June 22, 2020

Comments to the Federal Reserve Board from National Museum Associations

The undersigned national nonprofit museum associations are writing to comment on the Federal Reserve Board’s proposal to expand the Main Street Lending Program to provide access to credit for nonprofit organizations.

Nonprofit museums are economic engines and job creators: According to *Museums as Economic Engines: A National Report*, U.S. museums support more than 726,000 jobs and contribute $50 billion to the U.S. economy per year. America cannot afford to leave out such a vital part of the economy. Our nonprofit member institutions are important to every community, connecting residents to creativity and education and enhancing their quality of life. Museums are a robust and diverse business sector including African American museums, aquariums, arboreta, art museums, botanic gardens, children’s museums, culturally-specific museums, historic sites, historical societies, history museums, maritime museums, military museums, natural history museums, planetariums, presidential libraries, public gardens, railway museums, science and technology centers, and zoos. We serve as community anchors, addressing challenges in times of crisis.

Unfortunately, we expect the hardships facing our member organizations in communities across the country to increase significantly in the days and months ahead. Collectively, the nation’s nonprofit museums are losing millions of dollars a day due to closures. The American Alliance of Museums (AAM) calculates that museums are losing at least $33 million a day due to closures as a result of COVID-19. Additionally, preliminary data from an AAM benchmarking survey shows that nearly 20% of museums indicated that there is a significant risk of closing permanently. Our members’ economic stability depends heavily on revenue generated from our visitors. Even museums that have reopened are operating at reduced capacity, meaning that a return to normal operations will likely take months or years.

By definition, all types of charities are inherently organized around a public mission, but their business models differ. Many of the financial requirements included in this proposal are not applicable to organizations that rely on donations. With that in mind, our organizations respectfully request Congress and/or the Federal Reserve to address the concerns and proposed changes outlined below, recognizing that other charities and associations may have additional requests that are beyond our focus here.

1. **Congress Must Act to Ensure Mid-Sized Nonprofits are Eligible for Loan Forgiveness**

   Congress must ensure that mid-sized nonprofits have access to loan forgiveness. While it is a welcome development to see the Federal Reserve making its Main Street lending program available to some nonprofits, this assistance still falls short of what is most needed by nonprofit organizations – a provision that makes these loans forgivable.

   Charitable nonprofits of all sizes and focus areas are struggling to maintain mission-critical operations despite enormous economic challenges. [Data released by Independent Sector](https://independentsector.org/) show that nonprofits with between 500 to 5,000 employees have been severely impacted by this health and economic crisis. When asked “What types of additional assistance would be most helpful to your organization?” organizations overwhelmingly (92% of responses) suggested government support in the form of forgivable loans. Smaller nonprofits throughout the country have been hit equally hard.

   Nonprofit organizations need funding to continue to meet the needs of their communities. Many of these organizations do not have steady streams of commercial income and have little capacity for loan and interest repayment. Furthermore, nonprofits are the third largest employment sector and many hope to hire more workers as their organizations recover.

   Even as museums are experiencing closures and significant losses in revenue, they are meeting
an increase in demand for their services and safeguarding and supporting their communities. They are contributing to the ongoing education of our country's children by providing free lesson plans, online learning opportunities, and drop-off learning kits to teachers and families. They are using their outdoor spaces to grow and donate produce to area food banks and are maintaining these spaces for individuals to safely relax, enjoy nature, and recover from the mental health impacts of social isolation. They are donating their PPE and scientific equipment to fight COVID-19, and providing access to child care and meals to families of health care workers and first responders. In the midst of financial distress, they are even raising funds for community relief. Museums are pivotal to our nation’s ability to manage through the pandemic and recover from it as our nation opens back up. But they desperately need assistance in the form of forgivable loans.

**Recommendation:** Congress must recognize the vital services nonprofits provide to communities and the economy by including loan forgiveness in the next round of COVID-19 relief legislation, including for the Main Street Lending Program.

2. **The Fed's Proposal to Limit Loans to Mid-Size Nonprofits with Less than 30% of Revenue from Donations Disqualifies Many in Charitable Sector**

The Federal Reserve’s criterion that organizations must have revenues from donations that are less than 30% disqualify many charities, including more than half of the nation’s 33,000 museums. Overall, this loan facility seems more applicable to for-profit entities, but not most charitable organizations. Survey data from the American Alliance of Museums shows that private charitable giving was the largest source of operating income for nonprofit museums.

**Recommendation:** Eliminate the requirement that no more than 30% of an organization’s 2019 revenues come from donations, and instead make eligible 501(c)(3) organizations that are otherwise meeting the employee size.

3. **“Reasonable Efforts” Regarding Employee Retention Require Further Clarification**

The description of “Retaining Employees” in the draft term sheet requires refinement if the Federal Reserve expects nonprofits to take advantage of this facility.

**Recommendation:** “Reasonable efforts” should be interpreted in the totality of the circumstances, taking into consideration not only the general economic environment in the community or communities in which the borrower operates, but also factors such as workforce, fundraising ability, revenue-generating activities, and overall demand for the services and programs the organization provides. One option would be to add the qualifier “mission-based” before “reasonable efforts.” We note also that the current crisis, and in particular the need for social distancing, has changed the way that museums deliver services, with many shifting to entirely online operations. This shift necessarily entails a shift in operating procedures and thus in staffing.

**Recommendation:** The terms “maintain its payroll” and “retain its employees” are vague and need further refinement. We ask the Federal Reserve to make clear that nonprofits participating in the Main Street loan program generally should endeavor to pay staff at the same or increased income levels and should act in good faith to keep staffing levels (measured on the basis of full-time equivalents) at the same or increased levels, both for the duration of the loan. It is also important that the loan documents expressly state that the employee retention provision begins on the date that loan funding is received by the borrower rather than at an earlier date.

**Recommendation:** We ask that the Federal Reserve adopt safe harbors included in other loan programs and state clearly that nonprofit borrowers will not be penalized under the employee retention provision for the decision of employees to decline offers of rehire, or for those who are
fired for cause, voluntarily resign, or voluntarily request a reduced schedule during the time that
the loan is outstanding.

4. **Limitation of 50-Employee Minimum Should Be Removed**

   The term sheet for the proposed nonprofit loan facility imposes a size minimum that is not
   imposed in the Main Street New, Priority, or Expanded Loan Facilities for for-profit businesses.
   There is no explanation why the Federal Reserve is proposing that nonprofits with fewer than 50
   employees should not be eligible for Main Street loans for which their small business counterparts
   of equal size could secure lending support.

   **Recommendation:** The 50-employee floor should be removed.

We appreciate your immediate attention to these critical issues. Thank you for your continued work to
mitigate the impact that this public health crisis is having on our economy.

Sincerely,

American Alliance of Museums
American Association for State and Local History
American Institute for Conservation
Association of African American Museums
Association of Art Museum Directors
Association of Children’s Museums
Association of Science and Technology Centers
Association of Science Museum Directors
Association of Zoos and Aquariums