

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

Anchorage, Alaska

July 1, 2020

1:07 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Zack Fields

OTHER LEGISLATORS PRESENT

Representative Sullivan Leonard (via teleconference)
Representative Dan Ortiz (via teleconference)
Representative Bryce Edgmon (via teleconference)

COMMITTEE CALENDAR

AK CARES GRANT PROGRAM

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

TIM DILLON, Executive Director
Kenai Peninsula Economic Development District
Kenai, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

MANDY HAWES
Get Lost Travel Vans
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

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

POSITION STATEMENT: Testified on the AK CARES grant program.

BILL POPP, President & CEO
Anchorage Economic Development Corporation
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

SHIRLEY MARQUARDT, Executive Director
Southwest Alaska Municipal Conference
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

SCOTT SWINGLE, Owner
Malemute Saloon
Fairbanks, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ROBERT VENABLES, Executive Director
Southeast Conference
Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

TYLER DAVIS, Commercial Loan Officer
First Bank
Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JASON PALLAS
Commercial Fisherman
Cordova, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

COLLIN DANDO, Certified Public Accountant
C.F. James
Wrangell, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

LARS STANGELAND
United Southeast Alaska Gillnetters Association
Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

CHELSEA HAISMAN, Executive Director
Cordova District Fishermen United

Cordova, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

PATTI MACKEY, President & CEO

Ketchikan Visitors Bureau

Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

RUBEN DURAN, Borough Manager

Ketchikan Gateway Borough

Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

MIKE HAMAR

Commercial Fisherman

Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JULIE DECKER, Executive Director

Alaska Fisheries Development Foundation

Wrangell, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

STEPHANIE BRENNER, Manager

Brenner's Fine Clothing & Gifts

Hoonah, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

CAROL RUSHMORE, Economic Development Director

City and Borough of Wrangell

Wrangell, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

RICHARD YAMATA

Alaska Charter Association

Kenai, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JIM SHOEMAKER, Operations Manager

Sportsman's Cove Lodge

Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

IRENE KUZMIN

Delta Junction, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

DEBBIE SPEAKMAN, Executive Director
Kenai Peninsula Tourism Marketing Council
Kenai, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

RICHARD HARNEY, Director of Planning & Community Development
Ketchikan Gateway Borough
Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ANASTASIA KUZMIN
Cordova, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

CATHY RENFELDT, Executive Director
Cordova Chamber of Commerce
Cordova, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

LINDSEY BLOOM, Campaign Strategist
Salmon State
Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ALEXANDRA SAMOILOV
Commercial Fisherman
Wasilla, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ANASTASIA OVCHINNIKOV
Wasilla, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JAI MAHTANI, Owner
Gold Rush
Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

SUSAN DOHERTY, Executive Director
Southeast Alaska Seiners Association
Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ASIA VERNON
Keepin' It Reel Charters Unlimited
Dutch Harbor, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

DAVID ADAMS

Sand Point, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

LISA GABRIEL, Director

Kenai Peninsula Fishermen's Association

Kenai, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

CRAIG CARSON

Ketchikan, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

MAKSIM KUZMIN

Homer, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

REPRESENTATIVE COLLEEN SULLIVAN-LEONARD

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Provided comment during the hearing on the AK CARES grant program.

ACTION NARRATIVE

[1:07:40 PM](#)

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 1:07 p.m. Representatives Story (via teleconference), Stutes (via teleconference), Hannan (via teleconference), Rasmussen (via teleconference), and Spohnholz were present at the call to order. Representative Gillis (via teleconference) arrived as the meeting was in progress.

AK CARES Grant Program

[1:08:51 PM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be testimony, both invited and public, on the AK CARES grant program.

[1:09:55 PM](#)

CHAIR SPOHNHOLZ explained that people have been voicing serious concerns about the limitations of the AK CARES grant program.

She reported that as of June 29, 2020, per Department of Commerce, Community & Economic Development (DCCED), the program received 1,947 applications, of which 167 - fewer than 1 percent - have been approved. The 167 approved applications total \$6.28 million, which is only 2 percent of available funds. She noted that if all 1,947 submitted applications were to be approved, funds would total \$84,610,897, or 29 percent of the \$290 million available funds. She said today, members of the community will be testifying on ways to increase the program's flexibility and eligibility criteria so that funding is available to a broader range of businesses and nonprofits.

[1:11:42 PM](#)

REPRESENTATIVE RASMUSSEN clarified that 167 approved applications indicates that approximately 10 percent of the 1,947 submitted applications have been approved.

CHAIR SPOHNHOLZ acknowledged that. She continued to explain that Credit Union 1 is onboarding additional staff to help process the AK CARES applications and has amended internal procedures to accelerate the process. Additionally, Credit Union 1 created a series of instructional videos and DCCED added information to its list of frequently asked questions (FAQs) to assist applicant businesses in submitting complete applications.

[1:13:43 PM](#)

TIM DILLON, Executive Director, Kenai Peninsula Economic Development District, paraphrased from the following written remarks [original punctuation provided]:

I appreciate being able to speak to you about the Alaska Cares Act - Specifically the small business relief portion.

I have spent the last several months listening and assisting small businesses and non-profits across the Kenai Peninsula. I have learned a lot about what's happening to these organizations, the fabric of our economy.

I am here today to lay out 4 points of change that will fix Alaska CARES

1. Allow commercial fisherman's permits to count as a business license.

The RPL states that everyone must have a business license, but commercial fishermen don't have a business license. (they have a permit).

2. 501-c-6 should be eligible for AK Cares Act funds.

These are our chambers and trade organizations.

3. A small business should be eligible for AK Cares Act funding even if they received PPP, EIDL or Municipal Relief.

John Bitner is going to speak to this later, but these are not federal requirements. They are part of the RPL.

4. Give DCCED the authority to make minor changes.

In this environment they need to be able to get things done that are common sense.

Ok, how did I get here? By listening and communicating with small businesses - Boots on the ground. We currently have a great team of folks leading the way with Julie Anderson the Commissioner of Commerce and Alan Weitzner the Interim Executive Director of the Alaska Industrial Development Export Authority. But they don't have the tools to get the job done.

Let's look at the numbers. The Governor's goal is to get money in the hands of small businesses. In fact, \$150 Million in the first 30 days. As of June 30th, the total dollars disbursed was \$6,394,154.25

Hmmm... \$143 Million less than the administration and communities wanted. This is no one's fault. It's just that the rules don't match the needs.

In fact, if we took the 280 applications that Credit Union 1 is currently processing from rural communities and the 996 applications from the metro areas AND add all of the other funds dispensed to date - we would come up with a grant total of \$69,929,165.25

Interesting... So, unless we plan on returning over \$200 Million to the federal government, we need to make these suggested changes NOW.

I returned to Kenai last night from Homer where I spent time meeting with businesses trying to survive. No one is getting rich with this money. No one is being made whole from this money. These are business owners and non-profits that listened to our elected officials, did what was recommended, and now because of how the RPL was written are penalized.

These are your and my neighbors: Farmers, restaurant owners, fishermen, shop owners, food banks, and the list goes on.

According to the Center for Economic Development:

- As of June 16th, about 30% of Alaska businesses were still closed despite the lifting of the mandates. As compared to the rest of the country, which is at 15.5%
- Consumer spending in Alaska is down 13%. The U.S. is 8.5% nationally.
- KPEDD has done 2 surveys on the Peninsula with over 924 business participating. 24.2% said they were at risk of closing permanently and 44.1% stated they were unsure on survival depending on relief.

All incorporated communities on the Kenai Peninsula are doing their part to salvage their businesses and non-profits. The City of Kenai had a two-week open application period. Last Friday they sent out \$1.25 Million to 47 non-profits and \$655,000 to 109 small businesses for a total of \$1,905,000.

This fix is not difficult - please help us retain our way of life and salvage our economy. I get the fact that some of the legislators don't want to go to Juneau because of other issues. But if you care at all about this great State of Alaska, you will go to Juneau NOW and pass this proposal because businesses and nonprofits cannot wait another 30, 60 or 90 days. I promise it can be done in a day and as you will hear from some of the other's testifying, we will help you get it done.

I thank you for your time and I would be happy to answer any questions.

1:20:47 PM

CHAIR SPOHNHOLZ clarified that a full legislative session cannot be completed in one day, adding that technically, it must be at least three business days. Nonetheless, she said it could be accomplished expeditiously.

1:21:21 PM

MANDY HAWES, Get Lost Travel Vans, paraphrased from the following written remarks [original punctuation provided]:

Good afternoon. My name is Mandy Hawes and I am testifying today on behalf Get Lost Travel Vans, a startup that I own with my husband Darren and one other couple. I also represent Alyeska Resort, as its General Manager, and sit on the Visit Anchorage board.

I was born and raised in Kenai and after a brief stint out of state, my husband and I moved to Girdwood 17 years ago, both working at Alyeska Resort. 4 years ago, my husband left Alyeska to start our own business. After exploring many ideas, we introduced the European style camper van to Alaska for summer rentals as smaller profile and fuel-efficient RV alternative. Our first summer, we converted 10 Dodge Caravans using a local boat builder for the fabrication. The vans seat 5 and sleep 4 adults with a double bed inside the van and a pop-up tent on the roof. When you lift the back hatch there is a full kitchenette, including an electric sink with running water, a double burner stove, a small refrigerator, USB ports for charging electronics and a cooking surface. We even include black out curtains and mosquito netting to cover open windows- a truly Alaskan feature. Our rental location is off International and Cordova, a quick Uber from the Anchorage airport. We pay vehicle rental tax to both the state and the municipality.

Our first summer exceeded expectations, primarily from international and lower 48 visitors. Our second summer we added 5 additional vehicles for a fleet of 15

vehicles and were sold out most of July and August. This is our third summer. The summer of Covid-19. While we had strong pre-bookings prior to March, most of our bookings have cancelled. After this summer our business plan included obtaining additional financing to scale up the model that is now proven. However, at this point our future is uncertain.

When the federal Cares act legislation was passed in March, we applied for the EIDL. The PPP program by definition is based on paychecks, or payroll spend. Even though this is my husband's primary work, as a startup, we have not yet paid ourselves from the business, have not taken draws, rather focusing on building equity. Therefore, our best option was to apply for an EIDL loan. Last summer we had one employee, so we claimed 1 FTE on our application. We heard nothing back from the SBA for weeks. Meanwhile there was a storm of cancellations with all our cash flowing out and none flowing in. On April 24th, we received a total of \$1,000 in our bank account from the SBA. This was our total grant from the EIDL.

When the Alaska Cares program was released, we were ineligible. The act of proactively using a federal program that was available to us back in March has now precluded us from receiving grants that have subsequently been released from both the state and the city. We are still currently ineligible for Alaska Cares funding.

Fortunately, we made it to early June with enough cash. On June 9th, we received our \$90,000 EIDL loan at 3.75%, which we have at this time, no choice but to accept.

This \$90,000 is not income to us or grant relief. It is a debt. It is a debt that will put us out of business if we use it to pay our operating expenses like rent and insurance and cover our cash shortfall, rather than use for investing in assets. While it is a relief to have a cash cushion, what small businesses and startups like ours need are grants not loans. My graduate work is an MBA with a concentration in finance. It is clear that this loan without an offsetting asset creates an impossibility for our business to survive long term. This loan will flip our

debt to equity ratio, is bad balance sheet management and bad business. We have to pay it back.

The EIDL and the PPP were very different programs. The state should not lump these programs together. I understand that there is a revision to move the threshold to less than \$5,000 in total funding. However, this language is still problematic as we have now received more than \$5,000 in TOTAL FUNDING, \$1,000 in the form of a grant, the remainder as a loan.

If the legislature would insert the word GRANT into that funding phrase, we would be eligible. Please adjust the language to allow those of us that have not yet received any meaningful assistance to get help from our state.

Additionally, at the federal and the state level, there have been carve outs for specific industries. Education, health, transportation, fishing, etc. There has been no carve out for tourism. No funding for the sector that has the number one unemployment claims and job losses. Of the roughly 42,000 jobs lost in the state of Alaska, 15,600 or almost 40% of all jobs lost were from tourism. Please let data drive your decisions and create relief programs specific to the number one affected industry in our state.

Small business, entrepreneurship and tourism in Alaska are and have been a bright beacon for our state economy, let's not see that light get snuffed out.

In closing, please adjust the Alaska Cares Act funding language to allow businesses like Get Lost Travel Vans to receive state grant relief, not just loans that create unsustainable futures. Use the \$290 million as it was intended, to help small businesses. Please look at ways to aid the number one affected industry in our state that has yet to have meaningful support as an industry. Thank you for your time and I would be happy to answer any questions.

[1:27:06 PM](#)

JON BITTNER, Executive Director, Alaska Small Business Development Center, paraphrased from the following written remarks [original punctuation provided]:

Through the Chair, thank you for the opportunity to speak today.

We're entering the fourth of fifth month of the COVID-19 pandemic and things are not looking great. Although the federal government has deployed 10,756 PPP loans worth \$1,233,644,499, 5,514 EIDLs worth \$342,030,900 and 9,376 EIDL grants worth \$29,821,000 Alaska's businesses are still hurting and our workforce is still largely unemployed.

The possible extension of the PPP program is some comfort, especially since they made the changes to the eligible expenses that will allow commercial fishing businesses to claim more of their payroll, the fact is that the vast majority of businesses that can take advantage of that program already have and most of them have spent or are well on their way to spending the funds.

The easing of the restrictions on business operations and sheltering in place have provided some help to businesses, especially those in retail and food service, but not nearly enough to offset the massive loss of regular customers and tourists. Additionally, rising COVID-19 numbers nationally and in state are adding an additional layer of uncertainty and concern among business owners and their employees.

To try and understand what assistance and support Alaska's businesses will need going forward, the AK SBDC conducted a survey of businesses across the state from June 18th to June 26th. Out of the 1,076 businesses surveyed we received 221 responses (20.5%).

Most had applied for some form of COVID-19 funding:

- 47 had applied for AK Cares
- 137 for EIDL
- 122 for EIDL Grant
- 131 for PPP
- 21 for local government options

Only 23 had applied for less than \$5,000

Of those applications which were approved:

- 4 AK Cares (8.5%)
- 95 EIDL (69%)
- 86 EIDL Grant (70%)
- 110 PPP (84%)
- 10 local government (48%)

In terms of dollar amount:

- 56 received less than \$5,000 (including 30 who received none)
- 131 received more

When asked whether AK Cares should be open to all businesses and nonprofits regardless of how much funding they have received:

- 123 Yes
- 38 No
- 60 Unsure

When asked if their business was likely to lay off staff in the next six months if they didn't receive additional funding:

- 97 Yes
- 51 No
- 73 Unsure

We received 63 comments from businesses in 20 communities about the AK Cares program all but one of them supporting opening up eligibility regardless of other funding received.

- Anchorage: Tying receipt of Alaska CARES money to prior receipt of PPP funds (or limiting those funds to \$5,000) ignores the fact that many categories of business expenses were deemed off limits to PPP funds. I cannot use PPP funds, and get the loan forgiven, for financing (business and vehicles), insurance, licenses, and permits. These are the vast majority of my operational expenses. Any future grant funds need to be completely open with no restrictions on prior receipt of federal funding.

- Skagway: We have one industry cruise line. They aren't allowed for at least a year. Our town is rife with fear as not a single person has any confidence that we will survive until next year. Without help, I

could easily see an exodus of 60% of the population here. And if that happens, when the cruise industry does return, the experience won't be the same, which will accentuate the death spiral.

- Sitka: We need any sort of forgivable grants available. We are in a rural area and cannot open until April 2021. We were forced to lay off our two full-time employees because we have run out of PPP and have not been approved for an SBA loan as our 50-year-old business was unverifiable! The AK Cares funding is not available for us because we received \$24,000 in PPP. We need HELP!

- Ketchikan: If I had known grants would be available, I wouldn't have gone for the loans... I'm still \$20k short to survive until May 2021 to coincide with cruise ship season.

- Kenai: The amount we were given based on payroll did not even cover overhead for one month. The fact that you can't reapply with the Alaska CARES act is not helping our local small businesses

- Homer: I have two businesses that will likely close over the winter and may never reopen if I cannot refinance or receive additional loans. I do not qualify for the AK Cares grant because I received the PPP and EIDL. We have been in business for 17 years and without additional funds we will likely have a fire sale or risk bankruptcy. Hopefully more options will open up for hotels and restaurants. I know other industries are suffering as well. Please consider more options in order for small businesses to survive.

- Cordova: I would qualify for \$80,000-\$100,000 from the AK CARES grant program, while I qualified for \$32,000 from PPP. Please let me apply for the CARES grant and deduct what I received from PPP from my eligibility. Had I known the amounts offered would vary so significantly, I would not have applied from PPP. PPP covered 75% of salaries for 2 months & 2 months of rent, while I am grateful for that, there are many other expenses that the CARES grant would cover that PPP did not. I was mandated to close for 6 weeks and have 8 weeks of lost revenue, plus now 4

weeks of partial revenue and increased expenses and costs of doing business. Please open up the CARES funding to businesses like mine. Thank you.

- McGrath: In remote Alaskan towns, our utilities make up a huge portion of our budget. In McGrath, businesses pay almost \$1/kWh for electricity. Heating oil is over \$7/gallon. The water and sewer bills are incredibly high as well. Due to our low population, businesses have few employees. This makes it impossible to use the PPP funds like other non-remote businesses do. Our utilities are very high, and our payroll is low. Every business in the Upper Kuskokwim region of Alaska faces these same issues. Our business did receive the \$10k emergency grant, which was a life saver after one of the hardest, coldest winters we've faced in McGrath. 100% of our grant funds went to utilities.

- Juneau: Although I accepted the EIDL loan I am holding it in reserves hoping to return it if grants become available. The last thing I need to more debt, especially in these times. I am hoping the state opens up CARES grants to those who have received funding. I do not need all that SBA's EIDL provided but will need some funding soon as business is down about 85% due to the lack of tourism, shut-down, and other COVID related factors.

- Haines: We received the EIDL but chose not to accept the entire amount approved. Happy to have it but scared to add so much debt to our mortgage. The PPP money is almost gone having paid wages and utilities before the original two-month deadline. Most has been paid out before reopening, since Alaska is behind the curve. Working on forgiveness. Concerned that our debt will be so high at the end of this, that we won't survive. Wish there were more grants available or a second opportunity for PPP money. A sample of our new state of being: Beer Fest weekend in May this year we took in \$212. Last year we took in \$28,000. As hard as it has been, however, please know that we are very grateful to the ASBDC for all of your help! (Julie Nolen has been incredible!)

- Fairbanks: I feel the AK CARES grant would have been more beneficial to Fairbanks smaller businesses because it included startup cost. Because of the, one cannot apply for the AK CARES grant if they have received PPP which does not included startup cost. The restaurant businesses have large startup cost after being forced to close for XX amount of time.

- Anchor Point: We received the EIDL loan and that really helped with the credit card debt buildup because of fishery closures and low fish prices for fisheries that are open. But my crew are still suffering because of all this, I wish I could apply for the AK CARES grant just to help my crew.

CHAIR SPOHNHOLZ asked testifiers to email written testimony to the House Labor and Commerce Committee.

[1:34:42 PM](#)

BILL POPP, President & CEO, Anchorage Economic Development Corporation (AEDC), stated that AEDC was encouraged when the AK CARES program was converted to a grant program to prevent applicants from incurring additional debt. Nonetheless, he argued that the program's restrictive criteria should be considered. He said Alaska is facing potential economic destruction if the AK CARES funding is not disbursed to the state's businesses. He expressed his support for making 501(c)6 nonprofit organizations and businesses that received any amount of PPP/EIDL funding eligible. He also recommended giving DCCED authority to make minor changes and adjustments to the program. He urged the committee to consider the businesses that are at risk of closing if no action is taken. Furthermore, he pointed out that Alaska is relying on those businesses to get its citizens back to work. He said the latest data indicates that 42,000 Alaskans are currently on unemployment. Additionally, as of June 13, 2020, 6,797 Alaskans filed for first-time unemployment. He urged the legislature to amend the AK CARES grant program in a narrowly focused [special] session.

[1:39:38 PM](#)

SHIRLEY MARQUARDT, Executive Director, Southwest Alaska Municipal Conference, explained that in early April, many small businesses in Southwest Alaska applied for and received over \$5,000 in PPP/EIDL funds. Now, three months later, they are in financial trouble due to a buildup of expenses that could not be

paid for by the PPP or EIDL. She said some businesses have used their business or personal credit cards to pay bills, and others have used most or all their savings. She stated that their situation is dire and still they are being excluded from the AK CARES grant program. She expressed support for making commercial fishermen, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding eligible. She also recommended giving DCCED authority to make minor changes and adjustments to the program. She remarked, "the rules don't fit the needs," and pointed out that Alaska is "behind the curve" in terms of disbursing the nearly \$300 million in financial relief to the state's citizens. She urged the committee to expeditiously address the situation and make the AK CARES program a success.

[1:43:14 PM](#)

SCOTT SWINGLE, Owner, Malamute Saloon, provided a brief history of his 20 years of experience in economic and entrepreneurial development, including five years as director of the Fairbanks Small Business Development Center and 15 years as senior manager for the SBA [U.S. Small Business Administration] in Alaska. He noted that the Malamute Saloon did not qualify for PPP or EIDL, and despite promptly submitting an application on June 1, 2020, has not heard back from the AK CARES grant program. He opined that Credit Union 1 is taking an unacceptable amount of time to process applications and respond to applicants. He expressed support for expanding the eligibility criteria; nonetheless, he indicated that processing the [1,947] previously submitted applications should be a priority. He emphasized that his business, the Malamute Saloon, is treading water and while commending the loan officers for their attention to detail, he urged them to review applications as quickly as possible.

[1:49:23 PM](#)

ROBERT VENABLES, Executive Director, Southeast Conference, offered his belief that the AK CARES grant program is a good program. He said he is confident that DCCED will work through the existing problems with Credit Union 1. He opined that the funding set aside by the legislature and administration is sufficient for addressing the needs of eligible businesses applying for relief; additionally, he said, the funding could adequately support expanded eligibility criteria. He emphasized that "the need is far greater than what the current program allows," indicating that expanding the eligibility criteria requires the legislature's attention and action. He expressed

support for making commercial fishermen, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding eligible. He said the AK CARES program could help those businesses stay in business longer and help generate cash flow in Alaska's economy. He also recommended giving DCCED authority to make minor changes and adjustments to the program. He reported that two-thirds of businesses that responded to a survey administered by Southeast Conference indicated "very uncertain", "moderate risk", or "significant risk" of permanent failure. He urged the legislature to expand the AK CARES program's eligibility criteria.

[1:55:57 PM](#)

CHAIR SPOHNHOLZ announced the conclusion of invited testimony and subsequently opened public testimony.

[1:56:04 PM](#)

TYLER DAVIS, Commercial Loan Officer, First Bank, anecdotally reported that the AK CARES grant program is designed well; however, it is not meeting the needs of Alaska's businesses. He calculated that the 167 AK CARES applications that were processed in one month suggests that the processing rate is 5.5 applications per day for 30 consecutive days. He opined that the processing time sounds slow, as one individual loan officer could process up to 10 PPP applications in one day. He recommended streamlining the process to improve efficiency because "businesses are losing faith and they're communicating that to their peers." He pointed out that PPP applications slowed dramatically until allowing commercial fishermen to include 1099 [indisc.] on their PPP applications. He added that fishermen have expressed that the AK CARES program would better fit their needs; however, they have not seen any progress or been notified of when funds would be disbursed. He noted that applicants have acknowledged that loans or grants are a temporary fix that will not save their businesses as they will be in critical demand for revenue in two to four months. Consequently, he opined that funding should not replace work towards resolving the state's revenue challenges. He proposed considering additional perspectives on how to keep people safe while returning revenue to the state on a larger scale.

[2:01:05 PM](#)

JASON PALLAS, Commercial Fisherman, stated that it's crucial to allow a [Commercial Fisheries Entry Commission (CFEC)] permit to

qualify in place of a business license. He explained that he was approved for a \$6,800 PPP loan, which could only be used towards specific costs. He pointed out that the fishing industry is in dire condition due to a shortage of fish in addition to financial strain from the pandemic. He urged the legislature to expand the AK CARES program's eligibility criteria for commercial fishermen and others.

[2:03:36 PM](#)

COLLIN DANDO, Certified Public Accountant, C.F. James, highlighted a lack of transparency regarding [the AK CARES program's] eligible expenses. He said every program operator has provided different information for the same question, adding "it would be nice to have a unified list ... so that people get the same information and that these grants aren't being decided on a per-person basis." He expressed support for making commercial fishermen, businesses that received any amount of PPP/EIDL funding, and secondary income source businesses eligible for the AK CARES grant program.

[2:05:53 PM](#)

LARS STANGELAND, United Southeast Alaska Gillnetters Association, spoke to the eligibility of commercial fishermen for the AK CARES grant program. He pointed out that he pays \$375 to renew his CFEC permit each year, whereas a business license in Alaska costs \$50. He indicated that precluding commercial fishermen from the program for "a lack of wording" would be unfair, as a CFEC permit is essentially the same as a business license.

[2:07:33 PM](#)

CHELSEA HAISMAN, Executive Director, Cordova District Fishermen United, stated that many fishermen in Prince William Sound, the Copper River Flats, and the northern-central Gulf of Alaska are currently excluded from the AK CARES grant program because commercial fishing businesses in Alaska operate under a CFEC permit rather than a typical business license. This exclusivity, she said, will have a significant impact on Cordova's local economy and its ability to recover from the pandemic, as there are 609 commercial fishing permits registered to Cordova addresses and only 480 regular business licenses. She indicated that over half of the businesses in Cordova are currently ineligible for the AK CARES grant program. She urged the legislature to amend the requirements to allow the use of a

CFEC permit in lieu of an Alaska business license, which would enable funding to reach as many businesses as possible.

[2:09:24 PM](#)

PATTI MACKEY, President & CEO, Ketchikan Visitors Bureau, reported that Ketchikan's tourism industry represents over 1,750 jobs and revenue exceeding \$260 million in visitor spending. She remarked that Ketchikan's seasonal businesses will have to endure at least 18 months before earning again. She said a majority of businesses have remained close because they cannot afford startup costs amid this environment of uncertainty. She explained that a survey conducted by Ketchikan Visitors Bureau indicated that only 27 percent of businesses that responded could survive until next season. She expressed support for making the AK CARES program more helpful.

[2:13:07 PM](#)

RUBEN DURAN, Borough Manager, Ketchikan Gateway Borough, said Ketchikan has been significantly impacted by the COVID-19 crisis, adding that the business community is struggling to survive the collapse of the tourism industry and the economy as a whole. He said the AK CARES funding offers a lifeline to businesses; however, the current requirements are exclusive. He noted that Ketchikan's local government has joined together in coordinating funding to assist local businesses, but those funds will only keep them afloat for a month or two. He emphasized that the AK CARES grant program is necessary to keep the community going. He urged the committee to amend the program and expand the eligibility criteria.

[2:14:41 PM](#)

MIKE HAMAR, Commercial Fisherman, expressed support for making commercial fishermen eligible for the AK CARES grant program. He opined that commercial fishing boats are akin to small businesses and should be eligible to receive funding.

[2:16:23 PM](#)

JULIE DECKER, Executive Director, Alaska Fisheries Development Foundation, expressed support for making commercial fishermen eligible for the AK CARES grant program. Specifically, she suggested amending the program to allow commercial fishermen to use their CFEC permit or a resident crew member license, which is issued by Alaska Department of Fish & Game (ADF&G). She

noted that many fishermen do not renew their CFEC or crew member license until just before the fishing season; consequently, their permits or licenses might not have been in place prior to the COVID-19 public health disaster emergency declaration. She urged the legislature to expand eligibility criteria for the AK CARES grant program.

[2:19:11 PM](#)

STEPHANIE BRENNER, Manager, Brenner's Fine Clothing & Gifts, said she lives in a rural community of 800 people on Chichagof Island that relies entirely on the cruise industry for income. She added that her business will not open this year due to the closure of Icy Strait Point. She noted that she applied for and received a small amount of PPP funding, which has already run out. She said Brenner's Fine Clothing & Gifts, a 50-year-old Alaskan business, will not be able to weather this storm without additional forgivable grants. She urged the legislature to amend the AK CARES grant program in a special session and make businesses that received over \$5,000 in PPP/EIDL funding eligible.

[2:21:10 PM](#)

CAROL RUSHMORE, Economic Development Director, City and Borough of Wrangell, expressed support for making commercial fishermen, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding eligible for the AK CARES grant program. She also recommended giving DCCED authority to make minor changes and adjustments to the program. She noted that while the program provides a list of eligible expenses, they are not clear. She added that responses from Credit Union 1 have been inconsistent. She said businesses have expressed concern that application reviews lack consistency and vary on a per-person basis. She also expressed concern that the slow response time from Credit Union 1 will interfere with the timeliness of check disbursement.

[2:23:27 PM](#)

RICHARD YAMATA, Alaska Charter Association, expressed support for making 501(c)6 nonprofit organizations and businesses that received any amount of PPP/EIDL funding eligible for the AK CARES grant program.

[2:24:57 PM](#)

JIM SHOEMAKER, Operations Manager, Sportsman's Cove Lodge, highlighted the need for equity extraction from existing banks to allow the AK CARES funding to last until 2021. He recounted experiencing a "hesitancy" within banks and Alaska Industrial Development and Export Authority (AIDEA) regarding long-term equity extraction for the continuance of businesses in Southeast Alaska. He suggested tapping the Permanent Fund or AIDEA funds to make additional funding available. He also expressed concern that there are not enough resources being allocated towards processing the AK CARES funding. He recommended expanding the effort to speed up the process.

[2:27:52 PM](#)

IRENE KUZMIN said she has been in the commercial fishing business for 18 years. She expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit in leu of an Alaska business license.

[2:28:34 PM](#)

DEBBIE SPEAKMAN, Executive Director, Kenai Peninsula Tourism Marketing Council, stated that the PPP, EIDL, and municipal funds are not enough for ailing businesses. She voiced concern that the legislature has not convened a special session to address the AK CARES grant program. She expressed support for making commercial fishermen eligible to receive funding and for lifting constraints on DCCED to allow the department to administrate the program.

[2:30:31 PM](#)

RICHARD HARNEY, Director of Planning & Community Development, Ketchikan Gateway Borough, emphasized the importance of the AK CARES grant program for businesses in Ketchikan. He echoed the comments from previous testifiers.

[2:31:20 PM](#)

ANASTASIA KUZMIN noted that she and her husband have been fishing the Prince William Sound for 25 years. She expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit in leu of an Alaska business license and to make businesses that received any amount of PPP/EIDL funding eligible as well.

[2:32:25 PM](#)

CATHY RENFELDT, Executive Director, Cordova Chamber of Commerce, urged the legislature to reconvene to address the AK CARES grant program. She expressed support for expanding eligibility criteria for commercial fishermen, 501(c)6 nonprofit organizations, businesses that received any amount of SBA funding, and secondary income source businesses. She noted that the Cordova Chamber of Commerce is a 501(c)6 organization and the only entity in the community that is helping connect businesses with relief funds. She also recommended giving DCCED authority to make changes and adjustments to the program.

[2:35:21 PM](#)

LINDSEY BLOOM, Campaign Strategist, Salmon State, expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit or crewmember license in leu of an Alaska business license. She reported that Salmon State conducted a survey of independent commercial fishermen and their foremost need was immediate cash infusion.

[2:37:31 PM](#)

ALEXANDRA SAMOILOV, Commercial Fisherman, expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit in leu of an Alaska business license.

[2:37:58 PM](#)

ANASTASIA OVCHINNIKOV expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit in leu of an Alaska business license.

[2:38:36 PM](#)

JAI MAHTANI, Owner, Gold Rush, stated that Gold Rush received funding from PPP and EIDL; however, it will not be enough to sustain the business. He expressed support for expanding the AK CARES grant program's eligibility criteria for businesses that received any amount of PPP/EIDL funding. He urged the legislature to reconvene to amend the AK CARES grant program.

[2:40:33 PM](#)

SUSAN DOHERTY, Executive Director, Southeast Alaska Seiners Association, stated that the Alaska seafood industry is composed of tens of thousands of independent permit holders who do not qualify for traditional aid; consequently, a vital sector is being excluded from COVID-19 relief funds. She noted that the federal relief packages were recently amended to allow fishermen and crew five days to apply for PPP funding; however, fleets are out on the fishing grounds with no time or access to the internet, which thwarts the opportunity. She expressed support for amending the AK CARES grant program requirements to allow commercial fishermen to use their CFEC permit in lieu of an Alaska business license. She also requested granting fishermen additional time to file to allow them to finish the fishing season, which ends in October.

[2:42:52 PM](#)

ASIA VERNON, Keepin' It Reel Charters Unlimited, expressed frustration with the city-mandated 14-day quarantine, which hinders her customer's ability to take a charter. She noted that she applied for the AK CARES grant program but has not heard back. She expressed support for expanding the program's eligibility criteria.

[2:44:36 PM](#)

DAVID ADAMS stated that COVID-19 has directly impacted revenue from the Bed and Breakfast he manages. He reported that compared to July 1, 2019, business is down 70 percent. He added that his employer has not been able to pay employees, as he is too far in debt. He also expressed frustration with the 14-day quarantine mandate, which has affected his fishing business because he must house, feed, and quarantine his crew. He said he was denied from the AK CARES grant program because his 2019 (indisc.) showed a loss.

[2:47:22 PM](#)

LISA GABRIEL, Director, Kenai Peninsula Fishermen's Association, expressed support for making commercial fishermen, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding eligible for the AK CARES grant program. She also recommended giving DCCED authority to make minor changes and adjustments to the program. She said its time to get funding out to the small independent business owners in Alaska and into local communities.

[2:48:35 PM](#)

CRAIG CARSON noted that he received PPP and SBA funding; however, his retail business will remain closed for at least two more months. He expressed support for making businesses that received any amount of PPP/EIDL funding eligible for the AK CARES grant program.

[2:49:41 PM](#)

MAKSIM KUZMIN said he was denied for the EIDL because his business was established last year and therefore, his 2019 taxes were not available. He expressed support for making commercial fishermen and new small businesses eligible for the AK CARES grant program.

[2:51:06 PM](#)

CHAIR SPOHNHOLZ closed public testimony.

[2:51:22 PM](#)

REPRESENTATIVE STUTES shared that she has been working with DCCED and the governor's office since mid-May to ensure that a CFEC permit would qualify as a business license for the AK CARES grant. She recounted that every week, the department says they are working diligently to make permit holders eligible for the second round of funding; however, when changes were announced on June 17, 2020, the department continued to assure that they were working on expanding eligibility criteria for CFEC permits. She noted that CFEC permit holders were eligible for PPP; further, the RPL defines eligible applicants as "any small business licensed to do business in the state." She pointed out that commercial fishermen are statutorily required to hold a CFEC permit to sell fish in Alaska, not a traditional business license. Nonetheless, she said she has yet to be provided with a rational explanation as to why CFEC permit holders are currently ineligible and promises to fix the issue have not been materialized. Given this outstanding issue, she requested another House Labor and Commerce committee hearing with the commissioner of DCCED and a Credit Union 1 representative in attendance.

CHAIR SPOHNHOLZ agreed.

[2:53:59 PM](#)

REPRESENTATIVE HANNAN agreed with the sentiments expressed by Representative Stutes and questioned whether issues with the AK CARES grant program can be addressed without additional legislation.

CHAIR SPOHNHOLZ shared her understanding that some of the suggested changes would require legislation while others could be fixed in regulation; however, she noted that there appears to be differing opinions. She suggested holding an additional hearing with DCCED, Department of Law (DOL), and legislative attorney Megan Wallace to assess a solution.

[2:55:27 PM](#)

REPRESENTATIVE STORY expressed support for making 501(c)4 organizations and secondary income source businesses eligible for the AK CARES grant program. She questioned whether businesses will be required to report AK CARES grants as 2020 income to the IRS. She also asked if funding could be made available for investments in health and safety equipment by businesses like medical or dental offices.

[2:58:12 PM](#)

REPRESENTATIVE GILLIS agreed that the AK CARES grant program should allow commercial fishermen to use their CFEC permit in lieu of an Alaska business license.

[2:59:21 PM](#)

REPRESENTATIVE COLLEEN SULLIVAN-LEONARD, Alaska State Legislature, expressed interest in hearing more from small business owners about the effect of property taxes as well as issues with the PPP, EIDL, and AK CARES funding.

[3:00:41 PM](#)

REPRESENTATIVE STORY questioned whether expanding eligibility for the AK CARES grant program could be expedited rather than using the RPL process.

CHAIR SPOHNHOLZ clarified that the Legislative Budget and Audit committee doesn't have the authority to broaden the scope of any program. She added that the program in question was approved by the entire legislature; therefore, the legislative attorney believes any structural changes in the program would require full legislative action.

[3:02:13 PM](#)

CHAIR SPOHNHOLZ asked Mr. Bittner whether any sector beyond the fishing industry and 501(c)6 nonprofit organizations have been excluded by the program or underrepresented in its recipients.

[3:02:41 PM](#)

MR. BITTNER expressed his understanding that those two examples are the primary exemptions. He said he is not aware of any that are similar in nature.

[3:03:17 PM](#)

CHAIR SPOHNHOLZ said it's clear that expanding eligibility for the AK CARES program to include commercial fishermen, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding is necessary. Also, to grant DCCED the authority to make minor changes and adjustments to the program. She stated that another hearing on the AK CARES grant program would be held to address DCCED, DOL and Credit Union 1.

[3:05:05 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at [3:05] p.m.