



Testimony in Support of the Economic Recovery Linked Deposit Program
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Senate Financial Institutions & Insurance Committee
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Chairman and members of the committee, I am pleased to submit testimony in strong support of the Economic Recovery Linked Deposit Program on behalf of NFIB Kansas. NFIB Kansas is the leading small business organization in Kansas representing small and independent businesses. A non-profit, nonpartisan organization founded in 1943, NFIB Kansas represents the consensus views of its almost 4,000 members in Kansas.

The impact from this pandemic, including government stay-at-home orders and mandated non-essential business closures has had a devastating impact on the small business economy. Owners are starting to benefit from the PPP and EIDL small business loan programs as they try to reopen and keep employees on staff. Yet, in addition to needing more flexibility in using the PPP loan to support business operations and liability protection, small business owners need additional low cost financial programs—like the proposed Linked Deposit Program—to help them survive and emerge from the crushing effects of COVID-19.

In our most recent Small Business Economic Trends Survey¹, small business optimism took another dive in April, falling 5.5 points to 90.9, with owners expressing certainty the economy will weaken in the near-term, but expecting it to improve over the next six months. The Optimism Index has fallen 13.6 points over the last two months, with nine of 10 Index components declining in April and one improving.

Real sales expectations in the next six months declined 30 points to a net negative 42 percent, the lowest reading in the survey's 46-year history. The second-lowest reading was net negative 24 percent in April 1980. A net negative 11 percent of all owners (seasonally adjusted) reported higher nominal sales in the past three months, down 19 points from March.

Other key findings from April's Optimism Index included:

- Earnings trends declined 14 points to a net negative 20 percent. Among owners reporting weaker profits, 39 percent blamed weak sales, 16 percent blamed usual seasonal change, six percent cited price changes, four percent cited labor costs, and two percent cited materials costs. For owners reporting higher profits, 63 percent credited sales volumes and 17 percent credited usual seasonal change.
- The percent of owners thinking it's a good time to expand lost 10 points falling to three percent, its lowest level since March 2010.

As reported in our most recent NFIB monthly jobs report, job creation plans fell eight points to a net one percent, the lowest level since December 2012. Three times as many owners reduced employment as reported an increase in their workforce. Forty-seven percent reported hiring or trying to hire (down seven points), but 41 percent (87 percent of those hiring or trying to hire) reported few or no "qualified" applicants for the

positions they were trying to fill. Twenty-four percent (seasonally adjusted) of all owners reported job openings they could not fill in the current period, down 11 points.ⁱⁱ

As you can see from these numbers, the economic outlook of small business owners is uncertain and bleak. And, the full force of the “recession” has not yet been felt as programs such as PPP encourage firms to maintain employment even as the government shutdown reduces business activity. Facing a monumental and complex recovery, small business owners need every viable tool at their disposal. The proposed Linked Deposit Program will provide small businesses with the critical low-interest capital that they need in these trying times.

Thank you for the opportunity to provide comments on this important piece of legislation. We urge your support of the measure.

ⁱ NFIB Small Business Economic Trends Survey: <https://www.nfib.com/surveys/small-business-economic-trends/>

ⁱⁱ NFIB Monthly Jobs Report: <https://www.nfib.com/foundations/research-center/monthly-reports/jobs-report/>