

Theresa Utton-Jerman

Subject: Public Hearing - FY 2021 Budget Adjustment
Attachments: Black-Flannel-Comments-W_David Hall_2021 Budget Adjustment Act, Version 2_1-20-2021.pdf

From: Chris Kesler
Sent: Monday, January 25, 2021 1:05 PM

Here is my written testimony:

My name is Chris Kesler and I'm founder of Black Flannel Brewing Co. a 15 barrel brewery with a full service restaurant in Essex. I'm also a partner in Black Flannel Distilling Co. located in the same footprint.

I started planning in 2017, built infrastructure and raised funds with a target opening of May 2020. We were delayed 2 months when the state shut down due to COVID and were finally able to open our doors on July 1 at a state-imposed restriction of 50% capacity.

Through last fall, we achieved revenues greater than 75% of our pre-COVID projections and quickly built a solid reputation for quality and delivering a great guest experience.

Through all this, we managed to add 35 good paying jobs at an average wage of \$23/hour. We've assembled an incredible wealth of unique talent in brewing, distilling, and culinary arts. All signs suggest that Black Flannel Brewing and Distilling Co.s will experience explosive growth if we are able to make it through the pandemic.

In November the state imposed further restrictions on restaurants that effectively cut our capacity to 25%. We scrambled to implement a takeout program and continue to operate above COVID safety best practices. Despite our efforts to streamline costs, we were recently forced to lay off 4 highly skilled and well trained employees.

By the time the pandemic hit, my wife and I had invested all of our savings, raised cash with my business partner and 6 investors, plus we have personally guaranteed well over \$2 million in loans from VEDA and Vermont Federal Credit Union. Total project cost was over \$3 million.

We're a well managed company who's revenues have been directly impacted by state-imposed 50% COVID restrictions. Should we fail due to this financial impact, not only will we be forced to close our doors resulting in the loss of nearly 30 good paying jobs, we will forfeit all collateral including our homes and other investments we've spent a lifetime to build.

Since last summer, I've worked to obtain EIDL & PPP loans and CRF grants through the state. Black Flannel has been denied by all programs because of required proof of economic injury between 2019 and 2020. This holds true for the 2nd round of PPP.

I understand the lack of clarity around defining economic loss for businesses like mine. Rather than thinking in terms of quantifying economic loss, I urge you to consider the economic devastation that will be caused by inaction, not only to new businesses that desperately need assistance to survive imposed operating restrictions, but the ripple effect this has on the personal lives of employees who need to pay rent and buy groceries. It also impacts companies in our local supply chain who are struggling and forced to lay off employees and carry high receivables.

We cannot wait for the next round of Coronavirus relief. New Vermont businesses need to be given a fighting chance. I urge you to act now and appropriate the \$10 million proposed by ACCD.

I've read the proposed budget adjustment and have specific recommendations on the best ways to distribute so that the allocated funds would be of greatest use to those who qualify. (See notes below). I'm happy to share these should you decide to fund this request.

I know this is difficult but you have the power to help people stay employed & help new businesses survive. You can do this. We need you. I will roll up my sleeves and work out details with the Tax Dept., ACCD, or whoever you want.

We JUST DON'T have the LUXURY of time.
We can do this.

Thank you for your time.

I thought it would be helpful for you to have highlights & comments related to the attached proposed language draft for GAP ECONOMIC RECOVERY GRANTS; FY 2021 ONE-TIME APPROPRIATION in the amount of \$10,000,000.00. In case you have trouble seeing the comments when selecting each highlighted section of text, I'll paste those comments below.

Sec 1.b.4 - Many business owners may not be taking income from businesses they own but still need to support their employees. Adding this as an eligibility requirement may not have the consequences it intends. I recommend removing this requirement from the language.

Sec 1.b.6.B - This should say Economic Injury Disaster Loan (not Loan Advance) in my opinion. Almost every business qualified and received the advance if they applied early enough. The Loan itself is a very different thing. Also, because of the low amount proposed per business here, it is my opinion that having received some PPP or EIDL in 2020 should not remove struggling businesses (especially who don't qualify for PPP round 2) from consideration.

Sec 1.c.1 - Everyone needs funds sooner than later so there should be NO 30 day delay.

Sec 1.c.1.A - How is this determined? We started operating (construction, fundraising, had employees we paid, etc.) in 2019 but have been left out of relief because we didn't have 2019 tax returns showing revenues to compare against 2020 revenues. We began generating revenue after Feb 15, 2020 so in that case we would qualify. But if they decide to apply some other criteria like registered for taxes or registering business with secretary of state office after Feb 15, 2020, then we would NOT qualify.

Sec 1.c.1.B - Having received some level of funding (ie, EIDL advance of a few thousand dollars, some low amount of round 1 PPP, etc.) should not disqualify businesses from assistance here.

Sec 1.c.2.A & B - We need to keep 30 people employed. They should not limit this relief to only mortgage/rent and utilities. Paying suppliers is a HUGE challenge. Generating enough revenue to cover payroll at 25-50% capacity is a HUGE challenge. Don't limit what expenses are qualifying factors. Also, \$75,000 is about 1/5 of what we need to survive based on our size. Applying blanket \$75k maximum to all businesses is a bad idea. A new business that employs 1 person should not qualify for the same max funds as a business that employs 30. Some should get smaller amounts, some should get more (up to \$300,000 IMO). I would add some criteria based on size of operation.

Sec 1.d.3 - As little limit for uses as possible is preferred but at least allow businesses to use funds for payroll and to pay their supply chain. Those are the life blood of any business.

Sec 1.d.4 - Based on size of need. Higher expense structure (payroll, operating expenses) should qualify for more than smaller businesses.

Sec 1.d.5 - OK but don't make it too time consuming or cumbersome for business owners. They have enough on their plate just to keep the doors open.



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 Craft Beer • Scratch Food • Small Batch Distilling

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On Jan 25, 2021, at 12:12 PM, Theresa Utton-Jerman <TUTTON@leg.state.vt.us> wrote:

Yes, to me Chris through e-mail. I will share with the Committee an post online.
 ~Theresa

From: Chris Kesler <chris@blackflannel.com>
Sent: Monday, January 25, 2021 12:10 PM
To: Theresa Utton-Jerman <TUTTON@leg.state.vt.us>
Subject: [External] Re: Public Hearing - FY 2021 Budget Adjustment - Noon -- Start LOGGING IN at 11:40 a.m.

[External]

Is there a place we can send supplemental written testimony?



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On Jan 25, 2021, at 11:16 AM, Theresa Utton-Jerman <TUTTON@leg.state.vt.us> wrote:

You have up to 3 minutes to give comments. Thank you, ~Theresa

From: Theresa Utton-Jerman
Sent: Monday, January 25, 2021 11:10 AM
Subject: Public Hearing - FY 2021 Budget Adjustment - Noon -- Start LOGGING IN at 11:40 a.m.
Importance: High

Good Morning –

Please see below for instructions on accessing the public hearing today.

Agenda with order of testimony: <https://legislature.vermont.gov/committee/agenda/2022/1275>

You are invited to a Zoom webinar.
When: Jan 25, 2021 12:00 PM Eastern Time (US and Canada) **PLEASE start logging in at 11:40 a.m.**
Topic: My Webinar

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Webinar ID: 924 4194 0265

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