

## Minimum Wage Testimony

My name is Caleb Magoon and I am from Hyde Park Vermont. The two businesses I own are Power Play Sports in Morrisville and Waterbury Sports in Waterbury Vermont. Both are general retail sporting goods stores of the old school mom and pop variety, located in historic downtowns. Power Play was purchased seven years ago from the gentleman who founded it and Waterbury Sports was a start up that will turn three this summer.

I generally consider myself a supporter of higher wages for all. In my 7 year ownership of Power Play Sports (PPS) I have increase the average wages from about \$9.50 per hour to somewhere between \$12.50-13/hour. My heart is 100% behind raising the minimum wage. I understand the want and need to raise-up those at the bottom of the pay scale. But my head knows better; the numbers simply don't add up for businesses like mine. The result will be stagnated business growth and business losses.

I consider myself a friend to the working Vermonter. Unlike some of the people opposing a raise in the minimum wage, I have supported other statewide mandates of new employee benefits. As a vocal supporter of paid sick days, I was honored to speak at the bill signing last year. I also now support paid family leave and hope to do my part in seeing it become law.

Nether of my businesses pay the minimum wage to any adult employers. While we do pay our student employees less than state minimum wage, all of our adults are paid more. Our key people make more that \$15/hour. We pay the best we can within our means and work to give the best benefits we are able. Those benefits include paid days off, bonuses, a retirement plan, and some other small fringe benefits.

The most important benefit we offer is a significant amount of training. Most of our employees are young people, many of whom do not have college degrees. These young Vermonters come to us with few job skills and we train them in a myriad of business and customer service skills. I am proud to say that several of our best employees have move on to excellent positions at celebrated employers such as Concept 2. One manager of mine recently took on a management role at Dick's Sporting Goods making a significantly greater salary.

You also might be interested to know what I pay myself. I work 6 days a week, three at each store totaling about 60-80 hours per week. I make a paltry \$35k per year (Gross pay), which is less than minimum wage per my average hours. My wife works

as an attorney for the state of Vermont. She too could make more money elsewhere, but we need the state benefits for the healthcare. She too works a second job one day a week. I obviously didn't get into this for the money. I love the communities I work in and believe in the value they provide those communities. But I am by no means getting rich as a business owner.

You might also be interested to know where my profits go. They go to the considerable amount of debt I have incurred to purchase and start each business. Retail requires lots of equipment and inventory. Additionally, lenders don't want to lend for retail and about 1 out of 5 banks simply won't give you money. As a start up, Waterbury was so difficult to start it required four different lenders. We borrowed from our bank, Vermont Economic Development Authority, the Waterbury Community loan fund and a private investor. It was still nearly not enough and we almost did not make it out of our first year. A large percentage of profits goes towards this debt in both businesses.

I cannot support a \$15 minimum wage because of how it will impact our ability to afford debt and therefore start, expand or buy existing businesses. At Power Play Sports, this wage increase would take a 25% bite out of profits. This huge drop in profits will be extremely challenging to make up. Whatever that 25% number happens to be, we will need to increase sales by triple that number to make up the loss.

Some people have said that this wage increase will give the lowest income folks more money to spend at local businesses. This simply won't bridge the gap for us. Our stores have a large portion of the local business available to us. When you have 90% of the pie, you only have 10% more business available to you. Growing to make up the 25% simply is not a reality for small businesses like mine. Not to mention that many of the lowest income people get federal benefits and will no longer have access to them. If you do the math, they won't actually have that much more money.

But what really concerns me is how this drop in profits will affect those businesses. My stores both run lean and we can't afford to cut many staff hours. We will have to eliminate future bonuses and overtime. But most important is that this will seriously hamper our future growth. The 25% loss is what we use for growth and expansion. I can say definitively that if we had a \$15 an hour minimum wage at the time, neither my purchase of Power Play Sports nor the startup of Waterbury Sports would have happened. It's simply the math- lenders won't lend the money you need if you can't show the profits to cover the debt. This will limit the ability of Vermonter's with modest means to open or acquire businesses.

I also fear the effect on the businesses owned by the many baby boomers nearing retirement. My fear is first that the decrease in profits will encourage them to a retirement exit sooner rather than later. But more importantly, the dip in profits will likely limit the ability for those owners to sell their businesses to younger people. Again, the low profits will make it challenging for young people to attain financing for those businesses. My fear is that these businesses will simply be liquidated and lost, rather than live on. It won't happen today, tomorrow or in the next couple of years, but it will be a slow death for so many businesses.

The loss of these businesses will not be insignificant. These stores are the fabric of our towns and downtowns. They contribute to our communities a considerable amount beyond wages and far more than the larger minimum wage employers such as McDonald's or Wal-Mart. We put a tremendous amount into training including inviting handicapped people and youth into our doors to work. We donate endlessly to local fundraisers, provide local jobs and spend our money locally. Our loss will be a huge albeit slow loss to the local economies of the towns we reside in.

While I wish we could raise the wage, there are other things we could do in Vermont that would help out low income Vermonter's without the steep costs to businesses. We need to fix the benefits cliff. We need to work on the affordability of housing, education and childcare. While these challenges are far harder to tackle than simply raising the minimum wage, they are the things we really need our legislature to tackle.

In conclusion- I understand where the want to improve the situation of so many Vermonters comes from. I know the people in this room as a group with tremendous heart, leading them to pursue this laudable goal. My heart is 100% with increasing the minimum wage- but my head; my sense of logic knows that the steep price businesses will pay for this. My fear is that the loss of business, jobs and these important community resources will hurt those people this initiative aims to help.