

Good morning, Chairman Smith, Ranking Member Neal, and distinguished Members of the House Ways and Means Committee.

My name is Chuck Mills, and I am President of Mills Machine Company, Inc. located in Shawnee, Oklahoma. It is an honor to testify before you today.

We were established in 1908 and still operate under the same family ownership. Mills Machine Company is a custom manufacturer of shallow infrastructure earth drilling tools, bits, and related accessories for the water well, environmental, construction, geothermal, and blast hole mining industries. We provide custom solutions for drilling problems worldwide.

It's estimated that only one-half of one percent of U.S. companies have survived 100 years. And among the millions of U.S. family-owned businesses, less than 1,200 are now 100 years old and still under the same family ownership and operation. Mills Machine Company is one of these companies. I have been managing this business for 44 years and have guided it through multiple oil booms, busts, and recessions, but the last three years have been the most difficult.

Before the pandemic, Mills Machine Company faced some workforce issues. Our company, like so many others, struggled to find skilled workers. Initially, I believed that education was an issue. I felt that engaging private sector business people into the classroom to promote applied learning practices would be beneficial to the students. The goal was to visit local classrooms and explain how their academic lessons related to the real world and how students could use today's education in their future professions. I encouraged other business owners to do the same while I served as chairman of the State Chamber of Oklahoma.

As you can likely tell, I like to be involved in finding solutions for common business problems. Because of this enthusiasm, I served as Co-Chair of the OK Workforce Youth Council and the on Executive Committee of the Governor's Council for Workforce and Economic Development. Locally, I served as the Mayor of Shawnee from 2004 to 2008.

Though we struggled before to find workers before COVID, the pandemic made this struggle so much harder on my company and employers across Oklahoma. It was hard for me, and other business owners, to understand how the federal government incentivized Americans to stay home. The lack of workforce helped to fuel the supply chain crisis. If my supplier is unable to find employees, he is unable to provide me the raw materials needed for my business, which negatively impairs our ability to satisfy our customers' needs. This caused delays throughout the supply chain. The lack of workforce is the root cause of all our problems today.

To help alleviate supply chain concerns for my company, I hired a full-time employee just to source materials. This staff member spends all day sourcing best material prices and availability. We are constantly looking for new vendors so that we can remain competitive for our customers. We have successfully sourced 40 to 50 new vendors in the last year. When we can find materials, we must outlay more cash up front to buy as much product as we can in order to

lock in the price. We are so desperate to have available material in stock, that much of it must be stored onsite. This additional inventory hurts our cashflow.

The lack of workforce and supply chain issues, combined with inflationary pressures, have made this economy the most difficult economy I have dealt with in over four decades. Prior to the pandemic, we had predictable price increases, 3% to 3.5% per year. In 2021, we were hammered with compounding price increases for our raw materials. In January 2021, our raw materials increased by 25%. The following month, the prices increased again by 15%, and the next month, the prices soared again by 20%. These substantial price increases of 10% - 25% continued for eight months. At that point, our suppliers told us just to call to get the current prices. That practice continued through 2022. Now in 2023, the prices seemed to have stabilized for now on some products but are still increasing on others.

Due to these price increases, we are forced to re-price our materials every 90 days, which is much more frequently than in the past. We should probably do it more often, but it is such a large task we have settled out at 90 days. We offer thousands of products, so this is a significant undertaking. I am, however, committed to providing any relief I receive from suppliers to my customers. Should I ever be able to negotiate a lower price for materials, I pass those savings along to my customers to promote goodwill.

We also have been forced to import materials in order to be competitive. When President Trump announced tariffs on Chinese metal products, I was excited about the prospects of onshoring production from U.S. steel mills. Unfortunately, that hasn't been the case. I explored options for onshoring and near shoring and it just hasn't been competitive. The tariffs simply added 25% to the cost of raw materials making it harder to be competitive in the world economy.

Overall, our annual sales are similar to pre-COVID levels, but it's not because we are selling more products, we're actually selling less but our prices are higher. I personally am putting in longer hours at work and even taking work home at night because I'm having to spend more time on day-to-day operations like workforce issues and adjusting pricing resulting in less time for marketing, new product development and business expansion, which would be better for our business, the local economy, and the country. We continue to have less cashflow because we are buying and storing more materials at higher costs and because of high tariffs. That limited cashflow also impacts our ability to buy additional equipment and hire more employees.

Chairman Smith and Members of this Committee, I love what I do. I love making things and offering solutions for our customers. All I ask is for Congress to please allow me to continue running this family-owned business so that I am able to pass it to the next generation. Respectfully, please encourage able-bodied Americans to return to the workforce. Please do not raise tax rates that would further restrict our cashflow. Please do not make it any harder for me to stay in business here in Oklahoma.