



March 19, 2020

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

Dear Leader McConnell:

The Textile Rental Services Association of America (TRSA) represents companies that provide essential services to hotel and lodging facilities, restaurants, healthcare facilities, manufacturing industries and government agencies by providing safe and hygienically clean linens and garments. Most of our members are small, independently owned multigenerational businesses that launder and maintain essential, environmentally friendly reusable textiles. The importance of our industry is recognized by the “essential services” designation by several state governments allowing laundries to stay open during quarantine/isolation guidelines to serve other industries designated as “essential” include healthcare operations, infrastructure maintenance and repair, grocery stores, food processing, manufacturing, home-based care and long-term care, water and energy facilities, first-responders, laboratories, pharmaceutical manufacturers, other fundamental supply chain businesses and government agencies. Our members are on the frontlines providing clean, safe environments for hotel guests, hospital patients, employees, customers and the general public. As a capital intensive industry our member companies support US-based manufacturers, such as Chicago Dryer Company, Ellis Corporation, G.A. Braun, Inc. Brim Laundry Machinery and Pellerin Milnor Corporation.

The coronavirus poses unprecedented challenges to this country, and we applaud your collective efforts to minimize its impact and keep the American people safe. You have taken aggressive steps to promote our public health and provide needed benefits to our nation’s workers. But as you can expect, as an industry that is based on servicing restaurants, hotels and other closed or extremely limited business, we are facing economic headwinds that will lead many laundries to shut down operations, lay off workers, and leave us unable to serve our existing essential activities and not be prepared to re-open operations once the crisis subsides and the economy returns to a new normal.

Economically, as a \$40 billion dollar industry, we are responsible for \$19 billion in wages and a \$176 billion impact on the economy. Industry experts are anticipating sales to decline by \$10 billion just during the next three months, which will prompt the loss of between 80,000 to 100,000 jobs – almost half of the industry. Some companies have already laid off over 80% of their workforce, others have drastically cut back shifts or are sharing shifts so employees can receive some sort of paycheck and still others are temporarily closing.

The linen, uniform and facility services has extremely low margins, tight cash flow, and a workforce that depends on us for their livelihood. Without aggressive and immediate action from the federal government, many family-owned and operated laundries that have operated for decades, some for centuries, now in third and fourth generation of ownership will close their doors permanently.

We urge you to take critical steps to support America’s linen, uniform and facility services industry and the nearly 200,000 workers we employ, the vast majority of whom live paycheck-to-paycheck. Specifically, we urge you to enact the following proposals targeted at our industry during this time of uncertainty:

Direct/Targeted Financial Relief

- Authorize the Department of Treasury to create a \$6.5 billion Linen, Uniform and Facility Services Industry Recovery Fund. This industry needs immediate liquidity to compensate for reduced revenue attributed to coronavirus-related declines in order to pay employees, maintain service operations and meet financial obligations. In order to maintain solvency, direct Treasury to create the program within 15 days of enactment and provide grants with minimal procedural delay. According to internal analysis by our economists, a three-month shutdown of the linen, uniform and facility services industry would result in:
 - an immediate sales decrease of \$10 billion (25% of the estimated \$40 billion 2020 annual sales);
 - A minimum loss of 80,000 to 100,000 jobs.
- **Assistance in allowing businesses to defer mortgage, lease and loan obligations.** Most small businesses do not have long-term cash reserves, and as the impact of COVID-19 places downward pressure on cash flow, small businesses may have difficulty making payments on mortgages, rent, leases and loans. We urge Congress to consider taking steps to ensure lenders offer temporary waivers on penalties on mortgages or other debt by small businesses.

Loans/Insurance Options for Impacted Small Businesses

- \$100 billion in Federally-Backed Business Interruption Insurance. As of March 17, 28 States or territories have ordered closures for their restaurants and bars. Additionally, international and domestic travel is down 90% impacting services provided to hotels and transportation. In addition, limits or cancellation of elected-surgeries, non-essential medical appointments, closing of gyms and spa and other related business have crippled many local laundries. An additional number of counties and municipalities have also mandated closures. This is having a dramatic negative effect on hotels, restaurants and other businesses using linen, uniform and facility services. While many businesses have invested in Business Interruption Insurance and Contingent Business Interruption Insurance, most policies can deny claims due to a “Virus” exclusion.
 - Rather than engage in a protracted dispute and arbitration process, Congress must approve a timely insurance program through the U.S. Treasury Department that allows for businesses to receive their insured benefit under an expedited time frame. As we enter a 12-to-18-month period of tremendous uncertainty, these insurance claims must be approved quickly and utilize a federal backstop like the program created for airlines after 9/11/2001.
- **Federal Loan Program Equal to Lost Revenue.** Create a federal loan program for a business to get a loan equal to lost revenue during an emergency three-month period, with the option for extension through 2020. The loan will receive forgiveness if the employer keeps its workers on the payroll without reducing their pay, including workers self-quarantining or on paid sick-leave.
 - Before coronavirus, the recruitment and retention of employees was the top challenge for the linen, uniform and facility services industry. Amid this current massive economic disruption, the industry may lose its workforce for years to come. This critical legislation would permit employees to stay on payroll, maintain employer benefits, and avoid additional long-term harm to the linen, uniform and facility services industry.
 - This legislation also keeps more Americans in the workforce rather than on public assistance – when the ongoing public health emergency subsides, Americans will be ready to get back to work.
- **\$2 billion in expanded access to effective, efficient and affordable federal and conventional loans.**
 - After 9/11, there was up to \$4.5 billion in SBA-backed loans for “adversely affected” small businesses. Examples of economic harm in the 9/11 program included 1) difficulty in making loan payments on existing debt; 2) difficulty in paying employees or vendors; 3) difficulty in purchasing materials, supplies, or inventory; 4) difficulty in paying rents, mortgages, or other operating expenses; and, 5) difficulty in securing financing.

- Given the national implications, the funding amount should demonstrate the greater loan amounts at a multiple of ten.
- **\$5.6 Billion in Disaster Unemployment Assistance (DUA)**, which will help employees with financial benefits during interrupted employment due to closures and other emergency-related hardships. DUA benefits are payable to individuals (whose unemployment continues to be a result of the major disaster) only for weeks of unemployment in the Disaster Assistance Period (DAP).
 - According to the U.S. Department of Labor, 3,210 eligible individuals in New York received DUA benefits totaling \$12,554,733, and 541 eligible individuals in Virginia received DUA benefits totaling \$294,847, as of August 2002.

Tax Measures

- **Fix the Qualified Improvement Property (QIP) technical correction.** Congress can help the economy immediately by fixing QIP so that businesses can (a) amend their returns and receive money back that they effectively overpaid in taxes, and (b) receive the benefit of bonus depreciation, as a stimulus measure. This fix has been scored at a zero-cost to the federal government.
- **Assistance in allowing businesses to delay, defer, or forgo tax obligations.** Tax and financial forbearance from States and banking institutions on sales & income taxes, property taxes and other payments that directly impact a small business's cash flow. States must expedite refunds for any over-payments of estimated taxes.
- **Tax credits for businesses that are retaining employees.** Congress can quickly pass the Employee Retention Tax Credit (ERTC), which has been utilized to protect employees and employers during similar emergency situations.
- **A Temporary Payroll Tax Cut that increases economic activity.** Reduce the employee shares of Social Security payroll taxes by two percentage points (from 6.2% to 4.2% for employees) and hold the Social Security Trust Fund harmless through a transfer of general revenue. Employees/consumers will receive more pay in each paycheck immediately through a reduction in payroll tax withholdings.

Taken together, these proposals will ensure that the linen, uniform and facility services industry has the increased liquidity and access to necessary financing to help them survive the dramatic loss in profits caused by the coronavirus.

In the coming days, TRSA will submit additional recommendations to address the challenges confronting our operators as this situation rapidly unfolds.

Thank you for your leadership. We look forward to working with you in the days ahead.

Sincerely,

Joseph Ricci, CAE
President & CEO
Textile Rental Services Association of America (TRSA)