

April 23, 2020

To: The Honorable Cathy Giessel
The Honorable Bryce Edgmon
Governor Mike Dunleavy
CC: Members of the Alaska State Legislature

RE: Economic development organizations requesting cash grants to employers

As COVID-19 decimates the economy of Alaska, our organizations—Alaska Regional Development Organizations (ARDORs) and economic development entities—have been at the forefront of efforts to keep our small businesses afloat. We’ve watched businesses shut their doors and lay off all their employees, causing the highest spike in unemployment the state has ever seen. Too many businesses have fallen through the cracks of existing relief programs, and we fear that a large portion will not reopen. Long-term economic damage is increasingly likely if businesses permanently close. **We therefore request that the Governor and Legislature take aggressive action by dedicating at least \$125 million of the state’s \$1.25 billion in CARES funds to cash grants for small businesses and nonprofit organizations.** This should be carved out from the \$300 million for small business relief specified in the Governor’s proposed use of the funds.

While relief programs through the Small Business Administration (SBA) have provided much-needed assistance to thousands of Alaska employers, there are notable gaps. Some 1,600 Alaska businesses received one-time advances (grants) from the Economic Injury Disaster Loan (EIDL) program, but the average amount was less than \$4,600. According to a study by the National Bureau of Economic Research, the median business has \$10,000 in monthly expenses--and usually lacks enough cash reserves to cover that amount.

SBA’s Paycheck Protection Program has also assisted thousands of Alaska businesses, but fails to meet the specific needs for many firms. The PPP incentivizes businesses to maintain employees, which isn’t possible for temporarily closed organizations. It does little to help cover other ongoing costs, especially for seasonal businesses. Both PPP and EIDL have been subject to complex rules, difficult access, and were slow in deploying cash. They were also over-subscribed and quickly depleted.

Instead of relying solely on these programs, we propose the state make available \$125 million in cash assistance to for-profit and nonprofit entities with 50 or fewer employees. These entities could meaningfully benefit from grants of approximately \$10,000 to cover working capital needs when they have little or no revenue. The State could assist 12,500 of the roughly 20,000 small employers in Alaska, preventing bankruptcy, further loss of employment, and erosion of local tax bases.

Guiding principles for the use of these grants should include:

- Utilization of designated ARDORs to manage and distribute grant funds, as indicated by Section 14 of SB 241.
- A simple application process with clear rules and guidelines.
- Payments should be made as timely as possible.
- Applying businesses must have a valid State of Alaska business license.
- Employers must show adverse effects from COVID to be eligible.
- Eligible expenses should include payroll, rent, mortgages, utilities, and other operating costs.
- For-profit businesses as well as nonprofits of all classes should be eligible if they employ fewer than 50 individuals within the State of Alaska.
- Development of additional criteria to balance accountability, inclusion, and efficiency.

This funding could make the difference between permanent closure and viability for many small employers in the state. National data indicates that over 40% of all small businesses are currently closed temporarily, and as expenses continue to mount an untold number will become unable to reopen. Providing grant funding to Alaska's businesses now could greatly ease the post-COVID-19 recovery and offer a lifeline to struggling households.

We urge consideration of this request to assist the vital employers in our regions and communities.

Sincerely,

Christi Bell, Associate Vice Chancellor and
Executive Director
UAA Business Enterprise Institute

Jon Bittner, Executive Director
Alaska Small Business Development Center

Kristin Carpenter, Executive Director
Prince William Sound Economic
Development District

Tim Dillon, Executive Director
Kenai Peninsula Economic Development
District

Jim Dodson, President/CEO
Fairbanks Economic Development
Corporation

Margaret Friedenauer, Executive Director
Haines Economic Development Corporation

Brian Holst, Executive Director
Juneau Economic Development Council

Nolan Klouda, Executive Director
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Shirley Marquardt, Executive Director
Southwest Alaska Municipal Conference

Bill Popp, President/CEO
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Alyssa Rodrigues, Director
Alaska Manufacturing Extension Partnership

Robert Venables, Executive Director
Southeast Conference

Bryce Ward, Mayor
Fairbanks North Star Borough

Fritz Westlake, Community and Economic
Development Director
Northwest Arctic Borough