

Bartlett Brief



How the state can help restaurants survive the shutdown

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In the month before Gov. Chris Sununu ordered New Hampshire restaurant dining rooms closed, employment at New Hampshire full-service restaurants dropped by more than 8 percent (2,000 people), state figures show. In the month since the governor's March 16 order, restaurant business has plummeted. State employment data are not yet available for those weeks, but industry insiders expect them to show catastrophic losses.

Some New Hampshire restaurants already have gone out of business. Restaurant owners interviewed by the Josiah Bartlett Center in the last two weeks say things are bad and getting worse. If restaurants cannot reopen for in-person service in May, several said, the state can expect to see a wave of small-business closures.

A National Restaurant Association survey of restaurant owners nationwide found that 11 percent said they expected to close permanently within the next 30 days. Another 3 percent of those surveyed reported that they already had gone out of business.

Restaurant revenue nationally is down by 50 percent for the year, according to data compiled by small-business software firm Wombly. That figure includes restaurants that specialize in take-out service, so the decline for dine-in restaurants would be even worse.

Full-service restaurants typically have low profit margins and high monthly expenses, including rent, insurance, taxes, and debt service on equipment. Reduced to take-out service only, many won't be able to survive if they can't close the gap between their expenses and revenues.

Anticipating that dining rooms are likely to remain closed beyond May 4, the Josiah Bartlett Center for Public Policy has drafted a list of policy recommendations to help full-service restaurants narrow their losses, and possibly return to profitability, so they can survive until the economy reopens.

It's important to understand that while on-premises service is halted by order of the state, other state laws and regulations prohibit restaurants from pursuing some potentially lucrative alternative sources of revenue. By temporarily relaxing some of these restrictions, the governor might be able to save numerous restaurants from closure, return some employees to work, and reduce the burden on state services.

The policy changes listed below would help restaurants either bring in additional revenue or push back some expenses until later in the year, when dining rooms are expected to reopen.

1. Allow restaurants to sell beer in growlers. State law does not allow restaurants and bars to sell draft beer in growlers (large bottles, typically 64 ounces, with screw-on caps). With dining rooms closed, restaurants are sitting on thousands of dollars worth of draft beer inventory that they are prohibited by law from selling. The state lets restaurants sell draft beer for consumption on-site only. Keg beer has a short shelf life, so without an order allowing it to be sold for off-site consumption, some restaurants will be forced to pour out inventory worth tens of thousands of dollars. This waste is entirely unnecessary. An emergency order could allow restaurants to sell draft beer in their own growlers or to fill customers' growlers after washing them in commercial washing machines. The order could require a breakable seal on the growler cap and the growler's placement out of reach of a vehicle's driver.
2. Allow restaurants to sell mixed drinks in closed containers. The state objection to the curbside sale of mixed drinks is that drivers could open and consume the drinks while in the vehicle. But state law already allows patrons to transport open wine bottles from restaurants, provided the bottle is stored in a car's trunk or out of the driver's reach. Allowing restaurants to sell mixed drinks in closed, sealed containers, with the same distance-from-driver requirement that applies to opened wine bottles, could offer a significant sales boost for some restaurants without endangering public safety.
3. Allow restaurants to sell bottled liquor and wine. The Liquor Commission has let restaurants to return unopened liquor and wine, but only for store credit. That doesn't help restaurants that need cash. State law allows restaurants to sell only opened liquor and wine, on premises. Temporarily allowing restaurants to sell unopened liquor and wine for take out would allow them to increase cash flow while reducing inventory. Though they wouldn't be able to compete on price with state liquor stores, they could do a decent business from patrons who don't want to drive all the way to a liquor outlet or who just want to support local restaurants.
4. Allow outdoor, in-person dining, subject to social distancing and other health protocols. Grocery aisles remain clogged with customers, many not wearing masks or following recommended social distancing procedures. Meanwhile, restaurant decks and patios where better health protocols can be enforced, go unused. The state could let restaurants reopen outdoor dining areas subject to additional regulations, such as requiring restaurants to space tables at least six feet apart, disinfect tables and seats after each use, have staff wear masks, use disposable menus, and limit the size of parties and the number of customers allowed on site. Some restaurant owners suggested that they could make things work

temporarily if the state cut their authorized seating capacity in half and banned large gatherings in lobbies.

5. Let restaurants defer rooms and meals tax payments. If restaurants could postpone their rooms and meals tax payments for 90 days, they could save some cash to help get through the emergency shutdown. Payments would still be made, but after business has picked up and more cash is coming in.
6. Municipalities can also help by letting restaurants defer property tax payments.
7. Give restaurants the same liquor and wine discount that grocers get. State law ([RSA 178:28](#)) grants grocers a 20% discount on the wholesale price of liquor and wine purchased from state liquor warehouses, but restaurants a discount of only 10%. Granting restaurants the same discount that grocers get will shave some of their costs when dining rooms reopen.

Restaurants operate on famously thin margins. Many will not survive a prolonged shutdown if the state continues to enforce regulations that prevent them from adapting to the forced closure of their dining rooms. Our recommended changes offer responsible adjustments that could save small business statewide without creating additional risks to public health.