

HOUSE FINANCE COMMITTEE
ANCHORAGE LIO
April 24, 2020
10:00 a.m.

10:00:39 AM

[Note: meeting took place in the Anchorage LIO and was recorded from Juneau.]

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 10:00 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Jennifer Johnston, Co-Chair
Representative Dan Ortiz, Vice-Chair (via teleconference)
Representative Ben Carpenter (via teleconference)
Representative Andy Josephson (via teleconference)
Representative Gary Knopp (via teleconference)
Representative Bart LeBon (via teleconference)
Representative Kelly Merrick (via teleconference)
Representative Colleen Sullivan-Leonard (via teleconference)
Representative Cathy Tilton (via teleconference)
Representative Adam Wool (via teleconference)

MEMBERS ABSENT

None

PRESENT VIA TELECONFERENCE

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Alesia Kruckenberg, Director of Planning and Budget, Office of Strategy, Planning, and Budget, University of Alaska; Representative Bryce Edgmon; Senator Donny Olson; Representative Sharon Jackson.

SUMMARY

PRESENTATION: CORONAVIRUS AID, RELIEF, and ECONOMIC SECURITY ACT

Co-Chair Foster reviewed the meeting agenda. He recognized Senator Donny Olson in the audience. He asked members to hold their questions until the presentation concluded.

^PRESENTATION: CORONAVIRUS AID, RELIEF, and ECONOMIC SECURITY ACT

10:03:05 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), shared his intention to review the governor's plan as laid out in the Revised Program Legislative [RPL] package the Office of Management and Budget (OMB) had submitted earlier in the week.

Co-Chair Foster asked Mr. Steininger where the document was located online.

Mr. Steininger replied that the PowerPoint presentation should be available on the legislature's website. The package was also available on the governor's website, which listed all of the revised programs sent forward to the Legislative Budget and Audit (LB&A) Committee earlier in the week.

Co-Chair Johnston added that the PowerPoint was located on the legislature's website under the House Finance Committee agenda for the day.

10:04:23 AM

Mr. Steininger began on slide 2 of the PowerPoint presentation titled "Office of Management and Budget: House Finance Committee: Coronavirus Aid, Relief, and Economic Security Act," dated April 24, 2020 (copy on file). He relayed that there was a variety of federal legislation related to the COVID-19 response mitigation. The presentation focused primarily on items under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Additionally, there were two other pieces of legislation that provided other areas of support that did not necessarily run through the state's budget, but provided support out to communities and individuals to address more healthcare and medical related response mitigation. The presentation would focus on relief of some of the second order effects and impacts of the COVID-19 outbreak.

Mr. Steininger moved to slide 3 to provide a high level summary of the CARES Act funding. The largest portion of funding coming to the state from the CARES Act was coming via the COVID-19 Relief Fund (CRF) in the amount of \$1.25 billion. He noted the \$1.25 billion was the minimum allocation going out to states. The federal Treasury had issued additional guidance on April 22 regarding how the funds could be spent. He detailed that the guidance listed six broad categories of expenditures designed to address costs occurring between March 1, 2020 and December 30, 2020. He explained the funds pertained to expenditures that were already being incurred and would continue to be incurred through the duration of the crisis by municipalities, businesses, and the state government.

Mr. Steininger reviewed the six categories included in the federal Treasury guidance. The first was medical costs, which included costs related to the provision of medical services, expenses at public hospitals, testing, and other. The second category was public health including the expense of quarantining individuals, making public areas safe for people, and other. The third category was payroll expenses for some individuals performing the work needed to mitigate and respond to the public health emergency. The fourth category related to compliance with health measures. He detailed that many of the public health measures released by the governor in recent weeks carried a cost for compliance. The CARES Act funding provided the ability to cover costs that were incurred as a result of the mandates.

Mr. Steininger detailed that the fifth category was economic support to cover economic impacts of the mandates on small businesses. The sixth category pertained to expenditures necessary for the function of government related to COVID-19. He reiterated that the funding covered March 1, 2020 to December 30, 2020. The CARES Act included other non-CRS funding of approximately \$281 million. The funding had gone to direct allocations to very specific impacts. For example, it included money coming to educational institutions and airport and transportation infrastructure. The CRS covered areas that were not specifically enumerated elsewhere in the bill and gave broad ability and discretion for states and municipal governments to work through the impacts of the COVID-19 crisis.

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Mr. Steininger turned to a table showing CARES Act federal funding by agency. The table showed where CRF allocations and CARES Act direct grants fell in the state's budget. The table included an RPL column to show which portions of the CARES Act they were associated with. He explained that the rows without RPL numbers reflected areas with adequate authority in the state budget to accept the incoming federal revenues. He elaborated that some of the bills passed during session had given authority to the Department of Health and Social Services (DHSS) to receive and distribute money related to impacts of the CARES Act. Additionally, there was also authority within the Department of Commerce, Community and Economic Development (DCCED) related to community development block grants. He would address the items individually in later slides.

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Mr. Steininger moved to slide 5 showing an RPL related to direct municipal relief. He explained that the CARES Act allocated 45 percent of a state's CRF money directly to municipalities exceeding 500,000 residents. The allocation did not apply to Alaska because it did not have a city exceeding 500,000 residents; however, the administration was using the guidance to distribute 45 percent into municipalities because municipalities and the smaller political subdivisions were closer to the response activities. He elaborated that the municipalities were able to understand where the money needed to be allocated to ensure the maximum benefit, mitigation, and response.

Mr. Steininger shared that the administration believed it was important to ensure the money was going to organizations best fit to respond to the crisis. When the administration had looked at how to allocate the money fairly and provide adequate resources to communities, it had considered numerous points of data to help guide its allocation decisions. The administration had looked through different data sets and things the state had in order to develop a calculation that quantified the economic activity and size and scope of government in communities. They had considered areas like retail, hospitality, tourism, regional commercial fishing, and other measures of commerce activity in order to distribute the money. The calculation was also based on population. He detailed that the existing

Community Assistance Program was successful in distributing money based on population. The administration had applied approximately half of the distribution through the Community Assistance Program. Additionally, the administration had used metrics within DCCED regarding retail, hospitality, commercial fishing, and other economic activity and had applied a 75 percent factor.

Mr. Steininger reported that the administration had elected to do three quarterly payments instead of one lump sum payment. The first payment was targeted for May 1. The payment would be the population based metric combined with one-third of the economic activity metric. The second and third payments would each be one-third of the economic activity metric. He highlighted the calculation shown on slide 5. He added that the by-community distribution was available within the RPL package.

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Mr. Steininger communicated that the administration wanted municipalities to report back monthly on how they were spending the money. He explained that the federal guidance applied to communities receiving the money - all recipients had to ensure their expenditures fit within the federal guidance. The administration wanted communities to have the discretion to spend the money as they saw fit, but within the guidance from the federal government. He elaborated that the reports would go to OMB and could be made available to the legislature and interested parties.

Representative Sullivan-Leonard considered the three quarterly payments of the economic stimulus grants. She asked if there had been discussion about asking for quarterly reports instead of monthly reports in order to ascertain how communities were using the funds.

Mr. Steininger replied that they had chosen to do monthly reporting to get a quicker idea of how the funds were being spent by municipalities and gauge the effectiveness of the response activity. He explained that the administration was still working to determine the best reporting mechanism. He detailed that every municipality had a slightly different accounting system and way of recording expenditures; therefore, the administration needed to ensure the reports could be provided by all municipalities.

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Representative Sullivan-Leonard asked about the parameters on how municipalities could spend the money.

Mr. Steininger answered that municipalities should consult the federal guidance. He detailed that the administration was also looking at the federal guidance and was working with its federal partners to better understand it as there were questions about whether specific costs fit. He shared that municipalities all had questions and the administration was answering as best it could as quickly as possible. The administration was available as a resource to municipalities as they tried to determine which category expenditures fit under. He noted it was a team effort requiring everyone involved to answer questions as they arose. He stated the administration was hoping to help the municipalities with questions in order to ensure their spending met federal guidance.

Co-Chair Foster recognized Representative Sharon Jackson in the audience.

Vice-Chair Ortiz looked at the "Payment 1" calculation on slide 5: $.25 \times \text{Economic Activity Metrics} + \text{Community Assistance}$. He asked for detail on what economic activity metrics meant or the inputs used to determine what the metrics were all about.

Mr. Steininger responded that OMB had looked through its data that quantified the amount of economic activity in any given municipality as well as the government's involvement in the activity (the scope and scale of a local municipal government). He relayed that DCCED had substantial data activity in retail, hospitality, tourism, and commercial fishing. He explained there were metrics that quantified all of the activities; therefore, OMB had applied a 75 percent factor to the metrics. He detailed that the .25 represented one-third of the 75 percent. He clarified he was talking about one-third of 75 percent of the total, which resulted in .25 instead of .33. The number had been applied to the metrics DCCED collected on an annual basis.

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Vice-Chair Ortiz asked if the department had economic activity data from all of the different communities that would be receiving the money.

Mr. Steininger answered that when looking at the list of communities it was possible to see that some had values within the three other economic activity metrics columns. He stated they were somewhat variable; however, it was representative of every community collecting and providing data to DCCED that also used the economic activities as a means to support their local municipal government. There was an element of size of government within the community that was inherent in the data used by OMB. He elaborated that some municipalities may have a lower level involvement in the community and the government involvement may come from a different political subdivision that may sit above the community. He explained that they wanted to ensure the distribution went to the political subdivision most involved in the activity within a community.

Vice-Chair Ortiz was concerned about having the accurate information to make the distribution calculation. He wanted the distribution to be as fair as possible. He shared that he may have a follow up question about the slide later on.

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Co-Chair Johnston thanked Mr. Steininger for the presentation, which she found very helpful. She considered the three [quarterly payment] tranches. She appreciated that OMB was asking for monthly reports because she had been reviewing the federal guidelines and found them to be unclear at times. She remarked on the importance of taking caution because misappropriated funds would have to be paid back. She asked if OMB would review the monthly reports and only release the second tranche after 80 percent of the funds from the first tranche were spent. She wondered if there was a formula in terms of releasing the second and third fund tranches.

Mr. Steininger answered that the plan was to send tranches out regardless of the expenditures made from the prior tranche. He explained that the reporting requirement was to help the administration know how the funds were being spent. He informed the committee that the April 22 federal guidance made it clear that unspent monies would be returned to the Treasury. The administration intended to

distribute the three tranches of money on a quarterly basis. The administration anticipated that COVID-19 impacts were significant; therefore, it was not concerned about a lack of spending by communities. The concern was more about ensuring that funding reached communities in an expeditious and reliable way in order to allow communities to plan ahead and not make expenditures without any certainty of being reimbursed.

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Representative LeBon believed the economic activity variable in the formula seemed to be very subjective. He pointed out that the Fairbanks North Star Borough had been allocated \$450 per person and was located at the bottom of the list of the bigger communities, while Kenai was allocated \$1,150 per person and Mat-Su was allocated over \$600 per person. He pointed out that the economic impact of the crisis was occurring statewide and found it difficult to believe that Fairbanks was not worthy of receiving more support than \$450 per person. He had a problem with the subjectivity of the economic activity variable. He suggested that a separate presentation may be needed to go into depth on the economic activity formula. He did not know how it worked and wanted to understand it better. He was unhappy about a \$450 per person allocation for the Fairbanks area.

Mr. Steininger responded that the cost of providing government services throughout the state was highly variable on a per capita basis. For example, some rural areas were more expensive to provide services to than others. The data used by the administration accounted for geographic variability and included the political subdivision involvement in activity within communities. He explained it was the reason for some of the disparity [in funds] between communities. He explained that the administration had tried to use a calculation that was as objective as possible with the data available to the state. There was some limitation around the data available to the state. The goal was to make a distribution in order for communities to have some certainty as soon as possible in the amount of relief coming their way in order to allow them to plan mitigation efforts. The factors included the data available to the state and adjusting for factors surrounding economic activity and the size of government in each community.

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Representative LeBon stated that the answer did not address his concerns. He believed the most impactful part of the allocation formula should be population. He speculated that if all of the communities in the state were asked to address their economic impact, there would be no question that all communities were severely economically impacted. He stated that splitting hairs on the economic impact portion of the formula was a disservice. He wanted the formula to be readdressed with population used as the dominant factor. He expressed disbelief that Fairbanks would be so far down on the list if a true economic impact analysis were conducted.

Representative Wool remarked that it sounded like half of the money allocated to municipalities would be determined by the community assistance formula and the other half would be determined by the economic metric. He explained that the community assistance formula gave different flat amounts to boroughs, cities, unorganized boroughs, and outside unorganized boroughs. He was assuming the administration's calculation followed the existing community assistance formulas. He stated that the remainder with the community assistance was divvied up per capita throughout the whole state. Under the scenario, the larger areas received more money because they had more people, and the smaller areas may receive more based on their organizing entity. He assumed the administration's formula was similar. He stated his understanding that the other half of the money would be divided into three payments of 25 percent each. He wondered about the remaining 25 percent.

Representative Wool asked if there was a formula for the economic metrics like there was for community assistance. If so, he asked if the administration could provide the formula. He asked if unorganized areas also received economic metrics.

Mr. Steininger confirmed that the existing community assistance program formula had been used in the administration's formula. He noted that the only difference was that the funding level was much higher than was typically distributed by the community assistance program. The portion beyond the community assistance base amount was

primarily based on population. He explained that roughly half of the CRF distribution was based on population. He shared that OMB could individually walk people through the DCCED economic activity data to help committee members understand it better. He furthered that it was objective data collected from any political subdivision providing it to DCCED. He elaborated that any place where economic activity metrics impact a municipality's ability to provide government services to its population was collected by DCCED. The data touched on most but not all of the state's communities, which was the reason the population distribution for the other half [of the funding] was so important.

Mr. Steininger addressed Representative Wool's question about the three payments of .25 not adding up to 100 percent. He explained that OMB tried to divide the allocation of funds in half by population and economic activity. He elaborated that 75 percent of the absolute value of the metrics equaled about half of the CRF. He detailed that it resulted in a fairly even split and weighting between population and economic activity (based on some level of political subdivision size).

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Representative Wool estimated that if .25 of economic activity equaled roughly half of the \$560 million grant, approximately \$280 million would go out under the community assistance formula. He asked if all of the political organized entities would receive an amount equal to their per capita. For example, he believed areas inside an unorganized borough received 1/19th of the amount received by a full borough and areas outside an unorganized borough received 1/12th of the amount. He believed Mr. Steininger had stated that a community would not get the economic activity portion if they did not submit economic activity information. He asked if the communities would receive a per capita portion, similar to the community assistance formula.

Mr. Steininger answered in the affirmative. He detailed that any political subdivision that was part of the most recent community assistance program distribution was also part of the distribution [shown on slide 5]. He clarified that the 75 percent was roughly half of the distribution. He explained that \$305 million of the \$562.5 million would

go out based on the economic activity metrics and the remaining \$257.5 million would go out based on the community assistance formula. He reiterated his earlier explanation that 75 percent of the absolute value of the metrics equaled roughly half or \$305 million.

Representative Wool would be interested in seeing the economic formula calculations used by the administration.

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Vice-Chair Ortiz asked why Juneau would qualify for 10 times more than Fairbanks under the inputs and formula used by OMB. He asked why North Slope would receive nothing. He asked if the methodology used to create the formula could be shared with committee members.

Mr. Steininger answered that the administration was working on a distribution that would be as objective as possible. He noted that with the information available to the state, nothing would be perfect. He stated that the amount of effort it would take to get a perfect distribution would be arduous and would slow the down the state's ability to respond and ability to get money into the communities. He agreed that the economic metrics were not equal for every community, which made it important to layer in the population metric. He explained that much of the variability was based on data the state had and the ability to have an objective metric and not picking and choosing subjectively. He offered to walk committee members through the calculation for their communities individually.

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Representative Knopp looked at slide 4 and remarked it was evident there were concerns about the allocation methodology. He appreciated the information provided. He was happy to see the administration would issue the payments in quarterly distributions and require monthly reporting by communities. He had heard from some municipal managers that the federal guidance limiting how the funds could be used meant there was no way most municipalities would be able to expend the funds and the money would end up going back to the federal government. He asked if, as information came in along the way showing which communities were able to spend the funds, the funding allocation formula could be adjusted based on need. He stated it was a

strictly COVID related issue and every community responded differently. For example, if Fairbanks spent more of the funding than Kenai, he wondered whether funds could be reallocated in the second and third payments.

Representative Knopp asked if all of the funds could not be spent on COVID related costs whether funding could be reallocated to the Small Business Relief Fund because the state had fallen short in support of small businesses. He elaborated that the payroll protection plan had done a lot to support employees and keep them on the payroll; however, it had done little for business owners who had used savings or loans to keep employees on the payroll. He highlighted that the plan had not accounted for any lost revenues for small businesses. Likewise, the COVID relief funding did not account for lost revenue in municipalities.

Representative Knopp believed the legislature needed to advocate for on behalf of businesses. He stated that Kenai was heavily dependent on tourism and he believed the community would take a severe hit in lost revenue in the next one to two years. He observed that revenue makeup was prohibited in the guidance issued from the Treasury. He noted that the crisis had shut the state down on March 1 and support funding had not come until mid-April; however, none of the funding was retroactive. He stressed that all of the businesses that had kept employees on and had lost revenue had not been helped. He asked if funds could be used where they were needed instead of returning unused funding to the federal government.

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Mr. Steininger confirmed that making up lost revenue was explicitly prohibited in the Treasury guidance. He clarified that the CARES Act specified that the money was meant to reimburse expenditures from March 1 going forward. He explained that businesses would have the ability to put CARES funding towards expenses incurred beginning March 1. He relayed that the way the RPLs had been laid out would not allow redistribution of funds; however, the administration believed the money allocated to small business relief was a good amount based on the total resources available and the other programs that existed to help small businesses.

Mr. Steininger addressed Representative Knopp's idea of reallocating within the municipal relief program. He stated that everything was a moving target going forward. The administration had provided the RPL project on the 21st [of April] and it had received additional guidance from the federal government on how the funds could be spent on the 22nd [of April]. He relayed there would be more guidance coming at later dates as the Treasury responded to questions. He noted that the Treasury may make changes to how the money could be used and there may be subsequent legislation from the federal government. He highlighted that the quarterly payments gave the administration the ability be responsive if the federal government provided new information that changed the nature of the money or response. He stated that the administration's response needed to be flexible because there would be new federal guidance and changes in the way money came to the state.

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Mr. Steininger turned to slide 6 related to the Small Business Relief plan. The administration had allocated \$300 million out of the CRF funding to small business relief. He reiterated his earlier statement that OMB had released the package on April 21 and additional federal guidance had come out on the 22, which had slightly changed the way the administration had envisioned spending the money. He explained that the RPL addressed the concept of loan relief for some of the small businesses; however, the federal guidance was much more tailored towards grants to small businesses. The administration was looking at working with the various state agencies like the Alaska Housing Finance Corporation (AHFC), the DCCED Investments Section, the Alaska Industrial Development and Export Authority (AIDEA), and other various agencies with access to different industries within the state. The idea was to look at the business community and distribute funds to businesses that did not have the option or were not good fits for the other existing programs like the Small Business Administration Loans or the Payroll Protection Act.

Mr. Steininger explained that the state had to work the Small Business Relief program within the federal guidance. He detailed that the program was a bit more flexible - the administration needed to respond to the guidance and ensure the money was allocated to the right sectors and businesses most in need of relief. The \$300 million was set aside to

provide relief to businesses, but without a specific allocation. The plan was more open ended and would require the state to work with the business community and different partners to ensure the funds reached the right businesses in the right way.

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Co-Chair Johnston asked if the RPL was still a work in progress.

Mr. Steininger answered in the affirmative. He explained there was room for flexibility as to how the money was spent, but the administration knew a significant amount of money was needed for small business relief.

Co-Chair Johnston understood the problems with the [federal] guidance and how it came out April 22 [after the RPL was submitted]. She stated that currently the administration had the funds going through the DCCED investment section. She did not recall DCCED receiving pass through funds to AIDEA and AHFC in the past. She believed the entities tended to receive their own appropriations. She looked forward to more information about how the administration developed the RPL going forward.

Representative LeBon noted that the presentation identified AHFC, AIDEA, and the DCCED Investments Section as the recipients of the funding (on slide 6). He asked if there would be a program to allow the banking community to have a say in how the monies were allocated to businesses.

Mr. Steininger answered that it was a great suggestion. He explained that the [small business relief] plan was more fluid than the specific allocation and municipal relief portion. The federal guidance received on [April] 22 did not allow loans, but it did not preclude the administration from working with the banking community to understand impacts to businesses throughout the state.

Representative LeBon suggested addressing the size of the various banks if OMB intended to work with the banking community. He advised against a first come, first served basis. He recommended a pro rata approach to prevent small banks from being squeezed out by larger ones.

Representative Wool wondered how businesses would know which state entity (i.e. AHFC, AIDEA, DCCED) to approach for funding. He asked if each of the entities would receive \$100 million of the \$300 million total. He remarked that businesses often went to a bank they currently did business with. He commented that Mr. Steininger had stated that the funds would be grants, not loans. He asked if businesses would apply for grants with all of the entities.

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Mr. Steininger answered the administration would need to do more outreach prior to distribution of the money to ensure that all impacted businesses knew where to go to gain access to relief if they were not eligible for things like the Small Business Administration loans and other federal CARES Act funding. He reiterated that outreach would need to take place prior to distribution of the funds.

Representative Josephson asked if the administration would be using its economic stabilization team that included former Governor Sean Parnell and former Senator Mark Begich on the small business relief component of the package.

Mr. Steininger replied that the administration was using every resource available in the state to guide each aspect. He elaborated that there was no reason not to tap into any resource with expertise in each area of the response.

Vice-Chair Ortiz asked if Mr. Steininger was saying the economic team had given input or whether the administration was not opposed to seeking the input in the future.

Mr. Steininger answered that the guidance that came out after the RPL was put forward changed how the state would go forward with the small business relief. He explained that the administration needed to make adjustments to fit with the revised federal guidance. The administration would work with any available resources, which could include the economic stabilization team.

Vice-Chair Ortiz asked for verification that the economic stabilization team had not yet provided input on the small business relief portion of the plan.

Mr. Steininger replied that the business relief portion of the plan had shifted since its release because of the

change in federal guidance. Beyond the goal of ensuring the grants reached businesses most in need, the administration did not yet have a specific plan that would have had input. The administration was currently working to respond to the change in federal guidance.

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Co-Chair Foster recognized that Representative Carpenter had joined the meeting.

Representative Wool considered that the funding under discussion [shown on slide 6] was for small business relief. He surmised the funding was for existing entities needing relief. He assumed the grant funding would not be available for a future business proposal to make masks. He asked if the [economic development] team headed by Bob Penney under DCCED was involved in the plan development.

Mr. Steininger confirmed that the funds were not for new businesses. He stated that the funds were to mitigate impacts to existing businesses suffering due to COVID-19. He elaborated that if someone were looking to start a mask making business, it would not necessarily qualify for the small business relief funding; however, there was other money in the CARES Act funding for the purchase of masks. He considered that there may be opportunities for an enterprising individual to start a business producing and selling masks; however, the small business funding would not be direct support for the business. He explained that the funding was intended for existing businesses that had been required to shut down due to health mandates, such as restaurants and hairdressers.

Mr. Steininger answered an earlier question about where the incoming funding went within DCCED. He explained that the funding had been centralized within DCCED because there were multiple entities throughout the state government (i.e. AIDEA, AHFC, the DCCED Investments Section) that had relationships with the business community. The idea was to centralize the funds within DCCED for distribution to the different agencies as the need arose.

11:02:06 AM

Mr. Steininger turned to slide 7 related to economic stimulus for Alaska fisheries. He detailed that the funding

was not a portion of the CRF; it was a direct grant within the CARES Act related to fisheries relief for subsistence, charter fisheries, and commercial fisheries participants. The administration estimated Alaska would receive about \$100 million of the \$300 million national total. He explained that the estimate was based on Alaska fisheries accounting for about two-thirds of the tonnage value and one-third of the value of fish catchment in the country. The administration was looking to have the state involved in the distribution of the funding to ensure it went into the correct fisheries. The total the administration expected to receive was about one-third of the \$300 million national distribution.

Co-Chair Johnston asked for verification that the [economic stimulus for Alaska fisheries] funding was still in negotiation with the National Marine Fisheries Service.

Mr. Steininger answered in the affirmative.

Co-Chair Johnston asked if the CARES Act clarified the funds were supposed to go to the discretion of states. Alternatively, she asked if the amount people would receive was still under negotiation with the National Marine Fisheries Service.

Mr. Steininger agreed that the administration was still working through who was responsible. He relayed that fisheries managers had reached out and were interested in seeing the money routed through the state for distribution to ensure the funds would go to the fisheries most impacted. He explained that whether the money would be routed to the state was still under discussion at the federal level. The RPL would ensure the state had the ability to collect and distribute the funds if the funds were routed through the state.

Representative Josephson asked if the monies could be used for a community like King Salmon or Naknek to set up a temporary hospital or to contract with ANPs or PAs for screening incoming fisheries workers. He used a scenario where screening was done well, the quarantine worked, and the state supported a regular fishery. He noted that a further assumption was the presence of someone on the other side of the Pacific Ocean who was prepared to buy Alaska's product. He considered the possibility of a full season that would result in a productive financial season. He

asked if the economic stimulus funds for Alaska fisheries could be used on costs associated with screening and treatment.

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Mr. Steininger answered that public health expenses such as setting up quarantine and testing sites fit more within municipal distributions out of the CRF. He explained that the fisheries money appeared to be intended as direct relief to individual fishermen. He elaborated that the expenses highlighted by Representative Josephson would better fit under the activity directed through public health or municipal relief funds.

Representative Josephson remarked that it was difficult to separate the things at some point. He stressed that workers could not work if they were not safe. He understood that the administration did not write the rules.

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Vice-Chair Ortiz referenced the \$100 million Mr. Steininger had described that would be going to various entities most impacted. He asked if the statement referred to economic impacts of the virus in terms of market for the product. He asked for more detail on how the funds could be used based on the impacts of COVID.

Mr. Steininger replied that he did not want to speculate about exactly what type of impact to an individual fishery would be covered by the funds. He explained his understanding that the funds were designed to be released directly to individual fishermen involved in a subsistence charter or commercial fishery. He furthered that the types of things mentioned by Representative Josephson in his previous question would not be 100 percent successful in ensuring every fishery could occur and that every fishery had a market. He believed there would be many impacted fisheries and the money was intended to help those individuals.

Representative LeBon asked if the intent of the funding (highlighted on slide 7) was to benefit Alaska fisheries as opposed to fishery operations from out of state (e.g. Seattle, WA) working in Alaska waters.

Mr. Steininger answered that the intent was to work with Alaska fisheries comprised of Alaskan men and women making a livelihood through commercial, charter, and subsistence fishing.

Representative LeBon replied that he was glad to hear it.

[11:10:47 AM](#)

Mr. Steininger moved to slide 8 and detailed that the funding was a distribution from the \$1.25 billion CRF in the amount of \$337.5 million. He detailed that a portion of the funding was intended for health related costs in the Department of Health and Social Services (DHSS) and a portion would be contingency funding because there were myriad unknowns about where the virus would progress into the future. The contingency funding would be available for future health costs and costs incurred by DHSS while responding to the virus. The funding would also be used to backfill some of the expenditures paid for with general funds in advance of federal relief packages. He relayed there was not an RPL required for the funding because there was existing authority within the DHSS Division of Public Health to collect any federal receipts related to health response from the federal government.

Representative Josephson stated that at the end of March the legislature had appropriated \$87.7 million toward COVID relief. He noted that a portion had been vetoed and the actual appropriation was \$75 million. He wondered if the department would use the federal funding or state appropriation first. He asked if the state funding would lapse if it was not needed after federal funds were used.

Mr. Steininger answered that federal funds would be utilized before state funds where possible. The preferred option was to use federal revenues where available. He elaborated that the [state] general funds would enable the state to meet the needs for items that did not fit under the federal funding guidance. He confirmed that unspent state funds would lapse back into the General Fund when the appropriation expired.

Mr. Steininger turned to slide 9 showing a \$50 million allocation to human services nonprofits including soup kitchens, food banks, homeless shelters, and groups providing clothing to individuals who were displaced and

impacted due to COVID. The funding was allocated to DHSS and utilized the existing federal receipt authority within the Division of Public Health. The intent was to run the funding through the existing community initiative and human services matching grant program. He remarked on the numerous organizations providing support for homeless populations displaced due to COVID and individuals who may have lost their jobs. The funding was intended to ensure the nonprofit community had access to resources to continue providing support.

11:15:03 AM

Representative LeBon asked for verification that city and borough governments would have a role in determining how the funds were distributed.

Mr. Steininger answered that the intent was for the funds to go directly to nonprofits from DHSS. The federal funds would bolster the existing program to provide grants to all of the [human services] nonprofits. The funds would not run through municipalities.

Representative LeBon asked if the state would decide how the distributions would be made.

Mr. Steininger answered in the affirmative.

Representative Wool asked if nonprofits receiving funds would be subject to any reporting requirements like municipalities were.

Mr. Steininger answered that he was not familiar with the reporting requirements under the existing state program. He relayed that like municipalities, the nonprofits would need to spend the money on eligible expenditures under the federal guidance. The idea was to target funding to existing nonprofits that were doing work related to COVID. He elaborated that all homeless shelters and soup kitchens throughout the state had to respond dramatically to ensure health mandates were followed (e.g. social distancing rules), which had resulted in a substantial cost. The administration did not believe there would be trouble tying costs within the organizations to COVID. He believed there would be much of an issue tying the costs to the federal guidance because it was clearly laid out that the expenses were allowable.

11:17:25 AM

Mr. Steininger highlighted a \$5 million CARES Act grant for child nutrition within the Department of Education and Early Development (DEED) on slide 10. He explained that the funding was intended for meals to students.

Vice-Chair Ortiz asked how the \$5 million amount had been determined.

Mr. Steininger answered that \$5 million represented the amount allocated to Alaska through the CARES Act as determined by the federal government.

11:18:41 AM

Mr. Steininger reviewed CARES Act funding for development block grants at a total of \$2.8 million via DCCED. He elaborated that there was existing federal authority within prior DCCED appropriations for community development block grants. The excess federal authority would be utilized to collect the funds for distribution to communities.

Representative Wool asked what portion of the funding for block grants had been vetoed.

Mr. Steininger replied that he did not have the number off the top of his head.

Representative Wool wondered if the CARES Act funding reflected a backfill of the vetoed funds.

Mr. Steininger answered that the \$2.8 million represented a direct allocation to Alaska from the federal government via the CARES Act.

Mr. Steininger addressed \$48 million for emergency education relief funds allocated to DEED. The funding represented the amount directly allocated to Alaska in the CARES Act. He elaborated that \$38.4 million of the funding was for education stabilization. He explained that the grants were distributed to local education agencies or school districts through the Title I formula. Additionally, there was \$6.5 million in the governor's Emergency Education Relief Fund. He expounded that the fund had been established in the CARES Act to allow states discretion in

providing grants to school districts and other education agencies on needs and impacts of COVID. There was an opportunity for Alaska to receive slightly more than the known allocation; therefore the \$48 million requested in the RPL had been rounded up slightly.

[11:21:23 AM](#)

Vice-Chair Ortiz asked if the entire \$48 million would be distributed through the formula program. Alternatively, he wondered if the amount to be distributed via the formula program was limited to the \$38.4 million. He asked how the \$6.5 million would be distributed to schools.

Mr. Steininger answered that 90 percent of the \$38.4 million was required to be distributed through the Title I allocation. He noted that DEED could provide a list showing how much each school district received. He relayed that the \$6.5 million could be distributed at the discretion of the department to aid the most impacted districts. The department had identified where approximately half of the funds would go and the information was included on a list DEED could provide. The remaining 10 percent of the \$38.4 million could be used for other COVID related costs incurred by the department, such as helping districts with distance learning. The funding would allow for some resources to be available at the state level to assist in some of the programs and with other impacts that may benefit from state coordination. The remaining half of the \$6.5 million would be held in reserve for districts that may see larger impacts.

Vice-Chair Ortiz referenced the remaining half of the \$6.5 million and asked if it would be up to individual districts to make the case that they had been the most impacted by COVID to qualify for the funds.

Mr. Steininger answered that the governor and DEED had the discretion to determine how the funds would be distributed. He believed they were working to establish the best way to distribute the money and determine which districts were most impacted. He recognized that all districts were being impacted by COVID. The funds were being held in reserve because, similar to the reserve held in DHSS, there were many unknowns about how the impacts would carry forward.

[11:24:41 AM](#)

Representative Josephson asked about the \$562.5 million for local governments. He asked if it had been within the administration's authority to give monies directly to the 54 school districts.

Mr. Steininger answered that the CARES Act guidance specified that the \$562.5 million (42 percent of the CRF) should be distributed to municipalities/political subdivisions that the state had distributed to. He elaborated that if there was a district within a subdivision that had seen impacts related to COVID that may not be covered under the \$38 million distribution, it was in a municipality's discretion to allocate the funds. He explained that the method provided municipalities with the most discretion. For example, if the biggest and most clear need within a community was helping out a school, the municipality had the ability to do so. The administration did not want to tie the hands of the municipalities and would give them the discretion available within the federal guidance.

Representative Josephson remarked that he had his own concerns about adding an additional \$2.5 trillion in the federal deficit for great grandchildren to pay. He discussed that a number of states were making the argument that Congress had failed to bail them out and there had been an "odd" discussion about bankruptcy. For example, New York had a \$15 billion deficit. He noted that Alaska was a horrible candidate for bankruptcy for obvious reasons. He asked if the administration planned to join in the outcry for funds that were not necessarily COVID related. He pointed out that the oil recession was impacting the state's bottom line significantly, which was "sort of directly" related to COVID. He asked if the administration would be joining governors like [New York] Governor Andrew Cuomo asking for additional funding in direct aid.

[11:28:07 AM](#)

Mr. Steininger could not speculate on future intentions for joining in any of those sorts of petitions. The more flexible the funding was, the more it would help Alaska recover from the first and second order impacts of COVID-19. The state had to work within the federal guidelines, which did not allow for the backfill of lost revenues or things of that nature.

Mr. Steininger highlighted a \$5 million allocation to the Higher Education Emergency Relief Fund on slide 13. The funding had been set up in the CARES Act to provide relief to higher education institutions. He elaborated that \$7.9 million would go to the University of Alaska system. He explained that the University system had some existing federal authority it would use to collect a portion of the funding. The RPL was only \$5 million because it accounted for the difference of the shortfall in the University's federal receipt authority. Half of the amount was for grants directly to students and the other half could be used at the University's discretion.

Representative Wool asked if the \$5 million was a federal determination or a state request. He referenced Mr. Steininger's statement that that the University had federal authority to cover part of the grant. He observed that the relief fund was \$5 million, and the University would receive \$7.9 million in other grant monies. He considered the grants that would go directly to students. He noted that students were being sent home. He asked how the student requirements were determined. He highlighted that the University had said at one point that impacts from COVID could cost the system \$20 million. He wondered if the administration was looking to address some of that information.

[11:31:06 AM](#)

Mr. Steininger answered that the \$7.9 million allocation to the University had been determined by the federal government. The \$5 million was the additional amount in receipt authority needed by the University. He elaborated that the University already had excess or hollow federal authority within its budget allowing the institution to make up about \$3 million, which was the reason they only needed an additional \$5 million. He clarified that the University would receive \$7.9 million total from the federal government to cover some of the impacts related to COVID. He addressed Representative Wool's question related to money that would go directly to students. He detailed that the allocation had been specifically laid out in the CARES Act and the state did not have discretion over how the funds were used.

Representative Wool asked if there were any plans for the administration to [note: a portion of the question is inaudible due to an interruption in the audio]...directed to the University due to impacts resulting from COVID, including declining enrollment. He reasoned that some students may not want to do distance-only courses. He asked if the University would receive any additional federal COVID funding.

Co-Chair Johnston asked members to mute their phones. She asked if Mr. Steininger had heard the question.

Mr. Steininger restated his understanding of Representative Wool's question. He understood the question to be whether there was a plan to address continued future impacts to the University system as a result of COVID and decisions made by students to do on-campus versus remote learning in the future.

Representative Wool agreed. He noted that like the fishing and hospitality industries, the University was affected. He highlighted the \$7.9 million in federal grants, half of which would go to students, leaving less than \$4 million for the University. He explained that the University had put out a publication a month or so ago, specifying it could be impacted by \$20 million. He remarked that what the number would be was unknown. He wondered if there were other plans for higher education relief for the University from the federal government.

[11:34:52 AM](#)

Mr. Steininger answered that OMB had been tracking impacts to all state agencies and the University. He reported that the University was projecting significant impacts as a result of COVID and decisions being made by students. He highlighted a similar situation where the Department of Fish and Game was impacted by decisions made by people coming to Alaska for hunts. Currently, nothing in the CARES Act allowed for the backfill of lost revenues; however, the administration was tracking the information for an understanding of what relief may be necessary for state agencies suffering from decisions other people were making in response to COVID that impacted their ability to operate. He explained it would be a challenge going forward into budget development for the coming year to understand some of the longer-term impacts. He noted there was the

possibility that further federal legislation would help with some of the longer-term impacts, but it was not guaranteed. He spoke to the need to monitor and understand the impacts as they became more apparent over time.

Representative Josephson relayed that his staff had attended an Education Committee meeting where University President Johnson had testified that foregone revenue had reached \$35 million to \$45 million due to issues with investment losses, potential declines in tuition fees and auxiliary income, and research revenue if research was delayed.

[11:37:18 AM](#)

Representative LeBon asked about grants directly going to students. He asked if there were limitations on how the money could be spent by students. He wondered whether the funds could be used for travel going home.

Mr. Steininger replied that he did not know the answer to the question. He believed someone may be available from the University to respond.

ALESIA KRUCKENBERG, DIRECTOR OF PLANNING AND BUDGET, OFFICE OF STRATEGY, PLANNING, AND BUDGET, UNIVERSITY OF ALASKA (via teleconference), replied that there were some limitations. She relayed that funding could be used for emergency grants to students but not for the institution to recoup funds. She explained that if the University paid for students to travel home it could not reimburse itself for the cost, but she believed it was an allowable expense for the students. She noted that if she were mistaken, she would follow up with the accurate information.

Mr. Steininger highlighted a National Endowment of the Arts grant under the CARES Act in the amount of \$400,000 for the Alaska State Council on the Arts. The funds were intended to make grants to art organizations and local art agencies to sustain operations through COVID-19.

Mr. Steininger addressed slide 15 showing \$49 million associated with Federal Aviation Administration (FAA) rural airport system maintenance. He explained that the allocation was part of a larger component from the FAA going to all owner-operators of airports throughout the country. He detailed that \$49 million of the component was

designated for rural airports operated by the Department of Transportation and Public Facilities (DOT) throughout Alaska. The money could be used for general operating and maintenance expenditures in airports and on airstrips throughout the state. He underscored that the funds were for non-international, rural airports in Alaska.

[11:40:23 AM](#)

Mr. Steininger pointed to a \$32.1 million FAA allocation for international airports (on slide 16). There was no RPL associated with the allocation because the money could be deposited into the International Airport Fund and spent by the international airports on general airport expenditures.

Representative Wool noted that Merrill Field in Anchorage was not a rural airport. He had read somewhere that the airport was receiving \$13 million. He asked why it was included.

Mr. Steininger answered that Merrill Field was part of the wider FAA distribution, but DOT was not the owner-operator for the field; therefore, the funding would not be included in any money flowing through DOT.

Representative LeBon remarked that the Merrill Field allocation appeared to be close to \$18 million. He understood there were two different buckets of money. He stated that it hardly passed the red-face-test that the Fairbanks International Airport allocation was \$5.7 million, while the Merrill Field allocation was nearly \$18 million.

[11:42:25 AM](#)

Mr. Steininger replied that the allocations were calculated by the FAA and not the state. The state only had discretion over how the money allocated to state-operated rural and international airports was spent. He explained that once the state had the money it could allocate to the projects as it saw fit. He furthered that within the bucket of funding for rural airports, the state did not have to spend exactly as allocated by the FAA.

Mr. Steininger turned to slide 17 showing \$29 million in Federal Transit Administration grants. The funds would go to DOT for eligible operating expenses for Federal Transit

Administration 5311 recipients for (non-urbanized areas) including Anchorage, Fairbanks, and the Alaska Marine Highway System (AMHS). The department was looking at exactly how to distribute the money. He reported that about \$10 million would go to AMHS and the remainder would go to other surface transportation costs.

Mr. Steininger highlighted a direct CARES Act grant of \$3 million for measurement standards and Whittier Tunnel support on slide 18. The funding would go toward unbudgeted and unanticipated expenditures related to ensuring continuity of operation and program delivery.

[11:44:49 AM](#)

Mr. Steininger turned to slide 19 showing \$3.6 million for the Department of Public Safety (DPS) for the U.S. Department of Justice Byrne-JAG grant. The funding supported law enforcement, prosecution, defense, courts, corrections, crime victim and witness initiatives, and other mental health programs. The grant would go directly from the federal government to DPS. Slide 20 showed \$3 million for the Division of Elections to be deposited into the election fund. Currently, there was adequate authority to deposit federal revenues into the election fund; however, the election fund was not subject to the RPL process, meaning the ability to spend the funds could not be accessed through the RPL process. He noted there was an existing \$3.7 million project out of the election fund that could be used for election security measures and other election costs the division would incur due to the COVID crisis.

Representative Josephson believed the legislature had given authority in SB 241 [COVID-19 declaration/relief legislation passed in 2020] for the lieutenant governor to move to an all-mail ballot, but he was not certain it covered the November general election. He remarked that Dr. Anthony Fauci had indicated there would be a second wave of the virus in the fall. He asked if the monies could be used for an all-mail ballot in the fall to keep people safe and participating in the democracy.

Mr. Steininger responded that he did not know the specific criteria around how the elections fund could be used. He deferred the question to the Division of Elections.

11:47:23 AM

Mr. Steininger concluded the presentation and was available for any additional questions.

Representative Josephson prefaced his remarks and noted he did not mean for his question to be a "gotcha" question. He was happy with the administration's response to the crisis. However, the administration had issued \$260 million in vetoes. He understood that facts had changed, which happened to everyone. He detailed that the administration had believed most of the vetoes could be supplanted by the federal dollars. He asked if OMB had an opinion after the latest [federal] guidance about which items could almost surely be supplanted and which items could not.

Mr. Steininger answered that at the time of the vetoes the administration had a different understanding and guidance on how the CRF funding through the CARES Act could be spent. The administration was trying to ensure that communities had as much flexibility as possible within the guidance to use the funds on anything related to COVID to make certain normal resources could be used to cover normal, non-COVID related expenses. There were some areas where there were not dollar-for-dollar replacements of the vetoes, but there were resources going to communities to ensure they could cover COVID related costs within the federal guidance in order to allow communities to use their own limited resources to cover costs that may not fit within the federal expenditure guidelines. It was the administration's goal to ensure that communities came out of the crisis whole. He noted there was also the very real issue of the availability of financial resources at all levels of government in Alaska. Whether the costs could be covered at the state level was also in question.

Representative Josephson thought there was almost an inference that because of the changed circumstances that some [vetoed] items should be overridden and that the administration may even see it that way or that there should be more appropriations. He pointed out that Mr. Steininger had just stated that local governments should be made whole. He asked how that would happen unless the state provided community assistance funding for school bond debt reimbursement for example.

Mr. Steininger clarified that communities needed to be made whole for costs related to COVID-19, which the CARES Act was enabling the state to do - to ensure that any costs related to COVID were covered and that municipalities were not harmed by costs they incurred to respond to the crisis. The administration hoped that by providing municipalities with maximum flexibility in their use of the CARES Act funding it would hold communities harmless for expenses related to COVID to the maximum extent possible. The goal was to enable communities to preserve other resources to cover non-COVID related costs of governance.

[11:52:05 AM](#)

Representative Tilton asked if there were any guidelines on the grants going out and on any of the costs associated with administering the grants.

Mr. Steininger used grantees receiving human services grants as an example. He relayed his understanding that using the funds to cover costs associated with administering grants for expenses related to COVID would be allowable. He noted there had not been much direct guidance on the specific question. Based on the guidance released by the Treasury on April 22, it appeared administrative costs associated with providing services was allowable.

Representative Tilton wondered when funds would lapse back to the federal government if they were not spent within a certain timeframe. She asked if the timeframe was based on a federal fiscal year or another deadline.

Mr. Steininger answered that the current guidance limited expenditures through the end of December [2020]. He elaborated that any unused funds would be returned at that time. He shared his understanding that a normal accounting process would be followed where any encumbered funds would not need to be returned. He relayed that the administration did not have specific details or a date when a final audit of expenditures would occur. He noted that the final audit would be sometime after the December 30 deadline.

[11:55:11 AM](#)

Representative Tilton thanked Mr. Steininger for his answers and presentation. She provided a scenario where a community had funding that lapsed. She asked if the

responsibility to return the funds to the federal government would reside with the state or the community.

Mr. Steininger answered that the scenario was part of the reason the administration would require reporting [from communities on fund expenditures]. He elaborated that if the administration started to see the situation develop it could determine the best logistics. He explained that because the money was distributed directly to the state from the Treasury, he believed the federal government would expect the state to be responsible for returning the [unused] funds. The state would have to work with communities to ensure mechanisms were in place and the monthly reporting would give visibility into areas where issues may arise.

[11:56:19 AM](#)

Representative Wool referenced Mr. Steininger's statement about aiming to keep communities whole from the effects of COVID-19 and that the administration had economic metrics involved in the distribution of funds to municipalities based on tourism or fishing dollars. He remarked that Fairbanks would not top the list on tourism or fishing; however, the University was a big part of Fairbanks' economic portfolio and the University had stated it may be impacted by \$30 million to \$40 million. He elaborated that the University would receive about half of the \$7.9 million with the other half going to students. Additionally, the University may receive a small amount of the K-12 funding.

Representative Wool highlighted that it appeared the University would be severely impacted. He emphasized that the impact would also affect municipalities where campuses were located. He thought there seemed to be a disconnect about helping out municipalities. He elaborated that Fairbanks had a large entity that would be heavily affected. He thought it seemed funds going toward higher education were diminutive compared to funds going to municipalities or the \$100 million for the fishing industry. He was not trying to take away from other entities that needed the funds, but he believed there should be more effort toward the higher education component. He noted that the University's operating budget had been vetoed by \$10 million. He wondered if there were further plans to address the situation.

Mr. Steininger replied that the administration needed to continue to work on budget development with the University going forward as the impacts of COVID were seen. He did not believe the University had been part of the economic activity metrics. He noted that the administration had worked with the information available at the time. The \$7.9 million had been allocated through the CARES Act to higher education institutions and was limited by decisions at the federal level. He spoke to the concerns that the state ensured communities seeing some of the outweighed impacts were assisted through its distribution of funds and the need to take second order impacts into consideration. He noted it could be difficult to ensure that every little impacted area was being addressed, but the administration felt confident there was a fairly broad distribution within the plan to try to hit as many areas as possible.

Representative Wool remarked that considering funding over the long-term was fine; however, he was confident there would be immediate affects felt in September. He understood the state had access to other funds apart from the Higher Education Emergency Relief Fund, which he hoped would be considered.

[11:59:58 AM](#)

Vice-Chair Ortiz thanked the presenter for his answers during the meeting. He returned to slide 5 that specified about \$305 million would go directly to municipality assistance. He asked if the administration believed the RPL process was the correct process based on the fact there was no federal funding within the current budget for aid to municipalities. He asked if the RPL process was the appropriate method to distribute the federal funds. He noted the incoming federal funds seemed to be a different category of funding than what currently existed under the federal funding category.

Mr. Steininger answered that the administration believed the RPL process was the correct process to use in the current situation. He elaborated that the RPL process through the Legislative Budget and Audit Committee was designed for situations where there was an increase or new federal receipts coming into the state after the budget had passed. He stated it was the situation currently taking place. The administration was using the existing mechanisms in order to gain access to the federal relief funds.

Vice-Chair Ortiz asked for verification that the RPL process was creating a new category of federal funding that did not currently exist.

Mr. Steininger assumed that Vice-Chair Ortiz's use of the term "new category" meant that the funding was a new type of federal grant that the state had not received in the past. He answered that the RPL process the same way in the past. For example, DEED had recently received a new grant for literacy development that had been accessed through the RPL process. He elaborated that the grant had not been received in the past. He explained that it was not necessarily uncommon to use the RPL process to access new federal grants that had not existed in the past that came to the state unexpectedly. The CARES Act funds were merely a much larger dollar value than the state was used to seeing, but the acceptance of the funds was within the bounds of how the RPL process had been used before. He explained that the RPL process was the most expeditious way to accept federal revenue in the absence of an appropriation bill and when the legislature was not actively meeting in session. The administration believed the RPL process fit the criteria for access to the federal funds.

[12:03:28 PM](#)

Vice-Chair Ortiz noted that his questions were not intended as a debate and he appreciated Mr. Steininger's answers. He pointed out that Mr. Steininger had spoken about the time period when the legislature was not in session. He believed it was common practice for the RPL process to be used in the interim period. He highlighted that the legislature was not currently in the interim period.

Mr. Steininger replied that it was a good point; however, he clarified that there was no specific prohibition [on the use of the RPL process during a non-interim period]. The administration had looked at the processes available to access federal funds in an expeditious way because the funds were intended to cover costs incurred on March 1 going forward. He elaborated that the costs had been borne for two months without the ability to provide relief to communities to cover the costs being incurred; therefore, an expeditious method of payment was important. He explained that the LB&A RPL process was something that was

available and was intended to access new federal revenues coming into the state. The administration believed the RPL process was the most appropriate mechanism to gain access to the funds and make the distribution as quickly as possible.

Vice-Chair Ortiz asked if the administration had a legal opinion on the validity of the use of the RPL process under the current circumstances.

Mr. Steininger answered that he was basing the use of the RPL process off of prior RPLs the administration had submitted for new revenues coming in. For example, new revenues that may never have been appropriated to a specific item before or new programs that had not been considered before. He cited an education example he had used earlier in the meeting. He relayed that the use of the RPL process was based on past practice. He did not have a legal opinion in his hand.

[12:05:46 PM](#)

Representative Sullivan-Leonard thanked Mr. Steininger for his diligence in answering the questions. She asked about AIDEA funding on slide 6. She was concerned that mom and pop small businesses that may or may not have employees, had fallen through the cracks with regard to receiving PPP [Paycheck Protection Program] support or SBA loans. She asked how some of the AIDEA grants would be used to help small businesses.

Mr. Steininger replied that the RPL had been structured to touch on multiple state agencies because there were different levels of businesses in the state. He detailed that some of the mom and pop businesses likely did not interact with AIDEA in the way they may interact with other areas within DCCED. The administration was aiming to have the funding be available to businesses lacking the ability to receive support through PPP or SBA loans. The administration was very sensitive to the mom and pop businesses that would need relief almost more than anyone else.

Representative LeBon shared the concern expressed by Representative Sullivan-Leonard. He stated that the best way to take care of the smaller mom and pop businesses was through their local banks. He pointed out that local banks

knew the businesses and their needs. He elaborated that AIDEA and AHFC were not directly connected to the smaller businesses. He urged the administration to work with the banks as part of the solution and do some sort of allocation program to ensure small banks were able to participate.

12:08:30 PM

Co-Chair Johnston thanked Mr. Steininger for his work and candidness that some of the RPLs were a work in progress. She shared that she had spent time pouring over the [federal] guidance, which she described as "clear as mud" in some places. She noted that she had highlighted a couple of areas [in the federal guidance] and read from the first page (copy not on file):

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute and although a broad range of use is allowed, revenue replacement is not a permissible use of funds.

Co-Chair Johnston thought it was important to keep the guidance front and center during the process. She cited examples of ineligible expenditures listed in federal guidance such as expenses for state share of Medicaid; damage covered by insurance; payroll or benefits expenses for employees whose duties were not substantially dedicated to the response to COVID-19; expenses that had been or would be reimbursed by other federal programs (e.g. reimbursements from other parts of the CARES Act); reimbursements to donors for donated items of service; overtime; severance pay; and legal settlements. She believed legal settlements were something the state needed to be aware of. She spoke to the need for transparency. She appreciated Mr. Steininger's work towards transparency.

Co-Chair Johnston stated that one of the frequently asked questions on the Treasury's website was whether a state receiving a payment could transfer funds to local government. She reported that the answer was yes and that such funds would be subject to recoupment by the Treasury if they were not used in a manner consistent with the CARES Act. She relayed that the state had liability for funds allocated to local communities and for funds it would appropriate. She reiterated the importance of transparency

and spoke to the need for cooperation between the legislature and the administration. She emphasized the need to distribute the funds as soon as possible, while keeping the state's liability and need for transparency in mind.

[12:11:54 PM](#)

Co-Chair Foster thanked Mr. Steininger for the abundance of information.

Mr. Steininger thanked the committee for the opportunity to present detail on the plan and explain how the administration intended to provide the relief. He acknowledged that the guidance could be unclear. He spoke to the need to ensure the state's plan was tailored to the federal guidance. He believed the state would be more successful if it made sure the funds were made available to those most connected to the response.

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ADJOURNMENT

[12:13:02 PM](#)

The meeting was adjourned at 12:13 p.m.