

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

Anchorage, Alaska

July 9, 2020

11:03 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Zack Fields
Representative Sara Hannan

OTHER LEGISLATORS PRESENT

Representative Bart Lebon (via teleconference)
Representative Dan Ortiz (via teleconference)
Representative Colleen Sullivan-Leonard (via teleconference)
Representative Chris Tuck (via teleconference)
Representative Geran Tarr (via teleconference)

COMMITTEE CALENDAR

AK CARES GRANT PROGRAM

HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

SARAH LEONARD, President & CEO
Alaska Travel Industry Association
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

MALENA HAUSINGER, Owner
Alaska Fur Gallery
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ALYSSA MCDONALD, Vice President
Mac Enterprises
Dutch Harbor, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

NATHAN VALLIER
Alaska & Yukon Tours
Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JOHN MCCLEARY, Executive Director
Greater Anchorage Inc
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

SARAH ALEXANDER
Al's Alaskan Inn
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

TODD KINGERY, Owner/Guide
Fishbone Charters
Talkeetna, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

PAUL THOMAS, Owner
Alaska Cache Liquor
Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

PETER PANARESE
Friends of Eagle River Nature Center
Eagle River, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

KATHLEEN ADAMS
Marine View B&B
Sand Point, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JULIE ESTEY
Greater Wasilla Chamber of Commerce
Palmer, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

SARAH OATES, President & CEO
Alaska Cabaret, Hotel, and Retailers Association
Anchorage, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

SANDY JAMIESON
Ester, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

STEPHANIE NOWERS
Matsu Borough Assembly
Palmer, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

LEE ELLIS, President
Brewers Guild of Alaska
Anchorage, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

STEPHANIE BERGLUND, CEO
Thread
Anchorage, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

BRUCE BUSTAMANTE, President & CEO
Anchorage Chamber of Commerce
Anchorage, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

KRISTIN CARPENTER
Prince William Sound Economic Development District
Cordova, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

REPRESENTATIVE COLLEEN SULLIVAN-LEONARD
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided comments pertaining to the AK CARES grant program.

REPRESENTATIVE CHRIS TUCK
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided comments pertaining to the AK CARES grant program.

REPRESENTATIVE BART LEBON

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided comments pertaining to the AK CARES grant program.

REPRESENTATIVE DAN ORTIZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Asked questions pertaining to the AK CARES grant program.

ACTION NARRATIVE

[11:03:06 AM](#)

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 11:03 a.m. Representatives Rasmussen (via teleconference), Story (via teleconference), Stutes (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

[11:05:36 AM](#)

CHAIR SPOHNHOLZ announced that the only order of business would be public testimony on the AK CARES grant program, which provides economic relief to small Alaskan businesses and nonprofits impacted by COVID-19.

CHAIR SPOHNHOLZ explained that people have expressed concerns about the limitations of the AK CARES grant program. Per Department of Commerce, Community & Economic Development (DCCED), she reported that as of [July 7, 2020], the program received 2,136 applications, of which 223 have been approved. The 2,136 submitted applications would total \$93,961,960, which is approximately one-third of available funds. She noted that the program's original intent was to award \$150 million to Alaskans within the first month. She continued to report that the 223 approved applications total \$8,888,349, which is 8.6 percent of requested funds and 2.7 percent of available funds. She stated that Credit Union 1 has onboarded additional staff to help process AK CARES applications and has amended internal procedures. Additionally, Credit Union 1 created a series of instructional videos and DCCED updated its list of frequently asked questions (FAQs) to assist applicants. She emphasized

that despite these efforts, there appears to be fundamental problems with the program's structure. She said changes need to be made to keep small businesses alive. She remarked that last week, the committee heard testimony pertaining to expanding the program's eligibility criteria to include commercial fisherman, 501(c)6 nonprofit organizations, and businesses that received any amount of PPP/EIDL funding. Additionally, testifiers advocated for granting Alaska Industrial Development and Export Authority (AIDEA) and DCCED the authority to make minor changes and adjustments to the program. Today's hearing, she said, is designed to help the legislature understand existing barriers to accessing the funds and to identify additional solutions.

[11:09:06 AM](#)

REPRESENTATIVE STORY expressed her support for making secondary income source businesses eligible for the AK CARES grant program as well.

[11:10:24 AM](#)

CHAIR SPOHNHOLZ opened public testimony.

[11:10:31 AM](#)

SARAH LEONARD, President & CEO, Alaska Travel Industry Association (ATIA), expressed support for lifting restrictions on AIDEA, DCCED, and Credit Union 1 to allow more AK CARES funding to be distributed to businesses. She reported that a survey on Alaska tourism businesses conducted by ATIA in May 2020, indicated that a majority had lost over half of their bookings and revenue. Additionally, these businesses had to lay off at least half of their staff. Meanwhile, she said, tourism businesses and organizations - many being 501(c)6 nonprofit organizations - looked to the federal CARES Act for relief. The ATIA survey found that over 60 percent of tourism businesses received PPP funding, while 50 percent received funds from the EIDL. Furthermore, one-third of responding businesses indicated that their doors would close after six months without additional support. She said although the PPP and EIDL were a lifeline of support in the beginning, many businesses and organizations are currently depending on the AK CARES grant program to survive the year. She opined that the goal should be to provide as much support as possible to as many businesses and organizations that are struggling to stay afloat. She offered her belief that Alaska's tourism industry could put people back to work, later adding that the tourism industry is adapting to provide safe

experiences in Alaska. She said Alaska's tourism industry can help the economy recover with continued support.

[11:14:48 AM](#)

MALENA HAUSINGER, Owner, Alaska Fur Gallery, noted that the Alaska Fur Gallery is an 85-year-old tourism-driven business that has been serving Alaskans for 36 years. She stated that this year, the business will lose 90 percent of its revenue without tourists visiting Alaska. She said she received EIDL funding, which makes her business ineligible for the AK CARES grant program. She opined that all pandemic relief offered by a government, state, or company should be available to all applicants without discrimination. She offered her belief that the Alaska Fur Gallery is being discriminated against because it qualified for alternative funding. She expressed support for making businesses that received PPP/EIDL funding eligible for the AK CARES grant program.

[11:17:33 AM](#)

ALYSSA MCDONALD, Vice President, Mac Enterprises, expressed concern about the future of Mac Enterprises as it is a seasonal business. She stated that the impact of COVID-19 has resulted in the loss of the charter season. She noted that she applied for and received \$137,000 in PPP funding, which has allowed her to keep 10 employees working through the third quarter. She said currently, there is a cash flow problem for businesses in the tourism industry. She expressed support for making businesses that received any amount of PPP/EIDL funding eligible for the AK CARES grant program.

[11:23:26 AM](#)

NATHAN VALLIER, Alaska & Yukon Tours, explained that the loss of business from COVID-19 compelled Alaska & Yukon Tours to transition from a corporate travel agency to a retail agency. He thought that the AK CARES grant program would cover the restart expenses; however, his business did not qualify. He opined that there are two existing issues with Credit Union 1: the 25 percent maximum disbursement and the paper check mandate. He stated that both mandates have a negative impact on Alaska & Yukon Tours. He explained that mailing paper checks could add 4-10 business days to the delivery date in Alaska. Additionally, depositing them could be a challenge, as many mobile deposits have a monthly limit or place holds on deposited checks. He recommended allowing the AK CARES grants to be

electronically transferred. He indicated that he planned to use his expense reimbursement on forward marketing and anecdotally reported that Southeast Alaska businesses in the tourism industry are being hit harder than other areas in the state, such as Homer. He offered his belief that the Alaska & Yukon Tours' restart will help communicate that "Alaska is open," later adding that the AK CARES grant program would help businesses relay that same message.

[11:28:40 AM](#)

CHAIR SPOHNHOLZ sought further clarification on Credit Union 1's 25 percent cap on disbursements.

MR. VALLIER stated that there is a limit on the amount of money that Credit Union 1 can disburse directly to recipients. He offered his understanding that only 25 percent of each grant can be sent directly to the grantee, while 75 percent must be directly allocated to utility payments, payroll services, and so forth.

[11:29:59 AM](#)

JOHN MCCLEARY, Executive Director, Greater Anchorage Inc, noted that Greater Anchorage Inc is a year-round organization that's dependent on the success of the annual Fur Rendezvous Winter Festival (Fur Rondy). He explained that sponsorship and event revenue constitute over 50 percent of festival income, later adding that COVID-19 has created uncertainty in both areas. He said that as a 501(c)4 organization, the only available lifeline was an EIDL grant totaling \$8,000. Consequently, his organization was excluded from the AK CARES grant program. He expressed support for making 501(c)4 and 501(c)5 organizations eligible. He noted that 501(c)4 organizations help connect the community to available programs and volunteer opportunities; furthermore, festivals and fairs have an economic impact on localities. He added that his organization helps businesses promote their community during winter, the time of most need. He urged the legislature to expand the AK CARES grant program's eligibility criteria to include businesses that received an increased amount of PPP/EIDL funding and 501(c)4 organizations.

[11:34:18 AM](#)

SARAH ALEXANDER, Al's Alaskan Inn, explained that despite receiving and subsequently returning a \$6,000 EIDL grant, which was noted on her AK CARES application with a copy of the check,

she was denied from the program. She pointed out that the Small Business Administration (SBA) never disclosed that an EIDL grant could impact future funding. She opined that the state should put itself in the position of culpability for damages incurred to small businesses that were denied additional federal pandemic relief funding. She stated that her business is in dire need of \$100,000 to catch up expenses due to the COVID-19 pandemic. She further noted that on June 17, 2020, the House Finance Committee confirmed that an applicant could qualify for the AK CARES grant if the applicant had paid back his or her EIDL loan. She said the state-mandated closure of her business has severely impacted Al's Alaskan Inn to the point of possible future closure after being open for 59 years as a family business. She urged the legislature to help keep all locally owned small businesses funded and operational.

[11:37:23 AM](#)

TODD KINGERY, Owner/Guide, Fishbone Charters, noted that he received an EIDL grant for \$2,800 before the AK CARES grant program became available; nonetheless, he applied for AK CARES funding on June 1, 2020. He said he returned the EIDL grant but has not received a response from the AK CARES program. He expressed frustration with the AK CARES program, as he has not received any funds and is currently paying business fees out of pocket. He urged the committee to establish an oversight committee for Credit Union 1 to ensure that applications get processed expeditiously.

CHAIR SPOHNHOLZ noted that the committee plans to address DCCED and Credit Union 1 in a hearing on the AK CARES grant program on Tuesday [July 14, 2020]. She said it's unacceptable that only 10 percent of submitted applications have been processed at this time.

[11:43:16 AM](#)

PAUL THOMAS, Owner, Alaska Cache Liquor, 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. He said as a member of the hospitality industry in Southeast Alaska, losses grow continually larger by the day. He added that even if his business had been awarded PPP/EIDL funding, applying for the AK CARES grant program would be necessary. Additionally, he advocated for 501(c)6 organizations because they have been excluded from almost all pandemic relief programs thus far. He urged the committee to

expand the AK CARES grant program's eligibility criteria to provide more businesses with relief funding.

[11:46:02 AM](#)

PETER PANARESE, Friends of Eagle River Nature Center, requested support for a funding request submitted by Friends of Eagle River Nature Center for "round two of the municipality's CARES Act emergency public works." He explained that the Friends of Eagle River Nature Center is 501(c)3 nonprofit organization that manages the Eagle River Nature Center and the surrounding area. He noted that funding would be invested in public facilities on public lands where proposed projects would have lasting benefits and supply work to those in the construction industry. He added that the Nature Center is in urgent need of a new roof.

CHAIR SPOHNHOLZ questioned whether Mr. Panarese's testimony pertains to the AK CARES grant program.

MR. PANARESE answered yes. He stated that Nature Center's back deck and salmon viewing deck are also in need of repair. He said the organization's total funding request is \$200,000.

[11:49:43 AM](#)

KATHLEEN ADAMS, Marine View B&B, expressed support for making fishermen and businesses that did not make a profit in 2019 eligible for the AK CARES grant program. She stated that the 2020 quarantine mandates cost her business over \$2,600, adding that she is currently working at the Marine View B&B without compensation to help the owner. She said many fishermen and small businesses that didn't make a profit in 2019 are experiencing out-of-pocket business expenses directly related to COVID-19; furthermore, federal and state pandemic relief money continue to be exclusively distributed to businesses that experienced profit in 2019. She indicated that the AK CARES program is the last hope for her business. She also pointed out that filling out the application forms required outside assistance.

[11:52:25 AM](#)

JULIE ESTEY, Greater Wasilla Chamber of Commerce, said disbursing the AK CARES funding to businesses would help keep people employed, households intact, and have a ripple effect throughout communities. She stated that Wasilla has already lost businesses and many more are supported by smaller loans

that are quickly running out. She added that many Wasilla businesses did not qualify or receive PPP/EIDL funding, and others only received a small amount, which is now gone. Furthermore, receiving PPP/EIDL funding makes businesses ineligible for further funding from the AK CARES grant program. She expressed support for making 501(c)6 nonprofit organizations and businesses that received over \$5,000 or any amount of PPP/EIDL funding eligible. She explained that the Greater Wasilla Chamber of Commerce is one of the main sources of information and connection for the business community in Wasilla and currently, is unable to run typical summer fundraisers or receive dues from business members that are unable to pay. She said the loss in revenue is impacting the chamber's ability to serve its members. She said businesses need help, especially in the tourism sector, and the AK CARES grant program should be simple, fast, and efficient. She expressed support for any measure that would get funding to Wasilla expeditiously.

[11:57:38 AM](#)

REPRESENTATIVE STORY questioned whether business owners that operate a part-time business, which supplements their retirement income or operates as a secondary income source business, have voiced opinion on the AK CARES grant program.

MS. ESTEY said the Greater Wasilla Chamber of Commerce has been connecting small businesses with all available options in the community.

MS. LEONARD in response to Representative Story, offered her understanding that small business owners that are part-time, self-employed, or semi-retired have communicated that each program has its own challenges and restrictions that make it difficult for business owners who don't have the capacity to fill out complex loan applications or don't understand how guidelines and restrictions interact. She opined that making the funds more accessible and available would be helpful for businesses that are in critical need.

[12:00:43 PM](#)

SARAH OATES, President & CEO, Alaska Cabaret, Hotel, Restaurant and Retailers Association (Alaska CHARR), explained that small businesses that received nominal federal funding are currently ineligible for the AK CARES grant program. She reported that at least 20 percent of on-premises drinking/dining establishments are expected to permanently close over the next year. She

expressed support for providing DCCED the authority to make modifications to the program's eligibility criteria that would help small businesses and possibly prevent permanent closures. She added that quick processing of applications and distribution of funds is crucial for the many establishments in Alaska that are barely hanging on. She expressed further support for making 501(c)6 nonprofit organizations eligible for AK CARES funding. She said nonprofits under the 501(c)6 classification are trade associations, like Alaska CHARR, ATIA, and chambers of commerce. She explained that many of these organizations provide education and training that is essential to the industries they represent; furthermore, they have provided crucial resources, information, and advocacy, often free of charge, to member organizations and industries throughout this crisis in an attempt to help recover Alaska's economy. Meanwhile, she said, 501(c)6 organizations have not qualified for any forgivable financial relief. She noted that the majority of Alaska CHARR's annual revenue comes from the industry that, arguably, has been most financially impacted by COVID-19. She indicated that with the unknown future of Alaska tourism and hospitality, Alaska CHARR is facing challenging decisions about cutting programs and resources that the industry depends on to succeed. She stated that if 501(c)6 nonprofit organizations became eligible for the AK CARES grant program they could potentially obtain funding that could aid in the recovery of Alaska's industries and economy. Additionally, she urged the legislature to help state and local health departments obtain dedicated funding for contact tracing.

[12:05:17 PM](#)

SANDY JAMIESON stated that with the help of his bookkeeper and accountant, he promptly filed for the AK CARES grant program. He expressed frustration with the application process. He recommended tasking a local Alaska bank with the job of processing AK CARES applications.

[12:07:55 PM](#)

STEPHANIE NOWERS, Matsu Borough Assembly, she informed the committee that the Matsu Borough Assembly convened a taskforce, surveyed businesses, and is considering starting a small business and nonprofit relief program offering grants of up to \$10,000 for those affected by the pandemic. She added that the assembly's grant program would not exclude recipients of [federal] CARES Act funding; however, priority would be given to businesses that received minimal to no funds. She reported that the assembly conducted a survey of Matsu businesses in May 2020,

which indicated that half of responding businesses saw their revenues decrease by 50 percent. She stated that businesses that have suffered significant losses of over \$200,000 are "falling through the cracks" due to their exclusion from the AK CARES grant program. She added that the Matsu Borough Assembly does not have the amount of funding to help those businesses in a significant way while simultaneously helping small businesses that are hurting. She urged the legislature to make businesses that have received any amount of PPP/EIDL funding eligible for the AK CARES grant program.

[12:13:39 PM](#)

LEE ELLIS, President, Brewers Guild of Alaska, advocated for making different classifications of nonprofits and businesses that received any amount of EIDL funding eligible for the AK CARES grant program. Additionally, he emphasized the importance of contact tracing for small businesses to remain open.

[12:16:25 PM](#)

STEPHANIE BERGLUND, CEO, Thread, informed the committee that Thread is a 30-year-old nonprofit working to improve access to affordable, quality childcare and early childhood education in Alaska. She stated that licensed childcare is essential infrastructure and vital to the state's economic recovery. She added that working families cannot return to the workforce without it. She said licensed childcare requires support from AK CARES to avoid closures and retain business. She explained that prior to COVID-19, many childcare businesses operated on thin margins, adding that the pandemic has pushed these businesses to the brink of permanent closure. She approximated that childcare in Alaska requires \$10 million per month to stay solvent. On behalf of children, families and employers who rely on stable childcare, she urged swift action to "free up" AK CARES funds and requested maximum flexibility to combine and leverage relief funding. She further reported that for every teacher that returns to childcare, an average of eight parents and families can return to work. She offered her belief that investments in childcare would produce high returns for generating economic recovery in Alaskan communities.

[12:19:21 PM](#)

BRUCE BUSTAMANTE, President & CEO, Anchorage Chamber of Commerce, expressed support for granting DCCED more flexibility to administer the AK CARES grant program. He stated that

regarding the distribution of funds, time is of the essence. He addressed the high level of uncertainty that currently exists for businesses and urged the committee to distribute relief funds into the economy expeditiously. He also expressed support for making 501(c)6 nonprofit organizations eligible for the AK CARES grant program. Furthermore, he reported that 15 percent of businesses in Alaska have doubts that they can remain open.

[12:23:52 PM](#)

KRISTIN CARPENTER, Prince William Sound Economic Development District, expressed support for allowing commercial fishermen to use a CFEC permit in lieu of an Alaska business license to apply for the AK CARES grant program. Additionally, she expressed support for making 501(c)6 nonprofit organizations and businesses that received any amount of PPP/EIDL funding or municipal relief eligible for the program. She also recommended giving DCCED the authority to make minor changes and adjustments to the AK CARES grant program.

[12:26:22 PM](#)

REPRESENTATIVE STUTES reiterated the importance of the AK CARES grant program and emphasized the importance of making appropriate changes to facilitate the distribution of funds. She said it's critical to the health of Alaska and its citizens.

[12:27:05 PM](#)

REPRESENTATIVE STORY underscored the importance of supporting seasonal and part-time businesses to help keep them going until next year.

[12:27:59 PM](#)

REPRESENTATIVE COLLEEN SULLIVAN-LEONARD, Alaska State Legislature, thanked Chair Spohnholz for reaching out to the Matsu and including voices from the community in today's hearing. Referencing testimony from the Matsu Borough and chamber of commerce, she opined that it's important to hear that there is some money being disbursed from local governments to local businesses. Nonetheless, she said the system is not working well for small businesses. She expressed her hope that discussions about making PPP/EIDL recipients eligible for the AK CARES grant program could continue.

[12:29:15 PM](#)

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, said today's testimony highlighted significant problems with the AK CARES grant program and indicated that there is a flaw in the process. He opined that the RPL process was not the correct process to distribute AK CARES funds. He said the RPL process may have to be used to correct the program, which could compound the problem. He stated that the legislature should be setting up appropriation programs, especially when money is coming from the federal government.

[12:30:30 PM](#)

REPRESENTATIVE BART LEBON, Alaska State Legislature, expressed concern that grant checks are being distributed by mail rather than electronically transferred. He suggested hearing from Credit Union 1 regarding this issue.

[12:31:39 PM](#)

REPRESENTATIVE DAN ORTIZ, Alaska State Legislature, sought clarification on the eligibility of PPP/EIDL recipients for the AK CARES grant program.

CHAIR SPOHNHOLZ explained that technically, people who received \$5,000 or less in PPP/EIDL funds are eligible; however, 90 percent of applications have not been processed because of the current backlog, which is why many eligible applicants have not received any funds.

REPRESENTATIVE ORTIZ asked how many applications have been processed so far.

CHAIR SPOHNHOLZ said to date, 10 percent of applications have been approved totaling \$94 million, which is approximately one-third of total available funds.

REPRESENTATIVE ORTIZ questioned whether other institutions are going to help process AK CARES funding.

CHAIR SPOHNHOLZ said currently, Credit Union 1 is the only organization that is administering AK CARES funding. She noted that next Tuesday, the committee will be hearing from DCCED and AIDEA about their efforts to bring on other contractors.

REPRESENTATIVE ORTIZ echoed the comments made by Representative Stutes. He said it's incumbent that the legislature acts

expeditiously to help distribute AK CARES funds into Alaskan communities.

[12:35:16 PM](#)

CHAIR SPOHNHOLZ pointed out that even without expanding the eligibility criteria, AK CARES applications are not being processed in a timely manner. She noted that DCCED had planned on distributing \$150 million in the first month; however, so far, only \$9 million has been approved. She said it will take another 9 months for all applications to be processed at this rate, which is not acceptable as this is an urgent situation. She further highlighted the need for additional contact tracing to ensure that small businesses can stay open. She emphasized the importance of masks, as well as tracking and managing COVID-19 as aggressively as possible.

[12:37:20 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 12:37 p.m.