

TESTIMONY

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Oppose

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Testimony of Sal Risalvato
S-15: OPPOSE

Chair, Vice-Chair, and Honorable members of the committee, my name is Sal Risalvato, Executive Director of the New Jersey Gasoline, Convenience Store, Automotive Association (NJGCA). We represent thousands of America's quintessential small businesses and they will be crushed by this legislation.

The main question I would ask of the advocates for this \$15 minimum wage is: where is the money going to come from?

One of the first lessons we learn as children is that money does not grow on trees. It does not simply appear by an act of pure will or because it is needed. It has to come from somewhere. If the advocates pushing this bill think that it will amount to nothing more than a transfer of wealth from "the 1%" to everyone else, let me completely disabuse them of this fantasy. My members, some of whom have accompanied me here today, are independent small business owners and employers. You need only to look at them to see that they are hardly the face of corporate greed. They have no yacht to sell off or million dollar stock portfolio to liquidize. They struggle every single day, for long hours, just to keep the doors open and to provide for their family. Their lives are fundamentally middle class. They do this all and RISK savings and family capital in order to pursue a better life.

So, if the money cannot come from their bottom line, where else is left? Some employers will attempt to balance the scales by enacting what will always be the true minimum wage: \$0 an hour. They will lay off a portion of their workforce, and allow their customer service to suffer as consumers wait in lines for registers or for someone to come and pump their gas for them.

Some businesses are already stretched as thin as they can be. Eliminating another employee shift would literally mean closing down at least a portion of the business. After all, why do you think it is that every retail location is not currently open 24 hours a day? It is because during those night hours, there is not enough business to justify paying an employee to be there. Significantly increasing the costs associated with that employee will change the profitability calculation every retailer must make, and likely mean businesses will be open for fewer hours per day, thereby hurting consumers' ability to shop when is most convenient for their schedule (and eliminating the need for that employee).

There is a reason that it is common to drive into a gasoline station and wait behind several cars in front of you, while other pumps are blocked by orange cones. Those orange cones represent an employee that already is unaffordable and therefore not hired. Forcing small businesses to pay higher wages makes it likely, perhaps required just to survive, that more orange cones will be seen at gas pumps.

For those small businesses who would be legally mandated to raise the cost of employment, and cannot take the money out of their own bottom line and cannot reduce employment, there is literally only one option left: raise prices. This means an increase in the cost of gas for every New Jerseyan, as well as an increase in the cost of coffee, water, and every other good sold in a convenience store.

It should be common knowledge that motor fuel retailers operate on extremely small margins, but unfortunately it is not. Retailers typically only mark up the cost of the fuel they purchase from a wholesaler by a few cents a gallon. From those few cents, they must try and pay every expense associated with keeping the doors open. When the price of gas goes up, as it has the last few months, the amount of money a retailer makes typically shrinks as the cost of inventory and credit card fees eat away at profit margins. Retailers do everything they can to keep their prices low in order to attract cost-conscious customers in a hyper competitive marketplace.

Based on the increases in salary alone, my members have told me this will equate to an increase in the cost of gas of at least 10 cents per gallon. Then add in the increases in all the other costs that will have to be accounted for. If the salary is higher, that means the workers compensation premiums will be higher, the unemployment insurance payments will be higher, and the payroll taxes will be all be higher, costs which must then be passed on to the consumer in the form of higher gas prices. Do not forget that this is coming on top of a widely expected increase in the gas tax of anywhere from 10¢ to 25¢ or more per gallon.

These higher retail prices will also mean higher credit card fees since these fees are based on a percentage of the total sale. If the total price goes up, then the fees being paid rise as well, which must then be passed on to the next consumer, particularly those consumers who pay with cash and effectively subsidize credit card users. This is not a minor charge, for most retailers credit card fees are their highest expense after the mortgage/rent and payroll.

Including the increase passed constitutionally which took effect in January 2014, this state will have more than doubled the minimum wage in less than ten years. I reject as nonsensical these suggestions that because there was no visible effect on employment or prices when the minimum wage was last increased, therefore there can be no issue that will result from this increase. To say that because a 12% hike did not hurt, a further 79% hike will also not hurt betrays a lack of understanding of basic mathematics and logical reasoning.

The fact is, very few employees, or at least very few of those employed by my members, were paid the previous minimum wage of \$7.25 an hour or even the current minimum of \$8.38 an hour. Most gas pumpers are paid a wage of \$9 an hour or even more, for the simple fact that even when unemployment is high it is difficult to fill positions like convenience store cashier and especially gas pumper.

The average hourly salary for many of these employees is actually in the \$11-\$12 an hour range because many of them are needed to work overtime to make up for the staffing shortfall. Another consequence of this bill will be the elimination of overtime as an option for employees that want it. Paying someone \$22.50 an hour just to pump gas is simply unsustainable. The retailer would likely be better off financially if they just closed shop for a few hours rather than pay someone that much just to pump gas.

An additional false argument propagated by the advocates of this bill is that businesses will not suffer because workers will just turn around and spend the extra money they are earning. First of all, even if this were true in a meaningful way it would not apply to purchases of gas. People purchase as much fuel as they need to live their lives and that is effectively it.

Any increase in sales will not equate to the increase in costs. If for example, a convenience store's payroll were to increase by \$75,000 a year, and their sales were to increase by \$75,000 a year, would this equal out? Not even close, and to suggest it would prove how foolish this proposal is. What matters is not an increase in sales, but an increase in *profits*. If the average profit margin is 20% for the products in a convenience store, then the store would need an increase in sales of \$375,000 per year just to break even. If that \$75,000 a year were split up on a per gallon basis at a gas station, and it equated 10¢ per gallon, the retailer would need to sell 750,000 gallons of gas per year more than currently, just to break even. Since a typical retailer only sells 100,000 gallons per month, this is completely implausible.

An increase in payroll costs means that there are fewer dollars for businesses to grow and ultimately hire more employees. When businesses hire more employees they lower the unemployment rate and allow people to no longer rely on government unemployment checks to survive, which in turn means the government has more funds available for services such as education or infrastructure.

Even beyond the direct effect to their businesses, my members oppose this bill because of the way it will ripple out and hurt them in so many other ways. There will be a massive increase in state government spending that will have to accompany this. Not only will there be the increased payroll costs of any State employees currently making less than \$15 an hour (as well as those currently making nearly that salary who will then demand a raise because they could be pumping gas for what they are being paid) but there will be huge increases as every state contractor raises its prices to the State to compensate for their higher payroll costs. These increases could easily add up to hundreds of millions of dollars per year. Without any new revenue, it would seem only a matter of time before the State would turn to higher taxes on these business owners and their products to compensate.

There is also the increased costs to them personally, as citizens of the state. As I have already testified, these are middle class families, they will not be seeing a raise in their income. But they, like every single middle class family in this state, will have to pay more for groceries, more for clothing, more for restaurants, more for hotel stays, more for electronics, more for consumer goods, more for movie tickets, more for healthcare, more for practically every single thing they spend money on. Their quality of life will go down as a result of this legislation. The term "class warfare" has been thrown around by the advocates of this legislation, but the reality is the only class warfare going on will be between lower income earners and the middle class, and the only meaningful transfer of wealth will be away from the middle class.

I ask that you oppose this legislation.

Thank you.

