



## JOINT REMARKS TO HOUSE 2020 ECONOMIC RECOVERY TASK FORCE

**April 17, 2020**

***Delivered by Keith Lake, Vice President of Government Affairs, Ohio Chamber of Commerce***

Thank you for the opportunity to offer some input for the Task Force's consideration on behalf of six major statewide business organizations, NFIB, the Ohio Business Roundtable, Ohio Chamber of Commerce, Ohio Council of Retail Merchants, Ohio Farm Bureau Federation, and the Ohio Manufacturers' Association.

This week, you've already heard from a variety of business groups, representing restaurants, hotels, hair salons, insurers, banks, CPAs and others, and also from several business. Our organizations include all of these types of businesses, but also many others. Today we're going to give a perspective of how COVID-19 has impacted business in Ohio more generally.

The crisis has been challenging on many fronts, threatening both lives and livelihoods. Gov. Mike DeWine and his Administration have rightfully made public health the focal point. After all, the human toll has been horrific, with over 8,000 confirmed cases and almost 400 deaths.

The economic statistics are equally alarming. In March, manufacturing output dropped over 6% nationally, the most since 1946, and retail sales plunged a record 8.7%. Unprecedented numbers of Ohioans have filed for unemployment. Public health is everyone's top priority, but saving people's livelihoods and businesses matters, too.

Just over one month ago, on March 14, Gov. DeWine declared a state of emergency in Ohio. The next day, Dr. Amy Acton issued the first order directly impacting business operations in Ohio. This was the order limiting restaurants and bars to carry out or delivery only. That order was soon followed by other similar ones impacting other types of businesses. One week after the restaurant closing order, came Dr. Acton's order directing all Ohioans to stay at home except to participate in what the order calls "Essential Businesses or Operations."

In the days leading up to that day, our six organizations anticipated that this order might be forthcoming, and had been working with our members to figure out how to make such a plan as workable as possible. We shared our concerns and recommendations with Lt. Gov. Jon Husted, urging flexibility when the order was finalized.

By allowing businesses that perform essential operations, and those in their supply chains, to continue to operate, the order struck the right balance between protecting Ohioans and keeping the economy moving as much as possible, given the circumstances. The Ohio stay at home order was viewed as a model other states that didn't act as quickly as Ohio did should follow.

Now our members are anxious to get back to business as soon as possible. Therefore, we were highly encouraged yesterday when Gov. DeWine announced that he is targeting May 1 as the date to reopen some businesses in Ohio.

Before the arrival of the coronavirus, Ohio's economy was growing and business leader optimism was high. In fact, this optimism was evident in the Ohio Chamber Research Foundation's quarterly survey of Ohio business leaders, the monthly NFIB Optimism Index and other similar surveys.

But the suddenness of the coronavirus outbreak and the steps taken by Ohio to contain it have – as we all know – caused a major disruption to our economy.

The stay at home order permits a variety of businesses to continue to operate as essential. Others have been able to transition to having their employees work remotely. Some fall outside of the categories of essential businesses and are also not capable of operating remotely. All businesses, though, have felt the impact.

A few types of businesses – notably stores that sell groceries and medicine, or online retailers, and those that provide shipping and delivery services – have actually seen a spike in commercial activity and are struggling to add new workers to handle the increased demand. Most businesses certainly have not.

As a result, what all six of our organizations have been hearing – and continue to hear – from our members is the same: generating cash flow is their overriding worry.

Cash flow is what keeps businesses afloat. And lack of cash flow is one of the biggest reasons businesses, particularly small businesses, fail.

Businesses are currently struggling to come up with the money needed to keep paying their employees and their other fixed expenses. Some businesses that may have had substantial reserves or were debt free have been able to endure so far. Most, however, are in desperate need of an infusion of capital to make ends meet. Thankfully, actions taken so far by both the federal and state governments have provided some relief.

The federal government's efforts to help, particularly the SBA's Economic Injury Disaster Loan Program (EIDL) and the Paycheck Protection Program that's part of the CARES Act, have been critical.

While some businesses have encountered problems trying to get money from the Paycheck Protection Program, the program has proven to be a lifeline to many businesses with 500 or fewer employees.

The State of Ohio has also implemented several helpful relief measures which will also assist with the cash flow problem. For example:

- The Ohio Department of Insurance has given health insurance policyholders the option of deferring premium payments, interest free, for up to 60 days and has likewise directed property and casualty insurers to provide policyholders with at least a 60-day grace period to pay their premiums;
- ODJFS is waiving penalties for late reporting and payment of quarterly unemployment compensation contributions; and

- The Bureau of Workers' Compensation has deferred all March, April and May premium payments. Also the BWC Board recently approved a \$1.6 billion employer premium rebate, which may be the biggest step the state has taken yet to help employers struggling with cash flow issues.

In addition, DSA and Director Lydia Mihalik have sought to provide assistance to struggling employers, as well. She leads a work group called the Economic Strike Force tasked with identifying the most immediate actions needed to address the economic impact of the coronavirus. This small group of business leaders includes members of our organizations, and also Ohio Business Roundtable President & CEO Pat Tiberi.

We've also been urging JobsOhio to step in and help support businesses facing these cash flow issues, which they have.

JobsOhio helped out bar and restaurant owners with their liquor buy-back program, offered a six-month deferral of loan payments to companies that had previously committed to bringing or expanding jobs and payroll in Ohio, established a Workforce Retention Loan Program, and made a \$2 million investment aimed at supporting small businesses in Southeast Ohio. These are exactly the types of programs desperately needed by businesses right now.

Of course, the General Assembly has helped as well, by passing the emergency measures contained in House Bill 197. Several recommendations requested by our organizations were part of this package, including:

- An extension of the state personal income tax return due date to July 15th to match the extended federal date, and giving the Ohio tax commissioner the authority to extend due dates for other returns filed with the Ohio Department of Taxation, including the municipal net profits tax;
- Ensuring employers can continue to withhold local income taxes using their business location even though many employees are now working remotely; and
- Automatically extends until December 1 any license, permit, registration, etc. that would otherwise expire during this time.

While this last provision doesn't directly impact cash flow, it will relieve administrative burdens for Ohio employers who are focused on many other, more urgent priorities.

Taken together, all of these federal and state actions will hopefully provide the majority of Ohio businesses with the cash flow relief they need to survive until they are allowed to operate and begin generating sales again.

Reopening is going to require a strategic and well-planned approach, because there is no playbook and no precedent. We know the Administration is working on this strategy, relying partly on advice being given by the Economic Advisory Board created earlier this month by Gov. DeWine. The members of this Board are CEOs of Ohio companies from every part of the state, representing diverse industries, both large and small, and include businesses that are part of all six of our organizations.

With yesterday's announcement by Gov. DeWine, employers will hopefully have the lead time they'll need to make proper preparations for reopening, such as recalling furloughed employees back to work, making new hires to replace lost employees, restocking supplies and raw materials, and reengaging their

supply and distribution chains. Still, all of this is predicated on them having the capital necessary to accomplish these tasks.

Most employers remain focused on their financial survival. Many of them have not yet turned their attention to contemplating what challenges may await them when they are allowed to resume operations. However, we can foresee several challenges they will face, at a minimum. These include:

#### **Cash Flow**

Cash flow problems will remain a challenge for some employers even after they're back in business, especially if economic activity resumes slowly at first, as is anticipated. Many of our businesses will effectively look like new startups, not ones that have been in business for many years, and startups are often starved for capital.

#### **Consumer Confidence**

None of us, including the Governor, really control the opening of the economy. Only Ohioans can open and start the economy, and that will not happen until people feel safe. Consumers who feel unsafe about their health won't patronize restaurants, go places to shop, etc. In addition, new consumer purchasing habits have been established during the crisis. Demand, and economic activity, will be impacted until this reluctance dissipates and normal buying patterns resume.

#### **Lawsuits**

From personal injury lawsuits to consumer class actions and more, businesses are concerned about a possible onslaught of lawsuits where they are the targets, and we are already beginning to hear about the emergence of liability threats against businesses stemming from COVID-19. Employers are going to need protection from these counterproductive lawsuits, and they'll need it quickly and decisively or any other efforts may be in vain.

#### **Regulatory Burdens**

Ramping up operations will need to be most businesses' sole focus, and anything that distracts resources from this focus, including regulatory compliance and other governmental mandates, will be obstacles to a quick recovery. In other words, now is the time to cut government red tape and avoid new regulations.

#### **Supply Chain Disruption**

The pandemic has caused major disruptions to global supply chains that will take time to resolve. Finding alternative suppliers, or redesigning products or processes, or introducing new technologies – these are all difficult to do after the fact.

#### **Workforce Readiness**

This was a persistent issue prior to the pandemic, but employers anticipate new and different workforce challenges during recovery, even with the unprecedented number of Ohioans presently out of work. Our existing workforce training programs may not be adequate, as skillsets and training needs may temporarily shift. Demand for these programs and training dollars will likely be higher, as well.

### **Workplace Safety**

Even when the emergency orders are lifted, that won't mean that COVID-19 is completely gone. Workers will continue to be concerned about the health risks of going back to work, and employers will need time and assistance to understand and implement ongoing social distancing requirements and any other new health- and hygiene-related protocols.

These are just some of the challenges we know our businesses are going to encounter when they resume operations. As the extent of these challenges and others becomes clearer, our organizations will surely have more recommendations to share with you. These may include what specific types of assistance, support, or relief they may require to assist in their recovery.

We know there will be a role for the state and for the legislature, in particular, to play in helping to ensure a quick and complete return to economic prosperity. We know we all have the same goal too, which is to have Ohio again open for business.

Businesses across Ohio are responding to the challenge of COVID-19. They are doing some amazing things to help and give back to their communities. They're repurposing their manufacturing lines to produce PPE. They're donating their own medical supplies. They're offering free internet access to students. They're giving health care workers free meals, and much, much more. In the midst of this crisis, we've seen ample evidence of the spirit of free enterprise.

As soon as we get our economy restarted, you'll see even more of the spirit – and resilience – of free enterprise.

On behalf of NFIB, the Ohio Business Roundtable, the Ohio Council of Retail Merchants, the Ohio Farm Bureau Federation, the Ohio Manufacturers' Association and the Ohio Chamber of Commerce, thank you for the opportunity to share our members' perspective with you today.