April 21, 2020

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, DC 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
Washington, DC 20510

Dear Speaker Pelosi and Leaders McConnell, McCarthy and Schumer:

The foodservice distribution industry has experienced extreme revenue losses as the nationwide shelter-in-place orders have closed restaurants, schools, universities and other foodservice customers. We greatly appreciate the decisive action taken by Congress to pass the CARES Act to provide distributors with loans so that they can continue to service their other customers such as hospitals, long-term care facilities as well as the U.S. government and military. This was an important first step to help companies navigate this unprecedented situation. However, since many leading companies in the foodservice distribution industry have over 10,000 employees, it is critical that they have access to a credit facility as well to provide liquidity. We encourage the timely release of a facility for these larger companies.

Foodservice distribution is a $303 billion industry which employs 350,000 people. As the shutdown continues, the foodservice distribution industry expects to lose up to $24 billion in revenue and bad debt through mid-June. With industry estimates that as many as 15 percent of restaurants may be forced to close permanently by the end of April, the need for additional relief is clear. The collapse of food away from home demand has meant that foodservice distributors have seen a more direct impact than most other industries with revenue down in some instances by as much as 90 percent since mid-March.

As the government moves to reopen the economy, foodservice distributors will play a vital role. Restaurants rely on the credit distributors provide in order to purchase the products they will need to restart their businesses. The programs contained in the CARES Act are an important start, but distributors will need additional assistance to ensure they can perform the critical service of extending credit to their customers. Congress will need to take subsequent action to ensure that foodservice distributors and their customers have the liquidity necessary to get past the closure period and restart their businesses. Reopening American restaurants begins with foodservice distributors.

IFDA urges Congress to act quickly on the following issues:

Perishable Product

The rapid pace of the shutdown left foodservice distributors holding considerable perishable inventory. While distributors were able to donate some product to food banks as well as provide additional capacity for the in-demand grocery retail sector, overall foodservice distributors suffered significant losses. Congress should provide tax credits for the full cost of this product that only became unsaleable due to government action.

Customer Receivables

Foodservice distributors extend credit to their customers to allow them to purchase food products. With a record number of restaurants and other foodservice customers shut down, foodservice distributors have been left with significant accounts receivable balances that are uncollectable. As government moves to restart the economy, operators will require access to distributor credit to purchase the products they will need to reopen and distributors will need funding to make this credit available. IFDA asks Congress to provide distributors the funding necessary to offset the cost of uncollectable customer debt obligations due to government-mandated closures. This would provide distributors with the liquidity to extend credit to their customers as they rebuild their businesses.

Enhancements to the CARES Act

Many foodservice distributors and their customers have taken advantage of PPP loans. While these loans have helped provide a short-term bridge to cover basic payroll and other expenses, changes are needed in several areas to ensure foodservice distributors, and their customers, have the funding necessary to get through a crisis that will last longer than was anticipated at the time of the CARES Act's passage. Larger foodservice distributors are facing the same challenges and will also need additional relief.

IFDA believes the following enhancements to the CARES Act should be enacted:

- **Change forgiveness rules to reduce required payroll spending to 50% of loan amount and expand the forgivable uses of funding to include critical uses.**
  In the PPP regulations, the Small Business Administration mandated that 75% of PPP loans must be spent on payroll in order for the loans to be forgiven. This significantly limits the ability of both distributors and their customers to pay other important expenses. IFDA urges this number be reduced to at least 50% to reflect the standard mix of costs at restaurants with payroll, operating costs, and fixed costs each making up about 1/3 of total expenses.

  In addition, the legislation permits loan funds to be spent on uses that are eligible under the SBA Section 7(a) loan program. However, the PPP program restricts forgiveness to a smaller set of uses. Forgivability should be expanded to include all eligible uses under the program, specifically, "inventory, supplies, and raw materials." Foodservice distributors provide credit for their customers to purchase the products they need. Congress should adjust the categories of forgivable expense so that recipients of PPP loans should be provided full forgiveness for funds used to cover these outstanding balances. This change will allow companies to choose their own spending priorities beyond payroll without impacting forgiveness.

- **Provide additional funding to the PPP program; expand the loan limit to 4x monthly expenses; allow companies to take up to three PPP loans; and extend the program through the end of 2020.**
  In order to maximize its effectiveness, funding for the PPP program must be increased by an additional $600 billion above the original $350 billion which has already been reached. The current limit of 2.5x average monthly payroll is also not sufficient to provide companies with the funding they need. Expanding the allowable limit by including all expenses and permitting companies to take multiple loans will provide more flexibility to help small businesses cover

their ongoing costs despite lost revenue. As the economy reopens, we are likely to see uneven distribution of economic activity. Extending the PPP program until the end of 2020 will provide the certainty foodservice distributors and their customers will need regardless of how quickly their business recovers.

- **Extend the forgiveness rehire timeframe to 90 days after full reopening of the restaurant industry; and permit companies receiving PPP loans to defer payroll taxes owed in 2020 to 2021 and 2022**
  The loan forgiveness granted in the PPP program is critical to its mission of providing a bridge to allow companies to retain their workers through the recovery. Yet today, with foodservice operations still closed, many distributors have had little choice but to reduce payroll due to reduced revenues. The program's June 30 date to rehire workers in order to be eligible for forgiveness should be extended to 90 days past full reopening of the restaurant industry. Allowing companies taking PPP loans to defer payroll taxes due in 2020 to 2021 and 2022 will provide companies with additional liquidity during this crisis in order to keep their employees on the payroll.

- **Expanding affiliation rules to companies in NAICS code 4244**
  This would allow distributors with multiple facilities, each under 500 employees, to apply for PPP loans with full forgiveness. The CARES Act provides a waiver for foodservice franchisees with multiple locations under 500 employees. Congress should allow foodservice distributors impacted by the shutdown of these franchisees the same opportunity.

- **Increase the employee retention tax credit**
  Retaining employees whenever possible is a top priority for foodservice distributors. Experienced salespeople and CDL drivers are difficult to replace. Increasing the maximum wages allowable for the credit to $20,000 and allowing companies to utilize the credit for employees who are still working would provide significant assistance and allow for greater retention.

- **Provide partial loan forgiveness to companies using the Main Street Lending Facility**
  The Main Street Lending Facility is intended for mid-size businesses but they face the same challenges as their smaller competitors. Companies with 500 – 10,000 employees accessing loans through this facility should receive up to 3 months of loan forgiveness for employee retention and basic expenses.

- **Require expeditious release of a credit facility for companies with more than 10,000 employees.** We are anticipating the release of a credit facility that can be used by companies with more than 10,000 employees. A significant portion of the foodservice distribution industry cannot access the lending facilities that have been released to date. A delay in access to this available credit will severely limit the ability of this program to stem the consequences to this industry, protect the security of the US food supply, and ensure that foodservice distribution is ready to aid in the economic recovery as soon as the nation is ready to open.

IFDA also urges Congress to take the following actions beyond the CARES Act:

- **Create a Critical Infrastructure Heroes tax credit for food workers.**

Foodservice distribution is an essential infrastructure industry and while revenues have been reduced, many employees are still working to service customers who remain open including hospitals and long-term care facilities. To recognize their efforts, IFDA supports providing these workers with income tax relief up to the first $8,900 per month of pay, as well as payroll tax relief up to the first $50,000 of their income to ensure a tax benefit for workers who do not currently owe income tax.

- **Expand SNAP benefits to allow for the purchase of hot foods at grocery/convenience stores**
  Provide SNAP recipients with flexibility to purchase hot foods for carryout. Consumers at these locations, which are often served by foodservice distributors, need the flexibility to purchase other foods – such as hot prepared foods – that may be available to them when necessary.

Foodservice distribution is an industry comprised of largely family-owned businesses that have survived through wars, recessions and countless other challenges. The COVID-19 pandemic has created challenges unlike those ever seen before. The legislative changes outlined above will ensure foodservice distributors have the resources they need to continue to provide good paying jobs for their employees and to help their foodservice customers get back on their feet when the economy opens again. We look forward to working with you to enact these provision as part of any future legislative package.

Sincerely,

Mark S. Allen
President and CEO