

COMMUNITY GYMS COALITION

[Statement for the Record](#)

December 10, 2020

Chairman Rubio, Ranking Member Cardin and Members of the Committee:

The Community Gyms Coalition (CGC), representing more than 15,000 small, community gyms across the country, commends you for holding a hearing on the crisis facing small businesses, the Paycheck Protection Program (PPP) and its future. Small gyms and fitness facilities are found in almost every community across the country and are vital to strengthening and maintaining the public's health. The CGC welcomes the opportunity to offer comment on the crisis facing our members and on modifications to PPP which would provide critical support to tens of thousands of small businesses across the country.

[Gyms and Fitness Facilities Are Among the Hardest-Hit Small Businesses by Shutdowns](#)

Shutdown mandates and operating restrictions have hit the fitness industry as hard as any other, putting nearly 10,000 local gyms at risk of imminent bankruptcy.¹ In most states, gyms have been among the first businesses forced to close and the last allowed to open, with many shut by government order for more than six months and counting. For those gyms which have been allowed to reopen, most may only operate under severe occupancy restrictions, with a maximum occupancy of 25 to 50 percent of building capacity being the most common restriction.

Closure and stringent operating restrictions have put immense stress on small businesses in the fitness industry. A recent analysis by fitness industry association IHRSA found that up to one-quarter of all fitness facilities could go bankrupt by the end of 2020.² A November survey of more than 1,000 independent, community gyms found that 39 percent do not believe they will survive through 2021 without federal support. With federal support, 88 percent of gyms anticipate survival through 2021.³

[PPP Does Not Meet the Needs of Small Community Gyms](#)

¹ Daniel E. Slotnik and Matthew Sedacca, "Relieved to Be Back at the Gym, but Is It Safe?" New York Times. Retrieved from: <https://www.nytimes.com/2020/10/24/nyregion/nyc-gyms-reopening.html>

² Retrieved from: <https://www.ihrsa.org/about/media-center/press-releases/15-of-health-fitness-clubs-in-the-u-s-permanently-closed/>

³ Retrieved from: <https://gymscoalition.org/new-data-shows-over-a-third-of-local-independent-gyms-will-not-survive-2021-without-federal-relief/>



Like other hard-hit industries, small gyms and fitness facilities have been unable to fully participate in other federal relief programs due to limitations on the use of funds for their primary costs. As the major source of federal support for community gyms, PPP has been consistently identified by community gym owners and operators as requiring revision to meaningfully buttress their small businesses. Specifically, community gym owners and operators have made note of four shortcomings:

Limitations on Use of Funds for Rent

While providing significant compensation and opportunity for many trainers and instructors, many gyms and fitness facilities do not count payroll among their primary costs. Gyms and fitness facilities are often fixed-cost-intensive businesses, the foremost of which costs is often rent. Regulatory limits on how much of a PPP loan or grant may be allocated toward rent places unnecessary strain on fixed-cost-intensive businesses and increases the likelihood of widespread bankruptcies.

Limitations on Payments to Independent Contractors

Many gyms and fitness facilities offer group fitness classes or individual instruction by partnering with independent contractors who specialize in particular exercise methods and approaches. While independent contractors are eligible for PPP loans in their own right, the complexity of the process has left many without support. Additionally, they may have difficulty in accessing a lender for which the benefit of extending the loan surpasses the administrative costs.

General Liability and Business Insurance Costs are not Allowable Expenses

As businesses rooted in physical presence, exertion and movement, gyms and fitness facilities require general liability insurance and business insurance. Community gyms need to be able to continue paying for costs associated with general liability and business insurance; should they lapse in their payments and lose coverage, then they will be unable to operate and will incur serious losses.

Maximum Size of the Loan

The costs mentioned above are significant, but are not exhaustive. Gyms and fitness facilities across the country have been closed or have operated under severe restrictions for nine months, and will likely be closed this coming winter. Accordingly, the funds that they

require to stay in business will likely exceed those afforded by the current formula for determining the maximum loan amount.

Simple Modifications to PPP Would Save Tens of Thousands of Small Gyms

Fortunately, many of the deficiencies in PPP identified above are easily remedied. The following solutions would meet the needs of thousands of small, community gyms, would forestall thousands of bankruptcies and would save tens of thousands of jobs across the country:

Create an Alternate Designation for Fixed-Cost-Intensive Businesses

For those businesses for which payroll is not the primary cost, such as gyms and fitness facilities, the maximum loan amount should be determined by the cost of non-payroll expenses instead. For those businesses which have elected this designation, the cap on the allocation of funds for non-payroll expenses would increase.

Modify What Counts as an Allowable Expense

Expenses to keep small gyms and fitness facilities in business through the winter and operational thereafter are essential. These include payments to independent contractors leading classes or instructing clients individually, and costs associated with general liability and business insurance.

Increase the Maximum Loan Amount

Gyms and fitness facilities have faced closures and operating restrictions which few other industries have had to contend with. The impact of these closures and operating restrictions falls inordinately on small gyms; as small businesses, they are less equipped to weather the immense pressures facing the fitness sector. Consequently, they require more support, which can be brought about by increasing the maximum loan amount for PPP loans.

Conclusion

The Senate Small Business Committee and Congress have the opportunity to provide meaningful support to tens of thousands of small community gyms and their trainers across the country. Small gyms are found in almost every community in the country, are essential in the fight against chronic disease, and are valuable partners in improving the public's health. But given the length of the shutdowns and the severity of the operating restrictions following reopening, small community gyms are in dire need of support. As implemented, PPP does not adequately meet their needs. However, simple modifications would drastically increase the likelihood of survival for tens

of thousands of small gyms and the jobs and livelihoods they support. As you consider adjustments to PPP and other means of small business relief, the Community Gyms Coalition respectfully requests that you consider the unique needs of small gyms.



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