

LOBBYING

America's economic pain arrives on K Street

Layoffs are happening, and a survey of trade groups shows revenue is down sharply at many of them.



K Street sits largely empty in Washington, D.C., amid the coronavirus pandemic. | Andrew Harnik/AP Photo

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Restaurants, hotels and tourism businesses are getting socked. Now their Washington lobbyists are, too.

K Street is in cutback mode: The International Franchise Association, the U.S. Travel Association and the National Rifle Association have all laid off staffers since the pandemic hit. Several law-and-lobbying firms have cut pay across the board and at least one well-connected Washington communications firm has applied for a small business relief loan.

A recent survey conducted by the American Society of Association Executives — essentially a trade group for people who lead trade groups — found that 35 percent of trade groups estimated they would lose at least a quarter of their revenue because of canceled events and conferences.

Even the massive U.S. Chamber of Commerce — which recently doled out millions in bonuses to executives and was feeling so flush in December that it seriously considered purchasing a Super Bowl ad — is slashing expenses.

The cuts have hit trade groups even as many of their lobbyists have been busier than ever, hustling to secure a piece of the trillions of dollars in coronavirus aid for their members. Doug Pinkham, president of the Public Affairs Council, said the pandemic had been “financially devastating” for many trade groups.

“Many of them rely very heavily on events for revenue, and that has just dried up,” he said.

Not every trade group that's seen its revenue collapse has resorted to layoffs; many are weathering the pandemic relatively well. But the cuts show that Washington's influence industry is not immune to the economic pain afflicting much of the rest of the country. While much of K Street [has experienced a boom as companies](#) have rushed to hire lobbyists to help them secure relief loans, others are hurting.

The International Franchise Association laid off a dozen people — about a third of its total staff — and stopped publishing its magazine as advertising revenue evaporated. While the trade group has had some success getting members to register for its digital events, it's tougher to get sponsors for them.

“Franchise businesses were among the first to close and will in many cases, because of government mandated reopening schedules, they will be among the last to reopen,” Robert Cresanti, the trade group's president and chief executive, said in a statement. “While the names on the front doors are well-known brands, these locally-owned small businesses often run on very tight margins and until customers can return, IFA’s revenues will likely see a similar decline.”

The U.S. Travel Association, which has lobbied aggressively for more federal funding for tourism bureaus and travel industry businesses, laid off some staffers and cut pay across the board after being forced to cancel its Las Vegas trade show, according to Tori Barnes, the trade group’s top lobbyist. And the NRA — which had been enduring a New York state investigation and internal power struggles before the pandemic hit — [has laid off](#) more than 60 people.

Some trade groups that haven’t resorted to layoffs are cutting costs elsewhere. In March, the U.S. Chamber of Commerce slashed some outside consultants, including ones assigned to CEO Tom Donohue. The consultants are on hold indefinitely. The leading business lobby also asked staffers to find ways to cut their divisions’ budgets by 20 percent, according to three people familiar with the matter.

It’s a jarring reversal from December, when the Chamber interviewed major New York ad agencies about airing a Super Bowl ad before dropping the idea, according to two people familiar with the matter. During a board meeting in Florida in early March, the Chamber also approved and later handed out several million dollars in bonuses to senior management right as the pandemic was heating up, according to the people.

A Chamber spokesman said executive compensation is "heavily weighted toward non-guaranteed bonuses, which are paid in March and based on prior year performance.”

“Of course, we have been reviewing and reducing outside expenditures," the spokesman said in a statement. "As the world’s largest organization

representing the interests of businesses, the U.S. Chamber of Commerce is marshaling all of its resources to help as many businesses, families and industries as possible endure the financial hardships caused by the pandemic and return to work in a safe and sustainable way.”

Even some trade groups that are doing well are playing it safe.

The National Association of Realtors recast its annual Washington fly-in, which had been scheduled for last week, as a virtual event and drew nearly 30,000 participants — about three times the number who typically show up in person. The event was so successful that the trade group plans to switch to a hybrid in-person and virtual fly-in in the future once restrictions have lifted, said Bob Goldberg, the trade group’s chief executive.

Still, the trade group has frozen hiring and is slowing down renovations of its Washington office to save money.

The uncertainty has led at least one Washington firm, Precision Strategies, to apply for a Paycheck Protection Program loan, according to Tom Reno, its chief operating officer. The firm was started by three alumni of President Barack Obama’s 2012 reelection campaign, including Jen O’Malley Dillon, who’s now Joe Biden’s campaign manager. (O’Malley Dillon no longer works at the firm.)

Another consulting firm, Purple Strategies, is considering applying for one of the loans as well.

“We’re absolutely committed to keeping our employees on payroll and if a PPP loan is what it takes to do that, then we’re absolutely committed to pursuing one,” said Steve McMahon, one of the firm’s co-founders. Purple Strategies recently cut half a dozen positions but also plans to hire several people for Washington-based communications roles, according to someone familiar with the matter.

Neither trade groups nor firms primarily engaged in politics or lobbying are eligible to apply for Paycheck Protection Program loans, though some of them are fighting for the right to do so. The American Association of Political Consultants lost a lawsuit against the Small Business Administration last month alleging the program unfairly discriminated against such consulting firms. The group is appealing.

House Democrats voted last week to change the rules to allow trade groups to apply for the loans after the U.S. Travel Association and others lobbied them to do so. (U.S. Travel has argued the change would allow destination marketing groups — think Visit Idaho or Visit Baltimore — to receive badly needed aid.)

Still, many trade groups insist they don't plan to apply for the loans even if they're allowed to do so. It's "is NOT something we would consider under any circumstances," American Petroleum Institute spokeswoman Bethany Aronhalt wrote in an email.

Some trade groups are getting by fine so far. The National Association of Chain Drug Stores — which represents CVS, Walgreens and other pharmacies — hasn't seen its finances deteriorate or laid off anyone, said Steve Anderson, its president and chief executive.

But he fears for small groups with shallower pockets, including state-level trade groups. "I am greatly concerned about the financial health of trade associations moving forward," Anderson said.

Betsy Woodruff Swan contributed to this report.

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