

**ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

May 6, 2020
8:07 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Co-Chair
Representative Sara Hannan, Co-Chair
Representative Matt Claman
Representative Jonathan Kreiss-Tomkins
Representative Steve Thompson
Representative Sharon Jackson
Representative DeLena Johnson

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Grier Hopkins
Representative Andy Josephson
Representative Dan Ortiz (via teleconference)
Representative Chris Tuck (via teleconference)
Representative Bryce Edgmon (via teleconference)

COMMITTEE CALENDAR

PRESENTATION: COVID-19 IMPACTS ON COMMUNITIES AND CARES ACT FUNDING

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation on COVID-19 Impacts on Communities and CARES Act Funding.

STEPHANIE QUEEN, City Manager

City of Soldotna
Soldotna, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

CALVIN CASIPIT, Mayor
City of Gustavus
Gustavus, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

TOM WILLIAMS, Administrator
City of Gustavus
Gustavus, Alaska

POSITION STATEMENT: Answered questions during the testimony that followed the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

TOD LARSON, Manager
City of Dillingham
Dillingham, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

JIM MATHERLY, Mayor
City of Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

MIKE MEEKS, Manager
City of Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

VINNY CORAZZA, City Manager
City of Bethel
Bethel, Alaska

POSITION STATEMENT: Testified following the presentation on COVID-19 Impacts on Communities and CARES Act Funding.

ACTION NARRATIVE

[8:07:00 AM](#)

CO-CHAIR DRUMMOND called the House Community and Regional Affairs Standing Committee meeting to order at 8:07 a.m. Representatives Johnson, Thompson, Jackson, Claman, Hannan, and Drummond were present at the call to order. Representative Kreiss-Tomkins arrived as the meeting was in progress. Also present were Representatives Hopkins, Josephson, Representatives Ortiz (via teleconference), Tuck (via teleconference), and Edgmon (via teleconference).

PRESENTATION: COVID-19 Impacts on Communities and CARES Act Funding

[8:08:39 AM](#)

CO-CHAIR DRUMMOND announced that the only order of business would be a Presentation: COVID-19 Impacts on Communities and CARES Act Funding.

[8:09:04 AM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, gave a PowerPoint presentation on COVID-19 Impacts on Communities and CARES Act Funding. [The heading on the first slide read: "Local Government Impact" and "Alaska Municipal League."] He directed attention to Slide 2, which read as follows [original punctuation provided]:

Emergency declarations

- Goal: Clear point of contact, budget flexibility, mobilize response
- Unified Command lists 87 declarations received
 - AML has collected 73 of those and passed them to Unified Command
- Process involves drafting, governing body passage
 - Amendments may be necessary, including to extend as the crisis continues
- Additional types of resolutions in response to State Health Mandates
 - Every change or addition at the State level requires adaptation at the local
- Municipal managers often have leadership roles

- Elected officials have broader responsibility to set policy

MR. ANDREASSEN added that a statewide public health emergency is challenging, in terms of managing communications and ensuring the state has access to points of contact in each community. Emergency declarations allow communities to reallocate resources, name an incident commander, and make decisions they might not otherwise be able to make. He indicated half of all communities in Alaska have taken this step. He talked about the work involved in being in crisis mode.

[8:11:54 AM](#)

MR. ANDREASSEN turned to slide 3, which read as follows [original punctuation provided]:

Emergency management

- Goal: Emergency operations, state and federal communications
- Unified Command lists 20 active municipal EOCs
 - AML has provided points of contact for 165 cities and boroughs
- Incident commander in each community, with teams of public officials dedicated to managing crisis
- Responding to State and Federal emergency officials within the Unified Command - clarifying mandates and resources
- Implementing federal, state and local decisions effectively
- Coordinating response to resident concerns

MR. ANDREASSEN said it is essential during a statewide emergency to ensure there are local government contacts with the ability to communicate with unified command. He related that since early March, local government officials, leadership teams, managers, attorneys, clerks, and human resource officials collectively have been consumed by emergency management, which has included: reviewing personnel policies, identifying essential and nonessential workers, managing leave, managing public health within the local government setting, and

responding to each of the federal alerts and mandates that have been issued. He emphasized that local governments must keep pace with each tweak of state information and each mandate. He said, "For every state action, there are as many as 1,000 different local actions having to be taken."

[8:15:33 AM](#)

MR. ANDREASSEN, in response to Co-Chair Drummond, spoke about the many facets in which local governments scramble to make changes to keep up with state information during the crisis. In response to a follow-up question regarding the 165 cities and boroughs, he indicated that AML is responding only to incorporated cities and boroughs; unincorporated communities receive community assistance on "a basic level." He mentioned that the legislature is the assembly for unorganized boroughs and the unincorporated communities therein, and he said he thinks the state bears "a different kind of responsibility to working with those communities that aren't incorporated."

[8:19:11 AM](#)

MR. ANDREASSEN discussed slide 4, which read as follows [original punctuation provided]:

Travel restrictions

- Goal: Avoid community spread and overwhelmed health facilities
- Implemented in majority of remote (off road system) communities, either by tribe or city, or both
- Manage incoming visitors to require quarantine or other protective measures
- Dissuading non-essential visits
- Communities overcoming general confusion about role and responsibilities, including in response to changes to State mandates
- Restricting inter-state travel perhaps most effective mitigation measure of state; local control of in-state travel ensures further community protection, especially where small or no health facilities

MR. ANDREASSEN remarked that the state took early action in terms of travel restrictions. He said he does not have the numbers to state how many communities have issued travel restrictions. He opined that travel restrictions have been one of the most effective measures in handling the public health crisis. Conversely, they have been the biggest point of contention, in terms of determining who has the authority and responsibility and when the state can "supersede a local government's interest in protecting a community's public health." He estimated that out of the 87 or so of about 220 communities that have issued emergency declarations, the vast majority have issued travel restrictions. He said tribes have also taken action under different authority; a lot of the travel restrictions he has seen have been issued by the city and tribe jointly to more effectively "leverage their governance." Larger communities are governed by state mandates. He said there is an "Attachment B" that allows smaller communities to keep their own restrictions in place. He said, "This has additional implications." He listed: project delays, restrictions on industry, additional quarantine requirements for teachers coming in to school districts. Small communities may not have a place for quarantine.

[8:22:30 AM](#)

MR. ANDREASSEN turned to slide 5, which read as follows [original punctuation provided, with some formatting changes]:

Responding to public health crisis

- Goal: Mitigation measures, active first responders, PPE, testing
- Implementing State Health Mandates and CDC guidance
- Implementing local actions that protect public health
 - Different by class and powers
 - what can we do vs. what can we ask public to do
- Requesting resources from State EOC
- Establishing continuity of operations
- Identifying essential and non-essential staff and reallocating staff time and overtime

- Working with business and nonprofit partners

MR. ANDREASSEN mentioned there are differences between larger municipalities and smaller, home rule communities. He said each local government went through a continuity of operations planning process to rework how services are provided to citizens.

[8:24:04 AM](#)

MR. ANDREASSEN discussed the information on slide 6, which read as follows [original punctuation provided]:

Hunkered down

- Goal: Closed public facilities, operating remotely, continued service
 - Libraries - closed but some offering curbside pickup, online access
 - Pools - closed, maintenance required
 - Rec Centers - closed, maintenance required
 - Museums - closed
- City offices
 - Staff remote working except for essential services
 - Appointment only - reduce lines, total overall traffic
 - No physical transactions - deferred payments, no cash, online services
 - Council and Assembly meetings conducted virtually, with public participation

[8:26:20 AM](#)

MR. ANDREASSEN discussed slide 7, which read as follows [original punctuation provided, with some formatting changes]:

Budgets

- Goal: Addressing significant lost revenues
- Current Budget
 - Spending from savings - emergency management, uncertain reimbursement
 - Furloughs implemented, offset by overtime and reallocated staff time

- Closed facilities plus lost tax revenue
- FY21 Budget
 - Tax increases - may be necessary, especially for school bond debt reimbursement; recognize challenges during economic crisis
 - Program reduction - least likely right now, with economic rebound needed
 - Spending from saving - less available for future emergencies
 - Significantly reduced as used to manage current crisis

[8:27:58 AM](#)

MR. ANDREASSEN related the information on slide 8, which read as follows [original punctuation provided]:

Significantly reduced as used to manage current crisis
7 Implementing business and resident support

- Goal: Alleviate resident and business economic crisis
- Implement grants, waivers and extensions
 - At least two communities have provided direct resident support
 - At least one community has provided grants or loans to businesses
 - A number of communities have been supporting nonprofits
 - All utilities have been kept connected, with payments extended and fees waived or extended
- Economic task forces launched in collaboration with local business community
- Leveraging technology - what's open and what's changed
- Resource- and information-sharing

[8:29:18 AM](#)

MR. ANDREASSEN brought attention to the information on slide 9, which read as follows [original punctuation provided]:

Costs of COVID

- Short-term expenditures = \$150-250 million
 - Short-term lost revenues = \$250-400 million
 - Long-term expenditures = \$150-250 million
 - Long-term lost revenues = \$400-500 million
-
- Short = March through May/June
 - Long = June/July through December

MR. ANDREASSEN advised that the cost of COVID has been undervalued. A lot of needs have been met out of the current budget, but that has been done through reallocation of funds. He said the crisis is far from over. He said, "We're talking about at least through the end of this year managing through uncertainty." He indicated that if he were to do a quick calculation, he could "come up with this being something like a billion-dollar crisis, ... at the end of the day," but across the board there is no way for municipalities to really know what the cost of this pandemic will be.

[8:31:08 AM](#)

MR. ANDREASSEN covered the information on slide 10, which read as follows [original punctuation provided]:

Short-term allowable expenditures

- All staff time spent on public health emergency
 - 7,691 employees affected - 20% majority of time
 - Leave requirements of the FFCRA or implemented locally
 - All first responders and EOC personnel
- All responses to Federal or State Health Mandates
 - Arguably any closures of public facilities
- 20% to 50% variable impacts to \$2.5 billion budgets over a quarter
- Plus additional costs of direct response - PPE, telework, outreach
- Hospitals, schools, vulnerable population support
- Economic recovery planning and business community support

[8:33:32 AM](#)

MR. ANDREASSEN addressed slide 11, which read as follows [original punctuation provided]:

Snapshot

- 17 municipalities provided current estimates of costs
- Roughly accounted for \$87 million, even though many left expense side off
- \$640 average per capita expenditure on direct and secondary impacts (not including lost revenue) = \$528 million
- About equal to 45% with very early estimations by municipalities
- Varies widely by class and powers adopted - any per capita formula doesn't accurately differentiate by roles and responsibilities, thus miscalculating impacts and need

MR. ANDREASSEN covered the allowable expenditures, as listed on slide 12, which read as follows [original punctuation provided]:

Long-term allowable expenditures

- Public Health Emergency
 - Preparation for additional surges in cases as reopening continues
 - Interstate travel restrictions will have biggest impact, potentially
 - Eight more months, at least, of crisis management and recovery
 - Vulnerable population support
- Social distancing, hygiene, and sanitizing
 - Water and wastewater improvements
 - Public building redesign and improvements
 - Additional staff needs for implementation
 - Rethinking service delivery
 - Crisis communications

MR. ANDREASSEN said local governments are given a lot of latitude in terms of how they can use CARES Act funding in support of residents. He said public facilities will have to be redesigned. Mentioning the mandate for people to wash their hands, he suggested a question as to whether [providing] running

water in places that do not have it would be covered under allowable expenditures, and he said, "I hope so." He said there is a lot to consider.

[8:35:52 AM](#)

CO-CHAIR HANNAN asked how many of 165 communities do not have water.

[8:36:25 AM](#)

MR. ANDREASSEN estimated 22.

[8:37:31 AM](#)

REPRESENTATIVE THOMPSON asked whether AML would reach out to non-AML-affiliated communities to help support accurate reporting and compliance. He expressed concern that these communities would need help and he did not know how to get it to them.

MR. ANDREASSEN talked about support for members. He said he is open to working with Representative Thompson and others regarding the extent to which that assistance was extended beyond municipal government; however, to a large extent, the onus for helping unorganized boroughs and the unincorporated communities therein falls to the legislature.

[8:40:16 AM](#)

CO-CHAIR DRUMMOND thanked Mr. Andreassen for making clear the responsibility of the legislature to serve those boroughs and communities "with those kinds of services."

[8:40:37 AM](#)

REPRESENTATIVE JOSEPHSON indicated his takeaway from recent guidance of the U.S. Department of Treasury was that local governments must constantly question whether something is an allowable expense. He asked whether local governments were being advised to vigorously ask this question.

[8:42:33 AM](#)

MR. ANDREASSEN answered that the U.S. Department of Treasury put forth three points: Is it allowable? Is it necessary? Is it reasonable? Each unit government must make these determinations

and will consider those questions tied with additional guidance provided by the federal department.

8:45:00 AM

MR. ANDREASSEN returned to the PowerPoint presentation, to slide 13, which read as follows [original punctuation provided]:

Secondary impacts

- All actions in support of businesses, residents, and nonprofits that have demonstrated need

- Local control of priority investments
 - Development and implementation of grant programs
 - Training programs for workforce or furloughs
 - Legal and consultant fees
 - Municipal owned airports, hospitals, school districts, ports, and utilities
 - Contract deferral costs; vendor replacement costs

MR. ANDREASSEN said he thinks secondary impacts will be "a bigger way for local governments to play a role to support businesses, rather than nonprofits and others."

MR. ANDREASSEN directed attention to slides 14 and 15, which read as follows [original punctuation provided]:

Potential Uses

Expenditures for renovations of municipal buildings and/or procurement of equipment to enhance social distancing, protect against secondary COVID-19 virus transmission, and enhance remote access of Municipal services:

- Create 1-stop customer service centers;
- Renovate HVAC system to add HEPA filters
- Deep clean entire building & replace floor coverings
- Install key card access
- Purchase state-of-the-art IT equipment for better remote meeting capability
- Purchase IT software/equipment for greatly enhanced online access to municipal functions (online sales tax filing, building permit requests, etc.)

Expenditures for community centers and local education to enhance social distancing, protect against secondary COVID-19 virus transmission, enhance distance learning, and deal with emotional trauma in children:

- Purchase distance learning hardware for each student
- Purchase distance learning software and IT hardware
- Purchase food service equipment to permit dining in each classroom
- Hire a temporary mental health counselor for each school
- Remodel libraries, locker rooms, common areas to accommodate social distancing 14

Potential Uses

Expenditures for direct financial assistance to private business and citizens to offset the adverse economic impacts of the COVID-19 pandemic;

- Direct payments by municipality into utility accounts of vulnerable citizens/businesses
- Direct payments by municipality into mortgage accounts of vulnerable citizens/businesses
- Direct stimulus payments to residents

Expenditures for economic assistance to private businesses and residents to assist in recovery from loss of business or employment resulting from the COVID-19 pandemic;

- Direct business loans that turn into grants
- Direct payments by to pay off bad debts of citizens/businesses that can't repay the debts due to loss of jobs/business
- Purchase of fish from commercial fisherman for free distribution to citizens

Expenditures for new programs to identify or protect against COVID-19 virus transmission, or, protect vulnerable populations against COVID-19 virus transmission or poverty-related impacts of the pandemic.

- Create and operate municipal food pantry or essential food package distribution system

- Create and operate a homeless shelter
- Create and operate a job training/retraining program
- Create and operate a new business incubator

MR. ANDREASSEN remarked there are a lot of options, and he thinks members are considering long- and short-term options. He predicted more plans will emerge in the coming weeks.

[8:47:11 AM](#)

MR. ANDREASSEN brought attention to the information on slide 16, which read as follows [original punctuation provided]:

Treasury Guidance

- "Necessary" expenditure is determined by local government official
- No lost revenue replacement, nor anything that appears as such
 - No utility payments or property tax relief, except in relation to individual circumstance
- Can include staff time even though already budgeted, if staff time applied to public health emergency
- State can transfer to local governments, and local governments to State, as needed to address public health emergency
- Workers compensation coverage allowed for public facing personnel
- Interest earned must be used consistent with original purpose
- Assets acquired for public health emergency purposes may be kept
- Recovery planning efforts are an allowable expense
- Hospital support allowed
- Record-keeping sufficient to demonstrate compliance

MR. ANDREASSEN, regarding the second bullet point, stated that although AML does not agree with that interpretation, it is "moving forward with that understanding." He commented that the U.S. Department of Treasury guidance gives latitude to local governments to spend the funds.

[8:48:07 AM](#)

MR. ANDREASSEN provided his conclusion with slide 17, which read as follows [original punctuation provided]:

Conclusions

- Local governments are currently undervaluing their allowable expenditures under the CARES Act guidance -
- Local governments should be able to expend their overall total allocation of CARES Act funding but will still see a relative and significant deficit
- A municipality and OMB should be able to identify unspendable or unspent funds that may need to be redistributed to communities in demonstrable need. This is easily accomplished under the current structure.
- It is very difficult to anticipate expenses over the next eight months, assuming potential spikes or surges of Coronavirus cases.
- Community support mechanisms can be led by local governments, to strengthen and provide relief to businesses, organizations and individuals.
- Additional Congressional or State support will be necessary

MR. ANDREASSEN said local governments have been "looking at what's right in front of them" and tracking direct expenses "beyond what's budgeted." He said, "A lot of that's gonna change as we now have new guidance and can reinterpret those past two months' expenses." He said members are increasingly expressing that the funds are needed now rather than later to keep municipalities running and jobs and businesses secured. He said he thinks local governments will be able to spend their total CARES Act funding, as currently proposed, but "that won't address their shortfall, in terms of lost revenues and ... their

FY 21 budget." Communities will need to work with the state to move funds around as necessary. He said, "We don't know what's coming, but this is a huge insurance policy to allow local government to make sure that they're able to respond as changes occur." He emphasized his support for local control in this issue. He said AML is "advocating at the congressional level" for changes to the CARES Act that "can address the lost revenue portion."

[8:51:20 AM](#)

REPRESENTATIVE JACKSON mentioned a "water challenge" through the University of Alaska Anchorage, about five years ago, during which addressed utilities for running water that could be maintained by villages, and she indicated she was bring the subject up because it had not been looked into. She asked Mr. Andreassen whether any monies coming in through the Act are being used to build infrastructure for protecting communities both now and into the future or if they are just serving as a Band-Aid.

[8:53:37 AM](#)

MR. ANDREASSEN responded that he remembered the challenge, and he acknowledged the entities involved, with which he said he thinks local governments will be able to work to implement some of the innovation that came about from that challenge. He said the U.S. Department of Treasury's guidance does speak to assets purchased during this time being used for this emergency and repurposed for future emergencies, as long as they are determined to be necessary and allowable.

REPRESENTATIVE JACKSON expressed she was glad to hear Mr. Andreassen was aware of the issue, and she hoped there would be further discussion of it.

[8:55:59 AM](#)

REPRESENTATIVE JOHNSON directed attention to a handout in the committee packet, [a letter from Neil Steininger, Director, Office of Management and Budget, Office of the Governor, to Representative Chris Tuck, Chair, Legislative Budget and Audit Committee, dated May 1, 2020, and including a CARES Act summary sheet and a package of revised programs legislative (RPLs).] She observed that Talkeetna, which would be hard hit [by the lack of tourists due to the pandemic] and whose relief would likely come from the Matanuska-Susitna Borough, was not one of

the communities named to receive relief funds. She asked how the list was formulated and how the amounts of relief funds were determined.

[8:57:22 AM](#)

MR. ANDREASSEN explained that the administration makes those determinations; however, he noted that "as we've flagged concerns, they've tried to address those." He said there is no perfect formula. He stated, "Ultimately it's not going to be about what goes in or out from the state to local governments; it's going to be about ... how able the local governments [are] to spend that on allowable expenditures." He said AML views the important factor as the ability to move funds around between communities to address need, to not leave any federal funds on the table, and to manage risk.

REPRESENTATIVE JOHNSON expressed interest in learning more about the formulas and whether everything in them "relate to something that could be used for COVID relief."

MR. ANDREASSEN said he cannot speak to how the formulas were made but can speak to how communities can be helped to spend these funds in an allowable manner in response to a health emergency.

[9:00:47 AM](#)

CO-CHAIR DRUMMOND suggested the committee could ask the five communities that would be presenting in the upcoming hour whether they know "how the formula was applied."

[9:01:04 AM](#)

CO-CHAIR HANNAN asked whether Talkeetna is one of the communities that does not typically receive state assistance.

[9:01:35 AM](#)

MR. ANDREASSEN said he does not know. He said there are a couple inconsistencies that AML is trying to address and has forwarded to the administration. He said statute lays out the guidelines regarding community assistance, and he does not know the specific status of Talkeetna.

[9:02:27 AM](#)

CO-CHAIR HANNAN asked Mr. Andreassen to elaborate on the third bullet point on slide 17, which read as follows [original punctuation provided]:

- A municipality and OMB should be able to identify unspendable or unspent funds that may need to be redistributed to communities in demonstrable need. This is easily accomplished under the current structure.

CO-CHAIR HANNAN specified she wanted to know what Mr. Andreassen meant by "current structure."

MR. ANDREASSEN indicated it involves OMB, a grant process that would follow the "treasury guideline," and collaboration with state agencies.

CO-CHAIR HANNAN presumed this would be more easily accomplished when AML helps to set up uniform reporting for the 165 member communities; this would add a level of transparency.

MR. ANDREASSEN agreed.

[9:05:15 AM](#)

REPRESENTATIVE JACKSON asked how shared funds would be shared and whether they would flow back through the state.

MR. ANDREASSEN answered that that is still to be determined. It would be up to OMB and the Division of Community and Regional Affairs (DCRA) [under the Department of Commerce, Community & Economic Development (DCCED)] to set the right structure based on its grant process. He said he thinks there is "early indication that ... things like that could be accommodated."

[9:06:59 AM](#)

CO-CHAIR DRUMMOND thanked Mr. Andreassen for his presentation. She noted the committee would hear from some city officials on how COVID-19 is affecting their communities and how CARES Act funding could be used.

[9:07:45 AM](#)

STEPHANIE QUEEN, City Manager, City of Soldotna, spoke to the committee about the effects of COVID-19 in Soldotna and need for

CARES Act funds. She began by sharing what the city's response has been thus far, beginning on March 13. She said the city closed sports centers and shut down all large events; libraries were closed to the public; several days later, all city facilities were closed to the public. Policies were put in place to keep employees safe and keep essential services going. She said focus was put on maintaining public safety, water and sewer utilities, and road maintenance. She stated that the city's existing emergency operations plan has one paragraph indicating that there is no existing policy for an infectious disease pandemic. She said the City of Soldotna looked to its peers, to other local governments tackling the same challenges, and to Mr. Andreassen.

[9:10:38 AM](#)

MS. QUEEN next discussed expenditures. She said the city spent money on items such as masks and sanitizer; however, the bulk of its expenditure has been in time responding to mandates, developing new policies, and learning about unemployment and emergency leave to keep people safe. She said although the city is tracking its expenses as best it can, it has not come to consensus on what the definition of expenditures includes, thus it has not yet calculated its expenses. Ms. Queen relayed the biggest impact is lost revenue, which has been quantified. She said 75 percent of the City of Soldotna's general fund revenue comes from sales tax. Next are investment earnings, followed by parks and recreation user fees. Those three categories combined make up 90 percent of the city's general fund revenue. Property tax is only 3 percent. She said those categories have been significantly impacted, with an expected loss or reduction of \$800,000 of sales tax revenue for just March through June. The city is projecting a \$1.7 million reduction in sales tax for fiscal year 2021 (FY 21). Combined with those other revenue sources, the projected reduction in the FY 21 budget is \$2.2 million. She said this would be a significant loss of about \$3 million out of a general fund budget of \$10.5 million. For effect, she shared that amount is essentially the budget for the city's police department.

[9:13:48 AM](#)

MS. QUEEN talked about the necessity to redo the budget, with a plan for being conservative in "cutting discretion and spending." She said the city has been fortunate in having a healthy fund balance, which has allowed it to continue building and maintaining when state funds have not been available. The

\$3 million hit to the budget will impact the ability to do that moving forward, she said. Also impacted will be interest earnings. Ms. Queen, in terms of looking forward, said the City of Soldotna spent the first month of the pandemic figuring out how to close down safely, and "now, suddenly, everyone's talking about how to open up again." This requires internal risk assessment. She said currently she is spending the most time in consideration of reopening boat launches, camp grounds, and fishing infrastructure. Delivering these services may require innovative service delivery options. The library now offers drive-up pickup services for books. She talked about the essential services of the library and the importance of getting it open. The guidance and rules, as written, are being followed by the city. She said she thinks the city will be able to reimburse some of its personnel expenses and direct expenses.

[8:17:21 AM](#)

MS. QUEEN said there will be "opportunities ... for direct pass-through for programs that relieve community need or business owner need." For example, the City of Soldotna started a storefront improvement program in 2012 with a matching grant, and this has been transformed into a virtual storefront improvement program for businesses to improve their presence online. She said that is the type of thing that may be eligible for CARES Act funds and could increase in scale going forward. She said the city also has thought creatively about the ability for communities or municipalities to share or pass through funds to other layers of government or to nonprofit organizations, for example. She said planning is in process, and streamlined guidelines will be helpful in managing such a considerable amount of money to use it in the best way possible and without waste. She remarked, "We're all making decisions at a pace that doesn't leave a lot time for deliberative, really thoughtful consideration, and so the more that we can do together to identify good uses of this funding, or strategic uses, I think we're all going to be better off for it."

[9:19:32 AM](#)

CO-CHAIR HANNAN referred to the figure of \$3 million anticipated lost revenue from this fiscal year. She asked whether Ms. Queen has speculated as to the next fiscal year, which begins on July 1. She surmised that since Soldotna is on the road system, it is probably a community that has seen a return in travelers to its area, which may generate revenue; however, she asked whether

Ms. Queen has anticipated what restricted travel will mean in terms of lost revenue over the summer season.

[9:20:47 AM](#)

MS. QUEEN clarified that the \$3 million of lost revenue is actually the combined number for the remainder of the current fiscal year, FY 20, and FY 21. She said for the budget being built for FY 21, the city expects to be down by about \$2.2 million, and it expects to be down about \$800,000 for the remainder of the current fiscal year. She said Soldotna is seeing traffic. The cities of Homer and Seward are ahead of Soldotna in its boat launches and campgrounds filling. She said the City of Soldotna typically opens May 15, but she does not know if the city will be ready to do that by then, because she wants to see and approve an operational plan put out by the parks directors. She said reopening some businesses is both exciting and anxiety producing, as city leaders determine how people will interact safely in spaces.

[9:22:20 AM](#)

CO-CHAIR DRUMMOND asked Ms. Queen whether she had considered the impacts of Governor Mike Dunleavy's vetoes to the FY 21 budget and whether the legislature should restore that funding either through a veto override, if possible, or through a new appropriations bill.

[9:22:43 AM](#)

MS. QUEEN answered that she had not considered that point. She said the City of Soldotna "was relatively insulated from the impact of those vetoes."

[9:23:48 AM](#)

CALVIN CASIPIT, Mayor, City of Gustavus, in response to an earlier question, related that the City of Gustavus does not have a municipal water system. He then related that the City of Gustavus is a rural remote community of approximately 537 full-time residents. Access is only by boat or airplane. Gustavus has a clinic, which operates with one nurse practitioner and one staff. Summer tourism is the primary income source, producing a sales tax, income tax, and "a small amount of our fish box tax." He related that the City of Gustavus does not impose a property tax. Mr. Casipit emphasized that state funding is critical to provide services to the community; the little money the

community receives in federal receipts is allotted mostly to road maintenance. He indicated that COVID-19 has impacted the city's budgeting process catastrophically. He said while Gustavus has some money in reserves, "a protracted shutdown of our economy will create ... the necessity to eliminate services that make our city a city." For example, he predicted the city recycling center would have to cut its hours, resulting in people burying, burning, or dumping trash; the city library, which offers many activities and learning opportunities could be affected; and businesses may have to reduce services or shut down.

[9:26:35 AM](#)

MR. CASIPIT related that the City of Gustavus derives \$336,000 from combined sales tax and bed tax and other revenues, and it is not counting on any of that revenue in FY 21, because there won't be much of a "tourist season." He warned that without a return to some level of normalcy, Gustavus would face the closing of businesses, the outmigration of its citizens, and a collapse of its social systems related to health and welfare. He remarked that many people in Gustavus spend money on goods and services in Juneau. Mr. Casipit opined that the full Community Assistance Program (CAP) needs to be restored, whether through supplemental funding or a veto override. He said he had corresponded with the legislature and others early in the year expressing concern over "the assumption that the CARES Act funding could be substituted for the assistance program." He added, "I think it needs to be fully funded, and then figure out a way to supplement it later, if we can." He noted minimal expenditures have been made on supplies; money spent on the increased staff time spent is still being calculated. He reported that the City of Gustavus has taken significant action to keep COVID-19 out of the community, thus it has not spent "a whole lot of money" responding to COVID-19. He said spending will increase dramatically once there are cases locally. Currently, the hit to the budget has been to revenues, and since CARES Act money cannot be used to replace lost revenue, the city is in a tough situation and hopes the governor will be able to help. He concluded, "We feel like we've done what was right as far as preventing [COVID-19] from coming to the community, but now we're in a spot where ... we're not going to see the revenues that we normally see."

[9:31:22 AM](#)

CO-CHAIR DRUMMOND, regarding Mr. Casipit's comment about overriding the veto or restoring community funds, asked what that amount would be for Gustavus under normal circumstances.

MR. CASIPIT deferred the question to his city manager.

[9:31:38 AM](#)

TOM WILLIAMS, Administrator, City of Gustavus, said this year the City of Gustavus was going to get approximately \$75,000.

CO-CHAIR DRUMMOND stated that there was an RPL for \$375,804 in direct municipal relief to the City of Gustavus. She said this information was in a table and being considered by the Legislative Budget and Audit Committee. She acknowledged that that is funding Mr. Casipit is concerned cannot be used, since it cannot be spent to recoup lost revenues.

[9:33:26 AM](#)

CO-CHAIR HANNAN indicated that the City of Gustavus, under a "supplement B," is allowed to place travel restrictions on who can come into the community, and she remarked that that would be easier done in March than in June [when tourism typically would be active]. She asked how those restrictions have been going now that it is May and seasonal residents may be seeking to return.

MR. CASIPIT answered that it has been challenging. He shared that Gustavus has no law enforcement, so there tends to be a lot of feedback from residents reporting, for example, when someone has not strictly adhered to a 14-day quarantine. He said staff is spending a lot of time working with businesses with staff that want to come back to Gustavus. He relayed that the Gustavus City Council is working on a resolution to address the operations of the dock. He said the City of Gustavus is "taking it as it comes" and attempting to work closely and consistently with the state mandates. This requires much time, effort, and coordination of staff. In response to a follow-up question, he reported that the dock work is still in progress and scheduled for completion on June 1.

[9:37:15 AM](#)

TOD LARSON, Manager, City of Dillingham, noted that Dillingham is one of only a handful of first-class cities in an unorganized borough. He described the ripple effect of the pandemic, and he

said the ripple had not yet reached the City of Dillingham. He related that the city already has a small staff, and he is in reactive mode, addressing state mandates and council requirements and ordinances. He noted that the city has an accounting firm that gives advice. He said he has done research and has found there is not a lot of federal or state guidance. He said the RPL for the City of Dillingham would provide \$3.4 million, but "it's not money in the bank for us." He added, "We know there's going to be something out there, ... and we have been spending it." He said the city is spending money on unique items, such as tents, cots, and sleeping bags. He explained that processing workers are starting to arrive, as fishing begins in three weeks.

[9:41:04 AM](#)

MR. LARSON noted that the community has a small hospital. He explained that sometimes a new hire does not get on with the crew and is returned to shore; the city wants to maintain separation between its residents and transient fishing fleet during the pandemic. He emphasized concern about the hospital's limited capacity. He said citizens in the community are anxious, and there are been struggles related to "response from the administration." Mr. Larson said the city has extended its closures; it began a new emergency ordinance spanning 60 days to June 29. He mentioned speaking with two staff of the Department of Transportation & Public Facilities (DOT&PF), and he expressed the difficulty of navigating through mandates and simultaneously addressing everyday concerns, such as pot holes in the roads.

[9:43:47 AM](#)

MR. LARSON said the City of Dillingham has "the lost revenue issue" and unbalanced reserves that it can leverage to spend. He complimented Mr. Andreassen for some of the ideas he had put forward. He said the school bond dept really hurt financially. He indicated that in FY 19, the city was paying \$320,000; in FY 20, that amount was \$750,000; and in FY 21, the amount is \$1.1 million. He said that is an increase in three years of approximately \$700,000 out of a budget of about \$13 million, which he said is significant. He added to that an expenditure of approximately \$100,000 of community service. He said the city expects long-term revenue issues but does not have an estimate on that yet. Legal fees are increasing as ordinances are created. Currently there are a number of construction projects for which the city bonded, and some workers from the Lower 48 have to quarantine, which will result in a significant

impact to the cost of the projects. He remarked that he is looking at three more months of this [related to fishing and construction season] and said he is exhausted already. He welcomed questions from the committee.

[9:47:56 AM](#)

CO-CHAIR DRUMMOND asked how much CAP usually brings to Dillingham.

MR. LARSON answered \$107,000 last year and a little over \$200,000 in prior years.

[9:49:04 AM](#)

CO-CHAIR HANNAN asked what the demands on the City of Dillingham's water system are with the influx of seasonal workers.

MR. LARSON answered that the water system services only a small part of town; some seafood processors receive water from the city while others operate on a well system. He said Dillingham triples in size when the fleet comes in.

[9:51:15 AM](#)

CO-CHAIR DRUMMOND asked Mr. Larson whether there were any further issues in the vetoed items, beyond the school bond debt and CAP, that would affect the City of Dillingham and which he would like the legislature to override or reappropriate.

MR. LARSON answered that those are "the two big ones." Notwithstanding that, he said any loss of revenue is an impact. He expressed appreciation to the legislators for their efforts. He speculated that everyone has the same goals in mind; "it's just tough right now."

[9:52:29 AM](#)

JIM MATHERLY, Mayor, City of Fairbanks, acknowledged what each community is facing during the pandemic, and he said the entire state is experiencing something unexpected and which "none of us has experienced." He reported that early on, the city spread out its workers to avoid proximity to anyone who might be contagious, and out of its 200 employees, only one has tested positive, and that person quarantined at home and recovered. In addition to COVID-19, the City of Fairbanks has dealt with lower

than average temperatures, a big "break up" producing more water than usual, and copious amounts of snow this last year. He reminded the committee that the City of Fairbanks is tucked within a second-class borough. He said he has experienced pressure from those wanting him to close down businesses in the city limits, but he considered that the result of that would be that people would congregate in businesses just outside the city limits, for example, crowding into restaurants, some of them just across the street from city limits. He pointed out that the borough mayor does not have the authority to close down businesses, only the governor can do that, and which he subsequently did. Mr. Matherly said a unified command was created comprising himself and representatives from Fairbanks Regional Hospital, Fairbanks North Star Borough, the City of North Pole, Eielson Air Force Base, and Fort Wainwright. He reported that the unified command created structure and has been successful.

[9:57:50 AM](#)

MR. MATHERLY stated that the economic impacts are immeasurable. A few weeks ago, he said, the City of Fairbanks was facing a \$3 million loss; however, since then more businesses have closed, which shrinks the tax base. He named some businesses that have shut down and the effect of the loss of tourism. He said he is getting pressure regarding the annual Tanana Valley State Fair, which might have to be canceled. He named other annual events on the chopping block. He said 2020 is up to a \$5 million loss, and that number is continually increasing. The borough, which closed the public library, the pool, and schools, has its own calculations. The city is in charge of police and fire, which must stay active; public works, such as snow plowing; and garbage pickup. He emphasized the effort made by the City of Fairbanks. He noted that the annual clean-up day would take place, because the city needs a break from COVID-19 and there will be mask wearing and sufficient social distancing. He credited many restaurants in the city adapting by offering curbside pickup, but said it has been sad to see many businesses closing because they could not make it. He spoke of a "soft opening" of restaurants, with many making individual choices about whether to open their doors, while others are open and do not require their employees to wear a mask. He said he spends much of time conducting meetings by phone to address complaints and speak with the press.

[10:02:02 AM](#)

MR. MATHERLY thanked Mr. Andreassen and the staff at AML for "getting our messages out collectively" He noted that revenue loss has been an ongoing, fluctuating issue for the City of Fairbanks. He deferred to the city manager to provide details. He offered his understanding that former testifiers had spoken about expenditure of CARES Act funds "not just on COVID-related expenses, but also loss of revenue."

[10:03:53 AM](#)

MIKE MEEKS, Manager, City of Fairbanks, said expenses for the City of Fairbanks are approximately what its revenue loss will be. He said the city projects a \$5 million revenue loss, most of that related to tourism. The city has "sin" tax and property tax. He related that of the sin taxes, alcohol has fallen, tobacco has risen slightly, and marijuana has "about" broken even. The closing of businesses is affecting the property tax. Worst-case scenario projection for expenses is approximately \$1.5 million. He said operations have moved to at-home setups, and though productivity has fallen, "the services are there."

MR. MEEKS said the City of Fairbanks would like to see the provisions of the CARES Act based on the number of citizens, not on sales tax. He emphasized the three things most important to the city's ability to grant monies from the CARES Act are: What is the final amount? When will the money be received? What strings will be attached? He said unlike the City of Anchorage, the City of Fairbanks will be "risk averse" in terms of the funds. He stressed the difficulty in making plans without all the information. He offered his understanding that the funds have to be spent by the end of December. He said any assistance [the legislature] can provide regarding the three questions would be appreciated.

[10:07:17 AM](#)

MR. MATHERLY related that he has sensed a ground flow of angst from citizens. He said a vocal minority have expressed opinions in opposition to [hunkering down] at home and wearing masks, for example. He said the sooner money can be put into the hands of business owners, the better. He said people are experiencing mental angst and some are expressing anger.

[10:09:13 AM](#)

REPRESENTATIVE THOMPSON noted that in the early 2000s, the City of Fairbanks received \$2.8 million in what was called revenue

sharing, now called community aide, and he recalled the amount of community aide now is under \$500,000. He asked about the affect to the city from the lack of bed tax revenue.

[10:09:51 AM](#)

MR. MATHERLY answered that that figure is still being calculated. He deferred to Mr. Meeks.

[10:10:05 AM](#)

MR. MEEKS proffered that the original estimate was \$3 million, but since that time Princess Cruise Line announced it would not be touring Alaska, and there have been other closures. Now, of the \$5 million projected revenue loss, the majority is coming from bed tax.

[10:10:43 AM](#)

REPRESENTATIVE THOMPSON offered his understanding that [Fairbanks Memorial Hospital] received only \$5 million of the CARES Act money and its administrators project that by the end of July the hospital will be "\$5 million down." He said, "Before they were allowed to start up other procedures, they were projecting [a] \$52 million shortfall." He emphasized that this hospital services everyone within 500 miles. He expressed concern for the availability of care, and he asked whether Mr. Matherly had been in contact with the hospital.

[10:11:59 AM](#)

MR. MATHERLY confirmed that City of Fairbanks representatives had held a conversation with representatives of the hospital, who conveyed that they are "hurting." He said the hospital had to put off procedures in order to handle COVID-19 cases. He related that the city put 100 beds at the Carlson Center to prepare for any overrun, which he said luckily did not occur. He indicated that the hospital administration made a pitch to the city for money and is trying to pursue additional money from the federal government. He stressed the importance of increased funds for the hospital.

[10:13:11 AM](#)

REPRESENTATIVE THOMPSON noted another meeting with hospital administrators was scheduled for Friday. He urged the city officials to pursue the issue.

10:13:48 AM

CO-CHAIR HANNAN assured Mr. Meeks that the legislature shares his concern about the RPL process and knowing the exact dollar amounts going to each local government. She said no amendments can be made to the RPLs; therefore, it is important to do the work of ensuring local governments' needs are met through discussion such as occurring at this hearing. She indicated that where there are strings attached is within the guidance from the U.S. Department of Treasury. She said the legislature wants as much latitude as possible for communities to be able to serve their own needs, which she described as "hugely varied across the state." The goal is to keep communities whole and to distribute "as much money as we can legally put out there as soon as possible."

10:15:31 AM

CO-CHAIR DRUMMOND specified that RPLs cannot be changed by the legislature but can be amended by the administration; therefore, she urged Mr. Matherly to "have some strongly worded conversations with the administration" regarding the method by which the amounts were derived and what is needed.

10:16:27 AM

VINNY CORAZZA, City Manager, City of Bethel, prefaced his testimony by reporting that Bethel was in a current flood situation amidst the pandemic, and if it got any worse, he would have to declare a state of emergency. He then said he would touch on four points: the city's response in the last four months and potential need for the end of the year; expenditure of funds; loss of revenue and budget impacts; and the city's ability to use CARES Act funding to support community businesses and other needs.

MR. CORAZZA said on his first day as city manager, April 6, 2020, the mayor called him to report the City of Bethel's first positive case of COVID-19. He described the emergency steps that were taken. He said city funds were spent to keep the homeless center open with the idea that the city could keep an eye on its homeless population; however, since "mandate 14," the thinking is that non-congregate housing is better than congregate housing in terms of housing the homeless. He said some villages in the Yukon-Kuskokwim (YK) Delta demand residents [who have been outside their villages] quarantine 14 days before

setting foot inside their villages, and since Bethel is the hub for approximately 47 villages, it has become a transit zone. He said the immediate need for [CARES Act] funds is to retrofit a building to become the emergency operations center. Mr. Corazza said non-congregate housing for quarantine is another need. The city has no idea how to pay for hotel rooms for "positive, under-suspected, or evacuees who have no quarantine shelter."

[10:20:28 AM](#)

MR. CORAZZA said the city will need funds to pay people to operate the shelters. Many people will not volunteer because they are fearful of being in close proximity with positive or suspected positive cases of COVID-19. Funds are needed to cover food, water, hand sanitizer, as well as other personal protection equipment (PPE).

MR. CORAZZA, in terms of loss of revenue, said that because the City of Bethel is almost entirely dependent on its 6 percent sales tax, any economic loss would be a hard hit. He offered his understanding that the city's last reported sales tax income was about \$8 million, and the city has a budget of \$11 million. He said, "So, that's going to be ... a huge, crippling effect ... on our economy."

MR. CORAZZA, regarding the ability to use the CARES Act funding, said the fear of COVID-19 can cause chaos. For example, even before the first local case of COVID-19, older bus drivers were too worried about driving, so people had to take taxis; however, one of the largest cab companies in town shut down for fear of getting COVID-19 from passengers. The city had to step in to set up a new fare system which encouraged individual fares rather than ride sharing. That led to fare prices rising, and the city did not have the means to subsidize this increase. Citizens forced to pay the higher fares have expressed anger. He said CARES-Act funding could be used to subsidize the industry while encouraging social distancing. It could be used to purchase meters, which would more accurately calculate the fare than the current use of a stopwatch. Mr. Corazza said the funds could also be used to purchase PPE, which is hard to come by and sold at a premium.

[10:25:05 AM](#)

MR. CORAZZA, in response to a query made previously by Representative [Jackson], reported that the City of Bethel has a hybrid piped/hailed water system. Should a water truck driver

get sick, the water system would fall apart. He said having a pipe water system is the answer, and he said he thinks the city would use some of its CARES Act funding to convert the areas still dependent on truck delivery to a piped water system. This would mean citizens would be able to wash their hands frequently without concern about losing their water source if drivers got sick.

[10:26:49 AM](#)

CO-CHAIR HANNAN asked Mr. Corazza whether he had been a resident of Bethel prior to April 6 or was initiated upon arrival with a pandemic and flood.

[10:27:17 AM](#)

MR. CORAZZA answered that he moved from Florida on March 18, thinking he would escape the coronavirus, and he quarantined "for several weeks" before his first day working. He related his experience in Florida surviving two hurricanes and working with emergency operations response.

[10:28:38 AM](#)

CO-CHAIR DRUMMOND reiterated her question about whether the legislature should restore veto items through a veto override or a new appropriations bill. She also asked what the City of Bethel "normally" gets from the community assistance program.

MR. CORAZZA reiterated that the sales tax is the main source of revenue for the city. He added, "About 80 percent of it comes ... from taxes of various avenues." He indicated the city receives \$150-\$200 million through CAP. He said any assistance the legislature could provide in restoring [the lost sales tax revenue] would help restore city operations. If no CARES Act funding is provided, the city would have to work with a reduced sales tax projection.

[10:30:33 AM](#)

CO-CHAIR DRUMMOND thanked all the speakers. She closed out the meeting by expressing thanks to all frontline workers and noting that today is National Nurses Day.

[10:31:18 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 10:31 a.m.