

Financial Assistance Program In the Event of Re-closures and to Bridge Businesses Significantly Disrupted by Continuing Social Distance Requirements

Eligibility:

1. Re-closed Employers: For any month beginning after June 30, 2020, employers who are subject to a state or local pandemic closure order and that experience at least a 25% drop in gross receipts during a month in which a closure order is in effect compared to the same month in 2019.
2. High Density Employers: For any month beginning after May 31, 2020, employers who are open, but operating under state or local social distancing guidelines that limit the customer occupancy in a physical establishment and that experience at least a 25% drop in gross receipts during a month in which social distancing requirements are in effect compared to the same month in 2019.

Benefit:

1. Re-closed Employers: monthly payment equal to sum of payroll costs + utilities + rent + interest on debt, but not to exceed 90% of negative net income for the month.
2. High Density Employers: monthly payment equal to sum of payroll costs + utilities + rent + interest on debt, but not to exceed 90% of net negative income for the month (each additional month of eligibility the percent of net negative income will be reduced by 10 points).

Payroll defined as in the CARES Act.

Repayment:

1. Employers who take a benefit from the program agree to a modest contribution scheme based on the size of their collected payments to take effect in the next tax year beginning after one calendar year after their last payment received. This would not be designed to make the government whole, but to ensure some partial recovery.

Thoughts:

1. Employers still take a loss which would have to be covered by other financing. That could serve as a mechanism for sharing risk with banks, owners, and other investors without running the program through banks to share the risk as in a typical loan.
2. Cap on payment less than losses imposes some cost control incentive.
3. While there is no employee retention requirement, the structure of the payment encourages employee retention and payment of basic bills over other expenditures without being prescriptive.
4. Administration will be terribly difficult on a monthly basis. Ideally would contract with third party vendors.
5. Feels like an open-ended entitlement, but for re-closing will be based on governmental order and for high-density based on a combination of duration of social distancing and sustained inability of employer to adapt.
6. Imposition of back-end fee recoups some governmental losses without being punitive.
7. Would have to develop workaround for businesses in operation for less than a year.
8. Could dial the 90% of negative net income limit to be less generous for larger businesses while still preserving a similar program for businesses of all sizes (avoiding the current fragmentation).