



May 8, 2020

Dear Honorable Members of the House Labor & Commerce Committee:

The Alaska Cabaret, Hotel, Restaurant, and Retailers Association (Alaska CHARR) represents over 800 members statewide over 85% of which are small businesses.

The economic impacts of COVID-19 have reverberated throughout the state, with few industries being hit harder than tourism and hospitality. These are the places you celebrate your birthdays, sports victories, anniversaries, personal losses, and even just the places you go to get away from the stresses of life. They are the heart of every community across our great state and right now, many are struggling to survive.

This is the worst tourism season Alaska has ever seen, which has been and will be detrimental to the hospitality industry. The majority of our industry temporarily closed their establishments – or never opened them for the season – in compliance with health mandates and for the protection of public health and safety. Survey results of the economic impact to the Alaska hospitality industry are dire: 22% of respondents who own restaurants have indicated that they will not recover from this – their doors are shuttered permanently. April survey results of the hospitality industry (which includes other businesses like bars, hotels, and liquor stores) also show the following alarming statistics:

- Over 50% of respondents temporarily closed their establishments
- 60% laid off employees
- 26% changed their business models to remain semi-operational
- 54% of respondents reported same store sales in early April to be down more than 70% from this time last year
- 83% of respondents expect their year-end sales to be down over 50% from last year

The number one necessity for small businesses right now is immediate cash flow. The only options thus far have been to apply for Economic Injury Disaster Loan (EIDL) assistance through the SBA or for a Payroll Protection Program (PPP) loan through lending institutions. There have been countless issues with these options, and considering the circumstances, the 3.75% interest rate for EIDL is high. Aside from the \$10,000 advance, many of our businesses have been reluctant to apply for new loans and incur new debts while they have little to no current revenue, and unknown future revenue.

Many hospitality businesses applied for and received PPP funding which could be forgivable, but that requires 75% of the funds to be paid toward payroll expenses, which do not include employer-paid taxes. A huge percentage of our businesses have been closed for eight weeks – and some will continue to be – with thousands of employees being laid off who are now receiving huge unemployment insurance benefits with the added federal contributions. Businesses are now reopening, all of whom are actively attempting to rehire staff or hire a new workforce. Many of those employees are refusing to return to work for various reasons. Many of our businesses will be unable to meet the 75% payroll threshold over the eight-week period following the loan origination date, in order to receive loan



forgiveness. Those businesses may now be facing having to repay six-figure loans within the next two years with unknown income.

I implore you to support the Alaska hospitality industry when it needs you the most by taking action that will allow small businesses and nonprofits to apply for and receive grants from the State of Alaska – and to do so expeditiously – so that we might collectively return our attention to surviving this economic crisis. As noted earlier, the overwhelming feedback I’ve received from businesses in our industry is that they are reluctant to apply for loans because of continued unknowns around revenue streams.

There must be oversight for any grant distribution. Criteria should include how many (or what percentage of) staff were laid off, and consideration of the percentage of decreased revenue from March through May as compared to 2019. Funds should be made available expeditiously and to as many businesses as possible in order to prevent more businesses from closing permanently.

I will also briefly note that Alaska CHARR is a 501(c)(6) nonprofit corporation which – like many other nonprofits in Alaska – does not qualify for the PPP loan. Nearly half of our annual revenue comes in between March and June, from membership dues and training fees. That revenue stream came to a screeching halt when the industry that we represent had to shut down nearly completely in order to protect the public. Alaska CHARR has had to make staff layoffs and significant cuts to wage staff hours during a time when the industry that we represent has needed us more than ever before. These cuts were not due to a lack of work – they were due to a lack of financial certainty and support for our nonprofit. With very few options for relief right now, the future of our nonprofit is uncertain.

Thank you for your consideration and for all that you are doing in these challenging times.

Respectfully,

Sarah D. Oates
President & CEO
soates@alaskacharr.com