



RESPONSES TO COVID-19:

BUSINESS OVERVIEWS

For April 30 Economic Affairs Interim Committee
Updated May 5 - Compiled by Pat Murdo, Staff Researcher

SURVEYING ECONOMIC DAMAGE & PROSPECTS

As the Governor's COVID-19 directive eases for sheltering at home, businesses that shut down are beginning to gear up. Some retail was able to open the week of April 27. Whether customers will return in sufficient numbers remains a question. Restaurants and bars have until May 4 before they can reopen for sit-down service, with limits.

This report has a 10,000-foot look at what the past month of closure has meant for some businesses in terms of survivability, based on surveys taken in various regions. The report also tries to address a question raised at the Economic Affairs Interim Committee's April 9 meeting as to how many businesses may close and not reopen because of the COVID-19 related impacts. Various representatives of business, contacted by staff, provide a picture that is informative but incomplete. Not all businesses belong to a local chamber of commerce, the state chamber of commerce, or even business associations. What is most likely to be missed in this overview are the small mom-and-pop stores that may not have any employees (where unemployment insurance could be used to track closures) and that operate as pass-through entities, which means that their income taxes are individual so that not even the Department of Revenue can determine closures through tax filings.

Unemployment Snapshot

U.S. - March - 4.4%

Montana - March - 3.5%

(April data to show late March layoffs)

Highest Counties Lincoln - 10.4%

Mineral - 10.4%

Highest year-over-year change Treasure County -down 48.9%

What the picture shows is a mix of impacts. As several business representatives noted, surveys do not always reflect the most accurate picture. They do not necessarily reach all the community nor do the questions fit every case. The following are snapshots and point-in-time assessments.

MONTANA BANKERS ASSOCIATION

The Montana Bankers Association surveyed 44 member banks and branches April 16. Given the banks' insider knowledge of their customers' finances, the first survey question may be more telling than some of the optimistic responses gathered by other surveys. The bankers' association survey also had questions related to a reopening and lifting of the statewide shelter-in-place order. Because of changes in that order, those responses are not included.

What percentage of business customers are expected to go out of business with other customers expected to survive Montana's shelter-in-place order (based on what the bank knows as of April 16 survey date):

- 10% or fewer expected to go out of business (combines two responses) - 43.18%
- 20% expected to go out of business - 22.73%
- 30% (or more than 30%) expected to go out of business (combines two responses) - 34.09%.

COVID-19 Business Impacts, Compiled by Pat Murdo, EAIC Researcher

An additional question related to survival potential addressed the length of time the bankers expected customers to remain viable:

- 0-5 days - 6.82%
- 5-15 days - 43.18%
- 15-30 days - 40.91%
- As long as necessary for public health and safety - 9.09%

MONTANA CHAMBER OF COMMERCE

The Montana Chamber's survey gleaned 482 responses. Chamber president Todd O'Hair pointed out that the respondents covered a wide range of industries (from architecture to tourism) and the gamut of business sizes, with 37.21% of respondents having up to 10 employees and 7.28% having more than 100 employees. One of the questions related to lifting of shelter-in-place restrictions and is not included here, since reopening has begun. All but 12 respondents answered the first question:

As a Montana business owner/operator currently complying with the statewide shelter-in-place order due to COVID-19, what is the status of your business.

- Business is done/shutting down/unable to be revived - 2.98%
- Business can be saved. With federal financial assistance, revive and survive is possible - 37.66%
- Federal assistance is not on time or not helping. Business needs to open as soon as possible - 27.87%
- Business understands need for a statewide shelter-in-place order and can shut down as needed - 24.68%

In conjunction with the shelter-in-place directive, the state chamber asked how long the business could operate under the shelter-in-place restrictions that were in place [prior to April 26].

- As long as necessary for public health and safety - 43.92%
- 15-30 days - 26.87%
- Fewer than 15 days (two options given - 0 to 5 and 5-15. These are summed here.) - 29.21%

MONTANA NONPROFIT ASSOCIATION

The Montana Nonprofit Association reports that losses are expected to reach 20% of overall revenues in Montana's nonprofit sector, across the state, because of COVID-19 impacts. Based on a survey ending April 27, the association extrapolated responses for Montana's 2,500 nonprofit employers and estimated that total revenue losses for this sector of the economy from COVID-19 would amount to \$1.25 billion. See [report](#).

COVID-19 Business Impacts, Compiled by Pat Murdo, EAIC Researcher

The Montana Nonprofit Association states that 501c(3) nonprofits employ 11.2% of the state's total workforce, or almost 52,000 people working for 2,200 nonprofit employers here. While 61% of nonprofit employers are located in one of Montana's seven population centers, 869 (39%) operate in rural areas. In addition, more than 5,000 charitable nonprofits have no employees and are run entirely by volunteers. The nonprofit sector includes Montana's largest hospitals as well as some organizations with annual budgets of less than \$500. The association noted that three surveys generated more than 400 responses from all Montana counties. Survey responses show:

Top COVID-19 impacts to Montana's nonprofits:

- Short-term impacts include:
 - cancellation of programs/events and corresponding reduced fundraising revenue, in particular (85 percent);
 - disruption of services to clients and communities (72 percent); and
 - budgetary implications related to strains on the economy (59 percent).
- Longer-term impact of uncertain recovery both from economic and social impacts.
- Difficulty in providing services to clients while minimizing health risks for clients and staff.
- Increased requests to expand services to meet the needs of first responders and healthcare workers and a need to develop new ways to serve hard-to-reach clients when the office is closed to the public (68% listed increased demand for services).
- Layoffs - 40% of nonprofits reported either they already had laid off employees or are considering layoffs.
- Applicants for the Paycheck Protection Program - smaller organizations were less likely to apply than larger organizations. Of survey respondents:
 - 19% of those with budgets under \$100,000 applied for and received a PPP loan; another 14% applied but did not receive a PPP loan.
 - 66% of nonprofits with budgets between \$100,000 and \$2.5 million a year applied for and received a PPP loan; another 7% in this group applied for but did not receive a PPP loan.
 - 85% of organizations with budget greater than \$2.5 million a year applied for and received a PPP loan. All of these applicants received loans.
- More than 2/3 of the nonprofits said they did not apply for the Economic Injury Disaster Loans from the Small Business Administration. Of those who did apply, more than 80% reported not receiving funds, according to the survey.

Funding for Cultural Nonprofit Organizations

Humanities Montana has grants made available through the CARES ACT to the National Committee for the Humanities. Grants may be used for operating expenses and no match is required.

BILLINGS AREA

The Yellowstone County Economic Response and Recovery Team survey in mid-April reflected answers from about 620 businesses in the Billings area.

COVID-19 Impacts on Businesses



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- Extremely Negative - 58.18%
- Somewhat Negative - 34.2%
- No Impact 2.1%
- Somewhat Positive or Extremely Positive Impact - 5.5%

Types of Disruption?

- Drop in demand - 59.8%
- Challenges related to supply chain, delivery of products, maintaining safe work space, or collecting payments from customers - range from 28.6% to 37.3%
- Difficulties with remote work - 21.4%

Staff Reductions?

- Furloughed or laid off - 21.15% each (only 5.2% had laid off half the staff)
- Do not anticipate layoffs and do not expect to - 27.87%
- Do not anticipate layoffs but may need to - 29.84%

Addressed Lost Revenues By:

- Seeking financial assistance - 54.39%
- Used money from savings - 54.06%
- Cutting costs (excluding salaries) - 34.66%
- Closing (at least temporarily) - 17.41%
- Cut employee pay - 9.29%

Types of Assistance Applied For (of which 42% received aid, 29.7% did not, and 28.1 % said inapplicable)?

- Small Business Economic Injury Disaster Loan - 31.06%
- Small Business Paycheck Protection Program - 57.4%
- No Assistance Applied For - 25.53%

CONFIDENCE IN SURVIVING COVID-19

Extremely (21.8%) to Very (28.76%) ~ 50.6%

Somewhat 38.77%

Not Very (6.95%) to Not at All (3.23%)

Business has closed - not reopening - 0.48%

EASTERN MONTANA'S EPEDC

Eastern Plains Economic Development Corporation, which serves the five counties of Carter, Dawson, Prairie, Wibaux, and Fallon, has begun its survey of area businesses.



GALLATIN AND SURROUNDING AREAS

The Northern Rocky Mountain Economic Development District, encompassing the Gallatin County areas close to Bozeman, including Belgrade, Big Sky, and West Yellowstone, conducted a survey of area businesses. Some of the findings from about 200 respondents out of the several hundred contacted:

- Businesses reporting they are fully or nearly closed - 51%.
- Initial respondents (about 100) said they would be able to survive through the next 60 days (through May at least)
- Respondents in need of additional funding (after Paycheck Protection Program (PPP) or Economic Injury Disaster Loans (EIDL) from the Small Business Administration, if received) - 49%
- About 50% of the first 100 respondents did not apply for PPP funds (some because of uncertainty about eligibility, some because they did not need the funds, 2% gave up)
- State government officials and entities are their greatest source of COVID-19 information - 78%

Rob Gilmore with the Northern Rocky Mountain Economic Development District said a recovery and resilience group has been working together to help put businesses in contact with bankers and other access to capital. Local economic development groups also have access to capital that can be tapped.

In addition, infrastructure planning is taking place, with planners from Gallatin County and the city of Belgrade helping outlying areas to conduct community assessments and determine potential projects. Bozeman has supplied engineers and information technology staff. Funding from the federal Economic Development Administration is a target, with local commitments for \$300,000 to serve as local match for about \$1.2 million in funds. Gilmore said the group hopes to hear from the EDA within a month. Among the potential projects is supporting the West Yellowstone sewer plant, which was to be paid for through resort tax dollars. That money, however, is expected to fall short with fewer tourists this year, yet the commitment to the sewer plant still must be met.

GLACIER COUNTRY TOURISM REGION

The Glacier Country Tourism Region is monitoring temporary closures of businesses and the occupancy rates at area lodging facilities. The Chief Executive Officer, Racene Friede, highlighted the following:

- Since shelter-in-place went into effect in March, Montana's travel business has dropped off 85%.

Exceptions to reduced lodging occupancy include:

- Towns that are hosts to Keystone Pipeline workers; and
- Communities where essential employees seek lodging, for example those who want to avoid risking exposure to family members by staying at a hotel/motel or construction workers and others who travel for work considered essential.

COVID-19 Business Impacts, Compiled by Pat Murdo, EAIC Researcher

- Lodging properties as rule need about 30% occupancy to stay in business. Since the end of March, occupancy has been hovering between 5% and 20% depending on the town and how many essential workers may need lodging.
- A majority of Glacier Region's businesses make the bulk of their revenue for the year in the summer months. Impacts will be clearer late next fall after the peak travel season ends.
- For April through June visitation in Glacier Region is expected to be about 20% of normal. Visitation is expected to be just 65% of normal for July through October, then rebound to about 80% of normal next winter. Events that normally draw more than 200 people -- such as festivals, concerns, conventions, rodeos, powwows, and Fourth of July celebrations are expected to be cancelled with the usual 4 million nonresident visitors also cancelling travel plans.

GREAT FALLS AND SURROUNDING AREAS

The Great Falls Development Authority has not done direct surveys of members but has made person-to-person contacts with more than 500 businesses. Among the findings, says Chief Executive Officer Brett Doney, are three clear take-aways:

- The SBA loan programs are not coming close to meeting the immediate working capital needs of Montana businesses, particularly the very small ones. Banks are hesitant to extend new credit. Working capital needs will continue to grow as businesses try to reopen and as the short-term PPP loan proceeds are used up.
- Cost control measures by businesses will negatively affect employment for at least the remainder of the year, probably well into 2021. Uncertainty leads to caution.
- Credit tightening caused by COVID-19 is making it more difficult to finance business startups and expansions, and real estate development projects that want to move forward this year.

Doney said current loan requests from highly valued businesses and developers exceed available loan capital by more than \$6 million, "all to fill gaps that banks and credit unions cannot or will not do." He expects that amount to continue to increase" and is continuing efforts to secure more loan capital.

Gayle Fisher with the Central Montana Tourism Region says restaurants and hotels are seeking more guidance as to whether employees are to wear masks and how extensive and frequent sanitization routines need to be. Tourism businesses in general are anxious to see what summer brings. So far, she said, none are looking at permanent closure, but time will tell.

KALISPELL AREA

The Kalispell Chamber of Commerce's director, Joe Unterriner, reports that most manufacturing and outdoor construction continue to operate as usual. For other industry sectors, he sees the following:

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- **Hospitality Industry** - Shelter-in-place directives around the country hit NW Montana hard. Hotel occupancies are reported to range from the single digits to the high teens with cancellations of meetings and conventions extending into this year. Beginning the week of April 27 hoteliers report a slight uptick in bookings. Reduced bookings flow down through retail, restaurants, bars, guides, and outfitters.
- **Air Travel** - The airport reports passenger traffic in the single digits compared to prior years. Glacier Park International Airport has deferred the \$100 million terminal expansion until spring of 2021.
- **Wood Products** - A projected slowdown of housing starts and the industrial applications of several of the plants in the Kalispell area have impacted wood product manufacturing.
- **Health Care** - From 2007 to 2017, the largest area of payroll growth was the healthcare sector. COVID-19 caused the layoff of 600+ employees at Kalispell regional healthcare. Kalispell Medical Regional Center is phasing in resumption of elective procedures, with the possibility of return-to-work for health care workers.
- **Transportation** - Contract letting is expected by the Montana Department of Transportation on the Bypass widening project estimated at \$20 million, a result of the BUILD grant award. Additionally, on April 28 MDT approved the redesignation of Reserve Drive to part of the state primary system, offering the potential for accelerating what Unterriener called an important project for Kalispell / Flathead County.

LEWIS AND CLARK AND SURROUNDING AREAS

The Helena Chamber of Commerce surveyed its members in mid- to late April. Based on 86 responses, Director Cathy Burwell reports the following:

- Concerned/tentative about being able to survive the pandemic's impact, pending the length of the downturn - 58.1%
- Confident, with a plan to get through the impacts (or essential with fewer impacts) - 24.4%
- Worried but working on it - 11.6%
- Stressed, in need of immediate support or assistance - 5.8%
- Able to retain current payroll - 53.4%
- Reduced hours but did not lay off employees - 16.2%
- Laid off employees (includes employees who voluntarily quit) - 10.4%
- Have had to draw on line of credit: Yes - 31.3%; No - 46.5%; Too soon to tell - 18.6%

Helena businesses' short-term COVID-19 responses:

(more than one response allowed; selected responses)

- * Prioritizing employee safety/well-being - 66.2%
- * Cutting costs - 61.6%
- * Looking for government/private financial aid - 53.4%
- * Revising annual budget - 51.1%
- * Too soon to tell - 19.7%
- * Business as usual / no impact - 4.6%

MILES CITY

The Miles City Chamber of Commerce has not done formal surveys of its members. John Laney says he has been visiting with members, who call if their concerns are big enough. Tourism remains a big question. Not only did Miles City have to postpone its Bucking Horse Sale events, but the prospects for tourism over the summer remain unclear. Laney said he wouldn't be surprised if the "new normal" took more than a year to be evident.

MISSOULA AREA

The Missoula Chamber of Commerce surveyed its businesses before passage of the CARES Act, which included the Payment Protection Program, but after the Montana shelter-in-place directive was issued. Responses from March 19 to April 1 reflect about two week's experience related to the COVID-19 pandemic. Another survey began the week of April 20. The first survey showed about 30% of the 180 or so respondents employ five or fewer people, while nearly 84% said they had 50 or fewer employees. Open-response questions indicated some closures. Selected findings include:

COVID-19 period compared with the previous month:

- Revenues decreased 25% or more - 59.55%
- Revenues decreased between 1% and 24.99% - about 19%
- Revenues have been flat - 19.66%
- Revenues increased - 2.8%

Projected revenues for the next few months compared to previous years

- Decreases expected - 82.49%
- Increases expected - 1.13%
- No change expected - 6.21%
- Unsure - 10.17%

Asked if access to bridge funding would help during this period, Missoula respondents answered:

Yes - 63.95% No - 36.05%

Impacts on employees (More than one answer allowed. Not all responses are included here.)

- Decreased hours - 54.8%
- Increased hours - 4.5%
- Layoffs - 44.07%
- Working from home - 42.94%
- Unable to travel for work - 24.29%

Length of sustainability under COVID-19 restrictions

- One month - 31.79%
- Two-three months - 35.84%
- Four months to 12 months (combined answers) - 19.65%
- Indefinitely - 12.72%

GOVERNOR'S CORONAVIRUS TASK FORCE

The Governor's Office is soliciting information from the public about how to spend the \$1.25 billion received from Congress and the President to help address the impacts from COVID-19. On April 16 the Governor also appointed a task force that is to report April 30 on suggestions. Members of the Task Force are:

Larry Simkins, Washington Companies, chair
Charlie Beaton, Big Dipper Ice Cream
Scott Brown, The Base Camp
Eric Bryson, Montana Association of Counties
Tim Burton, Montana League of Cities and Town
Nick Checota, Logjam Presents
Randy Chesler, Glacier Bancorp
Bill Coffee, Stockman Bank
Colin Davis, Chico Hot Springs
Shalon Hastings, Fly FisHer Adventures
Jacquie Helt, Service Employees International Union
Mike Hope, Rockin R

Rep. Llew Jones, business owner
Tom Keneally, Town Pump
Casey Lozar, Federal Reserve Bank
Jim Markel, Red Oxx
Janice Mattson, Mattson Farms
Liz Moore, Montana Nonprofit Association
Jim Peterson, Rancher
Kevin Riley, 1st Interstate Bank
Mark Semmens, D.A. Davidson
Sen. Jon Sesso, business owner
Jason Smith, Montana Office of Indian Affairs
Sarah Walsh, PayneWest Insurance
Joe Willauer, Butte Local Development Corp.