

June 1, 2020

To: Senate Committee on Labor and Business

From: Sandra McDonough, President and CEO, Oregon Business & Industry

RE: Impact of Coronavirus on Oregon Businesses

Chair Taylor and Members of the Committee:

Thank you for having me here today. I am Sandra McDonough, president and CEO of Oregon Business and Industry. We have about 1,600 members across our state, representing businesses of all kinds and all sizes.

When I testified before the Legislature's special coronavirus committee in March, I said economic fallout from the pandemic could result in unemployment rates as high as 15 or 20%. When I saw that quoted in the paper, I thought "wow, that is such a high number. I have to be wrong."

Today, 10 weeks later, we know that almost 400,000 Oregonians filed for unemployment, and the unemployment rate in April was close to 15%. That is 400,000 families that have been impacted, and we know that individuals of color have disproportionately felt the effects of this economic collapse. Yes, some people have begun returning to work, but the re-employment numbers won't come close to matching the total number of jobs lost for quite a while. If ever.

The vast majority of the lost jobs came out of Oregon businesses, which have faced unprecedented disruptions. Many businesses had to close by order from the governor, something we have never before experienced. Some closed voluntarily because they couldn't maintain social distancing, or their customers stopped coming. And some are dealing with the breaks in global markets and supply chains.

There is more to come, with second- and third-level impacts. Companies tell me customers are canceling orders slated to be done in the future. Consumer confidence is shaken. The U.S. Department of Commerce reported last week that consumer spending in April was down 13%, even though incomes were up because of the federal stimulus checks. All of this translates to fewer jobs in many industries.

Every day, we hear about more companies that are shutting down permanently. My colleague Jason Brandt will talk about the hard-hit restaurant and lodging industry. Retail, already challenged in the new age, has also taken a big hit, with many companies permanently closing stores faster than they might have otherwise.

Businesses across our state are facing a cash crisis on a scale we never could have imagined. The federal CARES Act money has helped many, but it is a short-term fix to a long-term problem. The economic fallout from this crisis could last longer than the virus itself. And we all know that loss of income impacts a family's overall well-being just as an illness would.

Oregon business agreed with the governor that the top priority had to be the health of Oregonians, and we were grateful that the Stay Home order allowed many companies to continue operating within the social distancing guidelines.

Now, that we have moved into the reopening phase, it is time to focus on economic recovery, near term and long term. As state leaders, we hope you will work with us to help the thousands of companies damaged in this horrific crisis get back on their feet, so they can bring back employees who were laid off.

That is the key to everything. If people are working, families are more secure, and taxes get paid, which then will mitigate the revenue shortfall this state now faces, and lead to fewer layoffs among government employees. We are an income tax dependent state. People need to be working if we are going to have revenue for critical public programs.

Looking ahead to the next seven months, I urge you to consider on the following:

1. **Provide some level of predictability.** Oregon businesses want to bring employees back and they want to make sure they are able to operate safely. They need clear and workable guidance from the state. Additionally, they need to know what to expect in the fall, when there will be new cases of coronavirus and potentially new hot spots. A plan that targets problems rather than relying on massive shutdowns will protect jobs and ensure our economy doesn't take another big fall.
2. **Do no harm.** Please resist looking to new taxes or fees to fill in budget gaps, or other less straightforward adjustments that impact private employers. As businesses are struggling to get back on their feet and bring employees back to work, the last thing they need is additional financial burden imposed by government.
3. **Address barriers making recovery more difficult.** Jason Brandt and Anthony Smith of NFIB will provide you with some specific examples of issues. The one I want to mention is liability. Businesses are facing the potential for lawsuits in areas that have never been explored before. We urge the Legislature to follow the other states that have adopted some level of liability protection.
4. **Financial assistance:** We urge you to consider how the state can provide financial assistance, in the form of direct grants, using some of the CARES Act money – possibly to help businesses purchase the personal protection equipment they may need for employees and customers -- or tax breaks, like rebates or tax credits or other opportunities to help business owners hold on to money they need to get their companies back up and running.
5. **Restore public confidence.** Help us show Oregonians how to stay safe – and return to some semblance of a normal life – in this new world.

Before I close, I would like to make one last point. In the last two months, I received many calls from angry and anguished employers who could not understand why their laid off workers were waiting weeks, even months, to get unemployment benefits. Oregon

businesses pay unemployment insurance taxes to the state to protect employees when they hit rough times. The state did not live up to its end of the bargain this spring. We are glad the state appears to be dealing with this issue, finally.

In less than three months, we have lived through an extraordinary time. I hope you remember that Oregon businesses stepped up to be part of the solution, even when it came at great cost to many of them. We are committed to continuing to be part of the effort to make Oregon strong again.

Thank you.