



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
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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.



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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