



May 22, 2020

Mr. Kim Herrington
Acting Principal Director, Defense Pricing and Contracting
Office of the Secretary of Defense
U.S. Department of Defense
3060 Defense Pentagon
Washington, D.C. 20301

Dear Mr. Herrington:

We are writing to provide feedback on the recently released draft guidance on requests for reimbursement under Section 3610 of the CARES Act. The HUBZone Council is a non-profit trade association providing information and support for companies and professionals interested in the Small Business Administration's (SBA) HUBZone Program. By helping HUBZone-certified companies maximize their success in earning federal contracts, the Council strives to promote economic development in underutilized rural and urban communities.

We want to raise the following issue in the document, *DoD Checklist for Submission of Section 3610 Reimbursement Requests*, in Section 6, "Identification of other credits that will reduce relief provided under Section 3610."

Our concern is the fact that the loan forgiveness amount must be excluded from any request for reimbursement under Section 3610. This statement assumes money that was provided for all employees through the SBA's Paycheck Protection Program (PPP) – whether or not on a DoD contract – would be used to offset reimbursement under Section 3610. This is not always the case and would cause increased confusion around the intersection of the relief programs, which serve different purposes. Additionally, the forgivable funds available under the PPP are for 8-weeks of payroll and some overhead expenses for employees. Currently, there are companies that have had personnel on leave to keep them in a "ready state" since the middle of April, and many will continue beyond this 8-week period. The PPP only covers some overhead and no general and administrative (G&A) costs, while Section 3610 makes allowances for all costs with the exception of fee or profit.

Therefore, we suggest the language is changed so that the loan forgiveness amount used to pay the DoD contractor employees who are on "ready state" leave is excluded from any request for reimbursement under Section 3610 – instead of the total amount from the loan forgiveness. While we agree with the Department that there should be no "double-dipping," these programs are not identical and it would be detrimental to small contractors for the assumption that they are by the acquisition workforce.

This change is critical to allow small business contractors, particularly HUBZone companies, to continue operations within vulnerable areas and ensure contractors and subcontractors are able to remain in a "ready state." Please feel free to contact Elizabeth Sullivan at esullivan@madisonservicesgroup.com or 202-626-8528 with any questions.

Sincerely,

Michelle Burnett
Executive Director
HUBZone Contractors National Council