Chair Dembrow and Members of the Committee,

On behalf of the thousands of small-business members of NFIB in Oregon, I would like to share with you our concerns with Cap and Trade – and ask that you stand-up for small businesses and Oregon families by opposing SB 1530.

Please keep in mind that NFIB represents small businesses in every industry of Oregon's private sector, and although 90 percent of our members have fewer than 25 employees – and 70 percent have fewer than 10 employees, the small businesses we represent account for over 60,000 Oregon jobs.

Small-business owners depend on energy supplies at globally competitive prices to operate and effectively run their businesses. According to NFIB's National Energy Consumption survey, energy costs are one of the top three business expenses in 35% of small businesses.

Small companies use energy for several business-essential purposes. The primary energy cost:

- For 38% of small firms is operating vehicles
- For one-third of small firms is heating and/or cooling
- For one-fifth of small firms is operating equipment.

NFIB included a question on Cap and Trade in a recent Oregon state member ballot. The results were clear: 80 percent of survey respondents opposed the adoption of a cap on greenhouse gas emissions and the establishment of a carbon market to generate revenues for clean energy economic development in an attempt to further reduce Oregon's carbon footprint.

In recent years, the state has acted boldly to reduce greenhouse gas emissions. Today, Oregon accounts for less than one percent of U.S. emissions and approximately one-tenth of one percent of total global emissions. Oregonians should already be recognized and credited for doing our part.

SB 1530 will make living and working in Oregon more expensive – even for those Oregonians lacking the ability to pay more. Many families will bear the cost of increased natural gas rates and higher prices for propane, two key fuels that Oregonians rely on to heat their homes and businesses in the cold, winter months.

As members of the Oregon Legislature are very aware, gas prices are an especially sensitive subject for their constituents. In 2017, and for months leading into the legislative session, the Joint Committee on Transportation Preservation and Modernization worked tirelessly to come up with a transportation package that was acceptable to the requisite number of legislators to pass the bill, but also to the many stakeholder groups involved in the legislative process. In the end, the finished product included a schedule of gas tax increases and provisions to aid in containing the costs of Oregon's Clean Fuels Program.

With the amount of give and take that went into passing HB 2017, it would be ill-advised to adopt new policies that will result in a likely price increase for a gallon of gasoline of more than 20 cents in the first year of the program alone, based on estimates from the Legislative Revenue Office.

We know that higher fuel prices lead to higher prices for all types of products and services. This is especially true in Oregon where we depend on agriculture, manufacturing and natural resources for so much of the state's economic activity. But we also know that higher fuel prices have a disproportionately negative impact on those struggling Oregonians who can least afford to pay more. And while transportation accounts for more than a third of Oregon's emissions, higher fuel costs aren't the only consequence for Oregonians if the legislature chooses to adopt a Cap and Trade policy.

As energy costs rise, small-business owners are not always able to adjust the price of their goods and services quickly enough to match potentially steep energy cost increases without hurting their customer base. For example, most owners cannot afford to buy new, more energy-efficient equipment if current equipment still has useful life. They are effectively caught in a dilemma that only time and/or good fortune can change.

Most of the problems that businesses struggle with are similar, regardless of whether the business is structured as a C-corporation, S-corporation, limited liability company, partnership or sole proprietorship. Energy costs, however, are an exception. While NFIB's most-recent quadrennial Small Business Problems and Priorities report shows that tax and regulatory-related problems are similarly ranked across most legal categories, sole proprietors and partnerships assessed both "Cost of Electricity (rates)" and "Energy Costs, Except Electricity" as more severe problems than the other forms of business. The difference in rank is likely due to the heavy influence of agriculture in these two legal designations.

"Energy Costs, Except Electricity" ranks number one for proprietorships and third for partnerships. It ranks fifth for C-corporations and seventh for both S-corporations and LLCs. "Cost of Electricity (rates)" follows a similar pattern ranking 12th for Proprietorships, 21st for Partnerships and C-corporations, 19th for LLCs, and 30th for S-corporations.

Another key difference in how businesses rank their most-pressing challenges is based on their size, both in revenue and employee count. Cost-related problems disproportionally affect smaller businesses more than larger ones due to economies of scale. Smaller businesses lack the purchasing power of larger businesses and are less able to absorb unexpected changes in business costs. For example, "Energy Costs, Except Electricity" and "Electricity (rates)" are much more of a burden for the smallest compared to the larger businesses. Newer and smaller firms have often not yet reached the peak of their market share, thus their energy cost per dollar of sale has not yet been fully optimized.

The obvious impacts of Cap and Trade on small businesses, and all Oregonians, are increased costs for the things we buy that require carbon to produce and transport. Energy costs will increase, fuel prices will increase, and even if the big, regulated entities are the ones paying the state directly, those dollars will come from real people – Oregonians that would be burdened with higher bills to the tune of hundreds of millions of dollars per year, all for an imperceptible impact on the global climate.

Whatever the cost to the average Oregonian, the cost of SB 1530 for small-business families will be even more painful. Our members will pay once for their household energy needs – and then a second time to keep their businesses running.

It is critical for Oregon's small businesses to have access to affordable and reliable supplies of energy to remain competitive. For these many reasons, NFIB asks you to oppose SB 1530.

Thank you for your consideration,

Anthony K. Smith
Oregon State Director