

HOUSE FINANCE COMMITTEE

INTERIM

June 17, 2020

3:07 p.m.

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

3:07:09 PM

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 3:07 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Ben Carpenter  
Representative Colleen Sullivan-Leonard

PRESENT VIA TELECONFERENCE

Julie Anderson, Commissioner, Department of Commerce, Community and Economic Development; Alan Weitzner, Interim Executive Director, Alaska Industrial Development and Export Authority; Representative Chris Tuck; Bill Milks, Assistant Attorney General, Department of Law; Megan Wallace, Director, Legislative Legal Services, Alaska State Legislature; John Bittner, Executive Director, Alaska Small Business Development Center; Barb Nickels, Kawerak Inc., Bering Strait Development Council; Brittany Smart, Special Assistant to the Mayor and Staff to the Economic Development Commission, Fairbanks North Star Borough; Tim Dillon, Executive Director, Kenai Peninsula Economic Development District; Kristin Carpenter, Executive

Director, Prince William Sound Economic Development District; Robert Venables, Executive Director, Southeast Conference; Cheryl Hickson, Business Owner, Anchorage; Kyle Gardner, Building Blocks Early Learning Center, Anchorage; Lori Berrigan, Child Care Facilities, Palmer; Paul Lorentz, Self, Haines; Vivian Mork, Self, Juneau; Stephanie Berglund, CEO, THREAD, Anchorage; Judith Miller, Self, Homer; Russ Reno, Independent Travel Business, Anchorage; Nathan Vallier, Owner, Alaskan Yukon Tours, Juneau; Scott Hursey, Business Owner, Petersburg; Susan DeLoach, Corporate Administrator, Bright Beginnings Early Learning Center, Anchorage; Andy Hedden, Self, Haines; Blue Shibler, Discovery Preschool, Juneau; Laurie Wolf, President and CEO, The Foraker Group, Anchorage; Shauna Donnelly, Imagination Station Early Learning Center, Anchorage; Joanna Littau, Owner, Planet Anchorage Bed And Breakfast, Anchorage; Sharon Anderson, Valdez Convention and Visitors Bureau; Sally Anderson, Self, Fairbanks; Alicia Berka, Thrive Alaska, Fairbanks; Christina Eubanks, Hillcrest Children, Alaska; Greg Whiteside, Romper Room of Fairbanks, Fairbanks; Debra Rodriguez, Bright Beginnings Early Learning Center, Anchorage; Coleen Goldrich, Owner, Annie Kaill's, Juneau; Heather DeLoach, Bright Beginnings Early Learning Center, Anchorage; Brittany Ford, Self, Fairbanks; LeeAnn Garrick, Chief Operating Officer, Cook Inlet Tribal Council, Anchorage; Representative Bryce Edgmon; Representative Steve Thompson.

#### SUMMARY

SMALL BUSINESS IMPACTS RELATED TO THE PAYCHECK PROTECTION PROGRAM (PPP)

ECONOMIC INJURY DISASTER LOAN (EIDL), AND CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES ACT)

INVITED TESTIMONY:

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

DEPARTMENT OF LAW/LEGISLATIVE LEGAL SERVICES

ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS (ARDOR)

SMALL BUSINESS DEVELOPMENT CENTER (SBDC)

Co-Chair Johnston reviewed the meeting agenda.

^SMALL BUSINESS IMPACTS RELATED TO THE PAYCHECK PROTECTION PROGRAM (PPP)

^ECONOMIC INJURY DISASTER LOAN (EIDL), AND CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES ACT)

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JULIE ANDERSON, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), thanked the committee for the invitation to testify on the CARES [Coronavirus Aid, Relief, and Economic Security] Act funding. She listed other presenters on the line. She shared that the director of Alaska Industrial Development and Export Authority (AIDEA) would provide an update on the Alaska CARES grant fund program. Following the update, she would provide information on the changes to the program guidelines based on advice received from the Department of Law (DOL).

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ALAN WEITZNER, INTERIM EXECUTIVE DIRECTOR, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY (via teleconference), shared that as of the previous day, information from the program operator Credit Union 1, there had been 1,509 applications received since the program's June 1 start date. The number represented applications by small businesses for \$64,949,003. The average grant application amount was \$43,000, which fell within AIDEA's original forecast. He reported that to date, 403 of the applications received were from rural designated zip codes, while 841 were for urban designations. He noted that 265 applications had not yet been fully processed to define out the rural or urban designation.

Mr. Weitzner detailed that 83 applications and \$2.5 million had been approved as of the previous day. He detailed that 14 of the 83 applications or 21 percent were located in rural designations. He reported that a total of 26 applications had been declined. He shared that AIDEA had been working with Credit Union 1 to understand the way applications were being processed. He understood that Credit Union 1 had been diligently looking at how the process could be augmented or increased in terms of getting funding to small businesses. The credit union had been reviewing the first phase of applications - over 540 applications had been submitted on the first day and slightly over 275 had been submitted on the second day. The

credit union was working to ensure each of the applicants received a response and feedback specifying anything else that may be needed on an application.

Mr. Weitzner stated that the credit union had taken a customer service approach to the applicants. He elaborated that if an application did not comply with guidelines the credit union was working with the applicant to resolve the issue. He explained that it had resulted in a delay in response time for other applicants situated later in the queue. He detailed that the credit union management and would be initiating information to all applicants to let them know their application had been received and was in the queue.

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Representative Tilton asked for the reason 26 applications had been declined.

Mr. Weitzner answered that the majority of declined applications had been submitted by parties who had received Small Business Association (SBA) PPP [Paycheck Protection Program] funding. One applicant who had been declined had over 50 employees. The application had gone through a review process and been resubmitted. Another application had been submitted by a minor, which was unexpected and was currently under review by DOL.

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Representative Tilton referenced Mr. Weitzner's statement that 841 urban applications received. She asked if the urban applications could be broken out zip code.

Mr. Weitzner replied that AIDEA had received the information from Credit Union 1 based on zip codes. He confirmed that the information could be provided. He recommended looking at AIDEA's website and the AK CARES program. The sites included two maps showing areas where applications had come from and areas where grants had been approved.

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Representative Wool thought it appeared \$2.5 million had been approved, which he estimated to be less than one one-

hundredth of the total amount of \$290 million. He stated it constituted 83 applications out of 1,500 received. He knew another RFP had been initiated by AIDEA to look for other lending institutions that could help. He stressed that there were businesses hurting. He emphasized there was still a long way to go if only 83 applications and \$2.5 million had been approved. He asked how AIDEA proposed accelerating the process.

Mr. Weitzner answered that AIDEA had put out an RFP and bids had been received. The agency was looking at how to incorporate the bids into the program. He shared that there was some additional information from Commissioner Anderson that required discussion. He agreed that businesses needed more funding. He relayed that AIDEA was working with Credit Union 1 to see how it could help expedite the process. The credit union was taking proactive measures on how to increase the amount of funding disseminated. He shared that AIDEA was also increasing information provided to applicants to keep them apprised of their location in the queue. Additionally, AIDEA was looking at ultimately incorporating new program operators in to facilitate the process to get more money out to businesses.

Representative Wool understood there was an RFP for other lending institutions. He noted that at the previous meeting, consideration had been given to the idea of having more of a regional approach so that each region would loan to businesses within their region (i.e. Fairbanks community banks would loan to Fairbanks businesses, Anchorage banks would loan to Anchorage businesses, and Juneau banks would loan to Juneau businesses). He thought having more lending institutions involved may accelerate the process. Additionally, it would allow institutions to work with local businesses that they knew and may already have an existing relationship with. He did not know how many more institutions AIDEA wanted to bring into the fold. He thought that a well-intended institution like Credit Union 1 could only process a given number of applications. He elaborated that an institution was limited by the time per application and the number of employees processing applications.

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Mr. Weitzner replied that via the RFP, AIDEA had reached out to all financial institutions in Alaska. He explained

that AIDEA was not excluding any process that would prevent the agency from putting together what Representative Wool had identified. He elaborated that AIDEA needed the parties to respond to the RFP.

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REPRESENTATIVE CHRIS TUCK (via teleconference), asked if AIDEA had any takers on an RFP that closed the prior week that would provide more opportunities like the one offered by Credit Union 1.

Mr. Weitzner replied that AIDEA had received bids on the RFP.

Representative Tuck asked how the bids were determined. He understood that Credit Union 1 had a \$7 million contract. He asked if the RFP was on volume served. Alternatively, he asked if it was a flat contract or the lowest bid.

Mr. Weitzner answered that under the program, the processing fee earned by the program operator was based on the volume of grants funded. He explained it was not a flat fee on services provided, but on the amount of grants issued. He elaborated that AIDEA issued the amended RFP on the same basis, but one of the evaluation criteria allowed parties to bid on the processing fee in order to reduce program costs. He shared that the program's operating procedures, guidelines, and underlying agreements had already been defined with the initial program operator, Credit Union 1.

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Representative Tilton asked about the applications that had been declined. She referenced Mr. Weitzner's testimony that the primary reason applications had been declined was because the applicants had already received some SBA funds. She asked if the majority of the declined applicants had received a \$1,000 placeholder on the EIDL [Economic Injury Disaster Loan] program.

Mr. Weitzner answered that AIDEA did not have the exact information to answer the question. He shared that applications were denied based on the fact that the applicant stated they had received federal funding. He elaborated that the application asked whether an applicant

had received any other funding through the SBA PPP, EIDL, or other. He clarified that the application did not ask for a specific amount received.

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Representative Tilton understood that people had received \$1,000. She shared that when the committee had heard about the issue during its last meeting, she had wondered why someone would only receive \$1,000. She had learned that in the EIDL program, \$1,000 was sent to business owners as a placeholder grant until their applications were reviewed. She clarified that it was the reason she wondered whether the majority of applicants fell under that category.

Representative LeBon stated his understanding that 83 applications had been approved at a total of \$2.5 million. He asked how much had been dispersed to approved applicants.

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Mr. Weitzner answered that \$2,094,494 had been dispersed. The full amount had not been dispersed because in some cases the parties had indicated they were not ready to receive the funds or they had not signed the grant agreement.

Representative Tuck provided a scenario where someone received EIDL funds and paid the money back at a later date. He asked if it meant those businesses would qualify for the Alaska CARES Act money under the SBA.

Mr. Weitzner deferred the question to Commissioner Anderson.

Co-Chair Johnston stated her understanding that Commissioner Anderson would be giving a follow up report in terms of changes that would be made. She asked if AIDEA or the department had created a portal for all of the applicants and data to go through that could be used by Credit Union 1 and other banks to determine if there was already an applicant through another bank in order to combat fraud.

Mr. Weitzner replied that AIDEA was setting up the portal as described by Co-Chair Johnston. He relayed that AIDEA

had discussed how to integrate a new program operator into the plan. He explained that the portal was a necessary step to ensure a single party did not apply to each of the different grant distribution channels or the grant provider. He added that it was one of the elements of verification AIDEA was establishing for the program in addition to following up, ensuring expenditure eligibility, and verifying applicants' business licenses. The idea was to create an initial firewall for elements of fraud, which were starting to crop up in the programs in other states as they rushed to put things in place to get relief to small businesses.

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Co-Chair Johnston asked for verification that the portal would belong to AIDEA or the state and would not be contracted out to a non-state entity.

Mr. Weitzner replied that the portal was a way to ensure that AIDEA had a central file between what one program operator had and another program operator had. He detailed that each of the operators would be checking the information and AIDEA would clean the information up to ensure there were no duplicate applicants to attempt to prevent an individual business from receiving two grants for the same submission.

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Commissioner Anderson addressed the gap left between the SBA PPP and EIDL programs. She detailed that the program was initially designed to provide funds for the small businesses that could not apply for the larger programs and due to one reason or another they were unable to access program funds. She relayed that federal programs were continually evolving, and the original intent may not have occurred. The department was proposing changes to address the issue.

Commissioner Anderson stated that after the legislature had approved the RPL [Revised Program Legislative] and the AIDEA board had reviewed the recommendations, AIDEA had provided a recommendation to expand the flexibility of the program. The recommendation was made because the time span between the approval of the RPL and when the department began hearing from small businesses about the intent to

apply for \$30,000 and receiving \$1,000, created a substantial gap in the program and some unintended consequences. Although the AIDEA board recommended expanding the flexibility, the expansion had been constrained by the RPL language. The department had worked with the governor's office and had asked DOL to review the language to determine what flexibility existed for DCCED to administer the program within the confines of the law, while meeting legislative intent. She shared that following the DOL guidance, DCCED was making changes to the eligibility program. The first change the department was making was to modify the eligibility criteria to allow small businesses who have secured PPP funds or EIDL funds to be eligible for Alaska CARES grants provided they have not received more than \$5,000 in grant funds from these two programs. Additionally, the department would have some type of verification in place to ensure there was no double dipping and that applicants had not received more than \$5,000 from grants from the two programs.

Commissioner Anderson relayed that the department was proposing to limit exclusions to small businesses that had directly received funding from the federal PPP and EIDL programs only. The change would permit small businesses to qualify that had indirectly received CARES Act money through a municipal small business relief program or small business owners who individually received some other source of federal relief. She noted that the last time DCCED had spoken with the committee, the department had mentioned that some people had received unemployment insurance and were questioning whether it disqualified them from the Alaska CARES program. She reported that the answer was no. The change would clarify that applicants could apply for the Alaska CARES program and small business relief programs established by communities as long as the applicant was not looking to fund the same expenses.

Commissioner Anderson shared that DCCED had determined that 501(c)(6) entities (primarily trade and industry associations) were eligible for the Alaska CARES program. Lastly, the department was giving entities that received funds from the PPP or EIDL loan program the ability to return the funds, subject to verification, if the amounts did not meet the applicants' needs and they wanted to be eligible for the Alaska CARES program.

Commissioner Anderson reported that the department's primary concern was to ensure there were processes in place to prevent fraud and to open up the program to more eligible Alaskans. She highlighted that approximately 14,000 Alaskan businesses had received some form of SBA funds under the PPP and EIDL programs. The department was unable to determine how many of the businesses received \$5,000 or less. She was confident the changes would open up funding opportunities for many of Alaska's small businesses.

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Commissioner Anderson turned the floor over to DOL to explain the process used to determine the ability to expand the program.

BILL MILKS, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW (via teleconference), discussed that as DCCED and AIDEA worked through the first stage of the program, they and others had identified certain limitations on the program. He detailed that DCCED had come to DOL to try to assess what could be done within the scope of the law to address whether or not the program was too limited or restricted in its eligibility. He elaborated that DOL looked at the Small Business Relief program adopted by the legislature. He explained that the process that had established the program was unusual, which began with the Legislative Budget and Audit Committee (LB&A) and the passage of HB 313. He elaborated that the grant program had been passed into law and DCCED had been assigned with administering the program.

Mr. Milks continued that DOL had looked at a couple of the issues that had been raised and DCCED Commissioner Anderson had shared some steps that could be taken. For any state department like DCCED charged with administering a program, the process involved looking at the underlying legal basis for the program to sort out how much flexibility existed. He reported that the primary issue raised was that the program was being administered in such a restricted manner that small businesses that received small amounts of money from the federal CARES Act PPP and EIDL programs, were excluded. The department had reviewed whether the restrictions could be loosened in any way and had determined that the approach described by Commissioner Anderson was reasonable and within the agency's discretion. The Department of Law had specifically determined that if a

small business received \$5,000 or less it should not be excluded from participation in the program.

Mr. Milks highlighted ways DOL made its assessment including looking at the underlying program, the legislative history behind the program, the purpose the legislature was trying to accomplish, and what constituted a reasonable approach. He explained that DOL did not just apply the "plain meaning rule," which considered the words in the RPL alone. The department considered the intent as well. The department's review looked at the legislative history and explanation, which specified there would be some room to make modifications to a program. The intent showed interest by legislators to prevent small businesses that received only small amounts [of funding] from being precluded from participation. He highlighted the background and the unprecedented nature of the pandemic and the fact that the programs had been adopted quickly. Additionally, he pointed out that the federal CARES Act program was the heart of the issue and the federal government had issued new federal guidance several times to the U.S. Treasury on how to administer the program.

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Mr. Milks relayed that DOL had determined that certain limited modifications, such as the ability for small businesses that had received \$5,000 or less in federal funds to participate appeared to be consistent with the overall purpose and legislative history. He highlighted another important modification in the administration of the program pertaining to an issue that DOL believed was being administered too stringently. He explained that if a small business indirectly received CARES Act funds through an SBA support program that the business was automatically excluded. The department believed the intent of the program was looking at small businesses that were directly receiving money from the federal government, rather than indirectly from Alaska's municipalities and their programs.

Mr. Milks relayed that issues had been raised about whether or not a business could just return the money it had received from the federal government in order to be eligible to participate in the state program. The department determined it was not prohibited under the small business program and the RPL. He relayed that the changes were limited and DOL found them permissible under the

administration of the program by DCCED. He noted that any new programs would require legislation, but DOL determined there was a reasonable legal basis for making adjustments to increase the flexibility of eligibility requirements.

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Vice-Chair Ortiz asked how the \$5,000 threshold had been selected.

Mr. Milks responded that DOL saw in the legislative record that the LB&A Committee had talked about not penalizing businesses that received up to \$5,000. The department had seen the amount referenced by a couple of legislators. Additionally, the program was providing funding to businesses from \$5,000 up to the cap. He explained it was the basis for the department's conclusion that \$5,000 seemed to be reasonable and consistent with the purpose of the program.

Vice-Chair Ortiz asked if the changes made fell within the confines of the original RPLs approved by the legislature. He asked if the RPLs had been too restrictive to do the kinds of things needed to provide more access to the \$290 million. He asked if DOL had done what it could within the confines of the RPLs. He asked for verification that if anything more were to be done, action would be required by the legislature or the LB&A Committee.

Mr. Milks replied that the program had an unusual background in terms of how it became law, but it was now considered law. He explained that the law assigned the administration of the program to an agency. He detailed agencies were given deference in terms of how the program was applied as long as there was a reasonable basis. He elaborated that courts had said that Alaska does not apply the plain language rule when looking at words in a statute, but instead they looked at the purpose, intent, language, the background, adoption, and legislative history. He relayed that DOL was comfortable that the changes identified by Commissioner Anderson, fit within the ability of DCCED to make and did not drift farther into an area that would require legislation.

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Vice-Chair Ortiz mentioned the reference to a change that would allow businesses that had received more than \$5,000 from the PPP program or other to return the funds in order to be eligible for some of the \$290 million. He asked how cumbersome the process would be to return the money. He asked if it was feasible.

Mr. Milks believed Commissioner Anderson had spoken about the importance of having certifications within the process because it was necessary to ensure that the funds were spent appropriately. He deferred the question to DCCED.

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Commissioner Anderson answered that DCCED was currently researching how the department would have the ability to identify that applicants had returned the funds. She agreed that the process may not be as simple as desired, but the department believed it was an important point to pursue. The department would do its best to make the process as efficient as possible, while providing some level of verification and protection against fraud.

Representative LeBon suspected the originating bank could help with verification of monies returned because they helped with the original disbursement. He believed that the process likely did not have to get too complicated. He referenced a small business in Fairbanks that depended heavily on tourism. He explained that the business owner had received a PPP loan. He elaborated that the individual had not spent the money, which was somewhere between \$5,000 and \$10,000. He asked for verification that returning the money would make the individual eligible for the Alaska CARES grant program.

Commissioner Anderson replied in the affirmative. She emphasized that the department did not want to be in the position of advising people on which program to apply for. The department was trying to make its guidelines easy to follow. She confirmed that if a person returned the funds, they would be eligible for Alaska CARES grant funds.

Representative LeBon thanked Commissioner Anderson for her response. He planned to let his constituent [in the above example] know that he could apply for the state grant and return the PPP loan to the originating bank.

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Co-Chair Johnston noted Megan Wallace with Legislative Legal Services was available for questions.

Representative Wool referenced talk about the need for a special session to change the RPL or pass a new law to amend the RPL in order to expand the Alaska CARES loans to people who had received PPP and EIDL loans of less than \$5,000. He asked if there would be a legal challenge or if the interpretation by the DOL was sufficient to change the programs. He referenced Mr. Milks' mention of 501(c)(6) entities. He asked if any other states had the condition that prevented a business from receiving a loan if they had also received a PPP loan.

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MEGAN WALLACE, DIRECTOR, LEGISLATIVE LEGAL SERVICES, ALASKA STATE LEGISLATURE (via teleconference), stated that part of the difficulty with the analysis of the issue was the way the program had come into existence through the RPL process. She highlighted the legal challenge that followed and the subsequent ratification by the legislature. She elaborated that the RPL and eligibility requirements had been ratified by law by the legislature. She explained that an argument could be made that the only way to change the eligibility requirements was for the legislature make the changes in a special session via legislation. She stated that the program had been established under unprecedented circumstances; therefore, it would be a matter of first impression for a court to consider if there was a challenge. She stated that while there was a strong argument that the criteria should be changed by law, there was room for another argument to support the changes that had been proposed by Commissioner Anderson as discussed by Mr. Milks.

Ms. Wallace relayed that the likelihood of a [legal] challenge and the success of such challenge was difficult to predict. She believed there was some risk associated with moving forward, but whether the risk was overwhelming was difficult to say. She stated that there was no dispute that the legislature could choose to make changes that differed from those proposed by DCCED if it chose to do so.

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Vice-Chair Ortiz stated the proposed change was to allow individuals who had received less than \$5,000 in assistance like PPP to apply for the program. He asked if the amount was a critical legal question. For example, he wondered if the number was \$10 million [thousand] whether it would make it more paramount for the legislature to approve the change.

Ms. Wallace replied that the language of the RPL outlined general programs, information, and requirements, which had been accompanied by an attachment from AIDEA outlining eligibility criteria. She detailed that the language in the AIDEA attachment was pretty plain that an applicant would be excluded if they had obtained some other federal funding. She supposed that a court may look at the minimum threshold loan amount of \$5,000 and determine a department had the flexibility when determining how much discretion to give a department to execute the program. She relayed that there was some risk that the interpretation conflicted with the eligibility criteria outlined in the RPL and ratified by the legislature. She believed the risk was lower at \$5,000 threshold versus \$10 million.

Vice-Chair Ortiz clarified he had meant to say \$10,000.

Ms. Wallace replied that she believed the risk would be lower to coordinate with the minimum loan amount versus something else. She highlighted that risk existed regardless.

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Representative Tilton asked if there was a mechanism available to return funding received through an SBA program.

Commissioner Anderson answered that there was a mechanism to return funding and DCCED was working to determine how cumbersome the process would be. She noted that based on the advice given by Representative LeBon, she would follow up with him after the current hearing to work together to determine the most efficient process.

Representative Tilton provided a scenario where a business had received \$5,000 and was then approved for \$20,000 through the Alaska CARES program. She asked if the \$5,000

received would be deducted from the amount the business would receive from the Alaska CARES program.

Commissioner Anderson answered in the negative. The intent was that a business would be eligible to cover additional expenses not previously covered by the \$5,000. She clarified there would be no deduction.

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Co-Chair Johnston referenced a statement the department would start accepting applicants in anticipation of putting the new regulations in place.

Commissioner Anderson answered that the department had some details to work out to provide to program operators. The department would be finalizing the details and establishing an effective date that would allow people to begin applying for Alaska CARES grant funds under the new guidelines. The department wanted to ensure there was clarity and that any potential fraud issues and unintended consequences were covered. She communicated that DCCED was expecting to have the updates rolled out within the next several weeks. She added that the guidelines should be finalized within a couple of days.

Co-Chair Johnston asked if there was a timeline for the RFP. Additionally, she wondered if the RFP would be changed to account for the new changes. She asked if there a timeline for setting up the portal that had been discussed earlier in the meeting.

Mr. Weitzman answered that AIDEA was issuing an addendum to the RFP to identify the specific changes to the program and ensure all parties were aware of the changes. He explained that if it changed any potential party's decision to participate, the party would have an opportunity to give AIDEA a response. He elaborated that AIDEA was looking to expedite the timeline as quickly as possible later on that evening. The goal was to have a response by Monday and determine how quickly the data received from the bids could be incorporated into the program. He noted that the how quickly the responses could be incorporated depended on the responding institutions' ability to receive applications by a defined date.

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Mr. Weitzman moved to the second part of the question related to how quickly AIDEA could put up the referral. He shared that earlier in the day, AIDEA had spoken to the current program operator, Credit Union 1, about what information was needed in order to create a working list that could be worked between them and the future program operator/operators. He relayed the intent to put the portal in place as quickly as possible and to work with the timing of bringing on the program operator.

Co-Chair Johnston thanked the presenters. The committee would move on to invited testimony.

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JOHN BITTNER, EXECUTIVE DIRECTOR, ALASKA SMALL BUSINESS DEVELOPMENT CENTER (via teleconference), planned to speak about the latest update on the [federal] PPP and EIDL programs, which tied into the Alaska CARES program. As of June 12, Alaskans had received 10,365 PPP loans worth a total of \$1.22 billion. There was about \$100-plus billion remaining in the program. He detailed that the application period was open until the end of the month. He noted that although the application period was still open, the time was running out rapidly.

Mr. Bittner relayed that several changes had recently been made to the PPP program. He detailed that the term of the loan had been extended from two to five years and the forgiveness period for qualified expenses had been extended from 8 weeks to 24 weeks. Additionally, if a business made a good faith effort to get their employees to come back to work or hire new employees of a comparable skill set, but had been unable to do so, the business could get the wages excused. The amount a business was required to spend on payroll had been changed from 75 percent to 60 percent in order to enable a business to spend more on operating costs.

Mr. Bittner discussed that Alaska had been slow to deploy the Economic Injury Disaster Loans (EIDL), but things had improved and as of June 12, 3,900 EIDL loans had been made for a total of \$252 million. He noted the total was more than Vermont, North Dakota, and Wyoming, and was comparable with Montana. He explained that the EIDL program was a more traditional loan program with a fixed rate open to

nonprofits and small businesses. The program was also connected to the EIDL Advance program, the up to \$10,000 grant that businesses and nonprofits could apply for based on their number of employees. He shared that 7,877 Alaskans had received funding through the grant program worth a total of \$26.3 million. Previous testimony mentioned that quite a few businesses had only received the EIDL grant for a few thousand dollars. He was encouraged to hear of the changes announced by Commissioner Anderson, which he believed would help numerous people. The average EIDL grant awarded was about \$4,000. He believed there were a large number of businesses that would be helped by the changes; however, there would still be a significant number that would be left out.

Mr. Bittner reported that the Alaska Small Business Development Center (SBDC) had been receiving a substantial amount of feedback over the past two weeks and the tone had been bleak. Many businesses had reported running out of funding, being on the verge of collapse, being despondent over the inability to find the right combination of funding and opportunity to keep their businesses going. He believed many of the changes highlighted in the current meeting would help, especially changes allowing for municipal funds, funded through the CARES Act, to be deployed to businesses without excluding them from the CARES Act program. He thought the specific change would be beneficial because several communities SBDC worked with to develop programs had indicated they would push back the launch of programs to avoid conflicting with the state's program. He explained it would hopefully allow funds to be deployed faster on a local level. He thought it would help many of the businesses that were more difficult to reach and had less ability to access some of the more complicated programs.

Mr. Bitter believed there was a huge need to get as much funding into the hands of business owners as possible. He highlighted that the EIDL program had recently reopened to small businesses and the PPP program was still available for several weeks. He encouraged doing as much as possible to enable businesses to access as many pots of funding as possible.

[4:10:15 PM](#)

Mr. Bittner pointed out that there was not enough money in any one of the programs to solve the problem Alaska businesses were experiencing. He was hopeful there was a solution that would not involve people giving back money they had received. He wanted to see some way to augment or amplify funding the state was receiving because all of the projections on the economic situation over the next 6 to 12 months indicated it was a marathon, not a sprint. There would be a long period where businesses would need assistance and all the help they could get. He stated whatever could be done collectively to get money into the right hands to enable businesses to remain open and keep as many people employed as possible, the better off Alaska would be.

Mr. Bittner referenced an earlier question about how complicated it would be to return EIDL or PPP funds. He explained the process was simple for EIDL funds. He detailed that the process involved making a check payable to the SBA with the words "EIDL return," with the ten digit EIDL application number, and the business name, borrower's name, or tax ID number. The return check was then mailed to an SBA office located in Denver, Colorado. He was less clear on the process for returning PPP funds. He reported that fewer people had indicated a desire to return the funds, primarily because many had already spent a portion of the funds in order to get the repayment. He detailed that originally the funds were meant to be deployed eight weeks after receipt. He was happy to work with Commissioner Anderson and the SBA to try to find the mechanism. He suspected it was not terribly complicated. He was hopeful the money could be kept in businesses' hands and supplemented somehow. He stated that how to make the particular change happen was above his paygrade.

Mr. Bittner believed that in previous meetings there had been a question about the Mat-Su and other areas in terms of their coverage because they did not have an ARDOR. He thought some information had gone out. He reported that the SBDC was stepping in to try to cover all of the communities that were not currently in an ARDOR region. He elaborated that there had been a comparatively large number of applications from Palmer and Wasilla. He had counted about 125 using the AIDEA website and information he had collected from the SBDC in the Mat-Su. He shared that the deployment was under \$200,000 thus far. He believed the application process was moving along more rapidly now that

the money was being deployed and learning from the first week.

4:13:33 PM

BARB NICKELS, KAWERAK INC., BERING STRAIT DEVELOPMENT COUNCIL (via teleconference), explained that she was with Kawerak Inc., representing the ARDOR, Bering Strait Development Council (BSDC). She thanked everyone involved in making the available State of Alaska funds grants instead of loans. She reported that the few businesses that had been successful in her region in receiving small amounts from the PPP and EIDL programs wished they had known receiving the funds would make them ineligible for the state funds. She shared that the businesses were hopeful the stipulation could be amended to allow them to apply. She was encouraged to hear Commissioner Anderson and others address the issue as a potential change for businesses that received under \$5,000.

Ms. Nickels had developed and completed two COVID-19 economic impact surveys for business owners in the region. The results had been gathered in early April and late May through the current day. She stated it was likely no surprise that 98 percent of the survey respondents had seen negative impacts and disruptions due to COVID-19. She reported that revenues were down on average by 90 percent when compared to the same time in 2019. Many businesses had reported that supply chains had experienced disruptions from vendors and service providers - items normally purchased were sold out and unavailable. She relayed that because applications were accepted online only, BSDC had been contacted by businesses that did not have access to the internet to apply. She communicated that BSDC was working with businesses that had reached out to assist them in submitting their applications.

Ms. Nickels relayed that there were some businesses with multiple owners and one or two of the owners had received other CARES Act funds for other businesses, which appeared to make the joint company ineligible to apply. She asked if the changes would be available for joint owned businesses. She stated that trying to track down business owners was generally challenging. She detailed that many businesses on the active business licenses list used cell phone numbers that were not listed in phone directories. She explained that BSDC was resorting to social media and planned to send

a mass mailing to track people down. She informed the committee that Nome and many other outlying communities were under heavy travel bans and restrictions with mandatory quarantines on each side. The restrictions made it nearly impossible for BSDC to travel to assist people one on one. She understood there was no control over the timing; however, the application process was taking place during the months when subsistence was in full swing. She explained that cell phones did not have service in many areas out in the field where people were providing for their families.

Ms. Nickels shared that many business owners worked full time and provided valuable services to the community. She explained that because the individuals worked and it was considered their primary income, they were ineligible to apply for funds to support their businesses. She highlighted the expensive nature of running a business or providing for a family in rural Alaska. She reported that of the businesses BSDC had spoken to, their small business income was equal to nearly half of their annual income. She elaborated that many of the business owners were regional artists who spent large sums of money on materials and were currently unable to sell during the previous Iditarod, upcoming craft fairs, cruise ship passenger stores. She asked for consideration of offering funding to business owners/sole proprietorships who also worked to cover expenses incurred while maintaining their business, as well as providing much needed services in the region.

Ms. Nickels communicated that BSDC was continuing to actively assist people with their applications and advertising the opportunity region-wide as it could. She thanked the committee for its time and efforts to assist small businesses and for listening to concerns and suggestions. She thanked Credit Union 1 in Nome for its outstanding assistance. She expressed appreciation for AIDEA's assistance and its map identifying people who had applied by zip code. She supported a proposal to change to community as Nome, Diomedes, and Golovin all shared the same zip code. She explained that the initial map had all 99762 applications designated as coming from Diomedes, while BSDC believed many of the applications had come from Nome.

[4:19:13 PM](#)

BRITTANY SMART, SPECIAL ASSISTANT TO THE MAYOR AND STAFF TO THE ECONOMIC DEVELOPMENT COMMISSION, FAIRBANKS NORTH STAR BOROUGH (via teleconference), introduced herself and noted that the Economic Development Commission was the ARDOR for the Interior Alaska region. She explained that the Economic Development Commission was structured slightly different than other ARDORs throughout the state. She detailed that the Economic Development Commission did not work directly with the businesses as some of the other ARDORs did. The commission did not have as much feedback to provide as some of the other ARDORs did. The commission was in the process of accepting the ARDOR funding, which was up for assembly approval the following evening. The commission's intent was to secure a contractor to help with the marketing and business technical assistance for the state program, any additional remaining federal funds, and the program the commission was establishing at the borough with municipal funding.

[4:20:37 PM](#)

TIM DILLON, EXECUTIVE DIRECTOR, KENAI PENINSULA ECONOMIC DEVELOPMENT DISTRICT (via teleconference), thanked the committee for the opportunity to testify. He reported that over the past month the Kenai Peninsula Economic Development District (KPEDD) had counseled or met with several hundred businesses on the Kenai Peninsula. He detailed that a little over 50 percent of those businesses were ineligible because of the current guidelines. As of the previous day, there were 108 applications from 14 different communities on the Kenai Peninsula for the Alaska CARES program funds. He elaborated that \$257,589 had been dispensed to businesses on the peninsula.

Mr. Dillon looked back a month or so and pointed out that business owners had done exactly what the congressional delegation, the state administration, state legislators, the Small Business Administration, the ARDORs, and local government specialists had told them to do. The businesses had been instructed to apply for the PPP and other program funds. He emphasized that businesses were now being penalized. He appreciated the work being done by Commissioner Anderson and Mr. Weitzman to try to make changes. He did not believe anyone was purposefully trying to exclude different businesses, but it had occurred.

Mr. Dillon stated that the RPL had originally specified that small business relief would be in the form of loans. He elaborated that fortunately several "of us" in charge of ARDORs had been able to explain to the administration that according to the Treasury guidelines, the funding could not be structured in that way; therefore, the funding had been changed to a grant form. Unfortunately, when the change had been made, he did not believe the RPL had been fully adjusted for grants. He had heard from a variety of legislators with questions about why certain businesses were being excluded and why the federal government had done some of the things. He shared that he had given presentations across the peninsula in the past several weeks. He recalled giving a presentation in Cooper Landing where a legislator and staffer had been asking the questions. He had to explain that the state had created the situation, it had not been caused by the federal government. He stressed the importance of fixing the problem.

Mr. Dillon highlighted that Commissioner Anderson, DCCED staff, and AIDEA had been very receptive and helpful in working through the dilemma. He was glad to hear DOL's interpretations. He stressed that no one was getting rich or being made whole by the funding. He stated that every day that passed without making the necessary adjustments was negatively affecting businesses in Alaska. He shared that KPEDD appreciated the interim step to allow businesses that received a low amount of money through PPP and EIDL the opportunity to apply for the grants, but he did not believe things were finished at that stage. He believed they needed to continue to chart things in the next couple of weeks. He stated that AIDEA and Credit Union 1 were doing a great job keeping KPEDD informed with the status and how many dollars were spoken for. He thought the funds should be available to all businesses with less than 50 staff members.

Mr. Dillon explained that one of the reasons for the structure and the steps being currently taken was to avoid leaving people out from receiving any money. He thought that at the end of the next phase there would still be money remaining. He stressed that the last thing Alaska wanted was to be the only state to return money [to the federal government] because it could not figure out how to give out free money. He wanted to see funding being opened up to the rest of the businesses. He stated it was the

right thing to do; some of the small businesses could be salvaged. He was happy to see that the 501(c)(6) organizations were still able to receive funding between the different chambers and trade groups.

Mr. Dillon emphasized that the goal should be for the state to be able to say "yes" to people for a grant. He underscored that the goal was to avoid saying "no." He shared that KPEDD had done two surveys and the scariest thing that had come up was the number of people and businesses that were unsure whether they would have the ability to remain open. He detailed that over 700 businesses on the Kenai Peninsula had responded to the survey. He elaborated that 24.2 percent reported being at risk for closing permanently and 44.1 percent were unsure. Whether the businesses closed depended on the funding and how quickly it arrived. He stressed that the quicker the money was distributed, the better off the state would be. He thanked the committee for its time.

[4:27:08 PM](#)

KRISTIN CARPENTER, EXECUTIVE DIRECTOR, PRINCE WILLIAM SOUND ECONOMIC DEVELOPMENT DISTRICT (via teleconference), reported that businesses in Prince William Sound were interested in changing the eligibility criteria so that people who already received PPP or EIDL funding could access the Alaska CARES funding. She knew one person who had received \$1,000 after being encouraged by the Alaska delegation, who was now being penalized for applying. She thanked Commissioner Anderson and AIDEA for working on the issue. She reiterated previous speakers' support for allowing business owners who received their primary source of income from a job to be eligible for the money. She highlighted that people wore many different hats in Alaskan communities, and it was important for individuals to have access to the Alaska CARES Act funds.

Ms. Carpenter had heard a lot about 501(c)(6) trade association organizations being eligible for the funds. She explained that the organizations employed people, but their members were not able to contribute because the businesses had no money to contribute at present. She stated it was important to support the role the organizations played in the communities' economies. She thanked the committee.

[4:29:27 PM](#)

ROBERT VENABLES, EXECUTIVE DIRECTOR, SOUTHEAST CONFERENCE (via teleconference), introduced himself and relayed that Southeast Conference was the ARDOR for Southeast Alaska. He planned to briefly discuss the efforts Southeast Conference was taking in concert with DCCED to get the funds quickly dispersed. He reported that Southeast Conference was just completing a business climate survey to understand where businesses were in the region. He detailed that to date there had been over 400 respondents, representing 8,000 workers who typically had 12,000 employees. He detailed that about 48 percent of the responding businesses had already received PPP, which had been a source of frustration with the CARES program. He relayed that the announced changes in the current meeting would be well received.

Mr. Venables reported that respondents had laid off 1,900 staff due to COVID-19 and did not bring on an additional 3,500 employees they planned to hire. He elaborated that most of the businesses during the summer months were seasonal tourism and fisheries related. The businesses had been able to maintain staff levels to a certain degree with the support the businesses had received to date; however, over 20 percent anticipated making additional employment cuts if the situation persisted. He shared that about 25 percent of the businesses were not certain they could survive. He stressed that no one was being made whole by the funding. He highlighted that revenue had decreased by 57 percent compared to the prior year.

Mr. Venables relayed that Southeast Conference was utilizing every media possible in order to get the word out about the support the state was providing to small businesses. He acknowledged the good work and responsiveness of DCCED, AIDEA, and Credit Union 1. He thought there was a bit of concern on the timeliness of processing applications at present. He stated that the announcements made during the current meeting addressed the other concerns expressed by the business community. He thanked the committee.

[4:32:27 PM](#)

Vice-Chair Ortiz thanked Mr. Venables for his testimony. He asked whether the \$5,000 was an amount that would be helpful to many people or if it was insufficient.

Mr. Venables answered that Southeast Conference did not have a good handle on that issue. He believed \$5,000 was a good benchmark. He stated that the pittance below the \$5,000 had been an insult to intelligence that it would be a disqualifying factor. He relayed that they would know shortly whether the federal funds including the EIDL, which was below that amount, were barriers for other businesses. Southeast Conference would communicate it to the legislature and DCCED if so.

[4:34:07 PM](#)

Shirley Marquardt, Executive Director, Southwest Alaska Municipal Conference{ read from a prepared statement:

I want to thank you for the opportunity to testify on unintentional small business negative impacts related to the PPP and EIDL restrictions to CARES Act eligibility. Our ARDOR represents the Alaska Peninsula, the Aleutian Islands, Bristol Bay, Kodiak archipelago, and the Pribilof Islands. We have over 29,000 residents working in 54 communities in our region. Many of our small businesses are family-owned and operated year-round and some seasonally. The shutdowns of nonessential businesses and the restrictions on essential businesses mandated by the State of Alaska and local governments were for the public good and played a critical role managing the curve of COVID-19 in Alaska. However, success has come with a high price for many.

Numerous small businesses in our region revenue streams are shut off completely or drastically reduced for the past 14 weeks, while expenses continue to stack up with little or no relief in sight. Outstanding vendor invoices usually paid with revenue generated during this time will need to be paid often maxing out owners' credit cards to do so. Insurance payments came due, utility bills continue to be generated, and rent mortgage and loan payments continue to come due each month. April 3rd, the PPP loan forgiveness plan was launched, and small businesses were encouraged to apply for eight-week funding that could be forgiven by 75 percent. The funds were used for payroll and employee retention. EIDL funds were loans, not grants that could be used

to pay rent and obligations as well as payroll with a 30-year payback at 3.75 percent. By the time a \$30,000 loan was paid off, a business paid \$50,000.

You also had a forgivable advance payment of anywhere from \$1,000 to \$10,000. The small businesses that successfully applied for one or both of the programs in late March through mid-April, in order to keep their employees and help pay for their current bills, would never guess that three months later they would be wondering how they would stay in business. They were now ineligible for robust grant funding that could literally keep their doors open and bills paid as they struggle to recover.

On April 28th, a survey sent out by the Kodiak Chamber of Commerce, the Kodiak business community revealed the following: 76 percent of the small businesses who responded were approved for EIDL or PPP grant funds, were now ineligible for CARES grant funding. Sarah Phillips, the executive director said "many businesses received a minimal amount of funding meant to relieve a short timeframe. The persisting conditions and the restrictions created by the Alaska CARES grant program; businesses that have already received funds could be forced out of business. While the intent of the Alaska CARES program is to help those who have not yet been helped and to exclude possible fraudulent activity, restrictions are potentially causing more harm than help for our struggling business community." She urges the removal of restricting grant funds to businesses that have received PPP and EIDL funds.

In Unalaska, three of the four very successful longtime family-owned and operated restaurant/bars applied for PPP funding in the early stages of the pandemic as encouraged. Now they're not eligible to apply for Alaska CARES grant funds. By receiving minimal funding to keep their employees whole for several weeks, they were now contemplating closing their doors. Those same employees are now at significant risk of losing their jobs altogether.

In the greater Bristol Bay region, the fishing lodges' multiple local hire opportunities, such as fishing guides, maintenance positions, hospitality workers, airplane and dock support, traditionally run May

through mid-September, have evaporated due to a catastrophic number of cancelations. A number of those lodges applied for minimal PPP funding to keep a very small core of employees maintaining the lodges and preparing for the short but absolutely critical visitor season. Those lodge owners have lost anywhere from 70 percent to 100 percent of their revenue, but they still have annual bills and expenses to pay. But now, they have no way to pay them.

As a cautionary note on the \$5,000, from what I am hearing from the businesses in my community, a \$5,000 limit to previous federal funding will leave a great majority of those small businesses in the exact same situation they are in now. Significant negative consequence to many businesses has been identified and broadcast loud and clear across Alaska. The possibility that millions of dollars in COVID-19 funding could be unspent while any number of Alaskan owned and operated businesses permanently close, some with personal savings accounts completely depleted, is dispiriting and tragic. Hopefully, it's avoidable. Please find a way to fix what was clearly not the governor or the legislature's goals in this CARES Act funding.

Ms. Marquardt thanked Commissioner Anderson and her staff at DCCED for their responsiveness and helpfulness. She stated that the PPP and EIDL funds had been a "floatie" for small businesses. She stated that the businesses now needed a life raft to keep from going under. She thanked the committee.

[4:40:44 PM](#)

Co-Chair Johnston thanked the testifiers.

^PUBLIC TESTIMONY

[4:41:11 PM](#)

Co-Chair Johnston OPENED public testimony. She asked testifiers to limit their testimony to two minutes.

CHERYL HICKSON, BUSINESS OWNER, ANCHORAGE (via teleconference), shared that she and her husband had owned the Anvik River Lodge in the Yukon-Koyukuk region for 25

years. They felt that they were being penalized for being proactive and responsible by pursuing the short-term funding from the Small Business Association (SBA). She stated that the EIDL program was extremely random in its allocations and there was currently no way to request additional funding. She remarked that the program was a loan and she did not believe it should have any bearing on the ability to apply for the grant program. She highlighted that the interest on the loan was almost 4 percent and did not constitute a great deal. The PPP rules had changed a couple of weeks after they had received the loan. She shared that they had based their loan on the original program that talked about the seasonal requirements versus the 12-month requirement. After the change was made, they had discovered they could have been eligible for twice as much funding; however, the bank had informed them it was too late.

Ms. Hickson informed the committee that the lodge would likely not open during the current season due to location and travel restrictions. The business had ongoing costs and overhead and they could not leave the facility without any maintenance or core crew for at least a portion of the summer due to animals, weather, and potential vandalism. They did not have the ability to leave the facility empty due to animals and potential vandalism. She explained that the lodge was located 70 miles upriver from the village. She asked the legislature to do everything possible to help them out.

[4:44:10 PM](#)

KYLE GARDNER, BUILDING BLOCKS EARLY LEARNING CENTER, ANCHORAGE (via teleconference), relayed that he and his wife owned the Building Blocks Early Learning Center in Anchorage. He was excited by the news that they may be able to relinquish their PPE funds in order to apply for the grant. He shared that they had felt cornered by having to quickly apply for the PPP and now they were past the eight weeks of coverage and up a creek without a paddle. He wanted to return the funds to apply for the grant. He shared that a childcare program office had made a funding broadcast to all licensed childcare providers throughout the state to provide three months of capacity coverage, but the money ended up not being available. He and his wife were advocating to try to get the funds because it had officially been offered and then the offer had been

withdrawn. He did not know how much longer they could continue without any additional funding.

Mr. Gardner relayed that in February they had 52 kids from 40 different families with a waitlist of about 14. Currently, he could only find about 25 kids to come to the center. Through no fault of their own, the business had experienced a U-turn. He elaborated that they worked with kids between one and five years old and loved the work. He informed the committee that without some help from the state, many providers would have to close their doors, which would hinder the state's ability to reopen.

[4:47:06 PM](#)

LORI BERRIGAN, CHILD CARE FACILITIES, PALMER (via teleconference), shared that she is the owner of a childcare center in Palmer. She was feeling incredibly frustrated. She had applied for the PPP loan as directed when it had first come out. She had hit the eighth week when the funds were exhausted. Her enrollment had been cut in half. She was starting to see enrollment increase some but did not expect to get to full enrollment until August or September, depending on COVID-19 numbers. She expressed frustration that childcare providers had been told they would receive capacity building grants and now they were being told the funds would not come to fruition. She had built the funding into her budgets. She stressed that in order to be ready to take in children when the economy reopened, childcare businesses would need help. She added that she had sent in written testimony as well. She thanked the committee.

[4:48:52 PM](#)

PAUL LORENTZ, SELF, HAINES (via teleconference), shared that Southeast communities had been suffering due to COVID-19 because the Alaska Marine Highway System (AMHS) had not been operating correctly for close to nine months. He stated that the Coast Guard had designated mariners as essential personnel. He had heard that mariners were possibly being classified as hospitality workers, which was far from accurate. He stated that he had a memorandum from the Coast Guard specifying how the workers should be classified. He stressed that people who lived in Haines could not travel to Canada to go to the grocery store. He stressed it was difficult to get to Juneau and to get

needed supplies. He asked why the situation had continued. He stressed that the people needed the ferry service in Southeast Alaska. He underscored that Pelican just had its first ferry in nine months. He urged the committee to ask the questions [of the administration].

[4:51:33 PM](#)

VIVIAN MORRIS, SELF, JUNEAU (via teleconference), shared that she owned Planet Alaska, the only Alaska Native women-owned shop in downtown Juneau. She detailed that every item in the shop had been made by Alaskans. She explained that the shop supported numerous individuals throughout the state and the business was hurting. She shared that when the situation had started, they had done all of the right things to protect people by shutting their doors. She relayed that 2020 was supposed to be one of their best economic years because tourism had been increasing. The business had the purpose of perpetuating culture; it used a portion of its proceeds to create classes for locals including traditional foods and harvesting, medicine, small cottage industry. She reported they had received the short end of the stick the entire time. The business contributed to Alaska's economy. Her business had done what it had been told to do and now it was being penalized. The business wanted to survive, and it needed transition time.

[4:54:15 PM](#)

STEPHANIE BERGLUND, CEO, THREAD, ANCHORAGE (via teleconference), shared that the organization was a nonprofit working across the state to increase access to high quality and affordable childcare. She stated that licensed childcare is an essential state infrastructure and a vital part of the state's economic recovery; working families could not continue to go to work or return to the workplace without it. She elaborated that licensed childcare needed support through the CARES Act funding to weather the situation, reopen, and retain businesses to support the state's communities in the short and long-term. Prior to COVID-19, childcare businesses operated on razor-thin margins and have few resources beyond their tuition revenue. She stated that the pandemic had pushed many of the small businesses to the brink of closure. She was aware of at least five programs in Anchorage that had permanently closed, while others were considering the possibility.

Ms. Berglund emphasized the importance of ensuring childcare was available to support Alaska's families, businesses, and ultimately community economies. The organization estimated that childcare in Alaska needed \$10 million per month throughout COVID-19 in order to stay solvent. She reported that the businesses were incurring additional unexpected costs due to major business interruptions and shifting to provide care and learning safely and responsibly. She explained businesses were required to implement new health and safety measures for the physical and mental health, safety, and well-being of children, staff, and families. Centers also needed to hire new staff to replace others exiting the field due to health concerns, increase staffing to cover employees who were out, and accommodate for additional sanitizing and health checks. Centers were providing smaller group sizes and more space to ensure physical distancing. Centers also needed access to cleaning supplies, personal protective equipment, and other.

Ms. Berglund shared that most childcare providers did not apply for federal support and needed additional support beyond what was available through the current, state, and local avenues. The organization was requesting that the legislature set aside a childcare fund with CARES resources. She stated that any repeal or modification of grant eligibility discussed during the meeting should be sure to offer maximum access and reduce barriers, such as other access to federal funds. She stated it would allow childcare to qualify for more financial support needed. She stressed that an investment in childcare would produce one of the highest returns for generating the state's economic recovery. For example, every childcare teacher that returned to a licensed childcare program, helped an average of eight parents return to work. She thanked the committee.

[4:57:31 PM](#)

JUDITH MILLER, SELF, HOMER (via teleconference), shared that her six-plex rental had been damaged in the [2018] earthquake and she was still working on making the fixes. She had applied for EIDL in March/April and had been told at the time she would get a call to discuss what her loss was. She had eventually received a \$2,000 advance, but she and her bank could not figure out what it was for. She eventually received a letter declining her for EIDL because she had not made her economic damages known and stating

that they hoped her advance would help. She highlighted that it had done nothing but hurt - she was in the same boat as everyone else. The \$2,000 she had received meant she could not apply for the AK CARES funding, which she had tried to do. She encouraged that repayment of SBA disaster loans, particularly for Anchorage, would be treated the same way that other SBA loans were being forgiven through various EIDL-type funding programs.

Ms. Miller shared that she was also supporting an air taxi business in Homer that depended on bear tours in the summer. She stated that the only checks were the ones going back out as refunds [to customers] because no one was flying. She elaborated that for a relatively small PPP grant to the company, it was also unable to apply for AK CARES funds. She thanked the committee for its time.

Vice-Chair Ortiz asked if the \$5,000 for small businesses would be suitable in Ms. Miller's situation and for other businesses she was familiar with.

Ms. Miller answered that she did not believe \$5,000 or \$2,000 was anywhere near enough to deal with her financial challenges. She had received \$2,000 and she believed many people had received \$1,000 to \$2,000. She did not know the magic number and had not heard the entire discussion during the current meeting. She detailed that in her personal situation the \$5,000 limit would not preclude her in any way because she had only received \$2,000. Whereas the air taxi business she was supporting had come up with \$59,000 from PPP, which was a pittance for the business in the big picture. She elaborated that even though the amount of PPP funds to be used for expenses other than employees had been increased, it represented a small percentage of the costs.

Ms. Miller relayed that the air taxi business had just had its insurance increased the previous year and the current year, through no fault of their own. She explained that because it was a flying business there was a huge insurance increase. She emphasized that it was staggering to try to remain in business. The premium to keep one airplane flying was \$380,000 a year. For a business that typically generated \$1 million to \$2 million per summer, the cost was difficult but doable; however, it was a different story when the business was not operating, and it cost \$100,000 to park the airplane. She stressed that \$5,000 was a drop in the bucket.

5:02:27 PM

Vice-Chair Ortiz clarified that the adjustment being made was for individuals who had received less than \$5,000 from things like PPP to allow them to qualify for part of the \$290 million in small business relief. He noted that if a business had received more than \$5,000, it would continue to be ineligible for any of the \$290 million. He wondered if the cap was reasonable for the businesses Ms. Miller was dealing with. He believed Ms. Miller implied that some of the businesses had received much more than \$5,000 in things like PPP funds.

Ms. Miller answered that "they" had more than \$5,000. She thought she had heard discussion about the possibility of returning PPP funds in order to qualify for AK CARES. She was fully supportive of the concept. In the case of the business she was referring to, the amount was \$59,000. She noted the business had not yet accepted the loan from its bank to start spending the funds out of hopes they could return the money and apply for AK CARES funds. She stated that \$59,000 was not enough to do the business any good. She stated that the business would be out of business - the amount was insufficient.

5:04:04 PM

RUSS RENO, INDEPENDENT TRAVEL BUSINESS, ANCHORAGE (via teleconference), shared that he owned Anchorage Downtown TourGroup and was representing the independent travel businesses in downtown Anchorage. He relayed that the \$5,000 was good for some businesses; however, others needed to return the money they had received. He stressed that it was not enough money. He had returned the money and had been told that he was still not eligible for the other programs. He believed there were some people who would like to return the funding. He hoped the option would be considered. He discussed travel businesses in downtown Anchorage that did not want to be represented by Visit Anchorage or the Anchorage Convention and Visitor's Bureau. The group was comprised of mom and pop organizations that could not afford the fees and dues associated with the visitor groups.

Mr. Reno stated that the EIDL funding initiated to provide emergency money up to \$10,000 had been changed to \$1,000

per employee. He elaborated that tourism businesses had reduced or no employees during the winter season. He discussed that PPP had been designed to provide emergency relief and business expenses such as rent, mortgages, utilities, and more. He detailed that 65 percent of the funding was to go towards employee funding. He stressed that several of the businesses only had one employee. He had personally been eligible for \$1,000.

Mr. Reno stated that independent travel businesses and small businesses relying on 80 to 95 percent of their income from summer tourism were devastated by the convoluted relief process. He stressed that the businesses had followed the rules, which had been changed in the eleventh hour. He remarked that it gave the businesses the impression that leaders considered them to be nonessential or a casualty of war on COVID-19. He emphasized that some mom and pop organizations lived transaction to transaction. He stated that the constant changes resulted in confusion that resulted in people finally giving up. The businesses were frustrated about the lack of local representation in the process, although there had been stellar support from Senator Tom Begich and Representative Zach Fields, their hands had been tied in the entire process.

Mr. Reno underscored that his business had received \$1,000 in EIDL funds and he was now excluded from all other forms of relief to date. He was disqualified from the AK CARES Act due to the funding he had received. He had tried to give the funding back, but he was still disqualified because he had qualified for the \$1,000 and was expected to take it. He did not qualify for PPP due to his lack of employees. He stressed that if he did not receive some form of relief grant by July 1, he would be forced to close his business of nine years permanently and would lose his downtown Anchorage condo as well. His company Anchorage Downtown TourGroup was still considered nonessential and had been without a source of income since February. He had refunded close to \$50,000 in sales, lost close to \$150,000 in anticipated income, and faced a potential loss of \$250,000 by the end of the season. He appreciated the committee's time.

Co-Chair Johnston asked if Mr. Reno had heard the earlier testimony regarding the changes that would be made to the Alaska CARES Act.

Mr. Reno replied in the negative. He assumed the cap would be increased to \$5,000, which would allow businesses that had received up to that amount to be eligible for the Alaska CARES Act funds. He relayed that the change would help many, but some people would not be helped out. He cited the previous testifier who had said a business wanted to give \$59,000 back in order to get its real bills considered.

Co-Chair Johnston stated they [DCCED] would be helping businesses to return the funds in order to apply for CARES Act funding.

[5:08:46 PM](#)

NATHAN VALLIER, OWNER, ALASKAN YUKON TOURS, JUNEAU (via teleconference), thanked the committee for its time. He shared that he had followed all of the instructions and had been under the impression that if the business received EIDL advance, which would randomly appear in a bank account, that they would still qualify through an exemption. He stated that the exemption was somehow removed at the last minute by the credit union or the department. He had assumed the exemption had still been in place. He requested that as DOL and DCCED rebuilt the exemption, that they did not penalize businesses that had already applied. He highlighted that the application process had been tedious. He suggested that if businesses that had already applied were able to remain in the application pending category it would be helpful for many.

Mr. Vallier relayed that he had applied March 22 for the EIDL and had listed only two employees because most of his staff were independent contractors. He elaborated that the funds had appeared in his bank account in the middle of April with no notice given. He noted that it was challenging that AK CARES funds would be processed by check, which meant that businesses without a Credit Union 1 in their community had to wait one to three weeks. He pointed out that those living in rural Alaska who tried to deposit the funds with their phone, faced monthly limits on the amount that could be taken. He stated that anything over \$10,000 would slow "us" down. He requested to have the ability for funds to be transferred electronically.

Mr. Vallier relayed that his business dealt with payroll services programs and software companies that did not allow

checks; everything had to be done electronically. He elaborated on the electronic process. He reiterated his request for electronic funds and transfers. He thought it was a great idea to provide funding to businesses; however, if they were unable to use it or it took another month to get, he believed it would impact more businesses.

5:11:40 PM

SCOTT HURSEY, BUSINESS OWNER, PETERSBURG (via teleconference), thanked those involved for addressing the issue of eligibility for the Alaska CARES grants. He shared that 30 years back he had sold his fishing business and had started Alaska Passages Adventures, a boat-based charter business. He elaborated that the business had survived the 2008 financial recession; however, the current situation was much worse. He detailed that he had shut down the business for the current year. He highlighted that bookings had already been way down due to the terrible state of the Alaska Marine Highway System (AMHS). Due to COVID-19, any of his bookings had already been canceled. He was looking at zero income for the year, but he still had the expenses.

Mr. Hursey had applied for the EIDL the morning it became available and had still not received any funding. He was currently the sole employee so he would likely only receive \$1,000 if he got the money. He had been told by Credit Union 1 that he was ineligible to apply for the Alaska CARES funding because he may receive the EIDL funding. He had been told that he could possibly return the EIDL funding and then apply. He asked how he could return funding he had not received. He stated that if he did return the funds, there was no guarantee he would receive Alaska CARES funding. He had not applied for the PPP due to spending restrictions. He pointed out that Alaska CARES funds could only be applied to expenses incurred after March 11; however, many of his major expenses for the year came in December through February such as advertising and things that were critical for staying in business. He noted that his business had a difficult time fitting into the requirements of the funding programs.

Mr. Hursey asked the state to change the requirement to allow businesses that had received previous funding to still be eligible for the Alaska CARES funding. He thought they may be headed in that direction based on the discussion to increase the cap to \$5,000. He thought it was

a good idea. He questioned having only one place to apply through Credit Union 1. He thought the credit union could be overwhelmed if numerous businesses applied. He underscored that Alaska businesses needed the funding sooner rather than later. He stressed the need for AMHS funding.

5:16:20 PM

SUSAN DELOACH, CORPORATE ADMINISTRATOR, BRIGHT BEGINNINGS EARLY LEARNING CENTER, ANCHORAGE (via teleconference), shared that the business had four childcare centers in Anchorage and Eagle River with a licensed capacity of 400 children. She detailed that in February the centers had been operating at 95 percent capacity. She elaborated that when COVID-19 struck, the state had issued mandates that were impossible for childcare centers to adhere to. The facilities had closed temporarily to ensure the safety of children and employees. The state had issued a broadcast to licensed childcare centers informing them that it would pay building capacity grants for March through May, which was welcome news. She reported that the business had based its budget on the capacity grant. The business was grateful for the grant it received in March and had heard nothing else from the state since that time.

Ms. Deloach relayed that once the mandates from the state were issued in a manner that the business could uphold, the centers reopened at the beginning of June. She shared that it had been a relief for the 180 families they were caring for. She expressed concerns about the ongoing financial stability of their program. She detailed that during normal operating conditions, the profit margins for the industry were about 4 percent. She shared that more than half of the business's families would not be returning in the immediate future. Additionally, the safety protocols necessary to operate during the pandemic required more supplies and additional payroll. The centers were certain to operate at a loss for many months to come. The business's goal was to remain financially stable and for all of the families to be able to return to the programs when the pandemic was over. Without additional funding she was concerned about the business's ability to provide long-term childcare and to remain open.

Ms. Deloach asked the legislature to allocate funds for the remaining two building capacity grants to licensed

childcare centers. She reported that the funds would provide the financial relief to operate quality childcare into the future. She thanked the committee members for their concern about the state's children.

5:18:48 PM

ANDY HEDDEN, SELF, HAINES (via teleconference), shared that he and his wife owned an outfitting business in Southeast Alaska. With the closure of the border and the loss of cruise ships, their business was looking at a 90 to 100 percent decline in revenue. He relayed that between the PPP and EIDL funds, they had received over \$5,000. He noted they could not return the PPP funds as they had been using the money for payroll and rent. He stated that keeping the EIDL funds and paying interest for 30 years was a bitter pill compared to a grant; however, it was scary to consider returning the loan, given the slow response and uncertainty surrounding the CARES Act funding.

Mr. Hedden relayed that access to state grants would not make the business whole; it would take a variety of strategies to get them and similar companies through the winter. He hoped the legislature would reconvene and expand the eligibility to allow additional funding. He thanked the committee.

5:20:00 PM

BLUE SHIBLER, DISCOVERY PRESCHOOL, JUNEAU (via teleconference), shared that she had a large childcare center. She had received PPP and EIDL loans at the beginning of the crisis when it was the only funding available. She reported that she would not be open without the funding; however, she was very disappointed to learn that the loans disqualified her for the grants. She stated that the funding she had received had been used and without additional funding from the Department of Health and Social Services that had been promised but not received, childcare programs around the state would close. She was in contact with hundreds of childcare programs throughout the state on a Facebook group and they were all struggling. She was concerned about how it would impact the ability for families to return to work. She hoped the public testimony would lead to actionable change to the grant program. She thanked the committee.

5:21:21 PM

LAURIE WOLF, PRESIDENT and CEO, THE FORAKER GROUP, ANCHORAGE (via teleconference), relayed that The Foraker Group served as Alaska's nonprofit association and the capacity building organization for nonprofits across the state. She thanked the committee for the opportunity to speak on behalf of the almost 6,000 nonprofits in Alaska that partnered with federal, state, and local governments. She highlighted that nonprofits were an economic driver that delivered essential services, leveraged public funds, invested in communities, and ensured community well-being and quality of life. She elaborated that Alaska nonprofits were an economic driver as employers and revenue generators. She informed the committee that prior to the pandemic nonprofits were living on thin to no margins. She reported that nonprofits with reserves were spending them to survive or were scrambling to request philanthropic support that could not fill all of the gaps.

Ms. Wolf relayed that without significant CARES funding and a generous outpouring of donations, nonprofits would face major changes, deep cutbacks, and some closures. Nonprofits were feeling the economic impact deeply and differently than their for-profit counterparts. She stated the differences needed to be recognized. She continued that thankfully nonprofits were included in the CARES Act. She asked the legislature and everyone supporting the relief effort to recognize the direct and indirect ways nonprofits were impacted in order for the organizations to be a part of Alaska's recovery.

Ms. Wolf reported that the Foraker Group supported many of the proposed changes to the AK CARES funding presented by Commissioner Anderson. She recognized that relief efforts were a puzzle that required many pieces, allowing access to funding like PPP, EIDL, and other local government funds was critical to fixing what was broken. She strongly encouraged the changes proposed earlier in the meeting. The organization echoed the sentiment that the goal should be to get to "yes." She encouraged the state to establish a set of benchmarks for transparent, high-level tracking of the CARES funding. The organization had volunteered to work alongside the state and other groups to establish a set of metrics to track the total number of nonprofit organizations and dollars going to nonprofits across the state. She stressed that the data would ensure the state

was honoring the intent of the federal CARES program to include nonprofits. She thanked the committee for its time.

[5:24:54 PM](#)

SHAUNA DONNELLY, IMAGINATION STATION EARLY LEARNING CENTER, ANCHORAGE (via teleconference), shared that childcare centers were experiencing a funding shortage as a result of promised building capacity funds that had not been received. She highlighted that childcare centers were losing between \$50,000 and \$100,000 per month due to being closed or reduced capacity. Centers were also losing money from other grants due to attendance-based funding. Additionally, if centers closed down, it was approximately 5,000 staff that would be out of a job. She shared that if every household had to stop working to care for their children, it would be another 24,850 parents who would be out of a job. She stressed that it was a lot of people in the workforce to be without work.

Ms. Donnelly communicated that childcare centers needed the legislature's help to establish funding to support the workforce. Centers were also at limited capacity numbers due to static groups. Their center had lost 30 spots at the beginning of the pandemic due to group size changes and regulations by the state and municipality. Childcare centers had been promised three months of funding and they had discovered much later that the funds would not be available. She stated that ensuring staff were available when the workforce was ready to go was very difficult when the anticipated funding did not come to fruition. She shared that she employed 40 staff and she chose to keep them employed; however, if they had to lay staff off, they may not return. She stressed that it was already hard enough to hire in childcare due to all of the regulations and low pay.

Ms. Donnelly stated that she had gone from having two closing staff to four or five at each center in order to accommodate the static group sizes. She emphasized that it cost a minimum of \$1,000 per day on the lower end of the pay scale. The business was well over \$100,000 to \$200,000 in losses and many centers would be unable to hang on much longer. She stressed that if people wanted to work, the state needed to help support childcare centers.

[5:29:05 PM](#)

JOANNA LITTAU, OWNER, PLANET ANCHORAGE BED and BREAKFAST, ANCHORAGE (via teleconference), was a bed and breakfast owner in downtown Anchorage. She detailed that she had owned the business since 2007 and had hosted 3,000 to 4,000 people over the years. The business operated year-round, but the majority of activity took place from May to September. She had no business remaining as everyone had canceled; she did not anticipate any income for the rest of the season. She shared that she had received a PPP loan of \$1,900, which was appreciated but was spent quickly. Her income from the bed and breakfast was not large, but it carried her through the rest of the year. She relayed she would be ineligible for Alaska CARES funding because her business would be considered a secondary income due to her day job. She stressed that the bed and breakfast was an important part of her income. She highlighted that more and more people were cobbling two or three jobs together to make a living.

Ms. Littau wanted Credit Union 1 to have the flexibility to look at people on a case-by-case basis to determine who needed help. She hoped the state would just let Credit Union 1 do its job. She believed the credit union could help people more if it had more freedom to make decisions.

Vice-Chair Ortiz asked if further CARES assistance was unlikely to go her way because her business was considered a secondary income.

Ms. Littau answered in the affirmative. She clarified that businesses considered a secondary income source were ineligible for CARES funding.

Vice-Chair Ortiz asked for verification that even though some CARES restrictions had been reduced, they did not apply to Ms. Littau's business even though she had only received \$1,900 in PPP funds.

Ms. Littau answered it was the way she was reading the eligibility clause. She stated that the bed and breakfast had been her business for several years and the income was important to her.

[5:34:36 PM](#)

SHARON ANDERSON, VALDEZ CONVENTION AND VISITORS BUREAU (via teleconference), reported that as a 501(c)(6), the Valdez Convention and Visitors Bureau was not eligible for federal or state stimulus funding. She urged the committee to support the addition of 501(c)(6) organizations as eligible for the Alaska CARES grant program. The organization could not promote Valdez as a tourism destination without help from outside its regular funding sources. The organization relied on a city bed tax for about 85 percent of its funding, but due to COVID-19, Valdez hotels were seeing a 30 to 50 percent occupancy. The organization would lose between \$229,000 and \$320,000 in funding for the next year. The remaining 15 percent of funding came from membership fees and advertising funds from its tourism related small businesses.

Ms. Anderson emphasized that tourism related businesses had also taken a tremendous financial hit due to the pandemic. She reiterated the bureau's request for the inclusion of 501(c)(6) organizations as eligible for the Alaska CARES grant program. The long-term impact of the pandemic included laying off two full-time staff, not having summer employees, leasing a smaller building for a lower rental cost, and no visitor center. The cuts would leave one staff person with a pay cut to do membership business support, promote on social media, and cooperative advertising for the final product of the Valdez visitor guide.

[5:37:10 PM](#)

SALLY ANDERSON, SELF, FAIRBANKS (via teleconference), shared that she owned Arctic Wild, a wilderness guide service in Fairbanks. She thanked the committee for the opportunity to testify. She reported that their business was down by 66 percent and continued to decrease. She had received PPP and EIDL loans that exceeded \$5,000; therefore, the current proposal would not help their business. She elaborated that she was an early recipient of the PPP funds and she had budgeted and spent the funds within the original eight-week period to rehire employees for the season. She noted that the changes that eventually came to the PPP program came far too late to help her business out. Any existing cash reserves had gone towards refunding client deposits and to pay for workers' compensation insurance and payroll taxes - things that were costly and not covered by PPP.

Ms. Anderson explained that they were trying to salvage some of their season and to do so, they would have to pay for auto insurance, general liability insurance, labor, food to feed clients, and equipment. She elaborated that if they had to use the EIDL loans for the costs because they were ineligible for the state grant, they were looking at having their income affected for 30 years. She relayed that changing the Alaska CARES Act parameters to include businesses that had received other disaster relief funds would be a huge help. The funds would allow the business to pay off their Visa bills, rent, COVID-19 testing, and other.

[5:39:36 PM](#)

ALICIA BERKA, THRIVE ALASKA, FAIRBANKS (via teleconference), shared that she had worked at THRIVE for 36 years and due to the pandemic, it was the worst year they had endured. She remarked that there were needs in every sector. She did not believe the state could reopen successfully without support for childcare. She reported that THRIVE had staff who could not come back to work because they had children at home and had no care providers. She gave detail about the services provided by THRIVE. She shared that in Alaska, half of the early childhood programs had closed in the past several months and all of the Head Start programs had closed. She explained that Head Start served the families most in need and they were trying desperately to reopen the program, which was a major challenge. The program had reopened earlier in the week with only 10 children. She detailed that the program had to enhance its health and safety requirements, impose physical distancing, and purchase an abundance of supplies.

Ms. Berka discussed the challenge facing the labor force at present - some people were medically fragile and could not work. She spoke to the need to provide mental health support. She shared that THRIVE had received one month of funding from the state, but it had not received funding for two additional months as promised. She was advocating that state legislators would implement an early childhood relief fund. She did not know how businesses could be successful unless families had places to take their children. She noted that most children had two working parents and the early childhood field contributed over half a billion dollars of economic activity in Alaska. She hoped the

legislature would consider the huge impact early childhood had. She relayed that THRIVE had reached out locally to community leaders. She did not believe people understood the grave impact of early childhood and how many centers would be unable to remain open. She thanked the committee for its time.

[5:43:22 PM](#)

Co-Chair Johnston noted that Representative Josephson had joined the meeting at the beginning of public testimony.

CHRISTINA EUBANKS, HILLCREST CHILDREN, ALASKA (via teleconference), read from prepared remarks:

Funding is required to ensure that there are childcare spaces available for families who will need them to return to work. Gratefully, Hillcrest was able to obtain a PPP loan and the partially funded capacity building money through the childcare program office. These funds have allowed us to continue providing care through the hunker down, to serve essential personnel and at risk families. With the continuing changing requirements, the PPP funding that we got, was not used to ensure our business's sustainability throughout COVID, but to guarantee full forgiveness of the funding because we could not afford to have to pay back any of that money.

Ms. Eubanks shared that their application had been submitted prior to current changes and the bank had not been able to provide the full amount they qualified for. She explained that the rule changes had left their business lacking and frustrated. She continued reading from prepared remarks:

The lack of committed, flexible funding for care providers has caused our energy to be put on deciding if it is feasible to continue offering care instead of how to best provide care to meet our community's needs moving forward through the pandemic. Hillcrest has had to adjust our budget from a slight profit to a \$100,000 deficit for our next fiscal year, compared to what we had budgeted pre-COVID due to lower enrollment and substantially increased staffing costs to meet state mandates to ensure children and staff health safety and minimize community spread.

As a nonprofit, Hillcrest's purpose is to meet our community's childcare needs. Our facility usage has evolved over the past 50 years to provide daily care for those as young as 6 weeks and as old as 12 years. On top of the budgeted operating loss, we are in desperate need of an additional \$100,000 to install a ventilation system to ensure clean air in the classrooms once the temperature drops and the windows close.

I expect that Hillcrest is not the only facility in the state with a similar concern. Profit margins like you've heard, were razor thin before COVID and now the operating costs during COVID have us working at a loss. Once a facility closes, it is too late. We really ask that you make a significant, unprecedented investment and provide the funding to honor CCPO's commitments that they sent out with the capacity building so that we can make sure that we stay open. Thank you for your time.

[5:46:30 PM](#)

GREG WHITESIDE, ROMPER ROOM OF FAIRBANKS, FAIRBANKS (via teleconference), shared that Romper Room of Fairbanks had been mandated to be closed since the beginning of March. He reported that the childcare facility still could not open due to CDC guidelines. He explained that social distancing on the facility's inflatable devices for young children was currently impossible. He shared that the business had been advocating for changes since the beginning of May. He elaborated that they had been arguing against the disqualifying factors for businesses in regard to the Alaska CARES Act funding. He explained that having another full-time job automatically disqualified a person. Another disqualifying factor was having accepted any monetary denomination.

Mr. Whiteside informed committee members that because the business had been mandated to be closed, it was going on 120 days of no revenue. He shared that they had planned over 20 events outside for the summer, some were fundraisers for nonprofits. He explained that the events had all been canceled due to the pandemic. He had been urging the legislature to reconvene to make changes. He supported changes to help businesses with zero revenue and

potential future revenue. He stressed that the business provided substantial support for the community - it had given \$60,000 to \$80,000 back to nonprofits in the past four years.

Mr. Whiteside reported that the business could likely qualify for an SBA loan; however, he did not think it was right that he would have to pay a 30-year debt for something that had nothing to do with how the business had been run. He stressed that the business was facing inevitable bankruptcy. He shared that it was very scary for a business that had four successful years to be in the current position within just four months' time. He spoke to the devastating effect of the pandemic.

Mr. Whiteside relayed that he had spoken to Credit Union 1 and had learned that the Alaska CARES Act process was slow because the credit union was required by the state to audit every dollar that people were asking for in financial relief. He thought it was crazy. He thought that perhaps 50 total applications had been processed thus far. He hoped the mandate changes would help businesses. He stressed that the business was in desperate and dire need. He expressed empathy for other struggling businesses. He thanked the committee for its time.

[5:50:14 PM](#)

Representative Wool thanked Mr. Whiteside for calling in and reaching out to his office. He felt for all of the businesses currently suffering. He referenced Mr. Whiteside's testimony about adhering to CDC guidelines and that the business had also been mandated to not open. He asked if the state was mandating enforcement of CDC guidelines or mandating the business to close. Alternatively, he wondered if the business was being prudent and following the CDC guidelines.

Mr. Whiteside answered that at first it had been the state mandating closure. The second issue was that CDC guidelines made it impossible for their type of facility to be able to reopen and successfully remain profitable. Additionally, the issue was about the welfare of the youths who used the facility. He stressed that it was very difficult to open and ensure safety.

Representative Wool communicated his understanding that the state mandated closure had come to an end and that Mr. Whiteside was being a responsible business owner by following the CDC guidelines. He surmised the business was not able to have kids maintain a six-foot distance at its facility.

Mr. Whiteside agreed. He explained that their goal was not to inject COVID-19 into the community; the objective was to have an open facility that families felt safe in. He elaborated that with CDC guidelines it was impossible for their business to be able to do so.

[5:51:51 PM](#)

DEBRA RODRIGUEZ, BRIGHT BEGINNINGS EARLY LEARNING CENTER, ANCHORAGE (via teleconference), shared that her business partner had provided testimony earlier in the meeting. She detailed that the business had four centers in Anchorage and Eagle River that had been greatly impacted by the pandemic. She elaborated that enrollment had dropped to 25 percent capacity almost overnight in March. Coupled with the lack of clear mitigation guidance, the business had been forced to close for two months. Bright Beginnings had been promised by the state's Childcare Program Office that it would receive three full months of substantial funding. As a result, the business had reopened at lower capacity with increased expenses. She listed various expenses. They were currently operating at a loss. She stressed that they desperately needed the building capacity funding that had been obligated to the business.

Ms. Rodriguez highlighted that quality licensed childcare was an essential part of the state's economy. She implored the legislature to act quickly to stabilize the childcare industry in Alaska. She thanked the committee for its time.

[5:53:49 PM](#)

COLEEN GOLDRICH, OWNER, ANNIE KAILL'S, JUNEAU (via teleconference), thanked the legislature for the opportunity to testify and for its work on the topic. She wanted the legislature to reconvene to change the eligibility guidelines to allow small businesses to receive additional funding in the form of grants. She had received PPP funding and an EIDL loan, in addition to a City and Bureau of Juneau loan. She stated that the loans had

enabled the store to make it through the last several months. She elaborated that the store had closed for two months as it had been mandated to do. The store had reopened as soon as it felt safe to do so. She was thankful for the loans; however, the business would have difficulty making it through the next couple of years. She shared that her own cash reserves had been depleted. Sales were 30 to 40 percent of the normal levels for the current time of year. She noted that there was no tourism business and she was incredibly thankful locals were out shopping.

Ms. Goldrich had been hopeful that she would be able to apply for a grant from the CARES Act funding and had been dismayed to learn that she was ineligible to apply because she had received loans. She shared that she was 56 years old and found herself in an incredible amount of debt over the next 30 years. She understood there was an incredible amount of need out there. She stressed that the situation was desperate and dire for her business. She knew that many other small businesses in Juneau had received PPP funding and now they were all just stuck with huge debts. She employed about 12 people and typically about 6 people during the current time of year. She represented 150 artists and small businesses, approximately 75 were Alaskans. She explained that the trickle out from her business impacted numerous people. She begged the legislature to reconvene to fix the problem. She thanked the committee for its time.

[5:57:24 PM](#)

HEATHER DELOACH, BRIGHT BEGINNINGS EARLY LEARNING CENTER, ANCHORAGE (via teleconference), relayed that the childcare industry provided a foundational infrastructure for the rest of the economy. She shared that she had worked at Bright Beginnings for about eight years and the current year was the most devastating financial year the business had seen. At the beginning of March, Bright Beginnings had been operating at 95 percent capacity, serving about 400 children, and employing about 100 staff. The business was now operating at 30 to 40 percent capacity. She reported that about 80 staff had returned to work. Bright Beginnings had been required to hire additional staff to meet space needs for checking kids in and out, taking temperatures upon entry, and intensifying cleaning schedules to maintain a safe environment.

Ms. Deloach stated that Bright Beginnings had temporarily closed for the months of April and May, due to the inability to ensure a safe environment for staff and families. She reported that in mid-April they had been promised three months of capacity building funding from the state to help the business function as an essential service. After making some crucial business decisions based on the funding, including rehiring staff, they had been told they would only receive the funding for one month. They were grateful and felt lucky because some programs did not receive the funding for one month. She stated that the childcare industry provided vital infrastructure to the rest of the economy.

Ms. Deloach shared that they had struggled to find PPE [personal protective equipment] gear and cleaning supplies due to high demand and other restrictions from vendors. She shared that she could not purchase hand sanitizer or disinfectant wipes from Amazon because she was not a healthcare facility or government agency. They were doing their best, but it often required making multiple weekly trips to make the center safe. Bright Beginnings had spent two to three times what it had been spending on the supplies prior to the pandemic. The increase was partly due to the need for increased supplies, but primarily due to inflated prices. The business was trying to operate on less than half its income and greatly increased operating costs. Additional funds were vital to the business's ability to remain open and provide care to families. She thanked the committee for its consideration.

[6:01:14 PM](#)

BRITTANY FORD, SELF, FAIRBANKS (via teleconference), shared that she had two group homes in Fairbanks. She relayed that childcare facilities had been told they would receive a given amount of funding, but it had not come to fruition. She shared that it had taken her about six months to obtain a license for her second facility, which had been an expensive process. The second facility was open by March 1 at full capacity. She reported having to close by March 30. She had been unable to get any help because she had only been open for one month, despite paying for six months of overhead in the process of getting the facility ready to open. She had received the one month of funding from the state that was supposed to be three months of funding. Additionally, she had received a very small amount in EIDL

and PPP funding. She was now unable to receive anything from the Credit Union 1 grant because she had received the loan funding. She shared that the miniscule funding she had received was not enough to go very far.

Ms. Ford relayed that she had reopened one of the facilities at 25 percent capacity. She was hoping to have the rest of the families return; however, people were scared [due to the virus]. She stated that the small amount of money had helped keep the rooves over their heads, but that was the extent of the help it provided. She shared that if she had to close, she would be taking out two very loyal families who had worked for her for six years and lived in the facilities (as required by the state). She spoke to her need for additional funding support. She would prefer not to receive loans because going into debt would be hard. She wanted to be available to help families returning to work, but she was faced with turning away five families a day. She was not completely comfortable taking on new families and wanted to be there for her existing families.

Ms. Ford stated there had already been a shortage of daycares prior to the pandemic. She knew many people had not been able to reopen their centers. She hoped some reconsideration could be made in terms of the building capacity funds that had been promised. She also hoped that eligibility requirements for the grant funds would be expanded. She thanked the committee for the opportunity to testify.

[6:05:06 PM](#)

LEEANN GARRICK, CHIEF OPERATING OFFICER, COOK INLET TRIBAL COUNCIL, ANCHORAGE (via teleconference), appreciated the voices of childcare providers who had expressed their challenges. She spoke from the perspective of an employer and emphasized the importance of opening childcare in order for businesses to open. She detailed that Cook Inlet Tribal Council is a social services provider in Anchorage and it was imperative that its employees and clients had available childcare. She stated that if the CARES Act authorized funding to keep childcare programs open, distributing a limited amount of the available funding would prevent childcare providers from reopening or staying open. She urged the department to deploy all of the funding to keep the essential support systems available for the people of

Alaska. She stressed that opening childcare meant businesses could open. She thanked the committee for the opportunity to testify.

Co-Chair Johnston highlighted that the public could email testimony to the committee. She thanked the presenters and public for their time. She remarked that it was helpful to hear from people affected by the devastating economic and public health crisis. She hoped some of the changes announced during the meeting would have a positive impact. She asked the public to continue sharing its concerns and ideas with the committee.

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ADJOURNMENT

[6:08:07 PM](#)

The meeting was adjourned at 6:08 p.m.