

HOUSE FINANCE COMMITTEE
ANCHORAGE LIO
May 1, 2020
9:01 a.m.

9:01:52 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 9:01 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

Julie Anderson, Commissioner, Department of Commerce, Community and Economic Development; Micaela Fowler, Administrative Services Director, Department of Commerce, Community and Economic Development, Office of Management and Budget, Office of the Governor; Sandra Moller, Director, Division of Community and Regional Affairs; Alan Weitzner, Chief Investment Officer, Alaska Industrial Development and Export Authority, Department of Commerce, Community and Economic Development; Neil Steininger, Director, Office of Management and Budget, Office of the

Governor; Representative Bryce Edgmon; Representative Ivy Spohnholz; Representative Geran Tarr.

SUMMARY

PRESENTATION: CORONAVIRUS AID, RELIEF, and ECONOMIC SECURITY ACT - DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Co-Chair Foster reviewed the meeting agenda. He asked members to hold questions until the end of the presentation:

^PRESENTATION: CORONAVIRUS AID, RELIEF, and ECONOMIC SECURITY ACT - DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

9:04:19 AM

JULIE ANDERSON, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), introduced a PowerPoint presentation titled "COVID-19 and C.A.R.E.S. Act Funding Presentation," dated May 1, 2020 (copy on file). She noted that the presentation would focus on proposed distribution of funds. She took a moment to highlight other COVID-19 efforts. She noted that corrections and submissions to the proposed C.A.R.E.S Act were not included in the presentation. She read from a prepared statement. She asked staff to address specific parts of the presentation.

9:07:35 AM

MICAELA FOWLER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), began on slide 2, "Direct Municipal Relief Proposal,":

Direct Municipal Relief Total: \$562.5 million (RPL 08-2020-0250) As proposed by the Governor on 4/21/2020

- The Direct Municipal Relief proposal directs \$562.5 million to local governments for immediate costs related to the COVID-19 pandemic.

- The funding is allocated based on a combination of available indicators of economic activity and the community assistance formula.
- Municipalities will report to the Office of Management and Budget (OMB) monthly on COVID-19 related expenditures.
- Expenditures must comply with US Treasury (Treasury) guidance and fall within the six categories for allowable expenditures.

Ms. Fowler read from prepared statement. She relayed that the department was working on the issues in real time as issues developed. She noted that questions that the committee might have could be issues the department was still grappling with. She stated that there had been ongoing discussions about the community assistance formula and the administration was looking into feedback received by the legislature and communities. She stressed that expenditures were required to adhere to the federal treasury specifications. She spoke to the importance of complying with federal specifications in order to mitigate any risk. She stressed that the liability for the correct usage of the funds was shared by the state and the municipalities.

Ms. Fowler continued to Slide 3, "US Treasury Guidelines - highlights,":

The CARES Act provides that payments from the Coronavirus Relief Fund (Fund) may only be used to cover costs that:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government.
- Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.
- State Governments must return unspent or unallowable expenditures to the Treasury, including those transferred to a local government.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute.

Ms. Fowler stressed that the unspent funds would have to be returned to the federal government. She explained that the commitment agreement that the state will enter with each individual community will pass the liability from the state to the local government. She said that the requirement that all the costs must be incurred prior to the end of the calendar year had raised questions about the ability for flexibility to move allocations from one community to another. She said that at this point the department did not have a mechanism that would adjust the allocations. She relayed that it would require legislative action for the department to develop such a tool. She highlighted that the funds could not be used to fill budget shortfalls. She understood that there were competing perspectives as to whether the guidance from the Treasury was aligned with congressional intent.

[9:12:01 AM](#)

Ms. Fowler related that there was a liability of over \$500 million and that all the department's work in setting up agreements with communities was based on a very plain reading of the federal guidance.

Ms. Fowler moved to Slide 4, "Financial Management,"

Treasury Guidance: Governments must keep records to demonstrate that expenditures were for allowable expenditures.

Revised Program Legislative (RPL) Requirement: Beginning June 1, 2020, municipalities shall electronically submit, on the first day of each month, a report to OMB that lists the expenditures used to cope with the COVID-19 public health emergency.

Proposed Distribution Process: The second and third disbursements will be made only after 80 percent of prior disbursements have been expended.

Ms. Fowler shared that the department had been collaborating with the Office of Management and Budget (OMB) and the federal government to make sure that the expectations for the funds were clearly relayed to local governments. She added that the program had been structured in a manner that provided the greatest flexibility. The goal was to provide funds to local governments as soon as

possible. She reminded the committee that the distribution proposal was different than the department's standard process. She explained that the funds would be made available to communities in three separate tranches. She shared that if 80 percent of the first tranche distribution had been spent appropriately, and correctly documented, the second and third tranches would be released. She stressed that the department was walking the fine line between mitigating the need to recover funds and maximizing community flexibility and the need for those funds to be available to local governments to meet immediate needs.

[9:15:39 AM](#)

SANDRA MOLLER, DIRECTOR, DIVISION OF COMMUNITY AND REGIONAL AFFAIRS (via teleconference), turned to Slide 5, "Reporting and Financial Management":

Allowable Expenditures must fall under six broad categories:

- Medical Expenses.
- Public Health Expenses.
- Payroll expenses for public safety, public health, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- Expenses of actions that facilitate compliance with COVID-19 related public health measures.
- Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency.
- Other COVID-19 related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Ms. Moller stated that the reporting requirements would make it easy for communities to label expenditures under the broad categories in order to meet reporting requirements in a streamlined manner.

Ms. Moller moved to Slide 6, "Reporting Requirements":

Direct Municipal Relief grant requirements:

- COVID-19 direct distributions will be administered as an upfront payment, with subsequent payments dependent on spending down prior distributions.

- No distributions will be made without a signed agreement that places the onus of repayment of misspent funds on the local government, not the State of Alaska.
- A reporting template is in development that will direct local governments to list all CARES Fund expenditures under the appropriate category in an effort to streamline and simplify reporting.
- Local governments are responsible for detailed record keeping of expenditures, and must make those records available to the State upon request.

[9:17:01 AM](#)

Ms. Fowler shared that Slide 7, "Small Business Relief" ended the community distribution update on the current status of CARES Act funding:

Small Business Relief: \$300.0 million (RPL 08-2020-0251)

(As proposed by the Governor on 4/21/2020)

Funding allocated to the Investments component of the Department of Commerce, Community, and Economic Development for Investments, the Alaska Housing Finance Corporation (AHFC), and the Alaska Industrial Development and Export Authority (AIDEA) to provide assistance and relief to businesses impacted by COVID-19.

Expenditures must comply with federal guidance released after the allocations were published. DCCED is working with the Department of Law to determine whether loan forgiveness is an allowable expense.

She reiterated that all CARES Act funds had the same federal guidance about allowable expenditures, and that guidance had come out after the RPLs had been developed. The department was working with the Department of Law to determine whether loan forgiveness fit within the federal specifications. She noted that others would speak to additional relief programs.

[9:19:04 AM](#)

ALAN WEITZNER, CHIEF INVESTMENT OFFICER, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, DEPARTMENT OF COMMERCE,

COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference),
spoke to Slide 8, "AK SAFE Guaranty Program":

Sustaining Alaska's Future Economy Guaranty Program
("AK SAFE"):

- Emergency measure for Alaska's businesses affected by the COVID-19 health and economic emergency.
- Authorized to issue guarantees up to \$1 million to businesses for working capital purposes (AS 44.88.500).
- Developed in collaboration with Alaska's financial institutions.
- 100% Guaranty of new advance under existing loan agreement.
- Provides needed funding to eligible borrows in addition to the available federal programs.
- Initially a \$50 million program cap, scalable to \$1 billion with authorization for change in statutory limit.

Mr. Weitzner continued to Slide 9, "Emergency Loan and Guaranty Program":

Direct Lending Program for Alaska's Small Businesses and Non-Profits:

- Emergency Regulations 3AAC 104.000 -104.900.
- Direct Lending Program to expeditiously address those small businesses and non-profit organizations unable to obtain SBA PPP, EIDL, or other federal program support.
- Partnership with one or more Alaska financial institutions.
- Ensure equal access across urban and rural communities.
- Targeted Businesses: 50 or less employees plus seasonal workforce.
- Loan Size: \$5,000 to \$100,000.
- Program need: \$150 -\$250 million to reach over 3,500 to 5,000 Alaska businesses and non-profits with meaningful impact.

[9:23:00 AM](#)

Alan Weitzner detailed the bullet points on the slide. He stressed that there were several businesses that would benefit from the creation of this new funding channel.

[9:24:52 AM](#)

Ms. Anderson read from a prepared statement. She said that the impacts of COVID-19 were felt in the state as early as January 2020. She noted that the tourist industry would be especially hard hit, particularly those in rural areas. She lamented the negative impacts expected across various industries. She spoke to the awareness of the struggle for small communities. She stated that the effects of the health crisis would have serious repercussions in all areas of Alaska. She believed that state leaders and Alaskans were making significant progress to support businesses.

[9:26:51 AM](#)

Co-Chair Foster recognized that Representative Ivy Spohnholz was listening in.

Representative LeBon asked about the formula for allocation of the funds, particularly in Fairbanks and the Mat-Su.

Ms. Fowler replied that funding formula first appropriated a portion of money to a municipality based on the municipality type. After that, funding was appropriated on a per capita basis. She reiterated that \$20 million, of the \$257 million, would be appropriated as a base payment to communities and the remainder would be distributed on a per capita basis. She explained that as a result of the formula, the total dollar payment per capita differed from community to community.

[9:28:57 AM](#)

Representative LeBon replied that it did not answer the question. He considered the impact of COVID-19 on all communities. He spoke to the variables along the Railbelt between Anchorage, Mat-Su and Fairbanks. He did not believe the funding spread should be so wide; \$600 per capita in Mat-Su, \$450 per capita in Fairbanks. He opined that Fairbanks was impacted every bit as much by the situation as Mat-Su. He had a hard time understanding why the per capita funding gap was so large. He understood he likely would not receive a satisfactory answer to his question. He

addressed AIDEA's participation with banks. He wondered whether all banks were participating, or a select few. He wondered whether every community was able to participate with AIDEA and their banking community to help small businesses.

Mr. Weitzner replied that AIDEA worked directly with the Alaska Banker Association and directly communicated with banks on the structure of the AK SAFE program. He relayed that conversations with the banks had resulted in a restructuring of new terms adopted by the board. The intent was that the program would be made available for every Alaska financial institution to utilize. He identified that it would be fundamentally up to the individual bank whether they wanted to work with AIDEA under the direct lending program.

[9:32:56 AM](#)

Co-Chair Foster recognized that Representative Geran Tarr was listening online.

Vice-Chair Ortiz returned to a question by Representative LeBon concerning the equal distribution of funds. He referenced Ms. Fowler's use of the term "community type." He wondered how the term community type was defined.

Ms. Fowler answered that the term was based on the statutory community assistance formula, which was utilized in determining distribution. She said that there were payments for municipalities, payment for within borough, and unincorporated communities outside of borough; the data was continually collected and consistently applied in the community assistance calculation. She noted that the assistance calculation and was not new to this distribution. She was happy to follow up with the committee to provide the statutory framework.

Vice-Chair Ortiz echoed the commissioner's earlier statement about the importance of getting the funds to communities and businesses as quickly as possible. He asked whether the department had done a task of this magnitude in the past, and whether the department had enough manpower to accomplish the task.

Commissioner Anderson replied that the department believed, with the partnership with AIDEA, it could get the funds out

to communities as quickly as possible. She added that the Division of Investments would work with existing and new business clients. She said that a \$5 million dollar grant had been requested from ADA to help small businesses, which AIDEA had agreed to match with \$1 million. She stated that under the existing program, as defined, she believed that the loans could be processed quickly. She said that the resource need would be assessed as guidelines changed and had been reassured by the administration that the department would have the resources necessary to ensure quick and efficient implementation of the program.

[9:37:09 AM](#)

Representative Carpenter spoke to the length of time communities could hold onto funds without spending them. He noted that a community may not have need at first to spend the funds, but he thought that as the state opened back up the need may grow. He asked whether the community could hold onto the funds until the end of the year.

Ms. Fowler responded that the department did not anticipate fund would be returned until after December 30, 2020, when additional costs would no longer be eligible expenditures.

Representative Carpenter whether additional funds could be requested if the first distribution funds were used completely by the date of the second distribution.

Ms. Fowler answered in the affirmative.

Representative Carpenter asked whether the AK SAFE Program, and direct lending programs, were part of the \$300 million request for proposal (RPL) 08-2020-0251, and whether there was a federal requirement to use the funds for loans and not grants. He wondered whether the loan would be forgivable under any circumstance.

Mr. Weitzner answered that AIDEA had capital that was specific to the AK SAFE program and resolutions were in place to expand the program to operate under Emergency Loan and Guarantee regulations. He said everything under the Emergency Loan and Guarantee regulations was linked to an allocation of funding from the CARES Act funding to the state. He said he could not speak to terms and criteria of the federal funding. He believed that the department could

quickly implement a program that could accommodate a forgiveness program for the state's seasonal businesses.

[9:42:03 AM](#)

Representative Carpenter spoke to the direct lending programs. He asked whether any of the loans were interest bearing. He understood it may change based on the Department of Law (DOL) guidance.

Mr. Weitzner replied that the program worked in collaboration with Alaskan financial institutions and was a guaranteed tranche, in addition to the existing lending agreement, at the current rate of interest under those loan agreements. He said that the loans had the same level of interest - prime plus 200 basis points - effectively 6 percent. He stated that under the Emergency Loan and Guarantee program the rates had yet to be determined as a program operator was not in place.

[9:44:55 AM](#)

Representative Josephson referenced a statement by Ms. Fowler about moving monies between communities and that legislative action may be needed to divine a mechanism. He lamented that the formula that the department had established relative to direct cost distribution also lacked a legislative formula. He was trying to determine how the department had concern about the former but not the latter.

Ms. Fowler answered that the distribution included in the RPL would be approved by the legislative body through the LB&A Committee. She noted that if he was asking that leftover CARES funds from Juneau be transferred to Ketchikan, there was not yet a mechanism for that transfer. She added that one could be established through work with DOL and the Legislature.

[9:46:57 AM](#)

Representative Josephson discussed that there had been one advisement for transparency concerning who received grants and loans. He asked whether the department had considered such transparency.

Commissioner Anderson answered it was not something the department was considering at present. She would have to check with DOL on confidentiality of grant and loan recipients. She told the committee she would follow up with the information.

Representative Josephson asserted that he believed in helping local governments. The committee had heard from the communities that they were unable to use a portion of the funds. He asked whether legislators should be concerned that they were committing dollars that could not be spent by local governments.

Commissioner Anderson had not heard of the community concerns on the matter. She deferred to Ms. Moller.

Ms. Moller stated her understanding of the question. She said that there were no specific requests of what the amount would be if it was not 45 percent. She stressed that getting the funds to communities as soon as possible and to the maximum amount was the intent.

[9:50:42 AM](#)

Representative Josephson was surprised - the committee had a lengthy meeting the previous day, the main topic of which were city mayors in the state testifying that they would not be able to use the funds according to federal guidelines.

Co-Chair Johnston added that the administration was following the legislative intent of the CARES Act, which was that 45 percent of the funds would be distributed to communities. She related that while everyone had concerns about the federal guidelines, she believed the administration was trying to follow the legislative intent.

Representative Wool referred to federal guidance on things the states could use the money for such, as expenditures related to the provisions of grants to small businesses to reimburse the cost of business interruption caused by required closures. He queried why the issue had not been mentioned in the current meeting.

[9:53:03 AM](#)

Commissioner Anderson answered that Section 5 of the CARES Act was related to small business relief. She clarified that the current presentation had been crafted around community assistance.

Representative Wool noted that half of the \$562 million would be distributed by the four community types:

- borough - \$300,000
- city - \$75,000
- unincorporated inside of a borough - \$16,000, unincorporated outside of a borough - \$25,000
- The remainder would be divided up, per capita, based on the entire state population.

Representative Wool lamented that the formula for distribution of the remaining 50 percent of the \$562 million had yet to be disclosed by the administration. He felt that communities with sales tax had fared better in money distribution than others and thought the formula could be based on lost wages. He was concerned about the idea that money could not be moved between communities depending on the greatest need. He wondered where the money was located before it was distributed. He felt that the 45 percent was a guide established by the administration and wondered why the funds could not be shared, as they originated from the same central bank.

[9:56:52 AM](#)

Ms. Fowler replied that the department could not change the allocations arbitrarily without a process in place. She believed there could be a discussion about the development of such a mechanism. She stressed that conversations on the matter had not taken place and there was very little information that could be provided. She did not want to imply there was zero flexibility to moving appropriations once they had been made due to federal guidance.

Representative Wool believed flexibility would be beneficial to communities. He noted that the previous day the committee had heard from the chief of staff of the mayor of Anchorage who had stated they believed Anchorage could use the funds to backfill lost revenue. He asked who would recover the money if required to pay it back to the federal government.

Ms. Fowler replied that she did not yet have answers to the question. She said that federal guidance received so far indicated that the state would pay the federal government and then the city would be liable to the state.

[10:00:34 AM](#)

Representative Wool asked when DCCED received the money and distributed it in a tranche whether the funds went out in a tranche or if communities had to make an official request for every expenditure.

Ms. Fowler replied that there was one significant difference between the way the department would be administering the program compared to the way it administered its other programs. She said that the intent with the program was to give the three tranches to communities; reporting would be required on how the money was spent but, receipts would not need to be submitted for the initial release of funds.

[10:02:15 AM](#)

Vice-Chair Ortiz asked about the methodology used to allocate the \$305 million, He understood that it could be based on other revenue coming into municipalities.

Ms. Fowler answered that OMB used existing economic data sources to capture what the economic impact of COVID-19 might be, she deferred any other questions on the methodology to OMB.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), asked to hear the question again.

Vice-Chair Ortiz complied. He queried what formula had been used to distribute the \$305 million. He asked whether legislators could expect to receive a clear explanation of how the funds would be dispersed.

Mr. Steininger answered there would be a clear explanation on how the formula had been calculated. He said that OMB had used information provided by DCCED about economic activities in each community. He noted that technical errors in the calculation had been identified and would be corrected before additional information would be given.

Co-Chair Foster requested the information to be distributed to committee members.

[10:07:05 AM](#)

Vice-Chair Ortiz noted his questions were not at all coming from a concern about dollars that would go to his community. The questions were in response to the concerns of other communities.

Representative Tilton spoke about loans to businesses. She wondered whether, through the process, there was an expected administrative fee for the loans or grants. She believed the goal was to get the most money out to businesses.

Mr. Weitzner responded that the RFP that had been issued to financial institutions had addressed the question. He said that the intent was to reduce the cost to the borrower as much as possible. He believed they would be able to achieve a cost competitive program and benchmarked the program against the programs offered on the federal level.

[10:09:19 AM](#)

Representative Tilton understood that for some programs there was an administrative fee charged of approximately 5 percent.

Mr. Weitzner replied that the programs identified under the CARES Act contained a wide scale of interest rates and fees. He identified several programs and spoke to the varying interest rates and fees. He relayed that under the Emergency Loan and Guarantee Program the hope was to reduce the cost to businesses as much as possible.

Representative Tilton referenced significant frustration businesses were having with the process. She wondered what AIDEA was hearing about the needs that were outside of input from the banking industry.

Mr. Weitzner offered the timeline for the information as it had been made available to small businesses. He stressed that the information contained an email and a phone number that businesses could use to submit questions to AIDEA. He shared that the phone line rang to AIDEA and his phone

directly. He relayed that he could provide a listing of the individuals he had spoken to directly.

[10:14:33 AM](#)

Commissioner Anderson added that DCCED had been taking phone calls and emails daily about the concerns of small businesses in the state. She said that the department had conducted teleconferences and industry meetings concerning the needs and economic services throughout Alaska. She assured the committee that they were keenly aware of the needs of small businesses, which was the reason the department had worked with AIDEA and developed the small business program. She noted that a loan forgiveness portion of the program was currently under review by DOL.

Representative Tilton thanked the department for their work. She expressed appreciation for what everyone was doing to try to keep the economy going. She expressed concern about small businesses being heard and getting their needs met.

[10:17:13 AM](#)

Representative LeBon expounded on Representative Tilton's questions. He recalled there had been a reference to an Alaska bank taking the lead. He asked which bank would be taking the lead on the loans for the program.

Mr. Weitzner replied that AIDEA had issued an RFP, the financial institution had not yet been determined.

Representative LeBon understood that AIDEA was looking for banks that wanted to participate, not necessarily a lead bank.

Mr. Weitzner answered that an RFP had been issued to all of Alaska's financial institutions and credit unions. He related that discussions with parties that had responded were still ongoing.

Representative LeBon noted that the details of the program were still under development. He cited the rollout date of April 9. He understood that, to date, no investment had been made in any communities.

Mr. Weitzner responded that the roll out on April 9 included the AK SAFE program, which was separate from the Emergency Loan and Guarantee Program. The latter program would work with financial institutions to provide a guarantee of additional funding to businesses under existing loan agreements. He said that the Direct Lending Program had yet to be fully defined. He said that the level and terms of funding for the program had yet to be determined.

[10:20:50 AM](#)

Representative LeBon recalled the percentage of guarantee for the Emergency Loan and Guarantee Program was 100 percent. He asked whether AIDEA had the final say on loan approval or would it be delegated the bank underwriting the loan.

Mr. Weitzner answered that there was unfortunately a bit of confusion about the programs. He explained that the AK SAFE loans were subject to the lender to determine the full terms of the loan. He stated that if the question had been about the Direct Lending Program, which was a subprogram of the Emergency Loan and Guarantee Program it would be a direct loan, through financial institutions, to borrowers.

Representative LeBon interpreted a direct loan program to mean that AIDEA was dealing directly with the small business. He queried whether this was the case, or whether banks were involved in both programs.

Mr. Weitzner answered that with the Direct Loan Program, AIDEA was working with financial institutions to make loans directly to small business. The AK SAFE program worked with both borrower and lender to guarantee an additional tranche under their current loan agreement.

[10:24:10 AM](#)

Co-Chair Johnston asked about community assistance. She understood that there was an application process in place for standard community assistance that would be submitted by communities to the department for grants. She asked if they were not on the list if they had not applied in the past.

Commissioner Anderson answered the intent was for the Division of Community and Regional Affairs send a compliance agreement to communities, which would be sent back to DCCED to trigger the release of the first tranche of funds.

Co-Chair Johnston asked whether the department had the capacity to quickly work with communities if the federal guidance changed to enable communities to have the flexibility to spend the funds without additional liability.

Commissioner Anderson answered affirmatively. She elaborated that Ms. Moller's team had reached out to eligible communities to get banking information and other to ensure they could quickly distribute the funds. The department would also work with OMB. She stressed that it was hard to predict what would happen if the federal guidance changed.

[10:27:47 AM](#)

Co-Chair Johnston believed it was important to act as quickly as possible, but without exposing communities to liability. She asked whether the ADIEA board felt that it had the capacity to ramp up to \$1 billion.

Mr. Weitzner answered in the affirmative. He expounded that the board had an element of leverage it was able to achieve through a guaranteed program. He likened it to the way the U.S. Treasury had identified and funded programs through the CARES Act. He said that the direction from the board, under the resolution that approved the program, was to allocate enough reserves to support up to a \$1 billion program.

Co-Chair Johnston surmised the board had made the item a priority with the knowledge that their fund balance had many missions.

Mr. Weitzner responded that it had been directed as a priority program for AIDEA. He said that allocation would be based on the demand they would be seeing for the program. He said that there were over 100 Alaska businesses who were currently in touch with their lenders. He said that the entire focus was on the Small Business Administration P3 program and establishing those funds to

borrowers working with their existing lenders. He understood that following that program the focus would be on the AK SAFE program.

[10:31:03 AM](#)

Co-Chair Johnston asked whether the federal government had reached out to lenders like AIDEA.

Mr. Weitzner answered that AIDEA was looking to establish itself as an eligible lender under several U.S. Treasury programs. He stated that the Main Street Lending program was one treasury program that was a four-year lending program for businesses that had up to 10,000 employees. Funding under that program allowed for loans up to \$25 million, subject to certain terms and conditions, which would be 95 percent funded by the federal government. He believed that that would give AIDEA the ability to leverage federal funding under that program.

[10:32:53 AM](#)

Co-Chair Foster discussed they had seen pushback at the national level for large companies receiving funds intended for smaller businesses. He thought that at the end of the day small businesses just wanted to get access to the funds. He asked where someone could go to start the process and get more information.

Commissioner Anderson answered there was a portal on the DCCED website showing the different available programs and direct links - the intent was a one-stop-shop.

Co-Chair Foster looked at slide 9, related to ensuring equal access across urban and rural communities. He discussed that in rural areas some individuals had no idea where to start and sometimes there were issues with access to the internet. He probed the issue of equal access across urban and rural Alaska.

Commissioner Anderson replied it was a concern to her as well. She shared that discussions had occurred with AIDEA concerning internet access for small communities. She said that the department would request a rural "set-aside" for small communities. She said that the goal was to make the program easy to access and to simplify the process.

10:37:13 AM

Co-Chair Foster noted there had been issues where funds had been exhausted - it was his deep concern that information would not be as readily available to rural communities.

Representative Wool noted that Los Angeles had announced it was providing free testing to all residents. He asked whether that could be done in Alaska.

Commissioner Anderson believed it was true as she read the guidelines. She would defer to DHSS.

Ms. Fowler said she did not see why it would not be an allowable expense.

Representative Wool noted it seemed a shame to send funds back to the federal government if it could provide free testing to residents. He asked about the \$300 million for small business relief. He noted that the investments component of the department would handle the funding allocated for investments. He wondered what that entailed.

Commissioner Anderson believed the intent was the current division within DCCED that managed the small loan programs was where the funds would be located.

10:41:07 AM

Representative Wool stated it was unclear how the \$300 million related to investments.

Commissioner Anderson replied that the language had been based on the original guidance received from the federal government and the allocation would change because of updated guidance. She would share the information when it was received.

Representative Wool understood that the AK SAFE program provided funding in addition to federal funding. He surmised that the program was not for people who had been denied any other loan, and any business affected by COVID-19 could apply.

Mr. Weitzner replied in the affirmative. He believed that a large amount of businesses in the state would be affected by the virus.

Representative Wool noted that the loans were for small business and nonprofits unable to obtain SBA, PPP, or EIDL, or other federal support. He asked whether it pertained to seasonal businesses.

Mr. Weitzner clarified they were trying to avoid businesses that were already in the process, or had already received, PPP funding. He stressed that the intent was to assist small businesses and nonprofits that were unable to obtain federal funds. He stated that the goal was to direct it to parties without an existing bank relationship and not had the ability to get their application approved by the SBA.

[10:45:16 AM](#)

Representative Wool noted there were numerous seasonal small businesses in the state. He thought that even if 2,500 businesses applied it would be a lot of loan processing work. He believed they would need at least one financial institution and perhaps more to process the loans. He wondered whether one of the programs should be outsourced - especially the \$300 million in small business relief. He wondered whether the department would require additional staff.

Commissioner Anderson clarified that the \$300 million was intended funding for existing programs. She reiterated that AIDEA had issued an RFP to financial institutions to be the entity that processes the AIDEA funded loans.

Representative Wool maintained that the department would likely need additional staff to process the loans.

[10:47:49 AM](#)

Representative Knopp had been pleased by the information he had heard from the department during the meeting. He appreciated the scrutiny the department was giving to the issue. He spoke to the essential nature of adhering to the federal guidance. He wondered who would audit the criteria.

[10:50:01 AM](#)

Commissioner Anderson replied that the intent was for communities to issue monthly reports to OMB. She believed that OMB would review and validate the expenditures per

category. She said that she had no information regarding the final federal audit.

Mr. Steininger did not have any further information on the federal piece. He said that OMB would be consolidating reports sent in by communities.

Representative Knopp asked about the reappropriation of some of the funding that might not be fully spent in specific communities. He thought that the allocation of the funds was still an issue to committee members. He thought the grant program and quarterly reporting justification fixed much of the issue, because if a community could not justify spending the funds it would not receive them. He asked whether this was something OMB would address.

[10:52:30 AM](#)

Mr. Steininger responded that the primary priority was to give communities a known amount of money up front, so they knew what resources were available to them. He stated that as monthly reports were generated, communities could have less of a need than for what was allocated. He stressed that it was difficult to say, right now, whether communities would have money left over from the allocations.

[10:53:42 AM](#)

Representative Carpenter looked at Slide 5 and allowable expenditures, second to last bullet:

- Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency.

Representative Carpenter queried the definition of "provision of economic support".

Ms. Fowler replied that there were three examples given in the federal guidance: expenditures related to the provision of grants to small businesses to reimburse the cost of business interruption caused by required closures; expenditures related to a state, territorial, local, or tribal government payroll support program; and unemployment insurance costs related to COVID-19 public health

emergency, if such costs would not be reimbursed by federal government pursuant to the CARES Act or otherwise.

Representative Carpenter surmised the bullet pertained to expenses associated with providing the economic support, but not a payment protection plan of the state.

Ms. Fowler agreed.

[10:55:40 AM](#)

Representative Josephson referenced Representative Carpenter's question. He thought it was where the municipal city manager [Anchorage] read the guidelines broadly. He thought there could be backfilling done with the funds related to COVID.

Commissioner Anderson read the language similarly and deferred to the Department of Law for clear guidance.

Representative Carpenter read the bullet and thought economic support was not specifically sustaining government, but for helping the people and businesses in communities. He thought that someone else would have to come up with the funds to provide the economic support. He understood that the state would provide the economic support to communities, but expenses for providing the support would be covered. He believed that Congress intended that the funds should go to communities and not to government.

[10:58:53 AM](#)

Commissioner Anderson agreed there was significant ambiguity in the guidance. She understood that the funding mechanism was interned to funnel funds to small businesses.

Mr. Steininger agreed with the statements made by the commissioner.

[10:59:58 AM](#)

Representative Josephson looked at the guideline and was reminded that while he supported the RPL process, the second bullet under paragraph 5 was the reason he supported an active legislative role. He believed that there were

creative solutions that could be important in support of the broader economic objectives.

[11:01:40 AM](#)

Co-Chair Johnston thanked the department for the presentation. She appreciated the work by the department, OMB, and the administration to get money to the communities as quickly as possible. She appreciated that the entities were working to address the confusion. She looked forward to a continued dialogue between the parties to get the funds out as quickly as possible.

#

ADJOURNMENT

[11:03:07 AM](#)

The meeting was adjourned at 11:03 a.m.