



### **Testimony of David McCoart**

*H.B. No. 5291, An Act Increasing The Minimum Wage, Removing The Minimum Wage Tip Credit, And Increasing Penalties For Failure To Pay The Minimum Wage.*

**Tuesday, February 28, 2012**

Dear Senator Prague, Representative Zalaski, and members of the Labor and Public Employees Committee,

**I am David McCoart, owner and operator of Sage American Grill & Oyster Bar in New Haven.**

I am Connecticut's small employer. I currently employ 30 people; 12 full-time and 18 part-time, 9 of which use public transportation. My business is some-what seasonal; I add about 15 employees in the summer, 8 of which are high school or returning college students. I have hired 2 people in the past year from the transitional residential facility up the street. I am considering hiring 2 new employees from a homeless shelter in New Haven. Being a small, hands-on employer gives me the opportunity to hire and consider those who have had troubled pasts.

My business is a small business with ever shrinking profits, currently earning approximately \$.04 on every dollar before income tax and payment of any invested capital. In the late 80's and early 90's, this same business earned approximately \$0.18 on every dollar.

We are still reeling from cost increases last year, and now are facing the following cost increases:

- An unemployment base rate increase of 13%, Plus additional special assessments for States' negative fund balance due to high unemployment, Plus experience rate increase because of lay-offs due to the continual tightening of the economy and severe weather.
- A Workers Compensation rate increase approved by the state of 4.5%, which will cost the business .5% more on the payroll.
- Alcohol and Floor Tax increases, which will force prices to inflate.
- Increases in beef prices, a 20% - 30% increase over the past year and even higher forecasts for the summer months ahead.
- Dramatic increases in oil prices, driving costs of all delivered goods and products even higher than last year.
- Hidden taxes, such as State and local Permit Fee increases and local Property Tax increases, continue to make this a poor environment to do business in.

We simply cannot afford more increases to the cost of providing quality service, employment, and business.

The only people on our staff who are paid the state minimum wage on the payroll are tipped servers. These employees are sales people, who earn well over the minimum wage per hour including tips and have every opportunity to increase their income through quality service.

I have not been able to give my "back of the house people" (non-tipped employees such as cooks, prep-cooks, dishwashers, and salad prep) a raise in over 3 years because of the anemic economy and the minimum wage increases which apply to the tipped servers.

Raising prices to cover the costs and implications of H.B. 5291 will not solve the problem and will lead to a further loss of business. The costs I just mentioned, added to an increase in the minimum wage, would result in an increased cost of approximately \$4.00 more on each item. How much would you be willing to pay for a hamburger, a martini, or a steak dinner?

I strongly urge this committee not to increase yet another cost of doing business in our state at this time. I believe H.B. 5291 is against the state goal of job creation and will hurt both employers and employees.

The very people you believe will be helped by an increase in the minimum wage and elimination of the tip credit will actually be cost their jobs, and many others will be delayed in their employment.

Thank you for listening,

Sincerely,  
David McCoart