

My name is Paul Brown. My wife Gayle and I have owned the Cold Hollow Cider Mill in Waterbury Center for over 19 years. Prior to this I worked in ski area management for 20 years, most recently at Sugarbush. Cold Hollow has been a Vermont institution since 1974. While our business is well known in the state, we remain a quintessential small business. I would like to voice my opposition to further increases to Vermont's minimum wage, beyond those already in statute.

We employ about 32 employees year-round, and up to 45 during the peak foliage season. We have 20 full time employees who work a 40 hour week, many weeks with overtime. These employees make between 12-18 dollars/hour. They all started at a lower wage and through time and skill development, increased their salaries. These people are going out to dinner, buying cars, and in some cases, buying homes. Granted, most of them are from dual income households, but that would not be uncommon anywhere in the country. We are able to offer paid vacation, an IRA matching contribution plan, and pay 75% of eligible employees' health insurance.

I believe wages should be market driven, and in Vermont they are, to a great extent. To attract skilled workers we are competing with the likes of Ben & Jerry's, Keurig Green Mountain, and Cabot Cheese, and that is just in our own town.

Raising the minimum wage significantly would have an adverse effect on our business, and also to the state. Many studies have shown that the ones hurt the most by a large minimum wage are the ones it is designed to help.

In a small business, it is all about staff morale. The main issue here is wage compression. A worker who makes \$16/hour is most probably not going to be happy only making \$1 above minimum wage, so a business like ours will have to scale our workers hourly rate up proportionately to keep them motivated. Since this would significantly increase payroll, businesses have some options.

- A) Close their doors.
- B) Move out of state.
- C) Substitute for workers with automation.
- D) Figure out how to run the business with fewer people.

Of these options, we would not move our business; it really could not be replicated anywhere else. We are serviced based, so we need real humans to do the work. With minimum wage currently at \$10.78, if it moves to \$15 over time, and we move our employees up to that same amount, this ultimately equates to a 28% payroll increase for our 20 FT/YR staff. For most small business budgets, payroll is the single biggest line item, and also has the biggest effect on the bottom line. Our margins are paper thin. If we cannot get it done with fewer people, to offset the increase in payroll, our other options include:

- 1) Doing fewer projects (paving, roofs, etc.) which utilize local contractors.
- 2) A reduction in sponsorships and donations, which obviously benefit local organizations.
- 3) Erosion of contribution to employee benefits.

Then there is the scale effect, where businesses would raise prices of goods and services proportionate to the increase in wages. This brings up additional challenges. We are open year-round, rely on both tourists and locals for revenue, and are in a very price competitive market. Our sales would drop, obviously decreasing our revenue.

Through the years we have diversified to keep our small business growing and solvent. Recently, we added a restaurant, beer store, and hard cider tasting room. While this was a financial burden to create, it also created four additional, full-time, year-round jobs.

Please note that at no time have I mentioned hiring entry-level, non-skilled workers to achieve this. I believe most businesses in this predicament will opt for higher paid, skilled workers, who are more productive than minimum wage earners. In fact, in my view, to an employer, a high minimum wage gives an entry level worker less value.

- A) Vs. a \$15 skilled worker, a \$10 non-skilled worker is 66% of the cost.
- B) Vs. a \$20 skilled, a \$15 non-skilled is 75% (less value).

A business will opt for the skilled worker, leaving the non-skilled unemployed.

Based on my decades of experience in the Vermont business community, my gut tells me that an increase to a \$15 minimum wage will result in the following for Vermont:

- 1) Increased unemployment-especially among entry-level workers.
- 2) Elevated prices of goods and services.
- 3) Businesses closing down or moving out of state
- 4) State becoming less attractive to potential incoming businesses.
- 5) Reduced consumer spending due to all of the above.

Our business would be severely challenged by this proposal. We will survive, but it will not be easy. Keep in mind we are a long time, well established, profitable business. I would be more concerned for newer, less established, or struggling small businesses in Vermont.