

**ALASKA STATE LEGISLATURE  
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

Anchorage, Alaska

May 8, 2020

11:05 a.m.

**MEMBERS PRESENT**

Representative Ivy Spohnholz, Chair  
Representative Louise Stutes (via teleconference)  
Representative Zack Fields (via teleconference)  
Representative Sara Hannan (via teleconference)  
Representative Andi Story (via teleconference)  
Representative Mel Gillis (via teleconference)  
Representative Sara Rasmussen (via teleconference)

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Representative Mike Prax (via teleconference)  
Representative Dan Ortiz (via teleconference)  
Representative Bart LeBon (via teleconference)  
Representative Sharon Jackson

**COMMITTEE CALENDAR**

PRESENTATION(S): SMALL BUSINESS RELIEF DURING THE COVID-19  
PANDEMIC

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

JON BITTNER, Executive Director  
Alaska Small Business Development Center  
Anchorage, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

MARISA SHARRAH, President/Chief Executive Officer  
Great Fairbanks Chamber of Commerce  
Fairbanks, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

JONATHAN WHITE, Owner  
SteamDot Coffee Company  
Anchorage, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

SARAH LEONARD, President/Chief Executive Officer  
Alaska Travel Industry Association  
Anchorage, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

SERENE HUTCHINSON, General Manager  
Juneau Tours and Whale Watch  
Juneau, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

KIRK ROSE, Chief Executive Officer  
Anchorage Community Land Trust  
Anchorage, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

JEREMY PLANK, Chief Financial Officer  
Allen Marine  
Sitka, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

SARAH OATES, President/Chief Executive Officer  
Alaska Cabaret, Hotel, Restaurant and Retail Association  
Anchorage, Alaska

**POSITION STATEMENT:** Offered testimony on small business relief during the COVID-19 pandemic.

#### **ACTION NARRATIVE**

[11:05:16 AM](#)

**CHAIR IVY SPOHNHOLZ** called the House Labor and Commerce Standing Committee meeting to order at 11:05 a.m. Representatives Stutes (via teleconference), Fields (via teleconference), Hannan (via teleconference), Story (via teleconference), Gillis (via teleconference), Rasmussen (via teleconference), and Spohnholz were present at the call to order.

**PRESENTATION(S): Small Business Relief During the COVID-19 Pandemic**

[11:07:45 AM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be a series of presentations on small business relief during the COVID-19 pandemic.

[11:07:57 AM](#)

JON BITTNER, Executive Director, Alaska Small Business Development Center, said he would provide an update on CARES Act funding allocations for Alaska, and discuss current statewide small businesses trends. He reported that the CARES Act initially distributed \$364 billion for the Paycheck Protection Program (PPP), followed by an additional relief bill that included another \$310 billion for the PPP. To date, he said, Alaskan companies have received over 9,000 PPP loans totaling \$1.2 billion. He further noted that eight Economic Injury Disaster Loans (EIDLs) were distributed to Alaskans for a total of \$3.1 million. Regarding the EIDL advances, which are grants of up to \$10,000 based on the number of employees that applicants have, Alaska received 2,700 grants for over \$11 million. He stated that despite the allocation of federal aid funding, the Alaska's economic outlook is still bleak. After relaxing restrictions on businesses operations there continues to be fewer consumers patronizing businesses at both a local and national level, which he said will cause difficulties in the long term. He added that this in conjunction with important industries in Alaska taking a heavy hit, such as the oil sector, the tourism industry, and several others, has resulted in desperate economic times for businesses in this state. He said smaller businesses in particular can only run on reserves and cut costs for so long before being forced to shut their doors. He stated that money needs to be deployed to small businesses as quickly and broadly as possible and with fewer barriers attached to receiving the funds. Nonetheless, he opined that whatever funding is deployed, regardless of the program, it won't be "the

silver bullet solution.” He said that regardless of which action is taken, it will only be “a stopgap measure” to get businesses through the next few months until consumers are ready to patronize them again. He pointed out that businesses were asked to make a heavy sacrifice by closing their doors and laying off employees and all of them did it. He said now it’s time to support the businesses that put their livelihoods on the line for Alaskans.

[11:13:42 AM](#)

REPRESENTATIVE HANNAN asked for the volume of businesses that would need the available assistance; further, what hurdles stand in the way of making it as streamlined as possible.

MR. BITTNER said it would be easier to define the businesses that aren’t hurting, as most businesses need some form of assistance; however, the most immediate need is in small businesses because they have fewer reserves and avenues of funding. He added that if a funding mechanism has more criteria, it will require more time to process the applications. Some companies are savvier than others and have more resources to hire professional assistance for their relief funding applications, whereas it’s more difficult for small mom and pop business. He recommended making [the funding mechanism] as easy and streamlined as possible while still maintaining appropriate oversight over the funds.

[11:15:36 AM](#)

REPRESENTATIVE FIELDS asked Mr. Bittner to address why small businesses need access to grants in addition to loans. He also asked for an appropriate breakdown of the \$300 million of CARES Act relief funds for businesses in terms of grants versus loans.

MR. BITTNER suggested focusing on a number of businesses within any given size range; for example, businesses with under 25 employees. He added that focusing on businesses that were not able to receive the PPP and EIDL funding would narrow it down even further. He explained that grants should be part of the conversation because not all businesses have the same access or ability to apply for loans. Furthermore, there is a different set of criteria that is involved in a grant program compared to that of a loan program. He reiterated that the key is to rapidly deploy the funds.

[11:17:54 AM](#)

CHAIR SPOHNHOLZ asked for recommendations on the distinction in criteria for a grant program versus a loan program.

MR. BITTNER explained that the ability to pay back a loan should be considered, which would be a difficult proposition for industries, such as the tourism industry, as there are many economic "unknowns" right now. He reiterated that grants have different criteria than even forgivable loans.

CHAIR SPOHNHOLZ pointed out that there have been different discussions about the potential funding distribution structure. She said the governor has proposed distributing the funds through Alaska Industrial Development and Export Authority (AIDEA), while others have proposed administering them through the Department of Commerce, Community & Economic Development (DCCED). She asked which organization could execute rapid deployment and implement an appropriate evaluation of program eligibility.

MR. BITTNER answered no. He said he does not know enough about the internal workings of those organizations to make a recommendation.

[11:20:41 AM](#)

MARISA SHARRAH, President/Chief Executive Officer, Great Fairbanks Chamber of Commerce, paraphrased from the following written remarks [original punctuation provided]:

I want to recognize the challenge presented to any individual, business, or government entity in their desire to balance social responsibilities of protecting human health and protecting the livelihood of so many Alaskans. There are no perfect answers here and while it's possible I will say or suggest something that you or others may disagree with, I'm thankful the chance to dialogue in this sticky situation. The questions are messy, so the answers will also inevitably be messy. Also - most of my testimony is coming straight from my members.

**Impacts from Health Mandates:**

A group of economic development organizations, including my Chamber, rolled out a business survey a few days ago.

- Of the 87 businesses that have responded as of this morning, 90% of the businesses indicated their business has been negatively impacted by the presence of and response to COVID and have seen significant decreases in revenue.

- Almost 40% of those respondents so far have reported decreases of 50% or more and 30% of those employers have had to make employment reductions so far. Many businesses have been closed for up to 50 days with no income due to lack of ability to operate under the health mandates as they were rolled out.

- Many businesses that have not had to alter their operations due to health mandates have still been negatively impacted because their client's businesses have been impacted making their services unnecessary. Two examples of this are a food supply company and a graphic design company.

- Getting employees back into the workforce has been difficult due to some very specific challenges ranging from lack of childcare options or employee discomfort with returning to work, however, the robust Unemployment Insurance program is currently acting as a disincentive to return to work as many people are making as much or more on unemployment than they would going back to work once their employer received Paycheck Protection Program funding.

- Examples

- o One employer - 50% of employees opted not to come back to work because the UI system was so attractive. Especially frustrating for her right now as her business will be opening up today in accordance with the state mandates that also increase the required staffing for each shift. This business used to only need 1 employee per shift, but now, in order to comply with monitoring the limited capacity requirements and the sanitizing and disinfecting portion of the mandate she needs to have twice the amount of staff at one time with 50% less employees to pull from. This business is having to limit the hours of their operation order to balance these challenges related to staffing.

- o Other challenges are created from the way the roll out of mandates is being handled. The piecemeal approach to rolling out the overall plan is making it impossible to plan for both the near or long term. There is no clear timeline for when our community could be expected to reach the next phase in the plan,

and the parament of each future phase are not published so businesses can't take a forward look with any insight on what that plan is going to look like.

o There are obviously devastating impacts to our tourism sector and that sector was one of our communities best performing sectors prior to COVID. Will defer to Sarah for more context.

#### **PPP/EIDL:**

- Many businesses in the Interior were very fortunate to have great lenders and accountants that helped get PPP funding. Very worried those funds will have to paid back since the forgiveness criteria is not currently understood or clearly published at this time. According to early results from survey, 60% of our businesses applied for PPP, EIDL or some other grant/loan funding.
- Other businesses had challenges finding a lender that would work with them. An example was very small business whose bank declined to process their application, so they had to go to a different institution and start a new banking relationship in the middle of a business crisis.
- Local businesses were discouraged by the SBA process for EIDL loans and describe the process as clumsy and rapidly changing up to an including the application that you could find online at any given time. There was little to no communication or status updates. 4 weeks after applying, money mysteriously showed up with no announcement or follow up.

#### **Grants vs. Loans:**

- Many business owners believe legislators and our state's administration have a vested interest in taking the steps they can take to boost the economy in whatever way they can. If loans were made available, many business owners would not take them because of uncertainty. But many businesses would accept grants if made available.
- All business owners and executives I spoke with agreed there should be oversight as to where grant funds go or what they could be used for.
- The Fairbanks Chamber believes the private sector should be used to the degree possible. Alaska's banks and credit unions have demonstrated they are the right

sector to turn to in the processing of loans and government backed grants.

- We do need to determine which groups qualify - based on a simple formula like number of employees or last year's revenue or some sort of broad-based criteria that any non-profit or business has immediately available. Funds should be distributed based on a pro-rata base for whatever criteria is established. Banking industry is concerned about the current proposal from AIDEA as written. If it were rewritten, restructured and simplified, the industry would be more excited about take a second look and possibly jump in and process grants given by the state.
- Local entities that might be trusted to develop the program for local businesses to apply for state backed grants or loans would be any community Economic Development Corporation.
- The Fairbanks Chamber do encourages legislators and administration to find ways to address the gaps that were created by health mandates early on to allow businesses to reasonably function going forward and deploy any available funds to businesses in a way that protects our economy and our employers.

As we're responding to this situation, the Fairbanks Chamber's collective desire is to move people back into the workforce and that we protect our healthcare infrastructure system.

[11:32:20 AM](#)

CHAIR SPOHNHOLZ asked Ms. Sharrah to describe the concerns expressed by the banking industry about the governor's proposal to use the Alaska Industrial Development and Export Authority (AIDEA) for small business funding.

MS. SHARRAH explained that the banking industry is concerned about the current written proposal from ADIEA. According to the banking industry, the proposal is overly complicated and would be difficult to execute. She said that the industry would be more comfortable if the proposal were rewritten, restructured, and simplified in a way that streamlines the application and distribution process to help banks and businesses.

[11:33:45 AM](#)

REPRESENTATIVE STORY asked if the banking industry is planning to give their feedback to AIDEA regarding the application process and loan eligibility.

MS. SHARRAH was unsure and offered to follow up with the requested information.

11:35:00 AM

JONATHAN WHITE, Owner, SteamDot Coffee Company, provided perspective from a small business's standpoint, particularly one that is on the frontlines trying to work through the myriad of challenges presented [by COVID-19] during this unprecedented time. He recounted that as the pandemic started to unfold, many businesses were asked to make severe changes to their business to help stop the spread. He opined that the low number of cases across the state is due, in large part, to how the business community responded. He explained that businesses like SteamDot were faced with the difficult decision of trying to stay open while complying with state and municipal guidelines and weighing that decision against the health and safety of their employees and customers. The result was the closure of many businesses, including SteamDot Coffee Company. He said that in the early days, he used the company's on-hand cash to continue paying his employees until the available cash was depleted, which lasted under two payroll cycles. Nonetheless, it allowed him to keep over 40 retail employees on payroll despite the business's doors being closed. He reported that SteamDot received a PPP loan; however, it is a short-term fix to keep his employees off unemployment. He noted that in early June the loan will be depleted. He said if revenues don't return by that time, his business will face the same cost-benefit analysis of remaining open with limited service capacity, potentially resulting in laying off or furloughing employees or closing its doors entirely. He stated that as the economy reopens, there is still tremendous trepidation from customers. SteamDot's revenues are 30 percent of what they would normally be after 10 days of reopening, he said. He offered his belief that businesses will perform better if they can operate safely and follow the government mandates. He remarked, "Businesses stepped up, they responded, and now they need help."

11:40:45 AM

MR. WHITE opined that it's not the government's role to bail out businesses; however, it is the government's responsibility to ensure a healthy economy for its citizens. He stated that it

does not matter which mechanism is used to distribute the CARES Act funds. He said as long as it's done quickly, businesses are "agnostic." He added that the longer those funds remain in limbo, the more businesses will suffer. Regarding the grants versus loans discussion, he offered his belief that grants should be the only method worth consideration based on the uncertainty and confusion surrounding the PPP loans and the restrictive nature of the EIDL program. He explained that businesses need cash flow for operations not related to payroll and rent, which are both narrowly prescribed in the PPP loans. Cash in the hands of businesses would go a long way towards keeping them afloat until the economy begins to reset under some assemblance of normalcy. He approximated that under AIDEA's proposal, the \$200 million that was set aside for small businesses by the governor would only reach around 2,000 entities at an average loan of \$144,000 each. However, if the funding were modeled after the EIDL program with grants in the amount of \$10,000, it could reach upwards of 29,000 businesses. He suggested that the state quickly deploy the CARES Act funding to as many small businesses as possible.

[11:44:55 AM](#)

REPRESENTATIVE FIELDS asked what mandates regarding face masks or other recommended practices would give customers reassurance that the risk of contracting the coronavirus while patronizing businesses is being minimized.

MR. WHITE expressed his disappointment at the lack of face coverings worn by both customers and employees. He opined that wearing a mask has become a political symbol for some. Nonetheless, he explained that SteamDot has a mask policy in their cafes and that overall, their customers are appreciative of the business's safety precautions. He stated that it's been a struggle to operate with the current health mandates in addition to customers who are weary of venturing out of quarantine to spend money.

[11:48:43 AM](#)

CHAIR SPOHNHOLZ shared an anecdotal example of an asymptomatic carrier who tested positive for COVID-19. She addressed the importance of masks and social distancing to control the spread of the virus and to help support the reopening of Alaska's economy. She asked if additional funding with more flexibility is necessary and whether businesses that have already received loans from other programs should be excluded.

MR. WHITE addressed the restrictive nature of the EIDL program and said it would seem unfair to restrict certain applicants from more assistance because of the SBA guidelines. He said it's strange that the state would model the funding distribution after the PPP, despite the forgivable aspect of that program being "mired in mystery." He opined that \$290 million for small businesses is not nearly enough. He echoed Mr. Bittner's sentiments about small businesses being the backbone of the communities

[11:54:49 AM](#)

SARAH LEONARD, President/Chief Executive Officer, Alaska Travel Industry Association, informed the committee that Alaska Travel Industry Association (ATIA) is the statewide voice for tourism businesses in the state and markets Alaska as the premier traveler's destination. She stated that the COVID-19 pandemic is decimating Alaska's tourism industry. She shared several personal anecdotes from tourism businesses owners across the state. She conveyed that the travel restrictions have impacted every tourism sector entry point from cruise cancellations to air travel limitations to restricted road access from the Canadian border closure. She reported that many of ATIA's 650 member businesses have had to lay off employees due to the impacts of COVID-19. Tourism businesses and nonprofit community members are facing the devastating decision of whether to endure this summer and try to capture revenue from potential in-state travel or to close entirely. The main concern that tourism businesses have expressed is the urgent need for liquidity. She explained that tourism businesses looked to the federal CARES Act program for help; however, both the PPP loan and the EIDL grants were either too restrictive or came far short of their actual need. Furthermore, the federal programs did not take into consideration the seasonality of many tourism businesses in Alaska and included complicated formulas in their applications. She noted that smaller tourism businesses often lack sufficient formal documentation to meet traditional loan requirements. She explained that the loan programs have provided some businesses with a two to three-month pause; however, collateral requirements and personal guarantees only add to a business owner's financial burden when any incoming revenue is uncertain. She stated that changing loans to grants may help tourism businesses stabilize and be ready to recover when it is safe to travel again. She suggested that a direct program for tourism businesses administered by ATIA would provide the help that they need to survive and would fill the gap between additional

federal and state assistance. She explained that if ATIA were to work with the Department of Commerce, Community & Economic Development (DCCED), they could distribute \$10 million to 500 struggling businesses with individual grants of \$20,000 for basic operating costs that would help them maintain until next year when travelers can potentially return. Such a grant program could provide Alaska tourism businesses the critical help they need from a familiar organization to maintain a minimal level of operations. She related that ATIA has extensive experience managing grants and contracts for the state of Alaska through DCCED. She informed the committee that ATIA's board of directors put together a working group with representation from their partners at the state to formulate tourism protocols to allow for a safe path towards recovery.

[12:02:38 PM](#)

CHAIR SPOHNHOLZ commented on Ms. Leonard's proposal for the ATIA to administer a grant program. She said it makes sense for a program like that to be administered by an organization that knows the industry and has a good track record and relationship with the government. She asked Ms. Leonard to submit the information about the proposal so it can be distributed to the committee.

[12:03:57 PM](#)

SERENE HUTCHINSON, General Manager, Juneau Tours and Whale Watch, stated that 90 percent of Juneau Tours and Whale Watch's guests are from the summer cruise ships. She noted that her company is independent and relies on online bookings and Juneau dock vendors rather than cruise line contracts. She recalled seeing refunds coming in at an alarming rate on March 9, 2020, which set in motion plans to lay off all twelve of the company's winter staff in case they had to pay back the \$500,000 in presales. She said the refunds kept pouring in, adding that she is currently refunding \$10,000 per day. She explained that the business had to lie dormant to survive, prioritizing only essential payments like mortgages. She reported spending \$1,000 to secure help with the challenging PPP loan application from a local accounting firm. She said it paid off, as her business was awarded a large PPP loan. She addressed the technicalities of using the PPP loan correctly, which has resulted in rehiring 12 employees who are performing 8 weeks of work that isn't necessarily essential. Furthermore, eight months is not enough time to use even one-third of their PPP loan. Nonetheless, she said they must use the PPP funds as they were intended. She

further noted that two of her skilled mechanics did not want to return to work because of how much they were earning from unemployment. She said had to guarantee them four months of work, despite the PPP only covering two. She stated that as an entrepreneur, she is not looking for a free ride; however, she is looking for clarification and consideration. She added that grants could be the savior for small businesses whereas loans only delay the inevitable, especially for seasonal businesses that are potentially looking at no revenue until spring 2021. She reiterated that grants are essential if the legislature and the government truly want to rescue small businesses, otherwise there will be waves of bankruptcies.

[12:12:24 PM](#)

CHAIR SPOHNHOLZ noted that Alaska's unemployment benefits are amongst the lowest in the nation in terms of wage replacement value. She added that the maximum earnings per week for unemployment in the state of Alaska is \$370 plus a per-dependent benefit of \$75. She explained that the additional \$600 per week from the federal CARES Act supplement has allowed people on the lower end of the income spectrum to make more on unemployment than they ever earned from a wage; however, those benefits will expire in July 2020. She acknowledged that rehiring employees who are on unemployment has been difficult for some businesses due to a combination of higher earnings from UI and fear of the health risks associated with returning to work.

MS. HUTCHINSON explained that her mechanics wanted to stay on unemployment to make decent money for three months instead of good money for two. She suggested extending the PPP's 8-week period to 16 or 20 weeks to allow for her and others to use the entirety of their loans the way they were intended. Otherwise, she said, she will have to return two-thirds of the funding she was awarded from the program.

[12:16:19 PM](#)

KIRK ROSE, Chief Executive Officer, Anchorage Community Land Trust, explained that Anchorage Community Land Trust (ACLT) is a nonprofit organization working to disrupt concentrated poverty in Anchorage. He said he would provide the committee with the perspective from business corridors that they don't often hear from, as many of his business owners are not from traditional groups. He said that 70 percent of ACLT's clients are women-owned businesses, and roughly 80 percent of their business owners and entrepreneurs are people of color. Additionally,

close to 92 percent of ACLT's business owners and entrepreneurs are considered low income. He stated that businesses are closing, entrepreneurs are deferring their dreams, upstarts are in hibernation, and shifting operations is not easy. He added that there is a huge risk of a generational loss of businesses.

MR. ROSE said support needs to be immediate and provided to as many as possible. He conveyed that small mom and pop businesses had a very difficult time with the PPP. He opined that the program would prove to be extremely unequitable overall and most importantly, that the PPP was never intended to be a solve-all. He offered his belief that the PPP reaffirms a system of have and have nots. He said the program is unnecessarily complex, slow to arrive, and difficult to spend correctly. Most importantly, it did not help all Alaskan businesses. He pointed out that the PPP has injected necessary capital into the economy and undoubtedly saved jobs; however, it has been a disaster in terms of equity, communication, and expectation. He said the intended recipients of the PPP were small businesses who, for all the right reasons, shut down or operated at severely limited capacity to help flatten the curve. He emphasized that the errors of the PPP should not be recreated. He continued to explain that the exclusivity of the PPP served bigger businesses with sophisticated books and established banking relationships, which is not characteristic of many small Alaskan businesses. The program excluded mom and pop businesses, seasonal shops, sole proprietors, and minority business owners, and those that did not have large finance departments or the ability to hire technical assistance to help with their applications.

MR. ROSE expounded that the "mad dash" for funds was also a challenge, adding that the first-come/first-served criteria was problematic and established a system where prioritization was based on highest loan volume clients. He reiterated that almost none of his business affiliates received first-round PPP funding, because it didn't work for businesses lacking sophisticated book-keeping, the mom and pops who weren't immediately prepared or businesses that had to try and create a new relationship with a bank or financial institution. Consequently, immigrant-owned businesses, minority-owned businesses and seasonal businesses did not receive a proportionate share of the PPP funding, if any at all. He stated that these businesses suffered from a large information gap and felt extremely dejected. He said that because the relief did not reach all Alaskan businesses, the state funds should attempt to correct that. He opined that the state of Alaska has done nothing for businesses that did not receive the

PPP or EIDL. He addressed the confusion surrounding the forgiveness aspect of the PPP, adding that asking small businesses to take on debt after nearly two months of closures puts them in a precarious position. In closing, he highlighted some "bright spots," including the launch of several businesses. He articulated that for a new wave of businesses to come to fruition, they require support and an access to capital.

[12:26:59 PM](#)

JEREMY PLANK, Chief Financial Officer, Allen Marine, provided a brief description of his company, Allen Marine, which encompasses day tours, an overnight cruise brand, and a shipyard in Sitka that services all of their vessels. He noted that Allen Marine employs 150 year-round employees in addition to upwards of 550 seasonal employees during the months of April through September. In March, they were forced to lay off 76 percent of their workforce as a result of the pandemic. He stated that COVID-19 has had a catastrophic impact on his business. He reported that they are forecasting upwards of 90-95 percent loss of revenue for the 2020 season, all at a time when they have already spent a large part of their annual budget in preparation for guests that, now, will not be arriving. He recalled how the travel restrictions and cruise cancellations impacted his company, beginning in January. Since then, Allen Marine applied for both the PPP and the EIDL and received PPP funds; however, those funds are in question as to how much can be used if they are to be forgivable. Furthermore, after laying off so many employees, the ability to use the funds they received while complying with the grant guidelines is difficult.

MR. PLANK said that according to the current grant guidelines, 75 percent of the funds must be used for payroll related expenses; however, Allen Marine is a capital-intensive business, so deciding how to allocate the PPP funds has been difficult. Additionally, recounted trying to source EIDL funds from the SBA. He explained that Allen Marine received the initial grant of \$10,000, albeit with no further communication. He remarked that the PPP worked as a stopgap for the short-term, but companies like Allen Marine are in need of additional funds, as many of them rely on the months of May through September to provide their revenue for the season. He further opined that grants are the preferable mechanism of funding because loans require a debt service and the ability for companies to service those debts is in jeopardy given the COVID-19 restrictions and the lack of 2020 revenue. He acknowledged that AIDEA is a viable method for distributing funds, as is private banks. He

emphasized that the main concern is timeliness and the ability to deploy the money to Alaskan businesses as quickly as possible.

MR. PLANK responding to a question from Representative Story, said roughly 97-98 percent of his business is direct tourism from other states and other regions. He added that in 2019, Allen Marine carried 335,000 passengers off the large cruise brand. He explained that with cruise ship cancellations, his company will have to source passengers from independent travel, which is not part of their typical business model and won't be substantial enough to generate meaningful revenue for the business. He stated that there are also still questions revolving around the COVID-19 restrictions and whether guests will be allowed to fly from other regions and board Allen Marine vessels in Alaska.

12:36:30 PM

REPRESENTATIVE JACKSON asked if Allen Marine's liability insurance will cover any losses this year.

MR. PLANK answered no. He explained that Allen Marine has a substantial insurance program; however, the company does not carry loss of revenue insurance due to its high deductibles.

CHAIR SPOHNHOLZ asked if Mr. Plank had to lay off any employees.

MR. PLANK answered yes. He said Allen Marine initially furloughed 130 employees, 90 of which have been converted to full-time layoffs. He expressed his hope that a late season would allow the roughly 40 employees that are still on furlough to return to work in July, August, or September.

12:39:21 PM

SARAH OATES, President/Chief Executive Officer, Alaska Cabaret, Hotel, Restaurant and Retail Association, paraphrased from the following written remarks [original punctuation provided]:

Dear Honorable Members of the House Labor & Commerce Committee:

The Alaska Cabaret, Hotel, Restaurant, and Retailers Association (Alaska CHARR) represents over 800 members statewide over 85% of which are small businesses.

The economic impacts of COVID-19 have reverberated throughout the state, with few industries being hit harder than tourism and hospitality. These are the places you celebrate your birthdays, sports victories, anniversaries, personal losses, and even just the places you go to get away from the stresses of life. They are the heart of every community across our great state and right now, many are struggling to survive.

This is the worst tourism season Alaska has ever seen, which has been and will be detrimental to the hospitality industry. The majority of our industry temporarily closed their establishments - or never opened them for the season - in compliance with health mandates and for the protection of public health and safety. Survey results of the economic impact to the Alaska hospitality industry are dire: 22% of respondents who own restaurants have indicated that they will not recover from this - their doors are shuttered permanently. April survey results of the hospitality industry (which includes other businesses like bars, hotels, and liquor stores) also show the following alarming statistics:

- Over 50% of respondents temporarily closed their establishments
- 60% laid off employees
- 26% changed their business models to remain semi-operational
- 54% of respondents reported same store sales in early April to be down more than 70% from this time last year
- 83% of respondents expect their year-end sales to be down over 50% from last year

**The number one necessity for small businesses right now is immediate cash flow.** The only options thus far have been to apply for Economic Injury Disaster Loan (EIDL) assistance through the SBA or for a Payroll Protection Program (PPP) loan through lending institutions. There have been countless issues with these options, and considering the circumstances, the 3.75% interest rate for EIDL is high. Aside from the \$10,000 advance, many of our businesses have been reluctant to apply for new loans and incur new debts while they have little to no current revenue, and unknown future revenue.

Many hospitality businesses applied for and received PPP funding which could be forgivable, but that requires 75% of the funds to be paid toward payroll expenses, which do not include employer-paid taxes. A huge percentage of our businesses have been closed for eight weeks - and some will continue to be - with thousands of employees being laid off who are now receiving huge unemployment insurance benefits with the added federal contributions. Businesses are now reopening, all of whom are actively attempting to rehire staff or hire a new workforce. Many of those employees are refusing to return to work for various reasons. Many of our businesses will be unable to meet the 75% payroll threshold over the eight-week period following the loan origination date, in order to receive loan forgiveness. Those businesses may now be facing having to repay six-figure loans within the next two years with unknown income.

**I implore you to support the Alaska hospitality industry when it needs you the most by taking action that will allow small businesses and nonprofits to apply for and receive grants from the State of Alaska - and to do so expeditiously - so that we might collectively return our attention to surviving this economic crisis. As noted earlier, the overwhelming feedback I've received from businesses in our industry is that they are reluctant to apply for loans because of continued unknowns around revenue streams.**

There must be oversight for any grant distribution. Criteria should include how many (or what percentage of) staff were laid off, and consideration of the percentage of decreased revenue from March through May as compared to 2019. Funds should be made available expeditiously and to as many businesses as possible in order to prevent more businesses from closing permanently.

I will also briefly note that Alaska CHARR is a 501(c)(6) nonprofit corporation which - like many other nonprofits in Alaska - does not qualify for the PPP loan. Nearly half of our annual revenue comes in between March and June, from membership dues and training fees. That revenue stream came to a screeching halt when the industry that we represent

had to shut down nearly completely in order to protect the public. Alaska CHARR has had to make staff layoffs and significant cuts to wage staff hours during a time when the industry that we represent has needed us more than ever before. These cuts were not due to a lack of work - they were due to a lack of financial certainty and support for our nonprofit. With very few options for relief right now, the future of our nonprofit is uncertain.

Thank you for your consideration and for all that you are doing in these challenging times.

[12:45:43 PM](#)

CHAIR SPOHNHOLZ offered her understanding that most nonprofits are eligible for the PPP.

MS. OATES clarified that qualifying nonprofits are charitable organizations, 501(c)(3), and veterans' organizations, 501(c)(19).

CHAIR SPOHNHOLZ further pointed out that if an individual turns down an offer of employment and he or she does not have an underlying health condition or children at home, then that person is committing unemployment fraud and would lose unemployment benefits. She emphasized that unemployment fraud is punishable by law. She highlighted points from today's testimony, beginning with the PPP. She stated that the PPP is well intentioned; however, it is complicated and largely inaccessible. She added that the EIDL is also inaccessible, as only eight Alaskan businesses have been eligible. She observed that as businesses are completely retooling their operations to comply with public health mandates, they are taking on additional expenses, which additional relief funds could help finance. She further summarized that small businesses would prefer grants instead of loans. She addressed Alaska's diverse economy and said it would be terrible to lose the diversity of the state's small businesses [to this pandemic].

[12:51:19 PM](#)

REPRESENTATIVE STUTES noted that employees who return to work part time are still eligible for federal unemployment benefits.

CHAIR SPOHNHOLZ acknowledged that HB 308 allows Alaskans who are underemployed to be eligible for unemployment benefits. She

offered her belief that it creates an additional incentive for Alaskans to return to work - if only for a few hours per week.

[12:53:25 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [12:53] p.m.