A REVIEW OF THE SBA'S GRANT PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND REGULATIONS

OF THE

COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

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A REVIEW OF THE SBA'S GRANT PROGRAMS

THURSDAY, MAY 27, 2021

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON OVERSIGHT,
INVESTIGATIONS, AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 1:01 p.m., via Zoom, Hon. Dean Phillips [chairman of the Subcommittee] presiding.

Present: Representatives Phillips, Craig, Chu, Davids, Van Duyne, Hagedorn, Meuser, and Donalds.

Chairman PHILLIPS. I want to thank everybody, especially our witnesses for joining us today for a remote hearing. I want to make sure to note some important requirements first.

Standing House and Committee rules and practice will continue to apply during our remote proceedings and all members are reminded that they are expected to adhere to these standing rules including decorum when they are participating in any remote event. With that said, technology, of course, requires us to make some modifications to ensure that members can fully participate in these proceedings.

House regulations require that members to be visible through a video connection throughout the proceedings, so please keep your cameras on. And, if you are not speaking, please keep your microphones off. If you have to participate in another proceeding, please exit this hearing and log back on later when you are available.

In the event a member encounters technical issues that prevent you from being recognized for your questioning, I will move to the next available member of the same party and I will recognize that member at the next appropriate time slot provided that they have returned to the proceeding. Should a member's time be interrupted by technical issues, I will recognize that member at the next appropriate spot for the remainder of their time once those issues have been resolved. In the event a witness loses connectivity during testimony or questioning, I will preserve their time as staff address their technical issues. I may need to recess proceedings to provide for time for the witnesses to reconnect.

And finally, please remember once again to remain mute until you are recognized to minimize background noise.

In accordance with the rules established under H.Res. 965, staff have been advised to mute participants only in the event that there is inadvertent background noise. Should a member wish to be recognized, they must unmute themselves and seek recognition at the appropriate time.

Now that we are done with the fun part of the hearing, I will move on to my opening statement.

COVID-19 sparked a once in a lifetime, at least we hope, crisis for America and our small businesses. As cases rose, COVID forced small firms all across the country to shut their doors to protect their customers and employees and to slow the spread of the virus. By April 2020, the number of active small business owners had dropped by 22 percent, almost a quarter of our nation's small businesses, the most significant drop on record in our nation's entire history. Since the dire situation emerged, members of the Committee have worked tirelessly in a bipartisan fashion to get small businesses the relief that they need to stay afloat, to keep the lights on.

In March of 2020, Congress created the PPP program, the Paycheck Protection Program and the COVID EIDL program, Economic Injury Disaster Loan Program, to provide small businesses with forgivable or low-interest loans to help them make it through the pandemic. But for many small business owners, too many small business owners, including many in the district that I represent and have spoken with on many occasions, taking on additional debt was not feasible during these uncertain times. This was especially true of businesses in the entertainment and hospital sectors that had their entire business model disrupted by the pandemic.

Recognizing the need for alternative relief options, Congress and this very Committee have worked to provide direct economic relief to small firms that cannot afford to weigh down their balance sheets with additional debt.

For today's hearing, I would like to focus on two major program that Congress designed to reach the hardest hit small businesses in some of the most impacted sectors of the economy. The Shuttered Venue Operators Grant Program (SVOG) and the Restaurant Revitalization Fund (RRF) are two programs that launched in 2021 and will deliver up to $50 billion in relief to small firms. This has been a monumental task by any measure for the SBA, and I would like to impress upon all of us today that Congress and the SBA have worked hard to ensure that struggling small businesses do have access to this unprecedented direct financial support. I hope that by taking a closer look at these programs we can gain a better understanding of the challenges that federal grant programs face, as well as the important relief that the programs are providing to struggling small business owners across the country.

The SVOG provided the SBA with $15 billion in grants to various entities across the hard-hit events industry that could demonstrate revenue loss. The implementation of SVOG was no small task for SBA, of course, and as we examine the program, it is essential to consider the complexity in launching a brand new federal grant program of that size and magnitude and that expeditiously. Unlike other programs, SVOG required that the SBA create an effective program for both for-profit and nonprofit eligible entities that often have different revenue generation and accounting systems.

So I do hope today's hearing allows us to explore benefits that businesses are hoping to receive from the SVOG and find ways to help the SBA administer the program effectively, efficiently, and get relief to struggling entities expeditiously. As COVID continues to wreak havoc on the dining and hospitality sectors, earlier this year in particular, Congress stepped in and delivered much-needed relief through the Restaurant Revitalization fund. The RRF provided almost $30 billion, $28.6 billion, to the SBA for grants to qualifying food and beverage establishments. The program also took steps to ensure that funds reached the most vulnerable small businesses in the country, including instituting a $5 billion set-aside for small firms with less than $5,000 in gross receipts and an initial 21-day prioritization period for women, veteran, and underserved small businesses. These measures proved to be an effective way at getting aid to small businesses that have been neglected during previous relief efforts and have borne the brunt of the pandemic. As of May 20th of this year, over half of all applicants of RRF were women, veterans, and socially and economically disadvantaged business owners.

On May 18th, SBA announced that RRF had distributed $6 billion to nearly 38,000 applicants. At the same time, they reported that RRF received 303,000 applications with a total demand of more than $69 billion. So without additional funding for this program, eligible entities requesting billions of dollars in need for relief are going to go unfulfilled. It is those that we have in mind today.

Since the beginning of the pandemic, members of this Committee have worked to improve relief programs to meet the needs of small businesses and get relief to those who need it the most. So I hope today's hearing allows us to explore these programs' challenges and triumphs and steps that this Committee can take to improve both.

With that, I will now yield to our Ranking Member for her opening statement. So Ms. Van Duyne?

Ms. VAN DUYNE. Thank you very much, Chairman Phillips.

Good afternoon. Thank you all for taking the time to be with us to discuss the SBA's grant programs, specifically the Shuttered Venue Operators Grant and the Restaurant Revitalization Fund Programs. I am looking forward to hearing your thoughts as to how we can improve both of these programs.

In the early days of 2020, as the COVID-19 pandemic took hold of the American economy, Congress and the Trump administration worked collaboratively and expediently to establish the Paycheck Protection Program (PPP) and fortify the Economic Injury Disaster Loan Program (EIDL). Within weeks, much needed funds were being delivered to our nation's smallest employers to keep their employees on the payroll, pay their mortgage, and keep their lights on. And through no fault of their own, small businesses owners' livelihoods were destroyed and the businesses they had invested their entire life towards were forced to shut. The state and local public health mandates necessitated the swift actions taken by Congress and the Trump administration to keep our smallest employers alive.

At the end of 2020, Congress passed, and President Trump signed the Consolidated Appropriations Act for Fiscal Year 2021. Included in this legislation was the SVOG program, which was designed to provide grants to small businesses that rely on mass gatherings and thus experienced severe hardships during COVID-

19. Unfortunately, the Biden administration waited until early April to implement this program and even worse, when it did launch, the SBA portal crashed, forcing the SVOG program to cease operations the very same day it opened on April 8th. The SBA has since reopened the program, but much needed funding has yet to reach these hard-hit businesses.

Earlier this year, Congress passed the so-called American Recovery Plan Act of 2021, and due to the amount of unnecessary spending and bitter partisanship included in this legislation, it was forced through Congress using the budget reconciliation process which required a simple majority in both chambers and very little collaboration.

There is one thing the plan got right. It created the RRF, which is a lifeline to struggling restaurants across the nation. Unfortunately, while the program had Republican support, it was crafted with zero Republican input. And in fact, during the Small Business Committee markup of the reconciliation package, Republican Committee members offered several amendments, including ones that would have doubled funding for the RRF and made it more accessible to all small restaurants, we were unable to garner a single Democratic vote. Not a single one.

And why is this important? The RRF is now out of money and only certain small businesses have been able to apply for it successfully. We will hear from one of my constituents on the panel who has done everything right from the beginning, utilizing existing programs to keep his employees on the payrolls, bills paid, and lights on. He submitted his application to the RRF as soon as possible, working through the process exactly as it was designed. It has been weeks and he still has not heard back. And this is unacceptable.

As we move forward, we absolutely must find these chokepoints that are leaving our small businesses twisting in the wind. They deserve better. They deserve bipartisan solutions that will work because they did during the early days of the pandemic. And finally, we must ensure that we utilize these dollars, taxpayer dollars, not free money, as efficiently as possible.

Vigorous oversight of these programs by our Subcommittee is critical as we move forward. I was incredibly proud to take a step in that right direction this week by partnering with Chairman Phillips and six other members of the Small Business Committee to introduce the Restaurant Recovery Fairness Act, which will provide the vital oversight we are talking about for the Restaurant Revitalization Fund. I look forward to more collaborative oversight actions by this Committee as we continue to stamp out fraud and abuse and make sure our funds are going where they are needed the most. I look forward to more collaborative oversight as we stamp out fraud and abuse and make sure that our resources are going to small employers that need it the most. And again, thank you all for being with us. I look forward to today's discussion and I yield back.

Chairman PHILLIPS. Thank you, Ms. Van Duyne.

And now I will just take a moment to explain how the hearing will proceed.

Each witness is going to have 5 minutes to provide a statement, and each Committee member will have 5 minutes for questions. Please ensure that your microphone is on once again when you begin speaking and that you return to mute when you are finished.

With that, I would like to introduce our witnesses. Starting with our first, Ms. Cheetie Kumar, the chef and owner of Garland, a restaurant in Raleigh, North Carolina. Ms. Kumar is a self-taught cook who studied recipes while perusing a career as a musician. In addition to Garland, Ms. Kumar is also the owner of the music venue, King's, and the cocktail lounge, Neptune's Parlour. She has been nominated for the James Beard Award, Best Chef of the Southeast from 2017 to 2020, and was a finalist in 2020. So we welcome you, Ms. Kumar.

Our second witness is Ms. Esther Baruh, the director of Government Relations for the National Association of Theater Owners. In this capacity, she works with theater owners and operators and directs federal and state policy strategy. Ms. Baruh has been working closely with theater owners and public health officials in addressing theater industry's response to the pandemic. And we thank you for joining us, Ms. Baruh.

Our third witness, a man after my own heart who has got the best background I think in Zoom history, and a Minnesota Gopher banner behind him is Chris Montana, the owner and CEO of Du Nord Craft Spirits, located in my district, Minneapolis, Minnesota. Mr. Montana started the Du Nord as a family business, bringing together his experience growing up in Minneapolis with his wife Chanel's rural upbringing on a cold spring Minnesota farm. Du Nord is committed to diversifying the craft alcohol community and actively recruits underrepresented people to join the Du Nord family. I appreciate you joining us, Chris, and welcome you as well.

With that, I will turn it back over to our Ranking Member, Ms. Van Duyne, to introduce our final witness.

Ms. VAN DUYNE. Thank you.

Our final witness is Mr. Mark Maguire, owner of three very popular eateries, including one restaurant and two cafes in the North Dallas area, two of which are in my district, Texas 24. And I wish you had a more exciting background there, Mark, but maybe next time. After starting and managing several successful entertainment businesses across the country, Mr. Maguire was hired by Walt Disney World Company to lead the team that launched the Pleasure Island Entertainment Complex, which included two restaurants. Several successful restaurant and entertainment endeavors later, he was ready to strike out on his own, and in 1999, he opened Maguire's Regional Cuisine in Dallas. He has been a staple of the North Dallas community ever since. Mr. Maguire has served on a number of nonprofit boards, including the North Texas Food Bank and Hunger Busters. He has been heavily involved in restaurant advocacy and has served as a director and officer in the Texas Restaurant Association for over 20 years, including Dallas president and Texas president. Today, Mr. Maguire is testifying on behalf of the National Restaurant Association. Mr. Maguire, we welcome your participation at today's hearing.

Mr. MAGUIRE. Thank you.

Chairman PHILLIPS. All right. And with that we will begin today's hearing by recognizing Ms. Kumar for 5 minutes for your statement.

STATEMENTS OF CHEETIE KUMAR, CHEF AND OWNER, GARLAND; ESTHER BARUH, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL ASSOCIATION OF THEATRE OWNERS; CHRIS MONTANA, OWNER AND CHIEF EXECUTIVE OFFICER, DU NORD CRAFT SPIRITS; MARK MAGUIRE, OWNER, MAGUIRE'S KITCHEN & CATERING

STATEMENT OF CHEETIE KUMAR

Ms. KUMAR. Chairman Phillips, Ranking Member Van Duyne, and members of the Subcommittee, thank you for inviting me to talk about the successful launch of the Restaurant Revitalization Fund and the need independent restaurants still have for help.

Let me start by thanking Chairman Phillips and Chair Velázquez for all the support you have shown independent restaurants throughout this pandemic.

I am the chef and co-owner of Garland in Raleigh, North Carolina, and in the same building as our restaurant is our music venue and basement cocktail bar.

I immigrated from India to the Bronx at the age of 8 and eventually settled in the South, here in Raleigh, to play music and open my restaurant. My story is not very different from so many others in the restaurant industry. Women, minorities, single parents, veterans, and so many others get their start in restaurants, build their lives in restaurants and make a career working in restaurants. Frankly, restaurants represent America more than any other industry.

Last March, I joined the then newly formed Independent Restaurant Coalition, which is a group of chefs and independent restaurant owners who have built a nationwide, grassroots movement to secure vital protections for the nation's half a million independent restaurants and the more than 11 million restaurant and bar workers impacted by the coronavirus pandemic. Since then, we have advocated for a standalone restaurant grant program to help recover some of the estimate $280 billion in losses sustained by our industry because of the pandemic.

We want to help save our employees and their families, to help make our suppliers and landlords whole, and most of all to save restaurants. I am proud that our small restaurant survived this far in the pandemic. We have cut, crimped, pivoted, closed, opened, closed again, opened again, pivoted again, done takeout, served an outdoor sidewalk patio through the winter, and a myriad of other things to get this far.

Both rounds of the Paycheck Protection Program funding helped us to get through. We were closed for weeks last spring and did not do hot takeout through the summer, but instead pivoted to launch a prepared meal program so that we could make sure my staff was able to work safely. Frankly, as terrified as I was for my business, I value people and their health over commerce. We have been able to stay open and provide more jobs because of the help we received. Without that help, Garland, Neptune's Parlour, and King's would be lost to the history of Raleigh. But Congress and the administration threw us a lifeline and I am here to ask that you do the same for every independent restaurant in America to ensure we do not have an extinction event.

We are not out of the woods yet. Fifteen months of losses will not be recouped by a few weeks of full indoor dining capacity. For restaurants like ours, this pandemic is not over by a longshot. The RRF experience was really smooth for me. I applied on the first day and got word about our acceptance a couple of weeks later. I was lucky most of my financials were straightforward and the guidance was spot on for me. I know others have not been as lucky, but I am also happy to report that the SBA has been working hard to treat everyone fairly and equitably during this process.

The SBA closed the RRF application portal after 3 weeks of overwhelming demand. As of this week, over 370,000 restaurants and bars have applied, requesting over $79 billion in funds. Two hundred eight thousand of those applicants were women, veterans, and socially and economically disadvantaged individuals.

I am proud to be one of the first recipients of the RRF grant. I applied at 11:30 a.m. before the portal was even supposed to be open. I just checked and got my application in, but I had spent days before that preparing. A lot of people in my position are having something like grantee guilt. We feel really bad for having gotten a grant when so many others are still facing a terrifying and uncertain future without this grant.

A friend of mine told me not to feel guilty but to make my business healthy and then work tirelessly to ask Congress for more money for this program, so that is exactly what I intend to do. I believe that for every restaurant in the country to be made whole, the program could need as much as $140 billion more. This is not reflective in the statistic because not every restaurant knows about the program and not everyone applied knowing that $28.6 billion would not be enough, so they simply gave up on this lifeline.

Congressman Blumenauer, Congressman Fitzpatrick, Senator Sinema, and Senator Wicker plan to introduce a bill soon to put more money into the RRF. The restaurant community could not be more thankful for these four heroes for standing up in our very darkest days.

In closing, I want to emphasize one last, crucial point. I sit here today, not on behalf of Garland, but to stand for the 11 million restaurant workers and 500,000 independent restaurants to say both thank you and more help is needed. Every single one of you has a struggling restaurant in their districts and every single one of you will have some restaurants that do not get an RRF grant for which they applied. Please help all restaurants look like post-pandemic success like Garland, knock on wood, and please add more money to the RRF.

Thank you for the opportunity to appear before you today.

Chairman PHILLIPS. Thank you, Ms. Kumar.

And Ms. Baruh, now you are recognized for 5 minutes for your opening statement.

STATEMENT OF ESTHER BARUH

Ms. BARUH. Thank you. My name is Esther Baruh, and I am here on behalf of the National Association of Theater Owners representing movie theaters operating 90 percent of the movie screens across the United States.

Thank you Chairman Phillips, Ranking Member Van Duyne, and members of the Subcommittee for the opportunity to testify today regarding the Shuttered Venue Operators Grant program, or SVOG. This program is a critical lifeline for movie theaters, live music venues, and arts organizations that were completely shuttered by the pandemic and are only now beginning to rebuild toward recovery.

I would like to open by thanking the many members of Congress, their staff, and the administration who were and are instrumental in standing up this program. We were thrilled to hear SBA Administrator Guzman say yesterday that SVOG have begun to go out. Our organization has not received any reports from our members about notification of grant awards but we hope they will be imminent.

A word about why movie theaters are so important to our culture and economy. Cinemas employ over 153,000 individuals nationwide in support and boost millions of additional jobs in surrounding retail and restaurants and the cinema supply chain. Ninety-six percent of theater operators are small businesses. Moviegoing is one of the most affordable out-of-home activities and is especially popular among minority groups. Theaters were devastated by the pandemic. Ninety-six percent of independent theater operators lost over 70 percent of revenue last year and those losses have continued into this year. Our industry lost 63 percent of jobs, although we are hopeful that these jobs will rebound as we continue to reopen.

We deeply appreciate Congress's recognition of the difficulties our industry experienced by including us in the Save Our Stages Act, now known as the Shuttered Venue Operators Grant Program. We have every confidence that the SVOG program will help thousands of theater operators and other businesses and organizations to keep their doors open.

Per the last updates from SBA, the number of grants and the funding amount requested track almost exactly with what we expected. In addition to being able to fund initial grants, this also means that there will be sufficient funding for supplemental grants as intended in the legislation, which we were also glad to hear the administrator confirm in her testimony yesterday.

However, the implementation process has not been without some significant challenges. I refer the Subcommittee to my full testimony for details on that.

Today, I want to focus on two key issues, the first being the opportunity to appeal, and the second being the supplemental grants process. With regard to the opportunity to appeal, as the Chairman mentioned, the SVOG program is complex and its application is also complex. It required reams of paperwork to complete. The good news is that we believe that because of this, the instances of fraud associated with this program will be extremely low. The number of supporting documents required for the application should make it virtually impossible for a nonqualified entity to apply. This also means, however, that there are many opportunities to make a mistake, especially since the SBA's guidance changed considerably and frequently as the program was set to open and changed again even after thousands of applications were submitted. We are still waiting on clarification of certain outstanding questions that impact complete and correct applications. But unfortunately, applicants have no opportunity to cure their applications and very little information about what mistakes they may have made.

We strong urge the SBA to allow appeals. If eligible applicants are denied these grants, they will have no options left, and their businesses will be forced to close permanently or go bankrupt.

Second to ensuring that all eligible applicants are able to access initial grants, we also urge the SBA to move expeditiously on the supplemental grants process. These additional grants were made available by Congress because entities that experienced more than 70 percent of revenue loss in the first quarter of this year require additional funding to survive.

We do not have an update from the SBA yet on this process but the good news is that the application for the initial grant included all the information necessary to evaluate and process supplemental grants. So, we hope that as soon as initial grants begin to be disbursed, the SBA will work on supplemental grants.

I am confident that the SVOG program will do a lot of good. We urge the SBA to provide an opportunity to appeal and to get the supplemental process going so it is not subject to too much delay.

Thank you again for the opportunity to testify and I welcome your questions.

Chairman PHILLIPS. Thank you, Ms. Baruch.

And next, Mr. Montana, the next 5 minutes are yours.

STATEMENT OF CHRIS MONTANA

Mr. MONTANA. Mr. Chair and distinguished members of the Committee, unlike previous testifiers, it may be less obvious why a distiller would be here speaking to you from my distillery discussing these programs. And it is because many distilleries, mine included, owe their continued existence to the PPP, EIDL, and the RRF programs.

In early March of 2020, I had a conversation with my cocktail room staff and they told me that they did not feel safe operating the cocktail room during COVID. I shut the cocktail room that night. More than 60 percent of Du Nord's revenue came from the cocktail room and closing it likely meant the end of the business. To compound matters, 2 days later the second blow came as all bars and restaurants closed. Our biggest customers are bars and restaurants, and their closure meant a significant blow to our small wholesale business. We are a breakeven company. To losing 60 to 80 percent of our business was a death sentence. So we decided to go down swinging. We had alcohol, and that is what was needed to make hand sanitizer, so we, like hundreds of other small distilleries in cities and communities across the country, pivoted to making hand sanitizer. Our initial batch was donated to police, letter carriers, Meals on Wheels, homeless shelters, and congregate care facilities. Later, we would find a market for the sanitizer and those sales helped us stay afloat and enabled us to continue donating sanitizer to those who needed it most.

I am proud to say that our sanitizer was distributed to nearly every childcare center in the state of Minnesota at no cost to them. And through our partnership with other Twin Cities distilleries, we were able to donate tens of thousands of gallons of sanitizer to those who needed it most.

While this story is, I believe, extraordinary, it could have been told by many other distilleries across the country because they, too, responded when their community needed them and converted their stills and tanks to sanitizer production. They, too, are of their community and respond when their community needs them.

Of the hundreds of distilleries nationwide that pivoted to sanitizer production, I do not know of a single one that did not donate substantial amounts. And after the events of 2020, I have never been prouder to call myself a distiller, and that is why it is so humbling to be given the honor to represent them here today.

It is an honor that I previously held as the president of the American Craft Beers Association, and in that role I had an opportunity to learn from hundreds of distilleries across the country about the challenges they faced. Perhaps most enlightening was learning that like me, most of them relied on their cocktail rooms to survive.

The lifeblood of the American micro distillery has for many years been the cocktail room. It is a place where people can come and gather and buy our products that we make right there on site, and it is often our only opportunity to make a sale directly to our consumer. Unlike most businesses, we are not typically allowed to sell directly to our consumer. We are required by law to sell to a distribution company, that then sells to a retail company, that then sells to a retail company, that then sells to the consumer. In fact, only a fraction of the price that you pay on the shelf makes it back to the distiller.

So when these cocktails rooms had to close because they, like other restaurant and bars represented a substantial and unjustifiable risk of community spread of COVID-19, the industry took a body blow that I was not sure it could recover from.

As is often the story with major disasters, big business is usually able to bounce back. They are well insured, well capitalized, their pockets run deep. But we do not have those deep pockets. So when a disaster strikes small businesses, we do not usually come back, and we did lose distilleries, but not as many as I would have thought in those moments in March. And it is because those businesses, like my business, were able to avail themselves of programs specifically designed to keep them afloat.

We would not have made it to the point where we could make hand sanitizer without the infusion of capital we received by the Payroll Protection Program. When those sales dried up in the absence of more than 70 percent of our business, the second Payroll Protection Program, the EIDL loan and the Restaurant Revitalization Fund kept us going. And now as things begin to open up, the future is starting to look brighter. But at the time when the outlook was bleakest, our government gave us a hand much in the way that we gave our communities a hand when we switched to sanitizer production.

If nothing else I say today sticks with this Committee, I hope that it will be this one thing. On behalf of the micro distilleries across the country, thank you for stepping up for us. When we stepped up for our communities, we did not do it because we wanted a handshake or a pat on the back or a cookie, we did it because that is what you do. You use the resources that you have to do what you can to help the people who need helping. And I am proud to say that that is what my government did, too. The fact that my business has survived to reach today is traceable directly back to the PPP, EIDL, and Restaurant Revitalization programs, and I know there are many other micro distilleries across the nation who would say the same.

So thank you for your time and for the honor of addressing this Committee.

Chairman PHILLIPS. Thank you, Mr. Montana. I think I speak for everybody when I say we would trade a cookie for a martini.

With that, Mr. Maguire, the next 5 minutes are yours.

STATEMENT OF MARK MAGUIRE

Mr. MAGUIRE. Thank you, Chairman Phillips, and Ranking Member Van Duyne, and the other members of the Subcommittee. My name is Mark Maguire, and I am the founder, co-owner, and managing partner of Maguire Restaurant Holdings and CORE F&B in Dallas. We operate Maguire's Kitchen and Catering, a fine dining restaurant that opened in North Dallas in 1999, as well as two Gather Coffee Cafe locations, both of which are located in Ranking Member Van Duyne's district. Thank you for allowing me to testify today on behalf of my business, the National Restaurant Association, and the Texas Restaurant Association.

I would also like to thank the other witnesses who are testifying today as well. Your stories are compelling and the heartache is familiar. Each of our businesses is unique and I know we have all struggled mightily and are anxious to have the opportunity to rebuild.

Like so many restaurants across the U.S., my businesses were severely impacted by COVID-19. Even in Texas where now we are allowed to operate at 100 percent and consumer demand is getting stronger by the day, we are far from normal. Ms. Kumar mentioned pivoting and other witnesses have mentioned pivoting. I am past the pivoting now and I am into full pirouettes. We are spinning like a top on a daily basis trying to deal with these new obstacles that are coming our way. Labor shortages, product costs, increases in available, supply chain chaos. My example, since January of this year, in less than 5 months, we have had 40 to 50 percent increases on our proteins, cooking oils are up over 50 percent, paper goods and to-go supplies up to 70 percent increases.

What does this do to us? Well, as mentioned, we are spinning like a top trying to keep up with it. I will give you an example. During the 5 years prior to the pandemic, my restaurant in North Dallas had one menu price increase in those 5 years. Since March 20th of this year, we have had to increase our menu prices twice in 5 months. And that is not because we are finding a way to make a profit. We are just trying to find a way to keep our heads above the water. We have not even come close to scratching out a profitable month since before this all began.

Sadly, I know I am not alone in this experience. Collectively, as mentioned, the restaurant industry has lost $290 billion in revenue during this pandemic. The relief programs that Congress has provided have been a lifeline to my business and to many others. In fact, one of my restaurants was less than 30 days from total shutdown when we received our second PPP. So thank you very much. And, the PPP worked exactly as Congress and SBA had intended. It provided immediate relief that allowed us to keep our people working and the lights on.

But the PPP was always intended to provide short-term assistance. Nobody could possibly have seen how long this pandemic effect would last and how deeply it would cut into the American economy. But now my business and many other restaurants need relief that fits a pandemic that has created waves of challenges for 15 months and counting.

We all hope that the Restaurant Revitalization Fund can be that solution. I believe it still can if it is funded to provide the support for which it was created and intended for everyone who is in need. Last night we learned that the SBA has received applications for about $75 billion in grants from a fund with $28.6 billion. That is easy math, $46 billion deficit. Unfortunately, my businesses are likely to fall within this deficit gap. Even though Maguire's has had an incredibly difficult year, we did not qualify for the RRF because of our PPP proceeds. My two cafes do qualify but they do not meet any of the priority classifications. So without additional funding, the RRF assistance is unlikely to come my way.

I know there is a bipartisan commitment to the RRF within Congress, so I am hopeful the funding deficit and eligibility concerns can be remedied. Our flagship Maguire's Kitchen has seen numbers increase every week but we are still digging out from a deep deficit. And with so much chaos in the supply chain and instability in the labor market, we are counting on the RRF to provide some runway to allow us to work through this new minefield and get to a point where we can actually manage and plan proactively to rehire and rebuild. If my RRF is funded, for example, for my cafes, I will be able to reopen the one cafe that has been closed since October and bring back as many as 14 to 16 Texans into the workforce.

Finally, I will just add that restaurants are more than a business. It is true we employ a lot of people and that is important to our economy. But it is also true that we play an important role in our communities. Just consider all of the interactions you have had at restaurants and venues with business associates, friends, and family over the years. Can you imagine life without that?

A sincere thanks to this Committee, the SBA, and other members of Congress who have worked to continue with bipartisan focus to provide programs that have been immeasurably helpful to my businesses, as well as many others across the country. I appreciate your leadership and ongoing support.

Thank you so much for allowing me to testify. I am happy to answer any questions.

Chairman PHILLIPS. Thank you, Mr. Maguire.

And to all of our witnesses, I just want to say, too, to the two of you who are in the restaurant business, as the owner of three coffee shops in Minneapolis who did not solicit or accept PPP money, I can empathize, deeply empathize with the struggles you are facing. I know them firsthand and rest assured, my Committee joins me in trying to assist all of you.

I will start the questioning with myself for 5 minutes and recognize myself.

And my first question is to you, Mr. Montana. The Restaurant Revitalization Fund as we all know had an initial 21-day period, priority period, for grants to women-owned businesses, veteran-owned businesses, and other socially and/or economically disadvantaged small business concerns. Reports from the SBA indicate that the program received almost 150,000 applications—147,000 from these priority groups requesting more than $29 billion in relief funds. So given the unique challenges facing such communities and business owners, please share some perspectives with the Committee about why you believe that priority period was an important part of this grant program.

Mr. MONTANA. Thank you for the question. I would first go back to our experience with the PPP and the experience that I know is shared from a number of my colleagues. We were not able to get the PPP the first time that we attempted, and we did not exactly know why. We would later find out that you needed to have some deeper rooted connections and longer running established relationships with banks. And that is not the case for a number of particularly minority-owned businesses, and myself included. And so I think that instead of having history repeat itself, it was important to make sure that this fund got that piece right. And so I do think it made sense. I know that it has helped us significantly. Again, I would not be standing here, this place would not be open but for those funds. And I think that the real challenge here is not so much to focus on the fact that instead of being left out again, this population did get a chance, a fair chance at those funds. I think instead the focus should be on how can we make sure that everyone now gets that same access. And so I would hope, the funds have helped me in such a way, and I am fortunate I received them. I would hope that everyone else gets the same opportunity. And so I really do help that this Committee and this Congress finds a way to fully fund the program.

Chairman PHILLIPS. Thank you, Mr. Montana.

Ms. Baruh, creating and standing up multi-billion dollar programs such as this one is no small task. Our agencies were ill-prepared, poorly staff, and resourced to do so, of course, but the SBA has worked hard to build an online application portal as you know and worked with the private sector to manage the tools and technology to make the application process at least reasonably successful. The SBA also created education and outreach materials as we all know, worked with resource partners and engaged with stakeholders to ensure that eligible entities were aware of the program requirements and were prepared to apply for the program.

So perhaps you could share with the Committee about how your engagement with the SBA during the process has gone and have they been forthcoming in your estimation with information, updates, and support? We welcome your perspective.

Ms. BARUH. Congressman, thank you so much for the question, and for acknowledging that, yes, SVOG has been a complex program to stand up and we know that many people at the SBA have been working hard.

You know, the SBA was very forthright with stakeholders early on in the process that they wanted our feedback. And we worked really hard to provide that feedback. As they issued frequently asked questions every week, we responded with updates, questions about the questions, feedback that we were getting from our members in the field. So we tried to be a resource to the SBA. As you had mentioned, there are a lot of entities that qualify for this program and we are all a little bit different and our requirements are all a little bit different. So I know that we at NATO and the other stakeholder groups all tried to be resources to SBA, provide them with as much information as we could about the specific intricacies of our industries and how the program should be stood up correctly so that as many eligible entities as possible could access it.

The SBA has held a number of stakeholder meetings since April 8th and onward, and we would just urge the SBA to keep maintaining those open lines of communication, to maintain two-way communication with the stakeholders. Let us continue to be a resource to them. When we report questions from the field or ambiguities or things that have come up, to continue to engage with us directly so that we can make sure that our members have correct and complete applications and get access to this funding.

Chairman PHILLIPS. Thank you, Ms. Baruh.

It looks like my time is winding down so with that I will yield to Ms. Van Duyne, who is now recognized for 5 minutes.

Ms. VAN DUYNE. Thank you very much, Chairman Phillips.

Mr. Maguire, in your written testimony, you talked about the additional rate of inflation on your business. You talked about the poultry increases by 40 percent, meat over 30 percent increase, cooking oils at 50 percent increase. In addition to these inflationary pressures, do you see anything coming out of Washington that could further pump the brakes on your business, say in the tax or regulatory realm?

Mr. MAGUIRE. Well, that is a pretty broad based question, and the answer to it I will give you is broad based as well. Now is not the time for anything coming out of Washington to provide any kind of a negative impact on our P&Ls and taxes are included. Any regulatory demands or actions that come from D.C. right now that in any way put a financial or operational or regulatory burden on our businesses, now is not the time for that.

Ms. VAN DUYNE. Okay. Earlier this week, the Chairman of this Subcommittee, Dean Phillips and I introduced the bipartisan Restaurant Recovery Fairness Act to ensure that only proper entities receive funding under the multi billion dollar program. Safeguarding American taxpayer dollars will remain a high priority for me. It was great to see in your testimony that you mentioned program integrity. Would you agree that a balanced approach on oversight that does not create burdens as you were mentioning earlier, or rather safeguards that oversee the program would be beneficial?

Mr. MAGUIRE. Absolutely. I think that integrity in the program is obviously something that is extremely important, and I would fully support that. My experience with the PPP and the RRF has been pretty positive from the standpoint that I am qualified to comment on how to establish integrity in developing these programs. But certainly, the application process and the documentation that has been required along with the required documentation for forgiveness has been substantial and very thorough. And I feel pretty good about the way these programs have been set up and the integrity that has been established to ensure that they are properly followed.

Ms. VAN DUYNE. I appreciate that.

In listening to your testimony and from talking to business owners just across this district, it is clear that the enhanced unemployment benefits have had very large negative impacts and effect on small employers' ability to hire staff. In fact, yesterday, I called one of our local barbeque places that I have been to a number of times over several decades and they actually had a voice greeting that said they were closed due to a national labor shortage.

Can you speak to what you are seeing in the workforce? I cannot go to any restaurant, honestly, that is open fully because they do not have the staff. What are you seeing?

Mr. MAGUIRE. Well, we are no different. We are in the same boat. We are lucky in Texas that we have been open 100 percent and we have seen a strong return in consumer demand. And there have been nights that our restaurants have had to go on waits. And they have gone on waits with empty tables. And the reason they have gone on waits with empty tables is not because of social distancing requirements. It is because we do not have the staff to service them. That is definitely a knife in the back considering what we are trying to climb our way out of. And the labor issue is real. It is real for many reasons. One is the way the unemployment benefits have been structured, but there are a lot of other factors that are involved that are making it challenging to get employees back into our business. We lost a lot of people out of our industry to other industries during this crisis because we could not provide the jobs and there were other industries that were thriving during the pandemic that they moved into. And so now we have got to try to find a way to get them back into our business and we are doing that by creating opportunities for high wages and for flexible schedules and for great work cultures. And that is on us to provide to entice those people back to our industry.

Ms. VAN DUYNE. I appreciate that.

I have got time for just one more quick question.

What has your experience been with the RFF thus far? And can you compare your experience with the Restaurant Revitalization Fund to your experience with PPP?

Mr. MAGUIRE. Well, my experience has been vastly different. The PPP, while it was new to everybody the first time, certainly, by the second time everybody had a pretty good understanding of the process and the documentation that was involved. And the portals that I applied through were very communicative in regards to letting me know where in the process my application stood. The RRF was much more difficult. I think the information that was put out as far as how to complete the application, what documentation was necessary was pretty confusing to me until the National Restaurant Association produced a document that kind of walked us through step by step. So we got through the application process but now my application was submitted on May 4th and it has been sitting in an under review status for the last 22 days, 23 days. And I have not been able to get any kind of idea or communication from anybody as to the status of that application, although I do know that because I do not fit any of the priority classifications, it is very unlikely that I will see any money unless this thing is funded.

Ms. VAN DUYNE. Thank you.

Chairman PHILLIPS. Your time is expired. Thank you, Ranking Member Van Duyne.

And now we will turn to the gentlelady from California, Ms. Chu, for 5 minutes.

Ms. CHU. Thank you.

Ms. Baruh, movie theaters and live venues were among the first businesses to close their doors at the start of the pandemic and will be amongst the last to reopen. That is why I am so concerned about the SVOG delays, especially as theaters like the ArcLight in Pasadena, which is in my district, have recently closed for good. I know that our top priority must be getting funds out the door to struggling businesses. But we also have to ensure that the program's rules are written in a way that will allow eligible entities to get through the application process smoothly.

So as a member of the Ways and Means Committee, I am also concerned about the way the tax structure of these theaters might impact their eligibility for relief programs. Specifically, I understand that there is a Form 4506-T required by SBA that poses serious challenges for theater owners with multiple locations. So could you expand on these concerns and talk about how we can ensure the application process works for all eligible entities, including theaters?

Ms. BARUH. Thank you so much, Congresswoman. And yes, we were devastated for the loss of the ArcLight Pacific Theaters that closed because of the circumstances of the pandemic and probably because some of the SVOG funding, it has not arrived quickly enough.

With regard to the tax issues that you mentioned and the 4506-T form, yes, it is a very complex form. This form was required by the SBA so that the IRS could pull applicant tax returns so that they could be used to verify applicant identity and revenue streams. The SBA actually revised the guidance to the 4506-T after many thousands of people had submitted their applications. And unfortunately, their guidance is still incomplete. There are entities that are organized as disregarded entities for the purpose of tax filing who cannot fill out the 4506-T form per the guidelines of the SBA. And what this means is if they cannot file the 4506-T, their application is not complete. They will not be considered for SVOG.

And so what we really need the SBA to do, and we have flagged this with them, is to put out the full guidance about all the various tax types that are eligible for this program, that the SBA has made eligible for this program so that everybody who is eligible can get their application in, have it be complete, and get the funding flowing.

So I would be glad to work with you and your team on the specific tweaks that we need to see in the guidance so that we can get these correct 4506-Ts in as quickly as possible.

Ms. CHU. Yeah, we would certainly like to work with you on that.

And also, Ms. Baruh, you mentioned in your testimony that SVOG applicants will not have the opportunity to appeal if their application is rejected by SBA even if it is for a reason outside of their control like these form 4506-T issues that you just talked about. So as Chair of the Subcommittee in the last Congress, I was closely monitoring SBA's response to fraud risks in pandemic programs and I do appreciate the level of care that they took and that they are taking to reduce fraud. But we also have to ensure that eligible small businesses are still able to fully participate in the program, especially industries that are as hard hit as yours.

So could you elaborate on why you support an appeals process? Give us an example of why this is needed and discuss how SBA can implement such a program without increasing fraud risk in it.

Ms. BARUH. Sure. Thank you, Congresswoman. And I just want to state, we also support the goal to reduce and prevent fraud. It would be terrible, frankly, if this funding ended up in the hands of the wrong entities.

We think it is really important to have an appeals process for a couple of reasons. One is that there were technical issues associated with the application. And I will give you a couple examples of that. This sounds small, but if you uploaded a document, you could not delete it. So the little trashcan icon did not work. So if you uploaded a document by mistake, you could not delete it and there were a limited number of slots of documents that you could upload. So virtually, everything as part of the application required documentation to prove it. So again, if you could not delete a wrong document, we do not know that a reviewer is going to understand that this was just a mistake. So that is from the technical side.

From the policy side, even going into the application, after the SBA redid all the guidance and reopened the portal, there were still a bunch of issues that were very ambiguous. Among them, how you should fill out the date your entity began operations. If you opened after January 1, 2019, your grant amount might calculate incorrectly if you did not have the right date in that box. But the guidance on how to fill it out was very ambiguous. And so I know that we have members who probably had their applications miscalculate their grant amount because of this ambiguity. So given that we had technical issues and policy issues, all of this is explainable. Right? As soon as two people can have a dialogue about it, you can explain it and understand it and fix it. So we would just really ask the SBA to provide that opportunity so that these mistakes which were just errors that people made because of ambiguities or technical problems could be rectified and they can still get the grant and again, without in any way infringing on any fraud issues.

Chairman PHILLIPS. The gentlelady's time is expired.

I just ask everybody, Committee members and witnesses to try to keep track of the time if you might.

With that, I recognize the fellow gentleman from Minnesota, Mr. Hagedorn for 5 minutes.

Mr. HAGEDORN. Chairman, thank you. I appreciate the opportunity. Thanks for holding this hearing.

I am going to direct the first part of my remarks to Mr. Maguire if I could. Yesterday, sir, we were able to discuss these issues with the SBA Administrator Ms. Guzman, and I talked with her about the Restaurant Revitalization Fund and how the Democrats with President Biden and the members of Congress decided to have a priority group that included every single type of bar and restaurant owner except people who happened to be White men. And I asked her also about how if she could assure us that illegal aliens were not receiving funds through the Restaurant Revitalization Fund before U.S. citizens. In both cases, first of all, she could not really explain how it was not discriminatory or racist to exclude White men from the process, the initial process, which now there is no funding left for anybody else who was not part of the priority group, and secondarily, she could not really assure us that illegal aliens were not receiving these monies before U.S. citizens.

So I am not going to ask you to comment on any of that because clearly you see where I am coming from. But I will ask you, you are a business owner. You are a restaurant owner. You understand all the competitive natures of your business. You have seen what everyone in the industry has gone through the last year. As a member of Congress, I think our goal is to make sure everybody gets treated equally. That we get all businesses, all restaurants and bars from one side of the coronavirus to the other, and that I do not think we should be picking winners and losers here. But as a person in the business, it would be a big competitive advantage for your neighbor who has a similar business to get money from the government and you to be shut out simply because you did not fit on their priority list; correct?

Mr. MAGUIRE. Well, I would agree with you from the standpoint that I am disappointed that it does not look like I am going to have an opportunity at this time to receive any funding. However, my take on that is that it has very little to do with how the program is structured and everything to do with how the program is funded. There was not enough money to fund all of the priority classifications alone, so we did not even get through the priority classifications, whether I fit into them or not. Had I been a White male veteran, I would have been in that priority classification. Unfortunately, I did not have an opportunity to serve my country. But to me the problem is funding, and it has been funding since day one. It is something that we have been trying to work through right from the beginning on this. I think everybody knew that $28.6 billion, while it is a gigantic number, was not going to even make a dent in what was needed for this and we clearly saw within 21 days that it is probably going to end up being less than a quarter of what was needed. So hopefully, we can find a way to get back to the drawing board and find a way to get the funding for everybody that needs it because whether you are in that priority class or not, if you need it, you need it. I need it.

Mr. HAGEDORN. So to reclaim my time. So actually, the priority list was almost completely funded by [inaudible] dollars. Representative Van Duyne, our ranking Republican did mention that Republicans offered an amendment to put another $20 billion into the program that was rejected, unfortunately, by the majority.

I also would like to associate my comments with Representative Van Duyne, who was talking about unemployment compensation and how it is especially hurting getting albor5 for this sector of the economy. I talk with business owners, especially restaurant and bar owners across the district here in Southern Minnesota all the time and this extra $300 a week federal unemployment compensation is a deterrent for people to return to work. Representatives Emmer, Stauber, Fischbach, and myself of Minnesota wrote our governor a letter a couple of weeks ago asking that he join about 20 to 25 governors across the country in order to reject that extra money and have incentives to get people back to work. Also in Minnesota, we are encouraging our governor to reopen our state, give up his emergency powers, and make sure that we can get all businesses and schools fully operational with kids back in school because that will free up people to get back to work and not be at home all the time taking care of the kids. So it just seems to be kind of commonsense in those areas.

But with that, I will yield back.

Chairman PHILLIPS. The gentleman yields back.

And now I recognize Ms. Davids from Kansas, the Chairwoman of the Economic Growth, Tax and Capital Access Subcommittee of the Small Business Committee. Ms. Davids, you are recognized for 5 minutes.

Ms. DAVIDS. Thank you, Chairman Phillips. And thanks for holding this hearing today to focus on some of the newest SBA relief programs that we are seeing for our small businesses. And it has been referenced a couple of times already. Yesterday, we held a Full Committee hearing with Administrator Guzman and I know I asked her about the need to provide additional funds for the Restaurant Revitalization Fund. Obviously, the RRF is oversubscribed at this point, and I have appreciated some of the comments by Mr. Maguire about the need to properly fund the program. And also, I know Ms. Kumar, in your testimony mentioned the impact of the Restaurant Relief Fund.

I am curious if one or both of you, I would love to hear from both of you, about how the return to things like greater indoor capacity, like really fully opening up, is impacting you and what the RRF can do about that. But also, kind of fundamentally looking forward, I know Mr. Maguire, you actually talked a bit about none of us expected this to go on this long. And now we are seeing, we need to be thinking about addressing this, we are 16, 18 months, like this is going not impact us for a while. Can you talk a little bit about just how you are planning for that and what you think the RRF needs to look like and how we need to adapt?

Mr. MAGUIRE. Well, I think the most challenging word in that whole commentary was planning. And there really is just no such thing as that. I have been in this business since I was 18 years old. I managed or owned or operated for 35 years. I have managed P&Ls that whole time. I have never seen anything like this in my entire career. The price increases that we have seen in the last 45 days are unprecedented and there is no playbook for how to deal with this. What I am looking for from the RRF is to provide financial support that will allow a runway for us to get to the point where we can start planning and being strategic in what we do because right now there is really—I am not exaggerating when I say I wake up and say, okay, what is coming my way today? And what are my prices on this? And am I going to have to change my menu? And will I be able to offer everything? And am I going to have enough staff to meet the demand of the consumer? And that is a daily issue. That is not something that any of us have ever had to deal with.

Ms. KUMAR. Thank you for that.

I just want to state that yes, our restaurant is open for indoor dining now. We are still practicing safety. But it is not as simple as just unlocking our doors and going back to the way things were. I do not think things are going to be the same for a really long time. And the grant money, the period that it covers, the expenses are covered from February of 2020 till March of 2023. So while the grant awards might seem large and the fund, it sounds like it is a lot of money, and it is, we are required to plan, and planning again is the operative word. We cannot go back to the same way of doing business. We have thousands of dollars that we owe to our landlords, for example, if we were lucky enough to reach a deferred agreement with them. A lot of us still owe money to our suppliers. And a lot of people took out EIDL loans that they are going to be making payments for 30 years because of this pandemic that put us in a situation that was like no fault of our own. And in the best of times before the pandemic, our profit margins were 6 to 9 percent in a really good year. Like 9 percent we were jumping up and down with joy. And now we are seeing again higher supplier costs. Myself and our company, we are committed to much higher wages for our employees and to make this a sustainable career for people to come back to, to lure them back to work. I know a lot of people really wanted to stay in the industry but they just simply could not afford to do it. And that is an expensive commitment that we are willing to make but we do need the support in order to sustain this industry and make it a viable place for people to be employed.

Ms. DAVIDS. Yeah, thank you for that.

And just really quickly, Ms. Baruh, we are going to follow up with you about some of the commentary that you made earlier. Obviously, it is a huge issue if disregarded entities are having hurdles the way they are to get access to the programs. Thank you so much.

Chairman, I yield back.

Chairman PHILLIPS. Thank you, Ms. Davids.

And next I recognize the gentleman from Pennsylvania, Dan Meuser, the Ranking Member of the Economic Growth, Tax, and Capital Access Subcommittee. I recognize you now, Dan, for 5 minutes.

Mr. MEUSER. Thank you, Chairman Phillips. I appreciate that very much, and Ranking Member, Van Duyne, for holding this hearing. And I certainly thank all the witnesses for being with us today which is very likely a nice day in Texas and North Carolina and the other places that you are. So I appreciate it. And for your testimony that has a touch of optimism to it but a lot of reality because that is what business is all about. A lot of reality. There is no fooling yourself in business. If you do, you go out of business.

So Mr. Maguire, being that you are in Texas and Ms. Kumar, you are in North Carolina, our experience here in Pennsylvania has been pretty rough for small businesses, for restaurants. We were at 25 percent capacity from January 4th through April 4th, 25 percent indoor capacity. On April 4th, we went to 50 percent capacity. And on May 31st, we will go to 75 percent capacity. Or check that. Since April 5th, we have been in 75 percent capacity. So as you can see, restaurants in particular were hit hardest. Our small businesses were hit pretty hard, too. But of course, PPP was very, very important, and my guess is, and from your testimonies and statements that you all were able to gain PPP. Now, I also know that restaurants have some part-time employees so the PPP was not very significant even though in PPP 2 we increased it to a 2.5 percent ratio. So I know that was helpful. But that is why the RRF was so essential, and we allocated $27.5 billion, I believe. And with prioritization. That is all well and good if there would have been enough to go around, if you will. And there definitely was not. In my district, I have virtually every restaurant I hear from has not received the RRF, and not to point fingers but Republicans did ask for an amendment of an added $20 billion to the RRF fund which did not get passed, did not get accepted. Now, of course, we are trying to find additional funds for the RRF which are very, very important. So that will continue.

Now, I would like to just ask, let me start with Cheetie Kumar, if I can. Ms. Kumar, you would describe your experience, but where are you now with, you said the PPP was very helpful. The RRF was there for you. How are you with a percentage of where you would like to be or where you were prior to the pandemic?

Ms. KUMAR. Thank you for that. Our company suffered a 70 percent reduction in revenue from the start of the pandemic until now. We have been operating with indoor dining and maintain our patio and we are seeing definitely increased revenue but it is going to take us many, many, many months to get back to the original level of revenue that we had before. And so 3 or 4 weeks of good restaurant business does not really cover 15 months of extreme losses. And it is going to be probably, I mean, I do not foresee seeing a profit this year, this calendar year. My husband is my partner and we are still drawing a really conservative salary. We did not pay ourselves at all until PPP 2, and we are projecting making maybe $45,000 a year as a guaranteed salary, if we are lucky, if there are no more dips in the roller-coaster. We do not have amnesia about what has happened already in the last year so we are kind of bracing ourselves and holding onto that money and being very conservative minded about how we spend that money in the coming months.

Mr. MEUSER. Okay. And as far as government assistance, that is somewhat in the rearview mirror now; right? I mean, we are in recovery mode. And so now at least you do not want government giving you any additional headwinds such as the unemployment compensation we know is going until September. Is that a negative, is that a little bit of a headwind for you, or what are your thoughts there?

Ms. KUMAR. Well, for me in North Carolina, the average unemployment benefit, even with the federal assistance, is less than $500 a week. And for our restaurant, that is not a competitive deterrent for people to come back to work. We offer a living wage and we are proud to do so. For us personally, we are not a low wage, hourly, part-time kind of restaurant.

Mr. MEUSER. That is great. I appreciate that. That is good. That is very good to hear. It truly is.

Mr. Maguire, your thoughts on the UC supplement.

Chairman PHILLIPS. Mr. Meuser, your time has expired. I am sorry.

Mr. MEUSER. I am sorry, Mr. Chairman. I yield back. Thank you.

Chairman PHILLIPS. Okay. Thank you. Thank you, Dan.

And now I recognize the gentleman from Florida, Mr. Donalds, for 5 minutes.

Mr. DONALDS. Thank you, Mr. Chairman. Thank you to the Ranking Member.

First of all, I just want to associate myself with the comments of Mr. Meuser and the Ranking Member specifically when it comes to the fact that we did try to put more money into the Restaurant Fund. And we all know what happened on the Committee, so we will just move on.

But real quick, Mr. Maguire, I know Representative Meuser had a question for you so I actually would like to just allow you to give you time to answer Representative Meuser's previous question.

Mr. MAGUIRE. The question regarding the headwind caused or potentially caused by the UI benefit?

Mr. DONALDS. Yes.

Mr. MAGUIRE. Well, as I mentioned before, it is certainly a component of what is contributing to the labor shortage. There is no doubt about that. I can give you very specific examples within my staff that has chosen to continue working or not working and collecting the UI benefit. However, there are some considerations there that are beyond their control and what I have told them is, look, when I need you back to work, you are going to have to come back to work or I cannot guarantee that I am going to give you a job. But the bottom line is right now UI is a huge contributor to the labor shortage. People moving out of our industry is a huge contributor to the labor shortage. People not being able to get childcare coverage to work the hours we want them to is a huge contributor. And these issues are ongoing and we are going to collectively find a way to work together to overcome them. But the UI benefits certainly need to be addressed.

Mr. DONALDS. Thanks for that.

Real quick, I want to jump into a couple of things because obviously we could talk about what the programs have been. I understand that they have been helpful. The enterprises have been able to take advantage of it. But we are also having to consider new policies that are coming down.

So Mr. Montana, I want to ask you real briefly, considering the administration's putting out the idea of raising corporate income taxes and also their policy that they wanted to put through of raising the minimum wage, the federal minimum wage to $15 an hour, what would be the impacts of that on your enterprise?

Mr. MONTANA. Representative Donalds, thanks for the question.

So as to the minimum wage, there is no one who works for Du Nord Craft Spirits that makes the minimum wage. They all make more than the minimum wage and that is on purpose because we want people to have a living wage and it is in large part because of that that we do not have any kind of a labor shortage. We have people who are trying to come back. I think people should like their jobs and not just have to work their jobs.

The other side of that, when you talk about the tax implications, one thing to keep in mind when you think about it, I am coming to you from a distillery. This is a unique perspective. Many distilleries are in a growth phase, which is a polite way of saying that most of us lose money. And so when we are looking at income taxes, well, that is not really where we pay our taxes. We pay our taxes in excise taxes. So we pay a tax just to be able to sell. And so that is where the tax burden typically is for us. But I am not particularly concerned about the percentages moving up or down. Here or there. That is not what holds my business back. What is holding my business back is that I am required by law to use middlemen and I do not have a route to my customer. And so if someone is looking to help out my business, a craft distillery, make it so that I can sell just like anybody else directly to my customer. And the day that that happens, you are going to see distilleries take it to the next level and really thrive in this country.

Mr. DONALDS. All right.

Mr. Maguire, real quick, I have got about a minute left, you stated in your written testimony that you have only raised prices once in 6 years. You have had to raise them twice in the last year. You have 52 seconds. Why?

Mr. MAGUIRE. Why have I had to raise them twice?

Mr. DONALDS. Yes, sir. Why?

Mr. MAGUIRE. Because of the unprecedented increases in our product costs in the last 45 days. We did not see 10 to 15 percent increases on any of our product cost during the pandemic outside of the paper and to-go supplies and the PPE equipment and supplies. Our commodity pricing has gone absolutely berserk in the last 2-1/2 months and really in the last——

Mr. DONALDS. Mr. Maguire, real quick. Real quick because I have got now 24 seconds. What have your suppliers said in relation to these price increase?

Mr. MAGUIRE. Most of the suppliers are saying it is happening at the manufacturing level and the manufacturing level is happening because of labor shortages.

Mr. DONALDS. I yield back. Thank you, Mr. Maguire.

Chairman PHILLIPS. Thank you, Mr. Donalds.

Are there any other members that wish to continue to a second round of questioning? If so, just raise your hand either virtually or physically.

Nobody? Okay.

I want to thank our witnesses. I learned a lot from each of you. Mr. Montana, having come from the distilling business, I surely understand what that three-tier system does and does not do, and I understand efficiencies and inefficiencies. To all of you in hospitality, rest assured a great deal of empathy from all of us. So I want to thank you. You have all endured a lot over the last year and the effort just to get to this day is nothing short of incredible to me. Your testimonies illuminated the benefits and drawbacks of the SBA programs as they currently operate and illuminated some ways that we can improve them. Hopefully, we will not have to do this again to this magnitude, but should we, we will be better prepared and we have opportunities to improve existing programs, perpetual programs as well. As the voice of small businesses in Washington, this Committee has to work to improve these programs to meet the needs of entrepreneurs better, plain and simple.

So I look forward to working with fellow members of the Subcommittee on a bipartisan basis to help find ways to make these programs operate more effectively and more efficiently.

I would ask for unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, that is so ordered.

If there is no further business to come before the Committee, we are now officially adjourned. Thanks, everybody.

[Whereupon, at 2:16 p.m., the Subcommittee was adjourned.]

APPENDIX

Testimony of Cheetie Kumar
Chef and Owner of Garland
U.S. House of Representatives Committee on Small Business, Subcommittee on Oversight, Investigations, and Regulations
May 27, 2021

Chairman Phillips, Ranking Member Van Duyne, and members of the subcommittee, thank you for inviting me today to talk about the successful launch of the Restaurant Revitalization Fund (RRF) and the need independent restaurants still have for help.

Let me start by thanking this Committee – all of you – and especially Chairman Phillips and Chair Velazquez for all of the support you have shown independent restaurants throughout this pandemic. You have given us a lifeline to survive in the RRF and we are eternally grateful.

I am the chef and co-owner of Garland in Raleigh, NC. In the same building as Garland is our music venue and basement cocktail bar. I am a self-taught chef who studied recipes while touring across the US as a guitar player alongside my husband and business partner, Paul Siler. Seeing every corner of this country with our band, Birds of Avalon, showed me the value of an independent, artistic spirit and that informed how we connect to our downtown Raleigh community.

I am proud to be here representing the hundreds of thousands of independent restaurants across the country and their millions of employees. My story is not very different from so many others in the restaurant industry. With my family, I immigrated from India to the Bronx at the age of 8 and eventually settled in the South to play music and open my restaurant. Our industry is full of these stories – from folks all across the country and all around the globe. Women, minorities, single parents, veterans, and so many others get their start in restaurants, build their lives working in restaurants, or make a career out of working in restaurants. Frankly, restaurants represent America more than any other industry.

I am a member of the leadership of the Independent Restaurant Coalition – a group borne out of crisis. We gathered in the first days of the pandemic to advocate for help for the restaurant industry. Fifteen months later I sit before you, virtually, to talk about the success of the RRF and how much more help we need.

The Independent Restaurant Coalition was formed by chefs and independent restaurant owners across the country who have built a grassroots movement to secure vital protections for the nation's 500,000 independent restaurants and the more than 11 million restaurant and bar workers impacted by the coronavirus pandemic.

And together we have advocated since last March for a stand-alone restaurant grant program to help support the $200+ billion in losses in the industry. To help save our employees and their families. To help make our suppliers and landlords whole. And most of all to Save Restaurants.

I am proud to own an independent restaurant that has survived this far in the pandemic. We cut, crimped, changed, pivoted, closed, opened, closed again, opened again, pivoted again, did more takeout, served outside, and myriad other things to get this far. At Garland, we took both rounds of the Paycheck Protection Program (PPP) funding. We were closed for weeks and did not do hot takeout through the summer but pivoted to launch a prepared meal program so we could make sure my staff could work safely. Frankly, as terrified as I was to lose our business, I value people over commerce. Programs like the RRF make it possible to keep people employed without sacrificing their health.

Garland is a great example of stitching together all of the programs possible to get help. Between PPP and the RRF we were able to pay people through the pandemic. We have been able to stay open and provide more jobs as it is hopefully ending. And we are going to be strong. Without them, Garland, Neptune's Parlour, and King's would be gone. Lost to the history of Raleigh. But this committee, so many of you, and the lawmakers in the House and Senate threw us a lifeline. I am here to ask you to do the same for every independent restaurant in America, to ensure they can survive, and we do not have an extinction event.

Even though a lot of the tough choices we made are behind us, we are not out of the woods yet, by a long shot. There are many jurisdictions that are still limiting indoor dining significantly and the Centers for Disease Control (CDC) still recommends six-foot spacing in restaurants. And a lot of us are taking opening up slowly to protect our customers and staff, which is the right thing to do. None of us are set up for this and as a result we are still well below full capacity. Not to mention that as states and localities move at different paces the rules are different everywhere and restaurants in a lot of places are still losing money, even if reservations are up,

Not to mention that 15 months of losses will not be recouped by a few weeks of full indoor capacity. No, this pandemic for restaurants is not over by a long shot.

I am also proud to be one of the first recipients of an RRF grant. I applied at 11:30 AM the day applications opened – and spent days reading the rules, getting my documents together, re-reading the rules, checking my books, and getting everything in order. A lot of people in my position are having something like "grantee guilt" where they feel bad for having gotten a grant when so many in the industry are still struggling to make ends meet and face an uncertain and terrifying future without a grant. A friend of mine told me not to feel guilty, but to accept the grant, make my business healthy and then work like hell to ask Congress for more money for this program, so that's exactly what I intend to do.

The RRF portal, application process, funding, and full experience worked very well for me. I applied on the first day and got word about my acceptance a couple of weeks later. Shortly after that my grant was funded. I was lucky, most of my financials were straightforward and the guidance was spot on for me. I know others have not been as lucky, but I am also happy to report that the SBA has been working hard to make sure everyone is treated fairly and equitably in this process.

As you know, when Congress designed this program – when it was intended to be funded with $120 billion – they created a three-week priority window for businesses owned by women, veterans, and socially and economically disadvantaged groups. This was an enormously important piece of the bill since so many of those same people were left out of PPP and other aid programs. The IRC proudly advocated for this provision and by all indications it is working as intended.

As you know, the Small Business Administration (SBA) closed the RRF application portal on Monday and demand was overwhelming. Here is what we know as of Monday May 24th: Within the first two and a half weeks of opening the application portal, over 303,000 restaurants, bars, and other eligible businesses have applied, requesting over $69 billion in funds. Over half of the applications came from women (over 122,000 applications), Veterans (over 14,000 applications), and socially and economically disadvantaged business owners (over 71,000 applications). The SBA also received applications from the following priority groups:

- 12,898 applications from businesses with not more than $50,000 in pre-pandemic revenue;
- 73,671 applications from businesses with not more than $500,000 in annual pre-pandemic revenue; and
- 34,010 applications from businesses with $500,000 - $1,500,000 in annual pre-pandemic revenue.

I believe that for every restaurant in the country to be made whole, the program could need as much as $140 billion more. That isn't reflected in the above statistics because not every restaurant knows about the program and not everyone applied, knowing $28.6 billion would not be enough to help every restaurant that needs help.

Congressman Blumenauer, Congressman Fitzpatrick, Senator Sinema, and Senator Wicker plan to introduce a bill soon to put more money into the RRF. This still may not be enough to meet the full need, but I hope it will be enough to give grants to everyone who applied and take care of more restaurants. The restaurant community could not be more thankful for these four heroes for standing up and saying the U.S. Government had to help restaurants in our very darkest days.

Members of this committee have supported multiple reloads of the PPP program and if Congress refills the RRF with $60 billion and it falls short, I hope it will support refilling the RRF again as well. In a hearing earlier this year, a bipartisan group of Members recognized that the original amount of the RRF was not enough to meet the need.

As I noted earlier, our data suggests the full need for independent restaurants (those with less than 20 locations) is $168 billion, which is an astronomically high number. We also know that as states open and restaurants start to fill up that there may be a perception that more funds aren't needed. First, there are a handful of states that simply aren't opening. When we talk to members across the country, there are still widely divergent levels of distancing requirements, and a clear indication that this is going to be a much longer term recovery. Plus, as you know, a number of these restaurants survived by the very narrowest of margins and are still very fragile if not on the verge of another extinction event if there is any hiccup, others simply cannot make up for 15 months of lost revenue in one or two months and pay off the debts they incurred trying to survive the pandemic.

I am proud to be a venue and bar owner too. When the RRF passed, there was a choice to make – apply for an RRF grant or a Shuttered Venue Operator Grant (SVOG). I studied and studied and ultimately decided an RRF grant was best for me because the bulk of our revenue comes from the restaurant. Frankly, I also had more faith in the restaurant program, which has borne itself out. I know a lot of my venue friends are still waiting for grants and I feel for them. You are hearing some of their stories today and I look forward to the day we are all going to shows at each other's places.

I also want to take a moment today to talk about hiring. We have an unprecedented event happening – almost every restaurant in the country is trying to hire people. And a lot of people have been out of the restaurant industry for the better part of 18 months. The pandemic happened at the end of almost all of our slow season – post holidays, pre-spring. So we were not even fully staffed when the country closed.

A lot of our workers have moved on, not because of enhanced unemployment benefits, or too many government programs, but because they have found other work. In addition the natural pipeline of restaurants hasn't had anything in it. People are not able to jump to better jobs or work their way up the ladder. So many of us are starting from close to scratch in this process.

In closing, I want to emphasize one last, crucial point. I sit here today, not on behalf of Garland, but to stand for 11 million restaurant workers and 500,000 independent restaurants to say both thank you and more help is needed. Every single one of you has struggling restaurants in their districts and every single one of you will have some that do not get an RRF grant for which they applied. Please help all restaurants look like a post-pandemic success like Garland. Please add more money to the RRF.

NATO
National Association of Theatre Owners

Testimony of Esther Baruh, Director of Government Relations, National Association of Theatre Owners
House Committee on Small Business Subcommittee on Oversight, Investigations, and Regulations
Hearing on A Review of the SBA's Grant Programs
May 27, 2021

Introduction and Background
On behalf of over 1,500 independent movie theater owners and operators in the United States, thank you Chairman Phillips, Ranking Member Van Duyne, and members of the Subcommittee for the opportunity to present testimony to you regarding the Shuttered Venue Operators Grant program, or SVOG. This program is a critical lifeline for movie theaters, live venues, and arts organizations that were completely shuttered by the pandemic and are only now beginning to rebuild toward recovery. As of the submission of this testimony, five months since the program's enactment, SVOG applicants are still waiting for funding to start.

Movie theaters are essential community institutions and economic drivers. Cinemas employ over 153,000 individuals nationwide and support and boost millions of additional jobs in surrounding retail establishments, the cinema supply chain, and motion picture production and distribution. 96 percent of theater operators are small businesses operating 75 or fewer screens, with those businesses representing almost half of all theaters in the United States. Theaters lead in employing vulnerable populations typically underrepresented in the workforce, including people with disabilities, senior citizens, and first-time job holders.

268 million people – 76 percent of the population in North America – went to the movies in 2019, more than double the number of people that visited theme parks and attended major U.S. sporting events combined. Moviegoing is one of the most affordable out-of-home activities and is especially popular among minority moviegoers, who tend to overindex on their share of movie tickets purchased relative to their share of the population. This is particularly true among Latino communities.

Movie theaters were devastated by the COVID-19 pandemic. 96 percent of independent and midsize theaters lost over 70 percent of revenue in 2020 and those losses continued into 2021. 63 percent of paid jobs were lost permanently or to furlough due to the pandemic because of theater shutdowns, although we are hopeful that these jobs will rebound as the industry continues to reopen.

Thanks to the support of our friends in the live venue industry and on Capitol Hill, movie theaters were included in the Save Our Stages Act, now the Shuttered Venue Operators Grant program, which passed as part of the Economic Aid Act with strong bipartisan support. A special thank you to the SVOG champions, Rep. Peter Welch, Rep. Roger Williams, Senate Majority Leader Chuck Schumer, Senator Amy Klobuchar, and Senator John Cornyn for their incredible leadership. Thank you as well to Chairwoman Nydia Velázquez, Ranking Member Blaine Luetkemeyer, Chairman Ben Cardin, and Ranking Member Rand Paul for all your continued attention to SVOG. I also want to take this moment to thank the many dedicated Congressional staff, Democrats and Republicans, who have worked for months to enact this program and ensure that it is implemented correctly. Thank you as well to Mr. Gene Sperling, Bharat Ramamurti, and the team at the White House who are working diligently to ensure the program is implemented correctly.

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National Association of Theatre Owners

Bipartisan support for the program has stayed strong. In April, over 160 members of the House and Senate sent a letter to Small Business Administration (SBA) Administrator Isabel Guzman urging the agency to rapidly implement the program, including several members of this Subcommittee.

Unfortunately, as of the submission of this testimony, the intended beneficiaries of this program have yet to see any funding. SBA warned stakeholders in a call on May 24 that the funding would be a "slow start." Our plea is for the SBA to be open and transparent about why that is, and to move as quickly as possible to meet Congress' intent and get grants flowing to the businesses that were devastated by COVID-19 closures. These initial grants are desperately needed to pay months and months of back rent and mortgages, deferred loans, deferred vendor bills, and to resume full staffing levels. Further, eligibility for the supplemental grant is contingent on receiving an initial grant. The supplemental grant is similarly critical to the survival of these businesses and organizations. We have all heard countless stories of individuals who have resorted to selling their homes, cashing in their retirement savings, or borrowing money from their families just to remain afloat. They simply cannot wait any longer for grants to be awarded.

I have every confidence that the SVOG program will help thousands of businesses and organizations keep their doors open, restoring jobs and revitalizing communities. This is a good statute. The legislation was carefully crafted to reach the entities most in need. As the program stands today, we believe that the number of grants and the funding amount requested (per the last updates from SBA) track almost exactly with the number of applications and requests for funding that we expected. This also means that there will be sufficient funding for supplemental grants as intended in the legislation. This program was well designed, well thought through, and will make a difference.

However, the implementation process has not been without some significant challenges, and we encourage Congress to keep focus on three key issue areas: the opportunity to appeal, the supplemental grants process, and transparency and communication.

Opportunity to Appeal

The SVOG application is complicated and requires reams of paperwork to complete. The good news about this is that we believe that the instances of fraud associated with this program will be extremely low. The number of supporting documents required for the SVOG application should make it virtually impossible for a non-qualified entity to apply.

However, this also means that there are many opportunities for applicants to make a mistake, especially since the SBA's guidance changed considerably and frequently as the program was set to open and changed again even after thousands of applications were submitted. For example, on May 11, after the majority of applications were submitted, the SBA issued updated guidance for the 4506-T form that deviated from the instructions provided to applicants initially. This has caused tremendous confusion and may result in the denial of otherwise eligible applications.

This is not the only issue we have experienced since the portal opened. As recently as May 24, the SBA sent an email to applicants stating that their application was incomplete. This email was received even by applicants whose applications were completed and submitted. This email caused deep panic among applicants, who are now unsure if their applications were actually submitted and accepted. Finally, we are getting reports of applicants who have been placed on the Do Not Pay list with no information about the originating agency that put a hold on their tax ID. Even after calling every agency associated with the Do Not Pay list, and repeatedly asking the SBA's field team and hotline for help, our members are getting no information.

Yet despite the continually changing guidance, the technical issues of the application portal (including the inability to delete materials uploaded in error), and confusion for applicants, applicants have no opportunity to cure their applications and very little information about what mistakes they may have made. The SBA has steadfastly refused to allow applicants to appeal a denied application other than to make minor technical fixes. The SBA has also refused to share review criteria with stakeholders, even though that is a common practice for other federal grants and applications.

We urge the SBA to reverse this decision and allow appeals. If eligible applicants are denied these grants, they will have no options left, and their businesses that they have tried for over a year to preserve will be lost forever.

Supplemental Grants

Second to ensuring that all eligible applicants are able to access initial grants, we also urge Congress to press the SBA to move expeditiously on the supplemental grants process. Supplemental grants are not superfluous funding. These additional grants were made available by Congress by law because Congress understood that those still experiencing upwards of 70 percent of revenue loss in 2021 as compared to 2019 will require additional funding to stay afloat and survive until reopening. Supplemental grants, just like the initial grants, are critical to businesses and organizations. SBA has not communicated to stakeholders whether or not they have a process in place to determine eligibility and quickly distribute supplemental grants. We urge them to move quickly on this critical lifeline.

Transparency and Communication

Lastly, we urge Congress to press the SBA to maintain open lines of communication with stakeholders. Statistics about the program are shared with the Hill and the press but are not shared directly with the organizations and individuals that have applied for the grants.

Further, communication with stakeholders and applicants has been sporadic and incomplete. The SBA promised that they would send email notifications to applicants about changes in their application status, but to our knowledge no such emails have been received, other than the email communications described earlier regarding 4506-Ts and incomplete applications.

Conclusion

To conclude, I am confident that this program will do a lot of good if implemented quickly in line with the statute. We simply need to resolve the challenges around transparency and communication, an opportunity to appeal, and to get the supplemental process going so it is not subject to too much delay. Thank you for the opportunity to present this testimony and I welcome your questions.

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Madame Chair and Members of the committee, I am honored today to represent craft distillers nationwide in addition to my own company Du Nord Craft Spirits

Who are the American Craft Distillers?

At the outset it is worth defining exactly what a craft distillery is. The American Craft Spirits Association (ACSA) is the governing body for craft distillers nationally and is comprised and governed exclusively by craft distillers. The ACSA defines craft distilled products as:

"distilled spirits that are produced in the U.S. by licensed producers that have not more than 750,000 proof gallons (or 394,317 9L cases) removed from bond, market themselves as craft, are not openly controlled by a large supplier, and have no proven violation of the ACSA Code of Ethics."

Put simply, a craft distiller is a small American producer that is independent and ethical. "Small" is a relative term, and 394,317 cases may seem like a good deal of sales, but most distillers fall well short of that number: 90% of craft distillers produce less than 1.3% of the craft limit, or approximately 5,126 cases of spirits annually. By comparison, Bacardi produces approximately 18 million cases annually. Independence is a critical part of being an American craft distiller; the products we produce are guided by our love for the spirit and industry and not by distant boardrooms. Lastly, the ethics and ethos of the American craft distiller is second to none. We are truthful in our advertising and transparent in our practices. Though we self-regulate via the ACSA Ethics Committee, that committee is the easiest gig in the organization because they rarely have any ethical issues to resolve despite the more than 2,200 craft distilleries in the country.

Craft distillers are a revitalizing force. Many urban craft distilleries are located in previously unused or abandoned manufacturing space, and many rural distilleries are located in close proximity to the farmers who grow their grains and the livestock farmers that consume their spent grains. In all cases, distillers add value to American agriculture and consume millions of pounds of grains, fruits, and forestry products grown and produced here in the United states. 90% of all craft distilleries are classified as "small distilleries" producing less than 1500 cases in a year, and, of those distilleries, 92% of their business occurs within their home state; this means that most craft distilleries are not only part of their communities they exclusively rely on their immediate community for their survival. Whether urban or rural, distilleries are woven into their communities and are part of a healthy ecosystem that promotes local culture.

Challenges all Craft Distillers Face

Craft distillers must navigate an antiquated and complex regulatory scheme to get their products to market, and as a result, most craft distilleries are primarily supported by sales at their distillery. Unlike most products produced in the United states, distillers are usually not allowed to sell their product directly to their consumers. Instead, the three-tier system installed post prohibition requires that distillers first sell to a distributor who then sells to a retailer. This system has consequences: first, the distiller only realizes approximately 50% of the retail value of their products on the shelf at a local liquor store. A second consequence is a result of consolidation within the distribution tier and a corresponding expansion within the producer tier that has resulted in many more products having fewer and fewer chances at finding distribution. Simply put, it is extremely difficult for the average craft distiller to get their product in front of their customers. For this reason, most of us rely on our cocktail rooms. A "cocktail room" or "tasting room," is typically an on-site bar or simple tasting facility that allows the consumer to come into the distillery, try the distiller's product, and make a purchase. The laws governing tasting rooms are a state issue and vary greatly, but most cocktail rooms look similar to a neighborhood bar and often operate in the same way. It is, however, common for cocktail rooms to be restricted to only serving spirits that are made on site and thus they are not true competition to other bars and restaurants with fuller offerings. These cocktail rooms are critical to building our brands. By some estimates, in 2019, $484,000,000 was spent on liquor advertising, and it's a safe bet that little (if any) of that came from craft distillers. The marketplace is crowded, and it is difficult for a small distillery to be heard and found amidst all this noise: cocktail rooms are our one opportunity to speak directly to our consumers and present our products as they were meant to be consumed.

2020 and the Response to COVID-19

It's been a tough year and a half. In early March, we at Du Nord Craft spirits made the decision to close our cocktail room due to COVID-19. The decision was prompted by our staff reaching out and saying, in no uncertain terms, they didn't feel safe interacting with customers in the midst of what was clearly becoming a public health emergency. After hearing from the staff, I closed our cocktail room and in so doing I thought I was closing my business for good. Our cocktail room represented more than 60% of our revenue; without it, I couldn't see how we could possibly pay our bills and meet our obligations. Two days later, all bars and restaurants in our state were shut down. Like many craft distilleries, my wholesale sales relied heavily on local bars and restaurants. Nationally, restaurants and bars are distillers best allies in cutting through to customers who are looking for something new and local. When our brothers and sisters in the restaurant industry were forced to shut down, we lost one of the few sources of sales we could count on outside of our own cocktail rooms.

While restaurants, bars, and cocktail rooms were shutting down across the nation, the need for hand sanitizer exploded and caused a massive shortage. People who could not work from home, and those deemed essential, were told to wash or sanitize their hands often, but the products were simply not available. The primary ingredient in hand sanitizer is ethyl alcohol, as distillers we know everything there is to know about ethyl alcohol as it is also the primary ingredient in everything we make. Unsurprisingly, craft distillers pivoted and began producing hand sanitizer as fast as they could. They didn't produce the sanitizer just to save their business; they produced it because it's what their communities needed. In a crisis we expect everyone to do what they can to support the public good; distillers nationally recognized that this is something we could do to help, and we jumped in with two feet. At Du Nord, we, in partnership with other Twin Cities distilleries, would go on to produce tens of thousands of gallons of sanitizer and distribute that sanitizer to those most in need--in coordination with epidemiologists and public health officials. Much of what was made was not sold; in fact, thousands of gallons were donated to first responders, homeless shelters, congregate care facilities, and other institutions and individuals who needed sanitizer but could not afford it. I am particularly proud of a partnership we formed with an organization in Minnesota called "Think Small." We became aware of a critical shortage of sanitizer at childcare facilities, but we had no way to distribute the sanitizer to those facilities. Staff from Governor Walz's office connected us with Think Small who agreed to manage the distribution of sanitizer supplies to childcare facilities across the entire state. Through this partnership, over $250,000 in sanitizer was distributed to nearly every childcare facility in Minnesota at no cost to the facilities. I am proud of what we did for our community in Minnesota, but I am equally proud of the efforts of hundreds of distilleries large and small that answered the call, stopped producing spirits, and transformed their businesses into critical tools to combat the worst public health emergency in a century: I don't know of a single distillery that produced sanitizer without donating a significant amount to those in need.

Surviving COVID

Though sanitizer did produce a source of revenue for some distilleries that were able to pivot, it was short lived and could not compensate for the massive loss of business caused by COVID-19; the only lifeline we had was assistance from state and federal government. The programs that affected our business most were: the increase in unemployment insurance, the Payroll Protection Plan (PPP), the Economic Injury Disaster Loan program (EIDL), and the Restaurant Revitalization Fund (RRF).

Unemployment Insurance

The closure of the cocktail room did not mean a corresponding savings in labor costs for us. Behind being a husband and father, being an employer is one of the most important responsibilities in my life. As an employer, I have a duty to my employees to make sure that their employment with me is sufficient to cover their needs. My bar staff did not make their money from salary alone; most of their compensation came from tips. The standard unemployment insurance calculation only provided a fraction of their hourly wage and did not account for their tip income. Therefore, laying them off would mean each of them would immediately become financially insecure. So, we kept the bar staff employed and paid them for shifts they were not working because the alternative would have put less money in their pockets and there is no Du Nord without the staff. Paying staff when you have no revenue is not a sustainable model, however, and it would eventually lead to the collapse of the entire business. Federal support for increased unemployment payments took that burden off me, and I was able to lay staff off in their best interest. I did not receive unemployment benefits directly, but they indirectly allowed me to stretch our meager reserves longer.

Payroll Protection Plan

The PPP program kept us afloat long enough to begin producing sanitizer. After the initial layoffs of the bar staff, Du Nord still had the full-time staff to consider. Additionally, though better than the $10/hour I could pay our idle bar staff, the increased unemployment was still less than the staff were accustomed to making and they didn't want to be unemployed. The PPP funds allowed me to bring staff back to help with sanitizer production and allowed for a hazard pay increase to $25/hour. This pulled our staff off the unemployment rolls and put them back to work. The funds also allowed me to retain my full-time staff and focus their efforts on supporting the community through sanitizer production. As sanitizer production tapered off, the second round of PPP was critical in keeping the lights on and supporting my full-time staff. The PPP gave me the confidence to plan ahead and thus was crucial to supporting our business as it transitioned into sanitizer production and from sanitizer back to spirits production.

EIDL Loan

We applied for and were granted an EIDL loan that has helped us maintain our business. Coping with social distancing and other covid constraints has made it difficult to run our business in its original location. We have had to improvise a new location that allows for more distancing and keeps us on a path to self sufficiency post covid. The EIDL loan program was simple, quick, and rushed the funds to us when we needed them most. I did not want to use these programs unless I needed to, but when it was clear that I needed the funds to support our fixed overhead and payroll obligations, I applied and was impressed with the speed and efficiency of the program. We are now able to run our manufacturing operation safely and are poised to grow.

RRF

We applied for and received funds under the RRF program. These funds will help us to reopen our cocktail room and reconfigure for a future that depends on social distancing. Like many distilleries, Du Nord is a production facility first with a cocktail room attached. Indeed, when we opened in 2013, cocktail rooms were illegal in Minnesota and it was not until January 9 of 2015 that we could open the Twin Cities' first cocktail room. Our cocktail room is a narrow strip of about 1000 sq/ft on the side of the distillery. Because of its size and shape, it is difficult to achieve a critical mass of customers in the space while also adhering to social distancing rules. Even in the absence of social distancing mandates, customers expectations regarding distancing have changed, and we must be responsive to their expectations if we hope to attract them back into our space. The cost of retrofitting the space and converting former production space into cocktail room space is a cost I could not support, so the RRF funds are a critical element in our return to some semblance of normalcy.

All of these programs: unemployment insurance, PPP, EIDL, and RRF have been critical. Since the pandemic began, I have not missed a rent payment, loan payment, payroll or any other obligation. That means that I have not been a drain on other businesses that are also struggling to survive. My ability to meet my obligations and prepare for future challenges is a direct result of these programs.

I have had the opportunity to speak with several other distillers and their message is similar to mine: these programs have been a lifeline without which they would likely have closed their doors for good. The distilling community is made up of some of the smartest and most resourceful people I know, and COVID brough many of us to our knees. Though it has been difficult, craft distillers have continued to support their community in what ever way we could. We are thankful that our government did the same and supported us when we needed it most. I am aware though, that many businesses have not been able to receive funds as the pool of funds was too small. Here again is an opportunity for the government to respond to crisis and fully fund the need. I am fortunate to have received the funds I applied for, but the work is not done. In Minnesota you often hear people say "we all do better when we all do better;" I hope this congress continues to fund these vital programs as Du Nord cannot survive on its own: we need the restaurants, bars, hotels, and music venues to survive and thrive if we have any chance to cut through the noise, meet our customers where they are, and toast the end of COVID.

Thank you for your time and for the honor of addressing this committee.

Cheers,

-Chris Montana

A Review of the SBA's Grant Programs

Testimony Submitted by:

Mark Maguire, Co-Owner & Managing Partner
Maguire's Kitchen & Catering and Gather Coffee Café
Dallas, Texas
Member, Texas Restaurant Association

"A Review of the SBA's Grant Programs"
House Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
United States House of Representatives
May 27, 2021

Good afternoon Chairman Phillips, Ranking Member Van Duyne, and members of the Committee:

My name is Mark Maguire and I am the founder, co-owner and managing partner of Maguire Restaurant Holdings and CORE F&B in Dallas. We operate Maguire's Kitchen & Catering, a fine dining restaurant that opened in North Dallas in 1999, and two Gather Coffee Café locations, one of which has been temporarily closed due to COVID-19. Our companies provide jobs for over 60 people.

The restaurant business has provided the path and opportunity for my life's work. It has been my pleasure to build a career in hospitality with such companies as The Walt Disney World Co. in Florida and Paris, Carlson Restaurants Worldwide, and Maguire Restaurant Holdings in Dallas. I have served as the President of both the Texas Restaurant Association and the Greater Dallas Restaurant Association, and I remain active in both organizations. It has been my honor to serve as a leader in the Dallas restaurant community for the last 22 years.

Before the pandemic, restaurants and foodservice sites employed more than 15 million people, at one million locations across the United States. As an industry, we are the nation's second-largest private sector employer. But even after extensive hiring efforts this year, restaurants are still down 1.7 million jobs (or 14%) below their pre-coronavirus level. In Texas, the hospitality industry lost more jobs than any other major industry, and we're still struggling to rebuild.

My own example shows how the devastation of the pandemic continues to bring a tidal wave of challenges for restaurants. Even as business conditions begin to improve, it will take monumental efforts—even for the most prepared and successful operators—to rebuild. In my home state of Texas, closure orders have been lifted and we are allowed to operate at 100% capacity. Consumer demand is coming back strong and there are nights when we have to create wait lists. But even though we are allowed to operate at 100% capacity, we still have to block off tables in our restaurants because we cannot hire enough staff to service our guests. With so many hospitality operations reopening and gearing back up, the competition for staff is greater than it has ever been, causing our labor costs to skyrocket.

Further frustrating our recovery efforts are rising product costs. Just since January, we have seen our cost on poultry rise almost 40%, meat over 30%, cooking oils over 50%, and paper goods/to-go supplies up to 70%. And of course, that is only when we are lucky enough to get the product.

In the almost six years before the pandemic started, we only had to increase our menu prices once. Since March 20th of this year, we have had to implement two menu price increases just to keep our heads above water and offset the extreme increase in expense. We have yet to see an actual profit since the pandemic began, making it impossible to truly begin to turn the page on 15 months of losses.

Sadly, my example isn't unique. While restaurants are recovering and rehiring across the United States, they still need help to make up for $290 billion in losses from the effects of COVID-19. 90,000 restaurants are closed permanently or long-term. On average, these restaurants had been in business for 16 years; 16% had been open for at least 30 years.

As difficult as the past 15 months have been, they would have been far worse without federal relief programs like the Paycheck Protection Program (PPP) and the Restaurant Revitalization Fund (RRF). In May of 2020, our flagship restaurant, Maguire's Kitchen & Catering, received its first PPP loan from the U.S. Small Business Administration (SBA). It worked beautifully—just as Congress had intended. We were able to keep all of our employees who wanted to continue working on payroll. We were able to catch up on our rent and overdue operating expenses and even build some cash reserves. But I believe I can say with a high degree of certainty that very few people in May of 2020 expected this pandemic to last as long and cut as deeply into the American economy as it has continued to do. We suffered through a second wave of infections and subsequent closures and restrictions. And the holiday season, from which we typically derive almost 70% of our annual profits, was a total bust—down over 80% from our norm. We were literally less than 30 days away from total shut down when we received a second draw PPP.

Again, our second draw PPP worked well, and we are able to continue operating and keep our employees working. But once again that short-term assistance is ending as we face new and equally sinister obstacles thwarting the industry's recovery. Where just a couple months ago there seemed to be a light flickering at the end of the tunnel, there is now a fog of darkness creeping back.

Even in Texas, most restaurants like mine are still a long way from reaching a stable business climate that will allow us to operate with planning and foresight. The PPP program provided immense and immediate relief—exactly the way it was intended. But it was crafted to be a temporary relief—to provide 2.5 - 3.5 months of funding to keep employees working and the lights on. As the devastating effects of this pandemic move into year two, we need long-term support to help us meet an unprecedented challenge. The RRF could be that bridge, if properly funded.

As you know, the RRF came out of bipartisan discussions on the RESTAURANTS Act, which secured over a hundred cosponsors in the House of Representatives. This bill would help the industry offset over $290 billion in losses with $120 billion in grants for eligible restaurants. The RRF reflects Congress' commitment to the hardest hit restaurants – thank you! By allowing smaller and mid-sized restaurants to access funds to offset losses in 2020 – with PPP loans deducted – lawmakers are safeguarding employee paychecks, helping small businesses manage debt, and supporting local communities of suppliers and farmers.

From my perspective, the SBA and the National Restaurant Association are deeply committed to program integrity with the RRF. In April alone, we were invited to and participated in more RRF educational webinars than I could count. The National and Texas Restaurant Associations continue to provide resources such as one-pagers, a Frequently Asked Questions document, application instructions, and grant expense trackers to help business owners navigate properly through the RRF application process and approved RRF use as well as required documentation.

However, one very real concern with the RRF remains. Because of unprecedented demand, thousands of eligible businesses are waiting in limbo with no way to access information on the status of their grant application. And based on the numbers coming from SBA, many of these eligible grantees will not receive the grant they are so desperately in need of because the RRF is underfunded. The SBA reports over 303,000 small businesses applied for RRF within the first three weeks, seeking almost $70 billion in relief. Thus, a $41.4 billion deficit is likely to grow when we see the final application data.

Unfortunately, my businesses are likely to fall within this gap. At Maguire's Kitchen, even though revenues dropped over 35% from 2019 to 2020, we didn't qualify for the RRF because the PPP funds we received exceeded the amount of the drop in revenues. And while at that particular location we are encouraged by the increased guest traffic and bump in revenues, the aforementioned challenges pose substantial difficulties that are certainly preventing us from reaching anything remotely resembling normalcy in our operations.

On the other hand, we were able to apply for the RRF for both cafés. However, the status of that application has been "Under Review" in the SBA portal since May 5, 2021. We don't meet any of the priority categories, and many reports indicate that the money will run out before any non-priority group grants are funded, leaving us in a difficult position.

Without any RRF funding, my recovery plans will be forestalled once again. As mentioned, one of my cafés remains temporarily closed due to less than 10% occupancy in the office building it occupies. We have developed a secondary revenue stream through a ghost kitchen operation and plan to reopen it immediately if we receive the RRF grant. This would allow us to bring as many as 14 employees back into the workforce. The grant would also provide me with a longer runway to recovery for the other café location, where traffic from office workers is returning gradually.

I certainly understand there has to be a line drawn somewhere on where the funding will stop, but basing the grant eligibility on revenue drop versus PPP funding does not appear to take into consideration the actual and very precarious financial position of so many very different types of businesses. At Maguire's, we may very likely soon find ourselves back in that "30 days left" situation even though we did not qualify for the RRF.

I know there's a bipartisan commitment to the RRF within Congress, and so I'm hopeful the funding deficit and eligibility concerns can be swiftly addressed with a renewed commitment to restaurants across the country who are still weathering the fallout of this storm. RRF money will go directly to eligible businesses, allowing them to continue to provide the jobs that are fundamental to every district.

After 35 years in this industry, I know that restaurants represent much more than a meal. We're the economic engines for so many communities. We support entire supply chains, with restaurants representing over 51% of the Texas food dollar when the pandemic began. But perhaps even more important than that, we're pillars of the communities we serve.

I have been rewarded with the pleasure of watching hundreds of young high school kids who worked in my restaurants as hostesses, busboys, cooks, dishwashers, and servers go on to build beautiful families and hugely successful careers as doctor and nurses, lawyers and engineers, real estate developers, and law enforcement officers—and yes—even a few who stayed in the hospitality business and now own their own restaurants and bars. Restaurants are in many ways a family, providing millions with their first and second-chance job. They're also the place we rely on to celebrate, to mourn, and to break bread together.

As the COVID-19 crisis recedes, our industry and our employees still need your help so we can continue to perform these critical roles for our communities. We've had an incredibly difficult year, as so many have. But by working with Congress, our state leaders, and groups like the National and Texas Restaurant Associations, I have much more confidence that the restaurant industry can, and will, rebuild.

Thank you for all you've done to help our industry through the pandemic, for the opportunity to testify today, and for your ongoing support.

Questions for the Record
Committee on Small Business
Subcommittee on Oversight, Investigations, and Regulations
Remote Hearing: A Review of the SBA's Grant Programs
Thursday, May 27, 2021

Questions for Ms. Esther Baruh, Director of Government Relations, National Association of Theatre Owners, Washington, DC

- In Wisconsin, 90% of theater companies had over 80% loss due to the pandemic and 55% of jobs in theaters were lost because of the pandemic.
  - Is it important for the SBA to reconsider its decision to disallow SVOG appeals?
  - Why would it be important for an applicant to have the ability to appeal a denied application?

Response:

Thank you for this question. Yes, it is critical for SBA to reconsider its decision to disallow SVOG appeals because the complexity of the application and lack of complete guidance may have led to inadvertent applicant error. In addition, the SBA has moved the goalposts several times with regard to how they are evaluating applications and required documentation, and have still not provided answers to certain questions from stakeholders. This all raises the spectre of potential denials of eligible entities. We strongly urge the SBA to permit appeals of denied applications to ensure that applicant or SBA errors do not stand in the way of this emergency relief funding going to eligible entities. Entities waiting on their applications to be processed are struggling on a daily basis to reopen, pay back bills, pay landlords and banks, and stay afloat. These small businesses and organizations that have desperately held on for as long as they can may close before this funding reaches them, which would be a terrible outcome for their communities, employees, and the entire universe of suppliers that depend on these businesses and organizations.

A list of certain outstanding issues that could lead to potential denials of eligible applicants follows:

1. **SBA Using Tax Returns to Verify Income – But This Doesn't Work for Everyone:** The SBA recently noted to stakeholders that they were using tax returns to verify revenue for the purpose of grant amount calculation. This is troubling not only because it violates the statute and clear guidance, but also because tax returns simply will not account for all circumstances, for example:

   i. **Cash Method of Accounting:** Applicants MUST use accrual accounting to determine for priority period, even if it doesn't match the tax filing status. People who file taxes using a cash method will not have earned revenues that match their tax return.

   ii. **Calendar Year vs Fiscal Year:** The grant is calculated based on 2019 gross earned revenues. Organizations that file taxes on an alternate fiscal year may show revenues from 2018-2019 or 2019-2020 on their return. Therefore, their tax return will not show 12 months of revenues from 2019 only.

   iii. **Eligible Disregarded Entities:** An entity for purposes of the SVOG program is determined by EIN. An entity with an EIN that meets the venue-specific requirements can apply for the SVOG. This is true whether the entity files its own tax returns or files via a parent. The SVOG FAQs as of time of application address subsidiaries and tax returns multiple times throughout the guidance and are very consistent—consolidated tax returns are not a barrier to application. It is clear that the SBA understands that many applicants do not file tax returns but are instead included in tax returns of other entities (with other revenues included). These applicants were able to document their revenues both via the detailed financials included in the applicant and via specific lines on the already-submitted tax returns, which correspond to their EIN. However, the 4506-T form used by SBA to retrieve an organization's 2019 transcripts *will not* pull up information on a disregarded entity. Further, if the parent's EIN is chosen, the overall revenues will not correspond to the application; only the EIN-specific revenues will match (as documented in more detail in each application). The SBA has described the benefits of their staff of human reviewers (as opposed to the automated review on the RRF). Surely these humans could do a more nuanced review for any disregarded entity. However, if the EIN and/or overall revenues of the filing entity has to match the EIN and/or entity-specific revenues of the applying entity then this will result in a significant number of rejected applications contrary to the statute and guidance.

iv. **Ownership Transfers:** The SBA explicitly allows for entities to file an application claiming the revenues of the previous owner. Therefore, for many in this situation, the reported revenues in the grant application will correspond to the tax return of the previous owner and not the applicant. The 4506-T however will use the entity of the applicant and not the previous owner. If the 4506-T is used to verify revenues then this could result in denial of many legitimate applications.

2. **Affiliated Entities and Disregarded Entities:** Further, the SBA also told stakeholders that they only recently began to process applications from affiliated entities. The SBA stated that the previous team leading SVOG implementation was misapplying affiliation rules, leading to severe delays in processing entities that are affiliated. However, it is not clear that SBA truly understands the diverse nature of the eligible entities. For example, despite many entreaties in writing from stakeholders, the SBA has not explained how disregarded entities should fill out a 4506-T form.

3. **SBA Lacks Information on Accrual Accounting:** The SBA has asked stakeholders to provide accountants familiar with the various sectors eligible for SVOG to meet with the SBA to help SBA understand accrual accounting, which is required by statute for priority period determination. This suggests that the SBA lacks expertise in the entity types that have applied, which is very troubling, and could lead to denials of eligible entities.

I welcome the Committee's attention to these matters and would be glad to answer any further questions on topic.

Esther Baruh, Director of Government Relations
National Association of Theatre Owners
Washington, DC

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Representative Nydia M. Velazquez, Chairwoman
Representative Blaine Luetkemeyer, Ranking Member
Committee on Small Business
United States House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Velazquez and Ranking Member Luetkemeyer,

I am writing to you on behalf of Chocolate Touring, LLC (Chocolate), the theatrical producer for the national tour of ***Charlie and The Chocolate Factory***, in order to bring to your attention our concerns regarding the Shuttered Venue Operators Grant (SVOG) program. At the outset of this letter, I want to applaud and thank each of you and your colleagues for creating the SVOG, a program which will enable the survival of thousands of producers, venue operators and other intended beneficiaries of the program provided that the program is administered effectively and promptly. To date, the operation of the program seems to be falling short of the legislative intent and the reasonable expectations of the public.

For instance, when the SVOG program was first approved last December, initial communications suggested that the grant application process would begin as early as January 2021. As you know, the portal for applications opened on April 26 after substantial delays and technical issues. Fiddler, mindful of (i) its own dire financial circumstances following the complete shutdown during the COVID-19 pandemic and (ii) the first come, first served nature of the SVOG, submitted its grant application approximately 1 hour and 15 minutes after the portal opened. We fully understood that the SVOG was likely the only lifeline available to us. Unfortunately, the delayed portal opening was only the first delay. For instance, by statute, 1st Priority applications, those applications which demonstrated the most dramatic revenue loss during the shutdown, were to be reviewed during the first 14 days of review. Chocolate is a 1st Priority applicant. We, like thousands of others, are still waiting for completion of review.

All of the relevant grant application review and award dates and/or timeframes were established by statute or administratively by the SBA. Applicants are relying upon the SBA to administer the SVOG program as Congress had intended. The ***Charlie and The Chocolate Factory*** national tour lost $6.6MM

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dollars last year when it had to suddenly shut down on March 12, 2020. We, like many organizations, decided to take a risk and began to plan to resume tour operations in 2021, under the assumption that grants would be determined and/or made available in the spring of 2021. When we learned the application process would begin April 6, 2021, we felt we could take this risk, since we would know relatively early in the year whether we would have the financial support to actually launch and assist with the expenses as the industry got back up on its feet, or if for some reason, we did not receive the grant, we could cancel the production.

Now that we are nearing the middle of June we are in a very difficult position. We do not know if we will have the capital and operating money to move forward with the show, and we are now way past a date where we can cancel the production without having profound ripple effects, having booked the show with presenters, hired employees, designers, etc.

Chocolate's national tour of ***Charlie and the Chocolate Factory*** is scheduled to begin rehearsing September 20, 2021 and to begin performances at the Landmark Theater in Syracuse, NY on October 12, 2021. The tour requires $1.3MM in initial capital to cover the costs of the company through the rehearsal and technical periods, as well as the costs of the rehearsal and tech spaces, travel costs, and production costs.

Given the initial funding requirements and the anticipated operational costs of the production, this production's successful launch is dependent upon the grant. We are now faced with the dilemma of not knowing if we will receive the grant, and canceling this production at this late dates means informing a company of 55 employees that they will not be employed as anticipated beginning this October, canceling approximately 180 performances with approximately 57 different presenters, who will then have to refund tickets to their subscribers and single ticket buyers, and could put us in breach of agreements with vendors, presenters, etc.

We are running out of time and hope that you can help.

Best regards,

Jennifer Ardizzone-West
Chief Operating Officer

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Representative Nydia M. Velazquez, Chairwoman
Representative Blaine Luetkemeyer, Ranking Member
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Dear Chairwoman Velazquez and Ranking Member Luetkemeyer,

I am writing to you on behalf of Fiddler Touring, LLC (Fiddler), the theatrical producer for the national tour of ***Fiddler on the Roof***, in order to bring to your attention our concerns regarding the Shuttered Venue Operators Grant (SVOG) program. At the outset of this letter, I want to applaud and thank each of you and your colleagues for creating the SVOG, a program which will enable the survival of thousands of producers, venue operators and other intended beneficiaries of the program provided that the program is administered effectively and promptly. To date, the operation of the program seems to be falling short of the legislative intent and the reasonable expectations of the public.

For instance, when the SVOG program was first approved last December, initial communications suggested that the grant application process would begin as early as January 2021. As you know, the portal for applications opened on April 26 after substantial delays and technical issues. Fiddler, mindful of (i) its own dire financial circumstances following the complete shutdown during the COVID-19 pandemic and (ii) the first come, first served nature of the SVOG, submitted its grant application approximately 1 hour and 45 minutes after the portal opened. We fully understood that the SVOG was likely the only lifeline available to us. Unfortunately, the delayed portal opening was only the first delay. For instance, by statute, 1st Priority applications, those applications which demonstrated the most dramatic revenue loss during the shutdown, were to be reviewed during the first 14 days of review. Fiddler is a 1st Priority applicant. We, like thousands of others, are still waiting for completion of review.

More recently, on June 2nd, we were alerted that our application was on hold because our "entity/name appeared on the Treasury Department Do Not Pay List with the match for both LEIE and SAM. After further research we realized the name of the principal officer and signatory to Fiddler's application was similar to an individual on the LEIE and SAMs list for a felony related to substance abuse. We contacted the LEIE and uploaded a letter explaining the mix-up, which included correspondence from the LEIE verifying that neither our entity, nor our officer/principal Scott W. Jackson was on the list. Likewise, a SAM official verified over the phone that neither our entity nor principal officer was on an exclusion list, so we uploaded a letter and screenshots from the website verifying such. While the portal shows all "action

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items are completed", our application remains on hold. We do not have any information as to what this means, how long it will take to clear up the glitch, and if the monies we applied for as part of the first priority period will be held, or if those monies will be reallocated while this situation is cleared up.

All of the relevant grant application review and award dates and/or timeframes were established by statute or administratively by the SBA. Applicants are relying upon the SBA to administer the SVOG program as Congress had intended. The ***Fiddler on the Roof*** national tour lost $6.1MM dollars last year when it had to suddenly shut down on March 12, 2020. We, like many organizations, decided to take a risk and began to plan to resume tour operations in 2021, under the assumption that grants would be determined and/or made available in the spring of 2021. When we learned the application process would begin April 6, 2021, we felt we could take this risk, since we would know relatively early in the year whether we would have the financial support to actually launch and assist with the expenses as the industry got back up on its feet, or if for some reason, we did not receive the grant, we could cancel the production.

Now that we are nearing the middle of June we are in a very difficult position. We do not know if we will have the capital and operating money to move forward with the show, and we are now way past a date where we can cancel the production without having profound ripple effects, having booked the show with presenters, hired employees, designers, etc.

Fiddler's national tour of ***Fiddler on the Roof*** is scheduled to begin rehearsing October 4, 2021 and to begin performances at the North Charleston Performing Arts Center in North Charleston, SC on October 29, 2021. The tour requires $1.4MM in initial capital to cover the costs of the company through the rehearsal and technical periods, as well as the costs of the rehearsal and tech spaces, travel costs, and production costs.

Given the initial funding requirements and the anticipated operational costs of the production, this production's successful launch is dependent upon the grant. We are now faced with the dilemma of not knowing if we will receive the grant, and canceling this production at this late dates means informing a company of 59 employees that they will not be employed as anticipated beginning this October, canceling approximately 243 performances with approximately 55 different presenters, who will then have to refund tickets to their subscribers and single ticket buyers, and could put us in breach of agreements with vendors, presenters, etc.

We are running out of time and hope that you can help.

Best regards,

Jennifer Ardizzone-West
Chief Operating Officer

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NATIONAL FEDERATION OF THE BLIND
NATIONAL ASSOCIATION OF BLIND MERCHANTS DIVISION
Live the life you want.

National Association of Blind Merchants
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June 3, 2021

Hon. Ben Cardin, Chair
Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20515

Hon. Rand Paul, Ranking Member
Senate Committee on Small Business
428A Russell Senate Office Building
Washington, D.C. 20515

Hon. Nydia M. Velázquez, Chair
House Committee on Small Business
2361 Rayburn House Office Building
Washington D.C. 20515

Hon. Blaine Luetkemeyer, Ranking Member
House Committee on Small Business
2069 Rayburn House Office Building
Washington D.C. 20515

Re: Grant Vending Operators Access to Needed Relief

Dear Chairman Cardin, Ranking Member Paul, Chairwoman Velázquez, and Ranking Member Luetkemeyer:

On behalf of the National Association of Blind Merchants (NABM) and the National Federation of the Blind (NFB), I am writing today to urge you to expand eligibility for future rounds of funding for the restaurant relief fund to vending and convenience services operators. The NABM serves as an advocacy and support group. We are a membership organization of blind persons employed in either self-employment work or the Randolph-Sheppard Vending Program, a federal program supported by the Department of Education that allows blind individuals the opportunity to provide vending and food service operations on federal and state property. We provide information regarding rehabilitation, social security, tax, and other issues which directly affect blind merchants.

The blind vendor community has been devastated by the COVID-19 pandemic. There were 1,850 blind vendors throughout the United States prior to the pandemic. Most blind vendor locations have been closed permanently since March 2020, with an untold number of blind vendors being forced to close their doors for good. These vendors often have very small, sole proprietorships, with only one or two vending locations functioning as their sole means of livelihood. Even now, most locations remain closed with reopening happening at a slow and sporadic pace.

Research from the National Automatic Merchandising Association (NAMA) shows that across the broader vending and convenience services industry, approximately 50,000 jobs (28.74% of the industry) have been lost, and the remaining companies are operating at less 60% of their previous client locations.

As signed into law, The American Recovery Act does not clearly list vending and convenience services operators under the list of eligible entities in the Restaurant Revitalization Fund, prompting the Small Business Administration has determined that they should be excluded from access to grants. This includes most blind merchants operating under the Randolph Sheppard Act.

Vending and convenience services operators have kept our essential response teams and front-line workers going. Blind vendors have kept machines, micro markets, and pantries in essential state and

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federal buildings, police stations, firehouses, truck stops and rest areas, stocked with necessary sustenance, even while putting themselves at risk to do so. Unfortunately, without the federal assistance we will continue to feel the devastating financial impacts of COVID-19 for years to come. Blind operators need congressional support.

We urge you to include Vending and Convenience Services Operators in any legislation to provide further funding to the Restaurant Revitalization Fund.

Should you have any questions, please feel free to contact Robert Jackson with the National Automatic Merchandising Association (NAMA), who we are working with closely on this issue, at rjackson@namanow.org.

Sincerely,

Nicholas P. Gacos
President
National Association of Blind Merchants