

Mark Vandenberg

Ladies and Gentlemen,

Thank you for giving me the opportunity to present my views here. My name is Mark Vandenberg. I am a small business owner in Stowe.

My personal feeling is that the discussion about the \$15 minimum wage is very much driven by emotion. I myself look at the personal struggles of my employees occasionally and wonder why we couldn't all make \$100 an hour. But reality is pesky and works differently.

The average profit margin of a small business with gross revenues under two million dollars in the U.S. is a little under 15%. So if my business grossed a million dollars in 2016, \$150,000 would be net profit.

Wow, that's a heck of a wage! Well, unfortunately, this money doesn't all end up in my pockets. When companies make profits, they make capital investments. Machinery, new buildings, R&D for new products, new furniture in hotel rooms. All this to ensure that they remain competitive in the long run.

So more realistically, only \$50,000 or \$60,000 of that profit is actual personal income going into my pocket. The rest will be invested. And the real bottom line is *I'm* the one who took all this risk in the first place, and lies awake some nights wondering how we're going to pay our humongous mortgage or pay the credit card bill.

Say my million-dollar business had \$300,000 in payroll at an average of \$13/hour, a very realistic scenario. If the bottom tier gets raised to \$15 all of a sudden, the people currently making \$15 are going to protest to get a

\$5 raise too. So in a heartbeat, my average pay rate will be \$17 or \$18 per hour. What does that do to my bottom line? It will obliterate it and tank my entire company unless I take some immediate drastic measures.

Here is what will happen if this bill gets passed:

- Businesses are going to look for ways to seriously cut their payroll to combat the measure. Not because they are greedy, but because they are fighting for their lives. Companies that are in the position to do so, will move across state borders to more business-friendly places. **In other words, this law will take jobs away from the very workers it is designed to protect.**
- Inflation. Businesses will raise their prices across the board, from supermarkets to Best Buy to hospitality to car mechanics. So those on the lower end who are lucky enough to keep their job and expect to profit from their bigger paychecks will be back to square one anyway.
- Regardless of their efforts, businesses will see their bottom lines shrink across the board, and will be forced to decrease capital investments accordingly. In other words, their customers will get a worse product at a higher price. Do you think, in this day and age, that they won't figure this out and look across state borders instead?
- As a result of all this, some businesses will fail. The strongest and largest (with the most economies of scale) will adapt and survive, but the smaller and more vulnerable companies will go belly up. Again, as with every economic or other regulation, it's the bottom of the market that will be impacted disproportionately. Not Amazon.com, IBM or Green Mountain Coffee, but Joe's Burger Place and Ho Hum Motel. **Think about that and then realize that almost 98% percent of Americans work in businesses with fewer than 20 employees.**

To sum up: It is my belief that this measure will destroy the Vermont economy for everybody participating in it. It must be stopped, not just for my sake, but for the sake of my employees. Thank you.