



May 14, 2020

VIA Electronic Submission: www.regulations.gov

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd Street, SW
Washington, D.C. 20416

RE: RIN 3245-AH34, Interim Final Rule, 13 CFR Part 120, Business Loan Program Temporary Changes; Paycheck Protection Program; Docket No. SBA-2020-0015

Dear Administrator Carranza:

On behalf of the Distilled Spirits Council of the United States (DISCUS) and our members, I appreciate the efforts of the Small Business Administration (SBA) to quickly and efficiently provide economic relief through the Paycheck Protection Program (PPP), enacted as part of the Coronavirus Aid, Relief, and Economic Security Act ("the Act").

DISCUS is the leading trade association representing the distilled spirits industry, including producers, importers, and marketers. In 2018, the distilled spirits industry proudly supported over 1.6 million jobs across the country and generated over \$190 billion in economic activity. Our industry is uniquely positioned at the nexus of the hospitality, tourism, retail, and agricultural industries.

Since the onset of the crisis brought on by the spread of the novel Coronavirus (COVID-19), our industry has done our part to keep communities safe and prevent further COVID-19 infections. Over 700 distilleries in the U.S. have transitioned from producing beverage alcohol to producing hand sanitizer – much of which has been donated to police departments, hospitals, nursing homes, post offices, and state and local governments.

However, many distillers across the country have been deeply impacted by the closure of sudden and steep declines in sales accompanying the closure of stores in certain areas and travel-related outlets, restaurants, bars, and tasting rooms. As a result, many have furloughed or laid off employees and/or suspended production. Many distilleries will soon face difficult choices about whether to close their doors permanently.

Programs like the PPP represent an economic lifeline to distilleries across the country, their employees, and in turn, the farmers, suppliers, warehouse workers, glass bottle makers, truck drivers, and countless others in the hospitality and tourism industries connected to the spirits industry. Several weeks into implementation, there are opportunities to enhance the program to align with Congressional intent and maximize



its effectiveness in providing relief to those distilleries facing significant financial distress.

Specifically, we urge you to address the following:

Align loan forgiveness restrictions to match industry realities.

The Interim Final Rule has stipulated that at least 75 percent of the PPP loan proceeds be spent on payroll expenses with no more than 25 percent spent on limited non-payroll expenses. The SBA Inspector General has referred to this as creating an “unintended burden” for borrowers.¹ We request that this ratio be adjusted to reflect industry realities and allow for non-payroll expenses to include efforts to generate revenue and capital back into the businesses, similar to SBA 7(a) loan program allowances. Many distillers will have inventory, supplies, and equipment costs associated with suspending and then resuming production due to COVID-19: Many distilleries that have suspended production have cancelled orders of grains or other ingredients that may be more costly to source following the end of the crisis, and many had purchased oak barrels for aging spirits that have since expired.

Restore the 10-year repayment period.

While the CARES Act provided a maximum 10-year maturity period for PPP loans, the SBA and Department of Treasury mandated a two-year term. Distilleries – like other businesses in the hospitality, tourism, retail, and agricultural industries – may take time to recover from the financial duress of this crisis. The terms for the SBA loans should match Congressional intent and maximum flexibility with the understanding that many parts of our nation’s recovery will take time.

We appreciate the opportunity to comment on the Administration’s interim final rule. As the PPP serves as an invaluable part of our nation’s recovery, we urge you to strengthen the PPP program and maximize flexibilities for distillers and others in the hospitality and tourism industries.

Sincerely,

A handwritten signature in black ink that reads "Christine LoCascio".

Christine LoCascio, Chief of Public Policy
Distilled Spirits Council of the United States

¹ Office of Inspector General, Small Business Administration, “Flash Report: Small Business Administration’s Implementation of the Paycheck Protection Program Requirements,” published May 8, 2020, page 5, https://www.sba.gov/sites/default/files/2020-05/SBA_OIG_Report_20-14_508.pdf.