

To the members of the House Business and Labor Committee:

On behalf of Mt. Bachelor and our 800 employees, including 670 employees who work seasonally either in the winter or summer months only, I urge you to oppose the minimum wage bill you will discuss Monday in your committee.

As stated succinctly in The Oregonian on February 2, 2016:

At \$9.25 per hour, Oregon's minimum wage is already one of the nation's highest – and it's adjusted annually to account for rising consumer costs. This state may have some problems, but the minimum wage isn't driving them...But the change will have consequences, including higher labor costs for many employers, who will look for ways to mitigate them. They could do this by hiring fewer people, automating work where possible. They also could offset higher hourly wages by reducing other benefits or by raising prices. It's fanciful to assume they'll respond to what is, in effect, a hefty new tax on labor by shrugging their shoulders and saying, "oh, well."

Mt. Bachelor uses minimum wage for entry level and low skill positions – many of these people are starting their very first job with us – approximately 25% of our service job positions start at the minimum wage. We may initially hire at minimum wage if a candidate has no previous work experience or job skills, but based on performance and if the employee returns the following season, they can earn an annual merit pay increase. Over the last few years these merit increases have outpaced the State's minimum wage increases and these merit pay increases compound with time as employees decide to return to the mountain year after year. This year, when Oregon's minimum wage did not increase based on only a 0.2% increase to the Portland CPI, Mt. Bachelor and many other like-minded companies still instituted wage increases. We distributed a pool of 2% of last year's wages to our returning staff based on the following performance levels:

- Retuning employees who "meet expectations" in 2014/15 received a 1.5% pay increase
- Retuning employees who "exceeded expectations" received a 2.25% pay increase
- Retuning employees whose performance was deemed by their supervisor as "outstanding" in 2014/15 received a 3.5% pay increase

Today, we have approximately 18% of our 800 employees earning \$9.25 per hour. Many of these employees are part time workers and are either high school or college students who are receiving valuable training and are learning valuable skills they can take with them to a future employer and job to earn more than minimum wage. Some are tipped employees working as servers or bartenders whose total compensation far surpasses the hourly minimum wage rate. We also have a group of "free spirited" young people who take entry level or low skill jobs with us for the ski pass and life experience benefits, then move on to their next adventure after a couple of years with us. And there are a number of seniors who are working part time here to supplement their retirement income and maintain a social and lifestyle connection to the mountain and the winter sports they love.

Raising the minimum wage as proposed in SB 1532 is going to artificially manipulate the market forces that truly drive compensation decisions by Oregon's business community. Here's another real life example to consider. This past summer Central Oregon experienced a shortage of skilled, experienced cooks. If you needed one, you had to pay \$13 or more per hour to get one, which was 15-20% higher than previous summers. We paid it to attract those cooks. Once the summer "boom time" came to an end, demand and wages reverted back to the \$11.25-11.50 per hour level. That's the market at work –

our mission should be to create more jobs and demand for skilled workers. We are investing in many areas of training and development to “grow our own skilled workforce.” If SB 1532 becomes law, moving minimum wage to \$13.50 per hour in Deschutes County, the market will be manipulated without consideration of worker skill or experience, and the corresponding direct labor costs of current minimum wage positions at Mt. Bachelor will artificially increase by in excess of \$250,000.00 per year.

What’s worse, the indirect cost of the compression created by these dramatically increased wages through manipulation of market forces for entry level and low skill positions on the expectations of skilled and experienced employees could be catastrophic! Assuming our total wages need to increase only by ½ of the minimum wage’s 45% increase from \$9.25 to \$13.50 to address this compression issue, that’s an additional increase in our wage costs of another \$1.5 million! As anyone in business knows, you need to increase revenue by a factor of your margin in order to offset every new \$1 in expenses. At a ski industry average margin of 20%, Mt. Bachelor would need to increase its revenues by approximately \$6.5 million per year to offset \$1.75 million per year in wage increases just to remain in our current position. We would distribute that cost increase to our customers, of which 65% reside in Oregon. I don’t know that we will be able to pass through that level of price increase to our customers, but if we determine we cannot, we will certainly be forced to look at reducing our labor costs in response. We may have fewer employees. Our ability to provide the current level of service to our customers could fall, along with our ability to compete with ski areas in neighboring states with much lower minimum wages like Idaho, Montana, Utah, Colorado and Wyoming.

Here are some other issues we take with SB 1532:

- How the bill arrived at the distribution of proposed rates and which counties are in which tier is a mystery, for example why would Josephine County have a different rate than Douglas County when their economies are equally distressed?
- Consideration of SB 1532 violates the Short Session agreement; the Senate President had stated a minimum wage initiative would not be pursued during the short session.
- The emergency clause on the bill is in direct response to prevent anyone from being able to challenge it through the initiative process. All business groups both large and small are opposed to this bill and they will now not have the ability to go to the voters for their opinion.
- The debate on the Senate floor lasted for over six hours. The main reason was the fact Republicans had not been included in any of the discussions in the creation of the bill and none of their motions for amendments were even considered.
- The clear ignorance of basic economics. The US minimum wage is \$7.25 an hour and the Oregon minimum wage is \$9.25 an hour. We are already at a competitive disadvantage for bringing new businesses into the state. Nationally only 4% of the workforce is at the minimum wage level. Clearly this is an entry level wage and people quickly move above it. When we are talking about only 4% of the workforce how can this be considered a crisis?

In closing, a massive mandated wage hike will kill jobs across our state. Research estimates 62,700 lost Oregon jobs. Hospitality and agriculture small businesses will be especially hard hit. Teen unemployment will go up even more. Cash-strapped schools will have even less to spend on educating our kids (the Hillsboro School District estimates the mandated wage hike will cost \$4.4 million – which equals 51 teachers’ salaries per year). Local governments will have to cut services or raise property taxes. Linn County estimates the mandated hike will cost \$2.25 million a year – requiring cuts in law enforcement, social services or higher property taxes. Fixed-income seniors, working families and

college students will get stung. The massive wage hike will raise the cost of everyday essentials like food and child-care. Some families will lose food stamp and child care assistance and college work-study students could lose financial aid.

Please take a long, hard look at the real economic impacts of this approach before you go down this path.

Regards,

DAVE RATHBUN



President and General Manager
541-693-0913 (office)