



Coalition for a
Strong Virginia Economy

March 31, 2020

The Honorable Ralph Northam
Governor
State of Virginia
State Capitol
Third Floor
Richmond, VA 23219

Dear Governor Northam:

On behalf of the Coalition for a Strong Virginia Economy, our 27 business associations appreciate the leadership you have demonstrated during this public health crisis. As we enter the third week of Virginia's State of Emergency related to containing the spread of the coronavirus, COVID-19, Virginia is facing an economic crisis many of us have never experienced.

While we had serious concerns about several pieces of legislation related to the business community during the Session, the negative impact these bills will have on our members' livelihood is even more critical considering the economic devastation many of our members are facing, especially as businesses of all sizes across the Commonwealth are now facing the unprecedented situation of a 72 day Statewide Stay at Home order.

As you and your team review legislation in anticipation of the April 22nd reconvene Session, we respectfully request you delay for at least a year the following legislation enacted during the 2020 General Assembly Session. This action will give Virginia's businesses, large and small, manufacturers, retailers, construction, housing and agricultural and forestry industries an opportunity to rebuild our businesses, restore our customer base and rehire our employees before taking on more government mandates.

The vast majority of our member businesses are experiencing closures, reduced production and reducing workforces. The top priority of our members is finding ways to ensure their employees keep their jobs. Based on the conversations we've had with our members, many of them are hoping the federal aid recently passed in Congress will make its way to them in time to save their business and employees. They are focused on staying in business for the long term. However, the challenges are grand both for the short term and long term. There is a strong possibility that many of these committed and long standing businesses will not survive, and, if they do survive, it's hard to say how long it will take for them to see their operations return to a level near to that of the pre-COVID-19 environment.

COVID-19 Impact on Virginia Businesses

In recent weeks, the impact of the coronavirus has been staggering. Since the outbreak and the resulting closure of schools and non-essential businesses, over 46,000 Virginians have filed unemployment benefits. Long standing businesses who have survived numerous struggles and challenges are laying off employees for the first time in their 20, 30, 40-year-old history. Retail, restaurant, entertainment and tourism businesses in particular experienced the first wave of lost sales and income. We anticipate our members in other industry sectors and larger in size will begin to feel the effects as the “stay at home” declarations continue into the coming weeks.

For example, one of our retail outdoor recreation companies who opened their first store in Lexington, Virginia in 2005 and slowly and diligently expanded to 5 additional locations, saw an 85% drop in their sales. In their 15-year history, they never experienced a single lay-off until last week when they had to let go 40 of their employees.

A 30-year old tour company in Hampton experienced a 95% loss in cancelled group and school tours by March 10; as of mid-March, this company had to shut their doors laying off 9 employees.

In Salem, a 40-year favorite restaurant has closed its operations and furloughed many of its workers to just a skeleton crew to provide takeout and delivery orders.

Virginia’s independent craft beer industry has experienced an estimated 75% reduction in sales.

Manufacturing supply chains have been disrupted and some products required for essential services are scarce.

None of these are decisions they wished to take. All of them were taken for reasons beyond their control, for which no one is to blame.

Recent media reports have suggested Virginia is likely to experience a slumping economy resulting in a \$2.0 billion hit to the state budget because of the Commonwealth’s heavy reliance on individual and corporate income and sales taxes – the very taxes our members pay and remit.

Actions the Governor and General Assembly Can Take Now

The April 22nd Reconvened Session offers an opportunity for you, as Governor, to work with the General Assembly to address the needs of the business community to ensure they come out of this public health and economic crisis as strong as ever.

Delaying the enactment of legislation that will increase the cost of doing business in the Commonwealth will go a long way to improving conditions for Virginia's businesses to recover. Providing certainty and more time to prepare for these mandates after experiencing the devastation of this crisis will improve Virginia's economy and increase the state's coffers sooner rather than later.

For the list of bills listed below which are currently under gubernatorial review, we would respectfully ask that these bills be delayed a year from their effective date such as minimum wage until January 1, 2022. If you wish to approve any of these measures, we hope you will propose amendments to mitigate the impact of these proposals on businesses to allow our businesses owners to continue to provide employment and support for communities across the Commonwealth.

List of 2020 Legislation that Will Increase the Cost of Doing Business in Virginia

<u>Bill Number</u>	<u>Legislation</u>	<u>Impact</u>
HB 395 / SB 7	<p>Minimum Wage Increase</p> <p>Increases the minimum wage in the following schedule:</p> <ul style="list-style-type: none"> • Jan 1 2021 - \$7.25/hour to \$9.50/hour • Jan 1, 2022 - to \$11.00/hour • Jan 1, 2023 - to \$12.00/hour • Jan 1, 2025 - to \$13.50/hour • Jan 1, 2026 - to \$15.00/hour • Future increases based on increases in the consumer price index. • Increases for 2025 and 2026 require General Assembly to re-enact prior to July 1, 2024 while a study is conducted • Creates 75% training wage for 90 days for employees in on-the-job training programs • Removes several exemptions such as domestic service or workers paid by the piece 	<ul style="list-style-type: none"> • Raises minimum wage by 31% at exactly the time all businesses and employees will be trying to recover • Drives up wages for higher-salaried employees creating wage compression when employers need to raise pay for workers above entry-level wages to maintain fairness and productivity • Creates difficult decision for employers to control increased labor costs by either raising prices, reducing hours & benefits – even eliminating jobs such as in Seattle where researchers at the University of Washington identified a significant loss of work hours for affected employees, such that workers who were supposed to gain a boost in pay were instead no better off than before. • Increases in the minimum wage worsen the financial health of small businesses leading to other issues such as lower bank credit, higher loan defaults, lower employment, a lower entry and a higher exit rate for small businesses according to Dec 2019 study by the National Bureau of Economic Research
HB 358 / SB 182	<p>Project Labor Agreement –</p> <p>Under PLAs, only contractors who turn over control of their employees over to union bosses -- or who are willing to work under rules set up by union officials --</p>	<ul style="list-style-type: none"> • Awards contracts on state construction projects based on whether the company's employees pay dues to a union boss instead of being awarded on the basis of merit and the value for taxpayers • Requires union hiring in the Virginia construction industry which is a 95% non-union environment, resulting in continued unemployment for Virginia workers.

	would be able to work on public works projects.	<ul style="list-style-type: none"> Increases public construction costs by 10-20% at a time when local & state governments will see reduced revenue, giving taxpayers less public works for their money.
HB 582 / SB 939	Collective Bargaining for Local Government Employees	<ul style="list-style-type: none"> Increases state and local tax burden on individuals and businesses as shown in the analysis by the National Institute for Labor Relations Research which found that of the 17 states with the most heavily unionized public sectors – their tax burden was 26% higher than in the 17 states where government union bosses have the fewest workers in unions Raises costs for taxpayers as shown in a 2016 study by the Heritage Foundation which showed that a state passing government sector bargaining increases the average annual tax burden by \$3,000 for a family of four.
HB 1526 / SB 851	Virginia Clean Economy Act	<ul style="list-style-type: none"> Increases utility costs by \$15-50 billion
HB 981 / SB 1027	Clean Energy and Community Flood Preparedness Act	<ul style="list-style-type: none"> Results in average residential electric bills on ratepayers by \$333 per year. Business pays more, too, passing those increases down on consumers.
HB 785 / SB 588	<p>Local Taxing Authority</p> <p>Modifies or eliminates several restrictions that apply to various taxes imposed by counties:</p> <ul style="list-style-type: none"> Meals tax up to 6% with no referendum Cigarette tax up to 40 cents pk Unlimited tax rate on lodging taxes Admissions tax to 10% 	<ul style="list-style-type: none"> Allows counties to impose new tax increases on Virginia residents without allowing them to vote on it Results in as much as \$500 million in county taxes annually according to a report by JLARC. Also, the report states this additional revenue equates to approximately 4% of current total tax revenue collected by counties, with about 86% of the additional revenue coming from meals tax collections.

Virginia's economy will be weakened for months to come and it will be difficult to estimate when our members and their workforce will begin to see some recovery. Now is not the time to place more financial burdens on their shoulders. In recovery, the most important thing government can do is to help get cash flowing in the economy as fast as possible. This, in turn, will stimulate further cash flow. But doing so requires bringing employers back online as soon as possible, for without employers there will be no employees.

We look forward to working with you through this public health crisis. In the meantime, as you review this year's legislation, we welcome the opportunity to discuss with you and your Administration legislative action and other suggestions to improve the vitality of Virginia's economy.

Best Regards,

Members of the Coalition for a Strong Economy

Associated Builders and Contractors of Virginia
Associated General Contractors of Virginia
Cherry Stone Aqua Farms and Cherrystone Family Camping Resort
Hampton Roads Chamber of Commerce
Harrisonburg – Rockingham Chamber of Commerce
Heavy Construction Contractors Association
National Federation of Independent Business
Northern Virginia Chamber of Commerce
Richmond Area Municipal Contractors Association
Thomas Jefferson Institute for Public Policy
Virginia Agribusiness Council
Virginia Association of Roofing Professionals
Virginia Association for Home Care and Hospice
Virginia Automatic Merchandising Association
Virginia Electric Cooperatives
Virginia Forestry Association
Virginia Forest Products Association
Virginia Loggers Association
Virginia Manufactured Association and Modular Housing Association
Virginia Manufacturers Association
Virginia Peninsula Chamber of Commerce
Virginia Poultry Federation
Virginia Retail Federation
Virginia Retail Merchants Association
Virginia Trucking Association
Virginia Veterinary Medical Association
Virginia Wholesalers and Distributors Association

<https://coalition-for-a-strong-va.constantcontactsites.com/>

Cc: Brian Ball, Secretary of Commerce and Trade
Megan Healey, Chief Workforce Advisor to the Governor
Aubrey Layne, Secretary of Finance
Clark Mercer, Chief of Staff
Members of the Virginia General Assembly