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June 6, 2022

The Honorable Martin T. Causer  
147 Main Capitol Building  
P.O. Box 202067  
Harrisburg, PA 17120-2067  
*via electronic submission*

RE: House Majority Policy Committee Meeting, June 9, 2022

These comments are submitted on behalf of the National Federation of Independent Business in Pennsylvania (NFIB PA). NFIB is the nation's leading small business advocacy organization, representing nearly 13,000 members in Pennsylvania and about 300,000 members throughout the United States. Founded in 1943 as a nonprofit, nonpartisan organization, NFIB's mission is to promote and protect the right of its members to own, operate, and grow their businesses.

Small businesses continue to face truly unprecedented challenges with no end in sight. During the height of the COVID-19 pandemic, tens of thousands of small businesses were deemed non-essential and forced to close for months to protect public health. This led to depressed consumer demand, non-existent or stagnant sales, increased costs, and significant debt. Two years later, many small businesses never made up the losses incurred while now facing severe labor shortages, supply chain disruptions, record-high inflation, increased labor costs, and higher unemployment Insurance tax bills.

### **Direct COVID Challenges for Small & Independent Businesses**

- Small and independent businesses were **unilaterally shutdown by Governor Tom Wolf** and deemed, **non-essential**. The owner(s), employees, and business partners that relied on that company were all deemed 'non-life-sustaining', while government officials continued to regularly receive their paycheck.
- Small businesses were forced to place employees on the **unemployment compensation** system, requiring the Commonwealth to borrow over \$1 billion from the federal government. If the state government does not allocate funds to the UCTF in this budget cycle, they will have effectively **raised taxes on small and independent businesses** through their inaction.

- The **Unemployment Compensation system crumbled** under the demand for services, leaving employees and employers with no way to ensure the lights stayed on and families had food on the table. The systems failed when employees needed it most.
- The **Pandemic Unemployment Assistance (PUA) program took weeks to launch**, leaving business owners with no answers, and no help from the Department of Labor & Industry. I witnessed the pain and anguish on business owners faces as the state was woefully prepared for the pandemic. Business owners were left with no recourse other than waiting on L&I to return their phone call or email, which typically took well over a month. It appeared that business owners were last in line for priority, even though employees wouldn't have jobs without the business owner.
- When finally authorized to resume limited business operations, small and independent businesses incurred **substantial costs to comply with the ever-changing dictates** that the Wolf Administration would unilaterally, and without warning, issue. To include occupancy limitations, masking requirements, the obligation to purchase food with alcohol, and, most foolishly, installing plastic shields throughout businesses.
  - According to a [New York Times article](#) published in August of 2021, "Intuition tells us a plastic shield would be protective against germs. But scientists who study aerosols, air flow and ventilation say that much of the time, **the barriers don't help and probably give people a false sense of security. And sometimes the barriers can make things worse.**"
  - "Research suggests that in some instances, a barrier protecting a clerk behind a checkout counter may redirect the germs to another worker or customer. Rows of clear plastic shields, like those you might find in a nail salon or classroom, can also impede normal air flow and ventilation."
- In December of 2020, before the Christmas and New Year's Day, during limited business operations, restaurants had already placed their food purchases for the week. They were abruptly notified that they would not be allowed to open at all that weekend, or in the next three weeks. Governor Wolf, only two days prior, had **denied** a report that he was going to issue another shutdown order. **Thousands of restaurants were forced to get rid of thousands of dollars' worth of food, and in many cases, their limited resources were completely wasted** due to ineffective communication from those who held the proverbial keys to the car.
  - Instead of calling it a shutdown 'order', Governor Wolf referred to the mitigation order as a 'pause', but really it was a **death knell for thousands of small businesses** who were going to have to discard many of the products they had just ordered.
- Programs such as the **Paycheck Protection Program (PPP) failed small and independent businesses**, as the dollars were gobbled up by those with the resources and time to apply. Small and independent businesses often lack staff attorneys, accountants, a human resource director, and a janitor, requiring the owner to fulfill those obligations. Fraud was rampant within the PPP,

providing billions of US taxpayer dollars to unrecoverable entities, many foreign. **One-time cash infusions are often fruitless, ripe with fraud, and don't get to the intended target.**

- Quoted from NBC News, "Many who participated in what prosecutors are calling the largest fraud in U.S. history — the **theft of hundreds of billions of dollars** in taxpayer money intended to help those harmed by the coronavirus pandemic — couldn't resist purchasing luxury automobiles. Also, mansions, private jet flights and swanky vacations."
- "They came into their riches by participating in what experts say is the theft of as much as **\$80 billion** — or about 10 percent — of the \$800 billion handed out in a Covid relief plan known as the Paycheck Protection Program, or PPP. That's on top of the **\$90 billion to \$400 billion** believed to have been stolen from the \$900 billion Covid unemployment relief program — at least half taken by international fraudsters — as NBC News reported last year. And another **\$80 billion** potentially pilfered from a separate Covid disaster relief program."
- Net Operating Loss for small business > Onetime cash infusion.
  - Pennsylvania does not allow small businesses to take a Net Operating Loss (NOL). If you have a loss, you get to claim it. If you do not suffer a loss, you do not get to claim one.
  - By **allowing NOL's for pass-through entities**, the Commonwealth could commit to targeted, immediate relief for those that suffered a loss, rather than blanket payments ripe with fraud.
- When you **pay people not to work**, it's hard to get them to come back to the workforce.
  - The federal pandemic unemployment insurance supplement of \$300/week was a primary concern of many business owners, which provided a disincentive to return to the workforce. This was the subject of a [letter](#) I wrote to Governor Wolf on May 20, 2021, requesting he exchange the \$300/week federal benefit and provide a back-to-work bonus for those who return and remain in the workforce. Additionally, NFIB issued a letter of support for Rep. Jim Cox's House Bill 508, dated May 24, 2021.
  - According to a Business Insider article entitled, "Unemployment declining faster in states that are cutting off \$300 enhanced federal benefit, according to WSJ" dated June 27, 2021, "The number of individuals who received unemployment benefits declined by 13.8% by the week ending June 12, compared to mid-May, in states where governors explicitly said that enhanced benefits would end in June, based on an analysis by Jefferies LLC economists. This figure compares to a 10% decline in states that are ending benefits in July, and a smaller 5.7% decline in states that intend to keep the benefits until the funding ends in September."

## **COVID Conclusion**

How did we get to our current existence? Bad policies and a lack of communication.

When businesses were forced to shut down, manufacturing and production ceased, too. When workers were laid off and provided sizeable checks from the state and federal government, some never came

back. The **current supply chain disruption was predictable**, but the magnitude has far surpassed expectations. You can't produce the same number of goods with fewer employees. When products are in **limited supply, but high demand**, the price of those goods becomes inflated.

If nothing else, the supply chain disruptions have shed light on the importance of **manufacturing products domestically**, when possible, rather than a reliance on other countries. But it is difficult to attract businesses to the Commonwealth due to our poor business climate.

Additionally, when the **Federal Reserve continues to print money, inflation is the result**. According to the Free Thought Project, if we want to put this into perspective, we can take a look at the [monetary supply at the beginning of 2020](#), which showed just \$4.0192 trillion in circulation. By January 2021, that number had jumped up to \$6.7 trillion — but this was only the beginning.

By November of last year, that number climbed to \$20.354 trillion dollars in circulation — meaning that **since January 2020, the United States has printed nearly 80% of all US dollars in existence**.

This is a contributing factor to the current high inflation we are experiencing, brought on by irrational shutdown orders, intentionally paying workers to stay at home and not work, excessive printing of money, supply chains disruptions brought on by shutdown orders, and many more factors.

While hindsight is 20/20, the Commonwealth could stand to learn a lot from this experience to ensure that we never repeat the failings of the past couple of years.

### **Tertiary Policy Issues Limiting Small Business Recovery (State/Federal)**

Inflation has reached record levels due to poor choices during the COVID-19 pandemic, but, other factors are, or will, have a direct affect on inflation, too. As costs continue to increase for business owners, prices will continue to soar at stores.

### **Regional Greenhouse Gas Initiative (RGGI)**

RGGI will exacerbate the rising costs of doing business. Employers continue to operate with minimal staff and higher labor and material costs, all while struggling to reopen to pre-pandemic levels. Should small businesses continue to struggle and close their doors in communities across the state, **Main Streets will suffer, state and local tax bases will collapse, and more workers will lose their jobs**.

For instance, there are **hundreds of downstream small businesses** that supply and service coal and natural gas production and plants, in counties like Armstrong, Indiana, Montour, Washington, and Greene, where RGGI will hurt the most.

None of these rural regions were even given an opportunity to present their case to DEP as required under law. As construction and drilling projects cease in these regions, haulers will move to where the jobs are, restaurants, dry cleaners, gas stations, and others will lose their consumer base, and mechanics will have no machinery to work on. Though few would be directly affected by the taxes imposed by RGGI, there are second- and third-order impacts that will harm small businesses disproportionately to other businesses. These indirect costs are extensive but, incredibly, were not part of the EQB's analysis of the regulation.

Like dominos, **small businesses in these communities will fall** due to burdensome, unjust, and costly regulations.

Unfortunately, joining RGGI would set small businesses back at a most inopportune time.

Most importantly, RGGI will impose extensive costs on the production of energy in Pennsylvania, and these **costs will be passed on to ratepayers**.

Impartial analysis from the Independent Fiscal Office (IFO), states that, "Pennsylvania energy generators could spend upwards of **\$781 million annually** on emissions credits at the RGGI auctions – nearly four times the amount anticipated by the administration's taxpayer-funded analysis used to justify our participation in RGGI in 2020.

The IFO also warned that "**those costs would be pushed through to final customers.**" This could result in **rates being raised by as much as 45%**.

NFIB is staunchly opposed to RGGI as it will raise energy costs significantly, resulting in thousands of dollars in increased payments. These **costs will be passed on to the end consumer, perpetuating the current high inflation we are facing today**.

NFIB emphatically supports **SB 119 (Pittman) & HB 637 (Struzzi)** to require legislative approval to impose a carbon tax.

**NFIB** filed an amicus brief in the case *Bowfin Keycon Holdings, LLC, et al. v. Pennsylvania Department of Environmental Protection* at the Commonwealth Court of Pennsylvania. NFIB's amicus brief challenges Regulation 7-559, which authorized Pennsylvania's participation in the Regional Greenhouse Gas Initiative (RGGI). NFIB's brief argues that certain RGGI requirements represent an unconstitutional tax, the RGGI itself is an unlawful interstate compact, and joining the RGGI will have detrimental impacts for Pennsylvania's businesses and consumers.

### **Drastic Rise in Fuel Costs**

As of June 6, 2022, the average price for gasoline in Pennsylvania was \$4.96, placing PA in the top 20% of costs to motorists. For some, this will deter summer travel plans, leading to less business for small and independent businesses that rely heavily on tourist business.

Commercially, the impact is greater. Pennsylvania is one of the most expensive states to fill up an 18-wheeler. If shipping costs increase, so will the price of the goods that are being shipped.

Recently **I was quoted in the Philadelphia Inquirer** on this topic:

“The rise in diesel is crushing our members on shipping costs,” said Greg Moreland, the Pennsylvania director of the National Federation of Independent Business. “At every stage of transport, the costs have increased, if you can get the goods you need. When costs are incurred by the business, they pass those on to the customer, perpetuating the high inflation we are seeing right now.”

### **Interstate P3 Bridge Tolling Initiative**

Tolling local bridges is a horrible idea for a multitude of reasons.

- Traffic patterns will shift as motorists avoid the tolls, and small businesses near the bridges will struggle as their customer base declines.
- This pattern shift will overload local roadways that were not designed to sustain a high-volume of vehicles, affecting traffic and emergency services, and ultimately, taxes in many localities.
- The **price of shipping goods will increase to account for tolling**, and this will affect businesses up and down the supply chain and make Pennsylvania’s small businesses less competitive in the aftermath of the pandemic.
- The increased shipping costs will be passed on the **end consumer, perpetuating the current high inflation we are facing today.**
- The cost per bridge toll is estimated to be \$1-\$4/car and \$8-\$12/truck and other large wheelbase vehicles. What do you think that will do to those costs of goods being shipped? Companies aren’t going to absorb the costs. Customers will receive those increases, exacerbating an already inflated market.
- This is another short-term band-aid to infrastructure funding, rather than a long-term funding strategy that has been well thought out and analyzed.
- NFIB is happy to see the Commonwealth Court issue an injunction in this case, and we hope that the Department of Transportation will work more openly with the General Assembly on long-term solutions.

### **OSHA Vaccine Mandate Lawsuit**

NFIB was victorious in our case challenging OSHA’s authority to implement a vaccine mandate. Please see our statement below:

**WASHINGTON, D.C. (Jan. 25, 2022)** – The **National Federation of Independent Business (NFIB)**, the nation’s leading small business advocacy organization, issued the following statement on behalf of **Karen Harned, Executive Director of NFIB’s Small Business Legal Center**, following the Department of Labor’s announcement that OSHA has withdrawn the vaccine emergency temporary standard:

“The small business community is relieved to hear that OSHA has officially withdrawn the vaccine ETS on businesses and will no longer move to enforce the mandate. As NFIB argued at the U.S. Supreme Court, OSHA does not have the emergency authority to regulate the American workforce with such a mandate and we are pleased the Court agreed. We urge OSHA to also withdraw the proposed rule as small businesses continue to face extraordinary challenges and this mandate would exacerbate those. This is a win for small businesses who are working hard to get their businesses and the economy back on track.”

NFIB’s legal challenge argued three main points:

1. OSHA needed to use the typical notice-and-comment procedure for the mandate to gather input.
2. A nationwide COVID-19 vaccine and testing mandate, monitoring, and database is fundamentally a policy decision that should be left to Congress.
3. The mandate will result in unrecoverable compliance costs, lost profits, lost sales, and further exacerbate the labor shortage for small businesses.

### **NFIB Small Business Economic Trends Data**

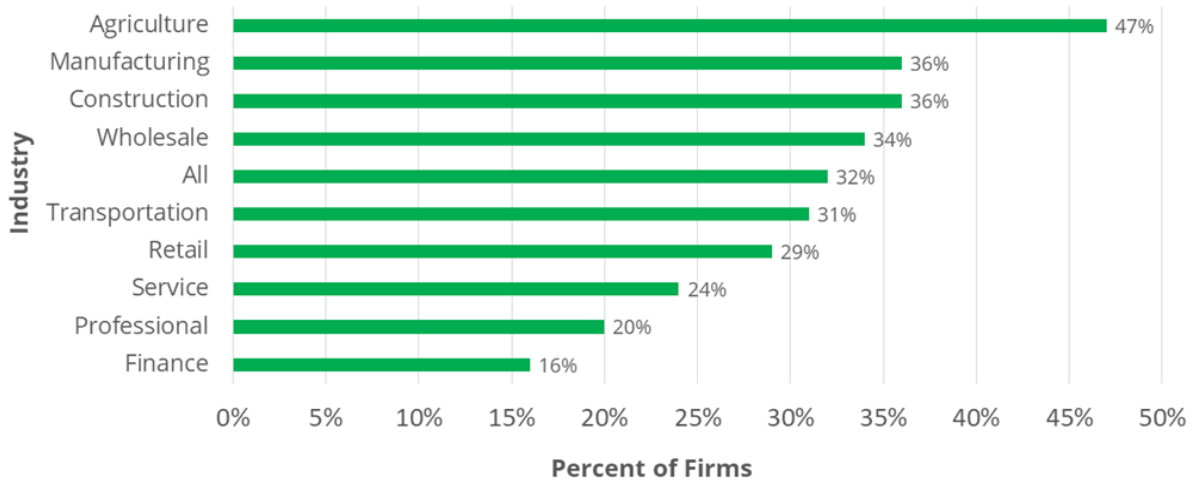
Below are statistics from the NFIB Small Business Research Center, which has been collecting data from NFIB members for nearly 50 years. These data points provide insight into the state of small business and allow policymakers to better understand what is ailing our small and independent business community. Please see the below data, also available on our website, or using [this link](#).

## Inflation

In March of 2022 inflation overtook labor quality as the top business problem for small businesses. Currently, in April, 32 percent of owners reported that inflation was the single most important problem in their business, up five points from February and the **highest reading since the first quarter of 1981**.

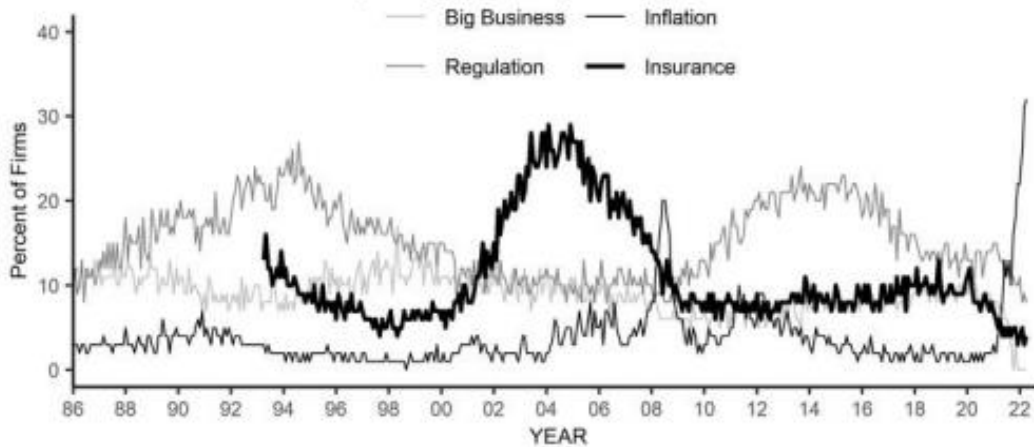
### April 2022 *Single Most Important Problem - Inflation*

% of small business owners reporting that inflation is their single most important problem operating their business



### SELECTED SINGLE MOST IMPORTANT PROBLEM

Inflation, Big Business, Insurance and Regulation  
*January 1986 to April 2022*

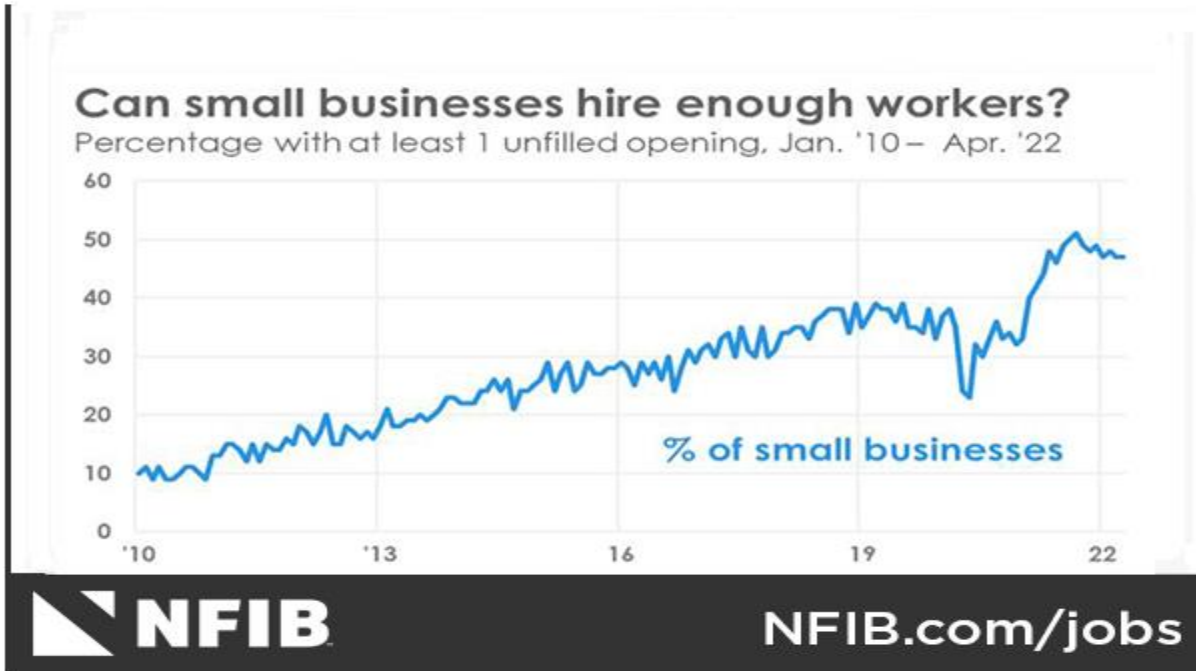




## Labor Markets - Lack of Qualified Applicants

Small businesses continue to struggle to find workers to fill open positions. The difficulty in filling open positions is particularly acute in the construction, manufacturing, and retail sectors. Openings are lowest in the agriculture and finance sectors.

**47 percent of all owners reported job openings they could not fill in the current period.**



## Unfilled Job Openings

Percent with at Least One Unfilled Opening



The **NFIB Research Center** recently released an industry-specific Small Business Economic Trends [report](#) highlighting the construction, manufacturing, retail, and services industries.

Key findings by industry include:

#### *Construction*

- The Optimism Index for the construction industry was 92.3, down seven points from January's quarterly report and lower than the overall Index.
- Owners in the construction industry had the highest percentage of unfilled job openings among all industries at 59%.
- The struggle to hire qualified workers has led to an inability to form work teams and begin permitted projects to meet the current demand.
- Fifty-four percent of the job openings in construction are for skilled workers.
- Sixty-four percent of construction firms reported few or no qualified applicants.
- Eighty-one percent of construction firms reported raising prices in April.
- Earnings trends in construction improved by five points from the previous quarter to a net negative 20%.

#### *Manufacturing*

- The manufacturing sector remains more optimistic compared to other industries in its recovery from the pandemic, with the Optimistic Index at 99.1 in April.
- Fifty-three percent of manufacturing firms reported unfilled job openings, second only to the construction industry and six percentage points higher than all firms.
- A net 28% of firms plan to create new jobs in the next three months, down seven points from January but eight percentage points higher than the overall population of small firms.
- Future sales expectations declined 10 points in April from January's report, however, owners in manufacturing are still more optimistic than all firms about sales over the next three months.
- A net negative 2% of manufacturing small business owners expect higher sales in the next three months, compared to a net negative 12% overall.

#### *Retail*

- Retailers reported nearly the same level of optimism as the average for all firms in April with an Optimism Index of 93.4.
- Earnings trends in retail fell three points from the previous quarter to a net negative 18%.
- Retail owners' expectations about economic conditions over the next six months declined 18 points to a net negative 47%.
- A net 8% of retailers report current inventory levels "too low" compared to a net 6% of all small businesses.
- Retailers continue to increase inventory levels and a net 5% plan to increase inventories over the next three to six months, four points above all firms.

#### *Services*

- The services sector Optimism Index decreased in April by 2.6 points to 94.2 and is one point above the overall index.

- Most of the decline in service sector optimism was driven by a decrease in expectations that the economy will improve and expectations of real higher sales.
- Service businesses' expectations about future sales over the next three months fell seven points from January to a net negative 9% of owners.

### Supply chain shortages

According to the [April 2022 NFIB Small Business Economic Trends Report](#), 36 percent of owners report that supply chain disruptions have had a significant impact on their business. Another 34 percent report a moderate impact and 20 percent report a mild impact. **Only 8 percent report no impact from recent supply chain disruptions.**

Again, it should be no surprise that when businesses were shuttered for months on end, or operating with minimal staff, the products they typically produce were not being produced.

### Business optimism

One can infer from the chart below that business optimism crashed surrounding the Great Recession of 2008, but slowly and steadily increased during the Obama Administration. Viewing 2017-2020, business optimism soared as the Tax Cut and Jobs Act came to fruition and business owners optimism was record-high, until March of 2020 when the pandemic shutdowns first occurred. Recently, optimism is waning, as record-high inflation and fuel costs continue to devastate small business.

## OVERVIEW - SMALL BUSINESS OPTIMISM



The challenges of the last two years have led to a continued pessimism about future economic conditions. In NFIB's latest COVID-19 Small Business Survey, 73 percent of small businesses have not

seen their sales volume return to pre-COVID levels and 59 percent anticipate that their local community will not return to pre-crisis level of economic activity until sometime in the second half of 2022 or later.

## **Conclusion**

The current environment is unsustainable for the state's economy, local communities, and our Main Streets which bring life and vibrancy to our communities.

**Inflation is crushing our small and independent business community**, forcing some to close their doors forever. The policy decisions that are made in this building have real world consequences on folks lives and livelihoods.

- Stop printing money
- Stop giving workers free money to not work
- Allow businesses to operate free of unreasonable government interference

Thank you again for the opportunity to comment on behalf of Pennsylvania's small and independent businesses.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Moreland', with a stylized flourish at the end.

Gregory B. Moreland  
NFIB PA State Director