



House Labor and Commerce Committee: Economic  
Impacts of the Ongoing COVID 19 Pandemic

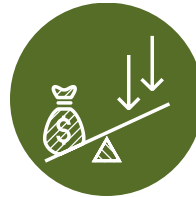
**Alaska's Nonprofits:**

**Three Considerations and Seven Requests  
to Include Nonprofits in the State's Disbursement  
of CARES Relief Funding**

# Nonprofits contribute to a health Alaska economy



Nonprofits are a major economic driver.



Nonprofits leverage public funds for maximum return



Nonprofits partner with government in delivering essential services

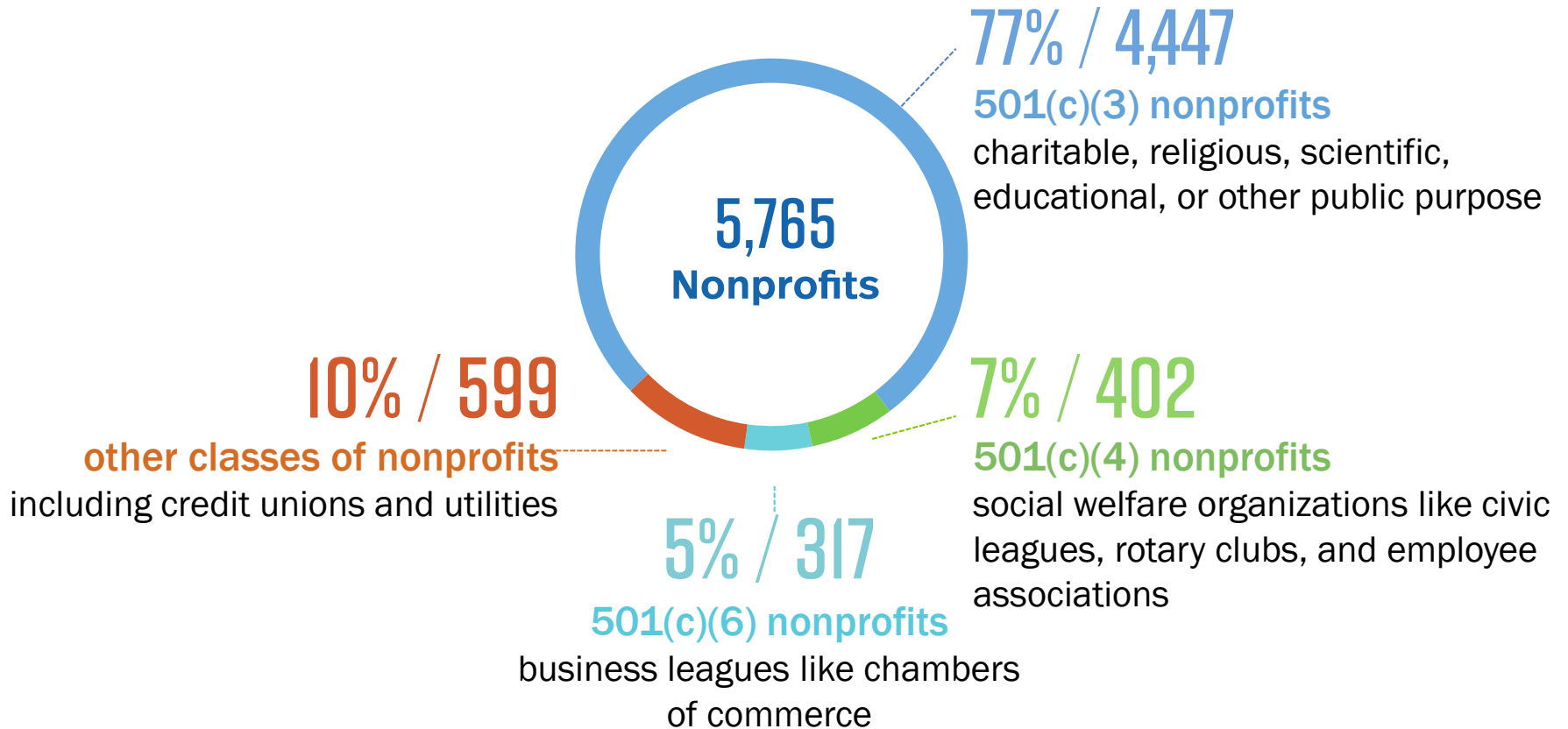


Nonprofits provide community investment and civic engagement



Nonprofits ensure community well-being and quality of life

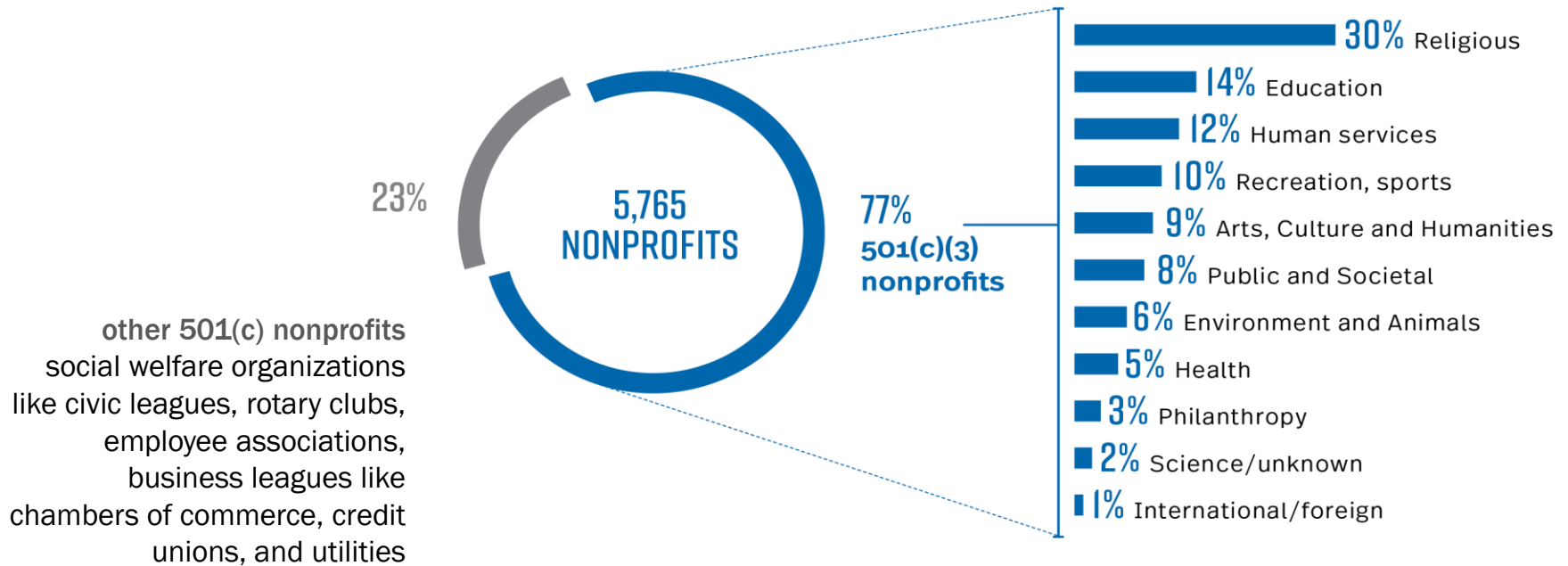
# Alaska's nonprofit sector



Percentages may not add up to 100 due to rounding. Source: 2016 IRS Masterfile and Institute of Social and Economic Research.

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# Charitable nonprofits reflect a variety of missions



SOURCE: 2016 IRS MASTERFILE AND ISER.

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# The economic impact of Alaska nonprofits is significant



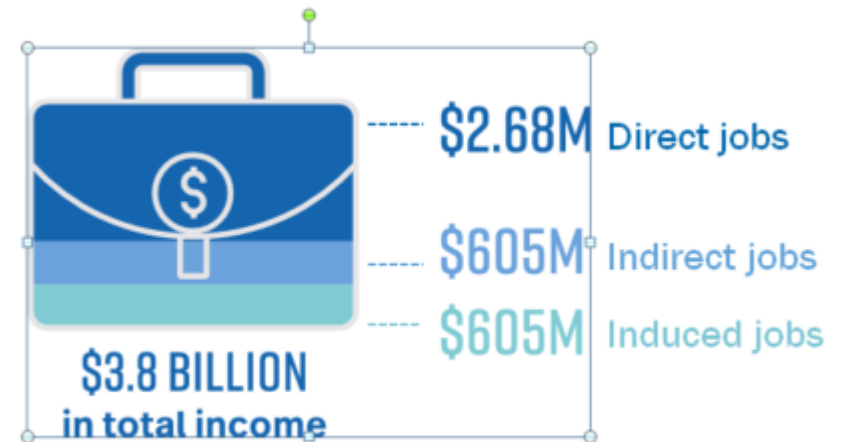
**44,100**  
directly employed in Alaska



**17%**  
of all employment in Alaska



**UP TO 40%**  
of all employment  
in rural Alaska



**STRENGTHENING**  
Alaska's industries

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# What we know in an ever-changing environment

# First blush of impact

- Estimated level of impact
- Question: *Please estimate the level of impact COVID-19 is currently having or that you predict it will have on your programs, operations and general services of your organization.*

Estimated level of impact	Alaska	% of Survey
High (Significant impact)	363	78%
Moderate (minor disruption)	89	19%
Low (little to no impact)	12	3%
	464	100%

# Immediate financial need

- Question:* Do you have immediate financial needs as a result of COVID19? If yes, please describe: Responses were simplified into common themes for the purposes of understanding initial trends at the beginning of this crisis.

Need	AK	% of response
Significant Risk of Closure	11	3%
At Risk of Closure	47	12%
Basic Need	33	8%
Staffing	18	4%
Fundraising Impacts	44	11%
Revenue Impacts	45	11%
IT Support	17	4%
Unknown at this time	10	2%
Not at this time	84	21%
No immediate financial need	96	24%
Total	405	
Unanswered	62	



# Six weeks ago and getting worse

Impacts	Alaska	% of all responses
Cancellation of programs and events	422	90%
Disruption of services to clients and communities	320	69%
Loss of revenue due to inability to fundraise	287	61%
Budgetary implications related to strains on the economy	283	61%
Loss of revenue due to inability to provide services	261	56%
Increased and sustained staff and volunteer absences	245	52%
Adjustments and/or reductions to current staffing levels	214	46%
Disruption of supplies or services provided by partners	158	34%
Increased demand for services/support from clients and communities	154	33%
Other	103	22%

# Critical

Mission Focus	AK	% of Response
Arts, culture, and humanities	26	31%
Education	10	12%
Environment and Animals	10	12%
Health	5	6%
Human Services	23	27%
Other	3	4%
Philanthropy	1	1%
Public/Societal	3	4%
Recreation/sports	4	5%
Critical Total	85	100%

# Serious

Mission Focus	AK	% of Response
Arts, culture, and humanities	60	21%
Education	31	11%
Environment and Animals	26	9%
Health	30	10%
Human Services	73	25%
Other	20	7%
Philanthropy	8	3%
Public/Societal	22	8%
Recreation/sports	15	5%
Religion	6	2%
Serious Total	291	100%

# Three Considerations for Relief

# 1. We must plan for the future we want for Alaska

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- Alaskans, state, federal, and local governments, and business rely on a thriving nonprofit sector.
- There is a real possibility that many organizations will not survive and many more will reduce the services they can offer Alaskans.
- The result is more pressure on government to respond. For all these reasons, and more, it is our strong position that nonprofits must be part of fiscal relief packages delivered by the state and at every level of our economy.

## 2. Timing of nonprofit financial relief

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Nonprofits will need support over two time horizons:

- Now:
  - For the adaptations to ramp up and serve Alaskans.
  - To maintain their missions with closed programs and no revenue.
- 3-9 months from now:
  - PPP will be over.
  - Most CARES money will be distributed.
  - Our economy will not yet be recovered.
- Many of our organizations in arts and culture, tourism, seafood, and oil and gas will likely need more time.

# 3. Create many paths – one sector – all nonprofits

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- There will be many paths for funding to flow to industries, sectors, and regions.
  - We appreciate that different avenues work better for some than others.
- We encourage the state’s response to be holistic – recognizing the whole sector, not just specific sub-sectors.
  - We all recognize the immediate needs.
  - Nonprofits are essential to our response to COVID-19.

# Many paths – one sector

In all options, we encourage consideration in the following ways:

- Recognition that nonprofits were impacted differently.
  - Some needed to rapidly expand and adapt to serve the community.
  - Some were forced to close in the name of public health.
- Organizations need relief with few restrictions to fund operational costs of adaptation, temporary closure, and revenue loss from the pandemic.
- Special attention is necessary for small organizations that do not meet the criteria for PPP or EIDL funding because of nonprofit status or staffing status.
  - Options are needed to replace funding reserves for those who had to tap into their savings to respond to the crisis.
  - Options are needed for groups with no staff but who incurred financial hardship due to their response.
  - More than just (c)3 and (c)19 organizations should be eligible if they meet other criteria.
- Nonprofits who receive state or federal grants should not be penalized for accepting a PPP loan if every attempt is made to not duplicate funding.

**Seven Requests to Support the  
Nonprofit Sector --  
to provide a stronger economy and  
vibrant communities as we emerge  
from this crisis**



# 1. Say “nonprofits”

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- This is the first time in history federal relief specifically includes nonprofits.
- When you only say “small business” you send a message that excludes organizations that are eligible – and an essential part of our economy.
  - Your words matter and help organizations know their options.
- **Recommendation:** Every time you use the words “small business” in your relief response include nonprofits:
  - In your speeches                      -- In your newsletters                      --In your emails
  - In your legislation

## 2. Support all small nonprofit businesses

- Only charitable 501(c)3 and (c)19 organizations are included in the CARES act – they make up roughly 78% of Alaska’s nonprofits.
  - **Recommendation:** Alaska’s solution should include all nonprofits that have been financially impacted by COVID-19.
- CARES heavily focuses on employers of FTEs – only 1,200 of the 5,700 nonprofits have staff. Many mission-oriented organizations have small staff because of their use of networks, collaborations, and volunteers.
  - **Recommendation:** Create granting programs based on mission activity in Alaska not based on staffing as a qualification.

# 3. Grants not loans

- Nonprofit business models are not geared for loans. Grant options need to be a key factor to any workable solution for nonprofits.
  - Nonprofits need unrestricted operating grants to recover.
  - Options need to cover nonprofits across many missions – all who have been negatively impacted by their COVID response.
- **Recommendation:** Create a separate granting option with a minimum of \$50 million for nonprofits outside the state process.
  - This should occur outside the state system and managed by experts in nonprofits.
    - If an existing nonprofit organization is not preferred, a new non-government structure must be quickly deployed with nonprofit guidance.
    - We welcome the use of granting criteria drafted by Foraker.

# 4. If loans, make them accessible

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- Nonprofits are not accustomed to taking loans – in fact, it is often the least prudent option for a board to make given the reliance on charitable giving and mission-based income to survive.
  - Nonprofits lack collateral.
  - Nonprofits define ownership differently than for-profit businesses.
  - Nonprofits either generate their primary source of revenue from charitable giving or mission-related earned revenue. Government funds are also part of this equation.
    - Making up revenue is not possible for most organizations.

# 4. If loans, make them accessible

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- **Recommendation:** Require equitable and appropriate access for nonprofits to any loan program created or mandated by the state. *(This includes collateral that nonprofits do not possess by their very tax structure.)*
  - We welcome the use of Foraker’s recommended parameters for nonprofits to access loan programs.

# 5. Partner with local governments

- Funds from CARES will flow directly and indirectly to local governments. This is another access point for nonprofits who partner with local governments.
- We acknowledge the need of local governments for flexibility to meet the distinct needs of their communities. We also recognize the role of nonprofits in meeting those needs.
- Nonprofits can and should be seen as full partners with municipalities and the state in delivery of relief services.

**Recommendation:** Strongly encourage local governments in your district and in your overall guidelines to include nonprofits in both their direct and indirect funding decisions.

- Focusing on operating grants rather than loan programs will ensure rapid relief at the local level.

# 6. Adopt federal OMB flexibility

- Nonprofits are quickly adapting to this crisis. They have limited funds, fewer or no volunteers, and in many cases less staff.
- Delivering on plans articulated before the crisis is strained at best.
- Implementing flexibility across all state granting programs will position organizations to better focus on service delivery without facing reporting penalties and delays in receiving their funding.
- By avoiding disruptions in grants and contracts, the state reduces the chance that organizations may have to cut services or shut down completely.

# 6. Adopt federal OMB flexibility

- **Recommendation:** Ensure flexibility in state grants and contracts by following, at a minimum, the federal Office of Management and Budget COVID relief rules.
  - Temporarily loosen grant and contract reporting, and application and renewal requirements. Those include:
    - No-cost extensions on expiring grant awards
    - Abbreviated non-competitive continuation requests
    - Allowing expenditure of award funds related to the public health emergency, including resumption of activity in the future and the appropriateness of future funding
    - Waivers from prior approval requirements
    - Exemption of certain procurement requirements
    - Extension of financial and other reporting
    - Extension of the Federal Single Audit submission
- **Recommendation:** Ask nonprofit leaders which of the temporary relaxed regulations can continue based on positive evidence during this time.



# 7. Be transparent to honor intent

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- There is currently no system to know how money will be allocated by sector. SBA information and labor statistics focus on industry.
  - We only currently know labor statistics on the nonprofit sector through separate research.
- **Recommendation:** Create a public-facing dashboard to show how nonprofits, small businesses, and local governments are benefiting from CARES dollars through the SBA, PPP, and EIDL programs and also from the \$1.25 billion in state relief funds.

# Recommendation summary

1. **Say nonprofits – Recommendation:** Every time you use the words small business in your relief response include nonprofits.
2. **Support all small nonprofit businesses – Recommendation:** Alaska’s solution should include all nonprofits that have been financially impacted by COVID-19. **Recommendation:** Create granting programs based on mission activity in Alaska not based on staffing as a qualification.
3. **Grants, not loans – Recommendation:** Create a separate granting option with a minimum of \$50 million for nonprofits outside of the state process.
4. **If loans, make them accessible – Recommendation:** Require equitable and appropriate access for nonprofits to any loan program created or mandated by the state. We welcome the use of Foraker’s recommend parameters for nonprofits to access loan program.
5. **Partner with local governments – Recommendation:** Strongly encourage local governments in your district and in your overall guidelines to include nonprofits in both their direct and indirect funding decisions.
6. **Adopt federal OMB flexibility – Recommendation:** Ensure flexibility in state grants and contracts by following, at a minimum, the federal Office of Management and Budget COVID relief rules. **Recommendation:** Ask nonprofit leaders which of the temporary relaxed regulations can continue based on positive evidence during this time.
7. **Be transparent to honor intent – Recommendation:** Create a public-facing dashboard to show how nonprofits, small businesses, and local governments are benefiting from CARES dollars through the SBA, PPP, and EIDL programs and also from the \$1.25 billion in state relief funds.