



Members of the Joint Committee on Coronavirus Response:

Oregon Forest & Industries Council representing major forestland owners and forest products manufacturers in Oregon is writing to register three areas of interest as the committee deliberates over necessary actions to address this unprecedented public health crisis in our state.

The three primary areas of policy interest are:

1. Implementation of the Commercial Activities Tax
2. Manufacturing overtime rules
3. Employment benefits

Commercial Activities Tax

The health of the forest products sector is highly correlated to the health of the US home construction market. When projected housing starts drop it creates a demand signal that forces prices down. Historically, the forest products sector tends to feel the effects of a recession first and more deeply than the rest of the state.

This last month saw the market price of lumber drop over 30%. Manufacturers are doing everything they can to keep producing and keep their work force in tact. It is inevitable that market crashes like this will lead to production curtailments and layoffs as mills struggle to keep operations going. Because curtailments and layoffs are disruptive to ongoing continuity and efficiency, many manufacturers will even run for a period of time at losses. However, these courses of action are not sustainable.

Because the commercial activities tax is based on volume of commercial activity and not on profit, it incentivizes mills to take down time and lay off workers rather than continue to incur commercial activities tax liability while operating at losses.

OFIC cannot express strongly enough how important it is to our sector that the Legislature suspend implementation of the Commercial Activities Tax until US housing markets and softwood lumber and plywood prices have improved.

Manufacturing Overtime

OFIC respectfully requests that the Committee recognize the unique demands put on certain manufacturers and temporarily lift the Maximum Hours in Manufacturing for the manufacturing of essential goods or those that have seen unusually high demands due to the crisis – such as toilet paper and paper towels. Allowable hours are currently capped at 55/60 or 84 hours (for perishable goods) but all require employee consent. This will allow workers who are healthy and want to work overtime to fill the gap created by other employee absences and to ensure manufacturers can meet demand during this critical time.

Employment Benefits

Last week the federal government took unprecedented action to protect employees whose ability to work will be affected throughout the country. Congress passed the Families First Coronavirus Response Act which dramatically increased the benefits available to employees under the Family Medical Leave Act and instituted mandatory paid sick leave for all employers with fewer than 500 employees. Under the Act, any employees that must miss work in order to care for a dependent that has contracted COVID-19 or who have lost childcare as a result of a public health emergency have access to 2/3 of their daily salary, up to \$200/day, for 12 weeks. In addition, an employee who themselves contract COVID-19 or who is unable to work as a result of a federal, state, or local isolation order, would have access to 10 days of paid sick leave at 2/3 of their daily salary, up to \$511/day. This emergency paid sick leave could be used prior to use of any sick leave provided under an employer's established sick leave policy. These benefits are far in excess of what the state of Oregon provides, even with some of the most robust leave laws in the nation.

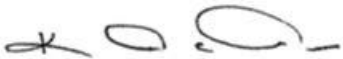
A critical characteristic of the federal action is that it treats Oregon businesses the same as our competitors elsewhere in the country. This is particularly important for price-sensitive commodity industries, and critical to our ongoing ability to employ people through this economic catastrophe. We urge the Committee to embrace the swift bold action by Congress, and the fairness of a nationwide approach.

It is important that the Legislature not alter the current state standards for paid sick leave or family leave. These are particularly difficult times for our sector, and any costs that disproportionately impact Oregon manufacturers over manufacturers in other states will lead to disproportionate losses, mill closures, and layoffs.

OFIC shares the concerns of many Legislators regarding the challenge of funding the state unemployment insurance program. This issue deserves particular focus from the Committee, in preparation for increased unemployment claims.

The Legislature has a tremendous responsibility during these unprecedented times, and OFIC stands ready and willing to share information from our sector and engage constructively with Legislators as we all work together to weather the storm.

Regards,



Kristina McNitt
President
Oregon Forest & Industries Council