

HOUSE FINANCE COMMITTEE
INTERIM
June 10, 2020
10:02 a.m.

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

10:02:38 AM

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 10:02 a.m.

MEMBERS PRESENT

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

Representative Neal Foster, Co-Chair

PRESENT VIA TELECONFERENCE

Julie Anderson, Commissioner, Department of Commerce, Community and Economic Development; Sandra Moller, Director, Division of Community and Regional Affairs, Department of Commerce, Community and Economic Development; Alan Weitzner, Chief Investment Officer, Alaska Industrial Energy Authority; Representative Bryce Edgmon.

SUMMARY

PRESENTATION: AK CARES SMALL BUSINESS DIRECTED GRANT PROGRAM - COMMUNITY GRANT FUNDS DISBURSEMENT

Co-Chair Johnston reviewed the meeting agenda. She asked members to hold their questions until the presentation concluded.

^PRESENTATION: AK CARES SMALL BUSINESS DIRECTED GRANT PROGRAM - COMMUNITY GRANT FUNDS DISBURSEMENT

10:04:41 AM

JULIE ANDERSON, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), began the PowerPoint Presentation: "Ms. Kyle CARES Grant Program and Community Distribution Payments" (copy on file).

10:05:21 AM

SANDRA MOLLER, DIRECTOR, DIVISION OF COMMUNITY AND REGIONAL AFFAIRS, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), began with slide 2, "Community Distribution Payments":

Community Assistance Payments: \$257,548.800 (RPL 08-2020-0250) and RPL 08-2020-0260 through -0832)

(Approved by LB and A May 11, 2020 and adopted by HB313, which was signed into law by the Governor on May 22, 2020)

Provides for mitigation and recovery efforts based on population as distributed through the community assistance program.

Requires a signed grant agreement with an approved resolution from the governing body before first payment is disbursed.

Second and third payments can be requested after July 1 and upon confirmation of expending 80 percent or more of previous funds.

Ms. Moller moved to slide 3 which showed specifics on which communities have received funding and the amounts of the distributions. She reported that 30 percent of the monies have been distributed to the communities.

Ms. Moller turned to slide 4, which showed the CARES Act money disbursement across the state as of the day before.

10:09:00 AM

Ms. Moller moved to slide 5, "Community Distribution Payments":

Outreach Efforts

April 21: Began preparing communities to receive payments.

May 15: Grant agreement packages sent to local governments.

May 22: First round of payments sent to nine communities.

June 1: "Running tally" of community distribution payments published on the DCRA website.

June 8: 67 communities have received \$96 million.

Co-Chair Johnston asked if any member had questions. She indicated Representative Knopp had joined the meeting.

Representative Josephson queried the department's current understanding of the community assistance funds. He wondered what the department's view was on redirecting the funds into other community use of the funds.

Commissioner Anderson responded that she had not encountered that specific question, but grantees were referred to the federal guidance. She remarked that there was a standing weekly meeting with the Office of Management and Budget (OMB) and the Alaska Municipal League (AML) to address those questions.

Co-Chair Johnston asked what the relationship between the department and the Alaska Municipal League.

Ms. Moller indicated that the department did not have a contract with the Alaska Municipal League, but over the years there was a close relationship with them as they served a subset of the communities.

Vice-Chair Ortiz asked how updated the website link was in terms of current information.

Ms. Moller replied that the link was updated twice per week. The division was receiving requests every day.

[10:15:04 AM](#)

Co-Chair Johnston asked whether there was a deadline for applications.

Ms. Moller indicated that there was not a deadline in place. The division would be conducting specific outreach from communities that had not reached out.

Commissioner Anderson turned to slide 6, "Small Business Relief":

Small Business Relief: \$290.0 million (RPL 08-2020-0251) (Approved by LBandA May 11, 2020 and adopted by HB313, which was signed into law by the Governor on May 22, 2020)

Provide assistance and relief to businesses impacted by COVID-19: \$750,000 for the Alaska Regional Development Organizations (ARDORs) to provide technical assistance to regional businesses in applying for and obtaining funding.

\$289,250,000 designated for the AK CARES, a program established within AIDEA providing grants at the direction of DCCED to qualifying Alaska small businesses utilizing a third-party processor(s).

[10:18:53 AM](#)

ALAN WEITZNER, CHIEF INVESTMENT OFFICER, ALASKA INDUSTRIAL ENERGY AUTHORITY (via teleconference), moved to slide 7, "Alaska CARES Program (AK CARES)":

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

- Grant Program to expeditiously address those small businesses and nonprofit organizations

unable to obtain SBA PPP, EIDL, or other federal program support.

- Small businesses based, licensed, and located in Alaska -including Ccorps, S-corps, Partnerships, LLCs, Nonprofits (501(c)3 and 501(c)19 organizations) and sole proprietorships.
- Ensure access for both urban and rural communities.
- Targeted businesses: 50 or less full time equivalent employees.
- Grant Size: \$5,000 to \$100,000.
- COVID-19 emergency-related eligible expenses incurred between March 11, 2020 through the application date, and eight (8) weeks following the application date.

Mr. Weitzner turned to slide 8, "Alaska CARES Program (AK CARES)":

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

- Initial Tranche: up to \$150,000,000 through Credit Union 1
- Program Launch: June 1, 2020

[10:24:03 AM](#)

Mr. Weitzner advanced to slide 9, "Alaska CARES Program (AK CARES)":

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

- Initial Tranche: up to \$150,000,000 through Credit Union 1
- Grants Approved in 1st week through June 5, 2020

[10:28:47 AM](#)

Mr. Weitzner discussed slide 10, "Alaska CARES Program (AK CARES)":

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

- Targeted Businesses: 50 or less full time equivalent employees as of June 4, 2020

[10:30:07 AM](#)

Mr. Weitzner addressed slide 11, "AK CARES Grant Program":

Outreach Efforts

May 15: AK CARES Grant website published.

May 27: AK CARES Grant website updated with finalized program details.

May 27: AK CARES officially announced via press release.

May 28: Commissioner Anderson participated in the Governor's virtual town hall.

June 1: AK CARES Grant program went live.

June 3: Meeting with ARDORs on AK CARES.

June 5: Opinion Piece on AK CARES sent to newspapers statewide.

[10:31:16 AM](#)

Representative LeBon asked about the AIDEA Board Meeting on May 20, 2020 at which time the board decided to allow 501c6 organizations to be eligible for CARES Grant support. He believed that there was also an allowance for small businesses that received small government loan amounts. He wondered whether those businesses were eligible to apply for the state CARES Act grant program.

Mr. Weitzner responded that the AIDEA Board had those discussions, but afterward it was discovered that the HB 313, which enacted the RPL into law, had a different view of how to incorporate more change to the program. He suggested that the commissioner might want to comment on the review of the program.

Commissioner Anderson confirmed that at the AIDEA board meeting there were discussions about how to improve the flexibility of the program, but not understanding that the board was restricted to the verbiage in the RPL. She

indicated that there was work with the Department of Law to determine the available flexibility within the RPL through the review of legislative intent and the confines of the law. She remarked that there was a large gap, and there was an examination to address the gap and meet the needs.

[10:34:38 AM](#)

Representative LeBon wondered whether the department would accept an application from a small business who had already received a small grant from SBA.

Commissioner Anderson replied that it was currently under examination, by looking at clarification on the verbiage within existing law. She remarked that they were currently sticking to the language in the RPL.

Representative LeBon asked that if a business were to return SBA money would make them eligible to apply for the state grant.

Commissioner Anderson responded that the scenario was one of the areas currently under review in the RPL.

Representative Wool felt that there could be a change in the RPL that could assist in the ability to allow for more businesses to receive the money.

Commissioner Anderson indicated the department was looking at flexibility in the interpretation of the RPL.

Representative Wool noted that there were currently 1100 loan applications for approximately \$50 million, which was approximately one-sixth of the total fund of close to \$300 million. He surmised that there was a possibility for 6000 applicants. He remarked that so far 44 were approved and 11 had been funded in the program. He felt that the pace indicated that it would be a long time to get through thousands of applications. He queried effort to accelerate the process.

Mr. Weitzner replied that the RFP was amended to contract other program operators with the intent of speeding up the processing. He believed that by getting new program operators there would be an acceleration of funding.

[10:40:28 AM](#)

Representative Wool asked if AIDEA was looking at other lending institutions.

Mr. Weitzner replied in the affirmative. He reported that AIDEA had amended the RPL last week to alleviate the burden on one institution.

Representative Wool asked if AML was being paid by the communities.

Commissioner Anderson responded that AML was not contracted with the department. She was not aware of any contracts with AML.

Ms. Moller replied that she was unsure if communities were paying AML. The department did not have a contractual agreement.

Co-Chair Johnston asked if the department was looking for an answer from statewide institutions or outside of the state.

Mr. Weitzner responded that the RFP was limited to a statewide application.

Representative Carpenter referred to slide 7 and slide 8. He wondered whether the businesses with 50 or less employees was the target group for the program.

Mr. Weitzner responded in the affirmative. He explained that the target of 50 or less employees was based on information from the Department of Labor and Workforce Development (DLWD) that reflected that there were over 15,000 of those businesses.

[10:45:26 AM](#)

Representative Sullivan-Leonard queried the oversight of some of the non-profit businesses that may be receiving federal funding that was not through the CARES Act. She asked whether there was tracking of those different kinds of funds.

Mr. Weitzner responded that the application process required a certification that they had not received any

other forms of federal funding. He stated that there was not a separate verification process.

Representative Sullivan-Leonard recalled that there was some past practice in the Department of Commerce, Community and Economic Development (DCCED) to work with the local administrations to assist in grant applications. She wondered whether there was a utilization of the local government specialists to assist in the grant process.

Mr. Weitzner responded that there was work with the ARDORS group on community access. He remarked that the rural application number was approximately 34 percent.

Vice-Chair Ortiz returned to the question of community distribution and AML's role in the process. He wondered if AML was a conduit. He wanted to better understand the role of AML.

Commissioner Anderson replied that it was the first she had heard of the issues. She asked Director Moller to respond further.

Ms. Moller replied that the department did not have a contract or formal MOA with AML. She was unaware of the payment from the community of Juneau.

Commissioner Anderson added that the services that AML was providing assistance in determining the efforts for payments going directly to communities. She thought AML's role was similar to that of the ARDORS.

Co-Chair Johnston was not sure if Juneau was discussing membership fees with AML.

Vice-Chair Ortiz expressed concern about the funds and the appropriate use of CARES Act fund. He remarked that there should be an examination of the origin of the money from Juneau to AML. He felt that there should be no cost for AML's assistance in the program.

Representative Merrick asked about the most COVID-19-related common expenses were being applied for through the CARES Grant Program.

Mr. Weitzner responded that the most common expense was related to rent, mortgages, property, and utilities.

Representative Carpenter asked about the timeframe for the RPL change. He also asked how long it would take to get another financial institution online.

Commissioner Anderson responded that the RFP was due on the coming Friday [June 12, 2020]. It would likely be within 2 weeks.

Co-Chair Johnston indicated the committee would likely schedule a follow-up meeting.

[10:56:12 AM](#)

Representative Carpenter thought there were some people disappointed that they applied for PPP, because they were not aware of a possible better financial opportunity.

Representative Josephson wondered why there needed to be a determination of the legality of the RPL. He asked if it was time for the legislature to come together to fix the issue.

Commissioner Anderson was hoping to find some flexibility to be able to fix the issue. She had heard the story of entities receiving much less through the PPP program. The department was looking for flexibility to address concerns.

Representative Josephson was aware everyone had the same broad goal. He stated that it was his understanding that the language had been suggested by the administration. He was available for assistance and further discussion on the issue.

Co-Chair Johnston asked if the department was looking at a waterfall approach of the tranches.

[11:00:24 AM](#)

Mr. Weitzner asked for clarification of the waterfall effect.

Co-Chair Johnston wondered if there were remaining funds in the first tranche would flow into the second tranche.

Mr. Weitzner reported that AIDEA wanted some flexibility, and it could be that it would be organized off of the same cue.

Co-Chair Johnston was aware the issue was a moving target. She appreciated everyone's efforts.

Ms. Moller moved to slide 12, "AK CARES Grant Program: ARDORS":

ARDOR Participation

- Three complete grant agreements received as of June 8.
- Grant funds can be used to provide ARDORS with resources to assist small businesses in applying for COVID-19 grants.
- For the non-represented areas of the state, UAA's Small Business Development Center (SBDC) has offered to be the liaison to reply to inquiries and assist communities.
- Kenai Peninsula Economic Development District launching multiple town halls.
- Southeast Conference partnering with Spruce Roots to provide virtual workshops.
- Anchorage Economic Development Corporation coordinating multiple community organizations promoting AK CARES grants for businesses.
- Fairbanks North Star Borough preparing a local grant program.
- Five ARDORS have notified DCRA that communities within their regions plan to use CARES Act funds for business relief.

[11:09:42 AM](#)

Representative Sullivan-Leonard asked who was handling the ARDORS for the Mat-Su Borough. She remarked that in the past, the Mat-Su had had a defunded ARDORS group.

Ms. Moller neglected to mention that the nine ARDORS represented nine regions. She remarked that the University of Alaska Anchorage (UAA) was working with the Mat-Su.

Representative Sullivan-Leonard asked if the Mat-Su ARDORS had been contacted to be resurrected.

Ms. Moller had not had any direct conversations about that possibility.

Representative Sullivan-Leonard wondered whether the Small Business Administration Centers were open to assist the Mat-Su to ensure that the businesses received the funding for the community.

Ms. Moller agreed to provide that information.

Representative Wool wanted to understand the grant program with the ARDORS. He asked if the grants were going to the ARDORS, and wondered if they were a facilitating entity.

Ms. Moller responded that they were receiving grants through the RPL, and there was a specific start date that the funds and activities would be eligible for repayments or use of the funds. She was aware of additional staffing being done to help facilitate the program.

[11:15:59 AM](#)

Representative Wool referred to slide 12. He heard the ARDOR resided within the boroughs. He asked if he was correct.

Ms. Moller responded that the Fairbanks North Star Borough would receive the grant through the Mayor's office.

Representative Wool commented like it was all housed within the borough.

Ms. Moller responded, "That's correct."

Representative LeBon commented on bank participation with Credit One. He encouraged the state and AIDEA to look to local banks for participation. He also commented on small businesses that had already received funding, and encouraged fast action to ensure that those in need received the funds as soon as possible.

Co-Chair Johnston would consult with Co-Chair Foster about a follow-up meeting for an update.

#

ADJOURNMENT

[11:20:37 AM](#)

The meeting was adjourned at 11:20 a.m.