

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

Anchorage, Alaska

July 14, 2020

2:01 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Zack Fields
Representative Mel Gillis
Representative Sara Rasmussen

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon (via teleconference)
Representative Bart LeBon (via teleconference)
Representative Dan Ortiz (via teleconference)
Representative Geran Tarr (via teleconference)

COMMITTEE CALENDAR

AK CARES GRANT PROGRAM

HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JULIE ANDERSON, Commissioner
Department of Commerce, Community & Economic Development
Anchorage, Alaska
POSITION STATEMENT: Testified on the AK CARES grant program.

BILL MILKS, Assistant Attorney General
Civil Division
Labor and State Affairs Section
Department of Law

Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

REPRESENTATIVE BART LEBON

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Asked questions 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.

MEGAN WALLACE, Director

Division of Legal and Research Services

Legislative Affairs Agency

Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ALAN WEITZNER, Executive Director

Alaska Industrial Development and Export Authority

Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JON BITTNER, Executive Director

Alaska Small Business Development Center

Juneau, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

REPRESENTATIVE GERAN TARR

Alaska State Legislature

Juneau, Alaska

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

REPRESENTATIVE BRYCE EDGMON

Alaska State Legislature

Juneau, Alaska

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

JULIE ESTEY

Greater Wasilla Chamber of Commerce

Wasilla, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

REPRESENTATIVE BART LEBON
Alaska State Legislature
Juneau, Alaska

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

JAMES WILEMAN, President & CEO
Credit Union 1
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

VINCENT LANG, Commissioner
Alaska Department of Fish and Game
Anchorage, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

JERRY MCCUNE
Cordova District Fishermen United
Cordova, Alaska

POSITION STATEMENT: Testified on the AK CARES grant program.

ACTION NARRATIVE

[2:01:30 PM](#)

CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 2:01 p.m. Representatives Story (via teleconference) and Spohnholz were present at the call to order. Representatives Hannan (via teleconference) and Stutes (via teleconference) arrived as the meeting was in progress.

AK CARES Grant Program

[2:02:52 PM](#)

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

CHAIR SPOHNHOLZ stated that people have expressed their concern that the AK CARES funding is slow in coming, and not meeting the needs of the small business community. She reported that as of July 13, 2020, per Department of Commerce, Community & Economic Development (DCCED), 2,226 applications had been received, of which 273 have been approved. If all 2,226 submitted applications were approved, funds would total \$98 million, leaving a significant amount of funding available. She added

that approximately \$11,426,000, or 3.9 percent of total available funds, has been disbursed into the community so far. She explained that many applications have not been processed and members of the business and fishing communities have expressed interest in various changes to the program. Today's hearing, she said, is designed to help the committee understand the barriers to accessing the funds and what fixes, if any, are needed to prevent unnecessary small business closures during this difficult time. Lastly, she introduced the list of testifiers.

[2:06:40 PM](#)

JULIE ANDERSON, Commissioner, Department of Commerce, Community & Economic Development (DCCED), informed the committee that DCCED presented revised program guidelines to the legislature on June 17, 2020. She said the department will be implementing changes to the program's eligibility criteria, which would make businesses that received \$5,000 or less in PPP/EIDL funds, businesses that returned PPP/EIDL funds in excess of \$5,000, 501(c)6 nonprofit organizations, and businesses that received relief funds through municipal grant programs eligible for the AK CARES grant program. She pointed out that "double dipping" is not allowed, meaning that funding from two different programs cannot fund the same set of business expenses. Additionally, she said expanded eligibility criteria would include Alaska limited entry permit holders, which are professional licenses that allow fishermen to buy and sell fish without a traditional business license. She noted that by granting permit holders access to the AK CARES grant program, thousands of participants will be allowed to access the \$50 million allocated to the fishing industry by the federal CARES Act. She stated that the fishing industry is facing extreme hardships as they try to adjust to COVID-19 restrictions. She said DCCED is concerned about fulfilling their unmet needs.

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BILL MILKS, Assistant Attorney General, Civil Division, Labor and State Affairs Section, Department of Law, said today, he would provide the background to a court action that was recently resolved. He explained that there was an injunction motion filed against DCCED seeking to block a proposed change to the AK CARES grant program. In a House Finance Committee hearing on June 17, 2020, DCCED presented revised program guidelines, such as permitting businesses that received less than \$5,000 in PPP/EIDL funds to participate. He explained that a lawsuit was

subsequently filed challenging the department's authority to administer that change, resulting in a decision by the Superior Court in Juneau on July 10, 2020, which denied the injunction and permitted DCCED to go forward with revisions. According to the court, DCCED has discretion to administer the small business relief program, which allows the department to make reasonable interpretations to the application of the program. He said the details of the program were intended to be filled out later and all eligibility criteria were not filled out in detail, which is not unusual for programs administered by state departments. The court concluded that the purpose of the program was to distribute federal CARES Act funds to businesses and individuals who suffered financial harm due to the COVID-19 public health emergency; further, that there was no legitimate purpose for the program to exclude businesses that received less than \$5,000 in PPP/EIDL funds from participating. He offered his belief that the court was particularly influenced by the nature of the pandemic, the efforts of both federal and state governments to react and adjust accordingly, and descriptions from the Legislative Budget and Audit (LB&A) committee.

[2:18:12 PM](#)

REPRESENTATIVE HANNAN questioned whether DCCED would address the eligibility of 501(c)4 organizations for the AK CARES grant program.

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COMMISSIONER ANDERSON offered her understanding that the 501(c)4 organizations utilize a significant portion of funds for lobbying. She explained that per Treasury guidelines, funds cannot be utilized for lobbying activities, which is why 501(c)4 organizations were originally excluded.

REPRESENTATIVE HANNAN asked Commissioner Anderson to define "significant."

COMMISSIONER ANDERSON said to do so, further analysis with Department of Law's (DOL's) assistance is required.

[2:20:54 PM](#)

REPRESENTATIVE STORY questioned whether business owners who have a part-time business that supplements limited income would be eligible for the program.

COMMISSIONER ANDERSON said in the process of getting the revised program guidelines approved, that issue has not been addressed. She noted that it could be considered in the future and deferred to Mr. Milks.

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MR. MILKS explained that the particular revisions that DCCED identified on June 17 are not the only adjustments to the administration of the program that are possible. He added that the Superior Court recognized that assessing changes to the program would be an ongoing process that's constantly adjusting for specific needs.

REPRESENTATIVE STORY urged DCCED to consider adding 501(c)4 nonprofit organizations and businesses that supplement limited income to the eligibility criteria.

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CHAIR SPOHNHOLZ applauded the changes proposed by Commissioner Anderson. Nonetheless, she pointed out that Mr. Milks described Judge Philip Pallenberg's decisions as the ability for the administration to make changes to the program as it sees fit in order to respond to the need. She offered her understanding that the court order denied a motion for a preliminary injunction. She added that Judge Pallenberg alluded to what a final decision might look like, but the decision was not a final decision.

MR. MILKS in response to Chair Spohnholz, acknowledged that Judge Pallenberg's order denied an injunction to block DCCED's proposed changes. He confirmed that it was not a final decision to the entire case. Nonetheless, he explained that one of the factors to consider in an injunction action is whether the plaintiff has a clear likelihood of success in bringing the lawsuit. He said in this particular decision, the court determined that there was not a clear likelihood of success by the plaintiff in an effort to challenge the changes to the program. He noted that the court decision clarified that regarding the administration of the program, all the criteria were not intended to be spelled out in detail in the RPL and that eligibility standards could be clarified later by DCCED. He said the court looked at whether there was a reasonable basis for the adjustments consistent with the purpose of the program.

CHAIR SPOHNHOLZ agreed that Judge Pallenberg indicated that the final decision would not rule in the plaintiff's favor. She questioned whether submitting an updated RPL to the LB&A committee would be an effective way to ensure a clear paper trail outlining the proposed changes.

MR. MILK said he is comfortable that DCCED is within the reasonable legal zone of administering the program. He noted that most adjustments were announced on June 17, 2020. He offered his belief that submitting an updated RPL would not be necessary.

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REPRESENTATIVE BART LEBON, Alaska State Legislature, asked if a 501(c)6 nonprofit organization would be eligible for the AK CARES grant program if it received \$10,000 in EIDL funds.

COMMISSIONER ANDERSON said the \$5,000 limit would prohibit that organization from being eligible under current guidelines.

[2:34:18 PM](#)

REPRESENTATIVE DAN ORTIZ, Alaska State Legislature, sought to clarify whether DCCED is willing to go forward with the change that allows people with a Commercial Fisheries Entry Commission (CFEC) permit to apply for relief funding from the AK CARES grant program, which totals \$290 million.

COMMISSIONER ANDERSON answered yes. She said if they meet the other eligibility requirements, CFEC permit holders are eligible for the AK CARES grant program.

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MEGAN WALLACE, Director, Division of Legal and Research Services, Legislative Affairs Agency, stated that she has no objection to the summary of Judge Pallenberg's decision provided by Mr. Milks. She reiterated that the decision was issued on a preliminary injunction motion, adding that the litigation will continue to move forward unless the parties otherwise resolve it. She noted that the matter could go to the Alaska Supreme Court. She said there is no dispute that the legislature has the power to make changes to the program. However, she questioned whether the RPL process would be the appropriate venue to make additional changes to the AK CARES program. She explained that her concern is largely based on the "tortured"

litigation history with respect to passage of RPLs; additionally, she said the statute that authorizes RPLs does not contemplate the committee returning to approve or address RPLs after they have been approved. She opined that if a decision is made to use the RPL process, it would be at risk for further litigation; however, if changes were made by law there would be no legal issues.

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CHAIR SPOHNHOLZ questioned whether Judge Pallenberg intimated that the final decision would end up in DCCED's favor, giving the department the authority to make administrative changes that were not originally identified in the initial RPL.

MS. WALLACE explained that Judge Pallenberg's decision was limited to the eligibility criteria revisions that were proposed before the court. She said Judge Pallenberg's decision gives some guidance that DCCED in conjunction with DOL can use to assess whether additional changes fit within that framework. She reiterated that without a decision on the merits, the plaintiffs could object to subsequent changes and continue to fight the process. Nonetheless, she stated that Judge Pallenberg's ruling in the Superior Court indicated that DCCED should be afforded some flexibility.

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ALAN WEITZNER, Executive Director, Alaska Industrial Development and Export Authority, noted that AIDEA recognizes the applications are not being processed quickly enough. He said AIDEA and DCCED have had several constructive discussions with Credit Union 1 and other experienced financial institutions and grant providers as an exchange of best practices on processing grants. He stated that AIDEA, DCCED and Credit Union 1 are working on implementing several ideas from those conversations that will significantly improve the process. One such example, he said, is changing the forms that people have submitted to streamline information for the processors from Credit Union 1. He explained that AIDEA is working on adopting a centralized portal function for the AK CARES program with the expanded eligibility criteria that was recently announced by DCCED.

CHAIR SPOHNHOLZ inquired about small businesses that hoped to be eligible for the AK CARES grant program but received too much funding from the PPP/EIDL to qualify. She asked for further

clarification on the process of returning those funds to the federal government.

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COMMISSIONER ANDERSON said DCCED found it important to give people that received just over \$5,000 in PPP/EIDL funds the opportunity to return excess funds, which would allow them to be eligible for the program. She explained that the department would require verification that the funds were returned along with a revised application for the program in which the applicant would certify what he or she used the \$5,000 in PPP/EIDL funds for to avoid claiming the same expenses to be reimbursed by the AK CARES program.

CHAIR SPOHNHOLZ said one of the concerns is that there is not a mechanism for small businesses and nonprofits to return funds to the Small Business Administration (SBA). She asked if this is true.

COMMISSIONER ANDERSON offered her understanding that there is a simple process to return the funds.

CHAIR SPOHNHOLZ asked Mr. Bittner to describe the process for small businesses to return the amount of funds over \$5,000 to make them eligible for the AK CARES grant program.

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JON BITTNER, Executive Director, Alaska Small Business Development Center, explained that returning EIDL funds is a simple process that involves writing a check and mailing it to the SBA office in Colorado. He stated that returning PPP funds is more complicated as there is no existing mechanism to return them. However, he offered his understanding that people could prepay the PPP loan back up to the amount in question.

CHAIR SPOHNHOLZ posited that people who repaid the PPP loan would be risking the possibility of their application being denied for the AK CARES grant program.

MR. BITTNER said yes, there is no certainty that returning the funds would grant automatic eligibility.

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REPRESENTATIVE STORY questioned whether returning PPP funds is a common practice in other states. She asked for the average amount of PPP/EIDL funds being received.

MR. BITTNER said in Alaska, roughly 990 businesses received \$5,000 or less in PPP funds. He reported that the average EIDL amount is \$100,000 and the average PPP is slightly less, around \$60,000 to \$70,000. He said he would follow up with the exact numbers.

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REPRESENTATIVE STUTES noted that most people who received a PPP loan are not in the position to return it. She opined that excluding people who received PPP/EIDL funds is troubling and urged AIDEA and DCCED to figure out a way to make them eligible, even if it means deducting the amount received in PPP/EIDL funds from the amount awarded by the AK CARES program.

COMMISSIONER ANDERSON said going forward, DCCED will consider that as they continue to look for ways to improve the program and meet the needs of applicants.

REPRESENTATIVE SPOHNHOLZ said economic development and business experts have advocated for small businesses to have the opportunity to use AK CARES funding to complement PPP/EIDL funds, as the purpose of each program is different. She suggested exploring ways to modify the AK CARES program further to allow businesses that received funding over \$5,000 to be eligible.

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REPRESENTATIVE STORY questioned whether returning PPP funds is a common practice in other states or if it's unique to Alaska.

COMMISSIONER ANDERSON said her team has researched how other states are implementing relief programs and many of them have chosen to distribute funds directly through those entities. She added that the issue of returning SBA funds has not been directly addressed.

CHAIR SPOHHOLZ inquired as to DCCED's process of engaging with the business community to identify their concerns and feedback.

COMMISSIOENR ANDERSON explained that DCCED, AIDEA, and Credit Union 1 are regularly involved in conversations with small

businesses, Alaska Regional Development Organization (ARDORs), and economic development organizations. She said they need to form a plan to communicate the revised program guidelines while simultaneously listening to concerns from small businesses that are not currently eligible.

CHAIR SPOHNHOLZ asked how communication is structured.

COMMISSIONER ANDERSON said primarily, engagement occurs through bi-weekly meetings with economic development organizations and weekly meetings with ARDORs. Additionally, she said there is daily interaction with small businesses. She added that one of the Alaska Development Team members also engages in regular meetings with the fishing industry to understand their concerns.

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REPRESENTATIVE GERAN TARR, Alaska State Legislature, opined that it may be too late to change the AK CARES grant program because many businesses have already closed. She questioned whether business closures are being tracked.

COMMISSIONER ANDERSON said she is not aware of a mechanism that provides real time data on business closures.

CHAIR SPOHNHOLZ emphasized the importance of actively engaging with ARDORs, small businesses, and economic development organizations across the state to identify solutions as quickly as possible. She said Alaska does not want to lose small businesses that have contributed to the state's economic vitality. She added that without real time data on business closures, identifying pressure points through active outreach is a necessity.

COMMISSIONER ANDERSON agreed.

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REPRESENTATIVE BRYCE EDGMON, Alaska State Legislature, asked whether DCCED is confident that most, if not all, of the \$290 million can be disbursed with the current structure in place.

COMMISSIONER offered her belief that with the recent program revisions and current RFP process in place to bring more program operators on board, the funds will be distributed.

REPRESENTATIVE EDGMON sought clarification on whether the eligibility requirements need to be changed to disburse the entire \$290 million.

COMMISSIONER ANDERSON said DCCED is implementing revised program guidelines and will continue to monitor the requirements and identify areas in which the program can be modified within the given parameters.

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REPRESENTATIVE EDGMON stated that he continues to hear frustration from businesses that cannot comply with the \$5,000 PPP/EIDL limit. He added that businesses do not have the ability to pay their loans or grants back to get to that threshold. He asserted that he is not confident in the ability to disburse the full amount of funds.

COMMISSIONER ANDERSON acknowledged Representative Edgmon's concern. She noted that the injunction motion delayed the ability to administer the revised program guidelines in a timely manner. She expressed her shared frustration, adding that the department is trying to accomplish the process responsibly to meet the intent of the program.

REPRESENTATIVE EDGMON emphasized that he does not want [the program] to be in the same position in two weeks' time. He reiterated his lack of confidence in the adequacy of the recent program changes. He opined that a better job needs to be done all around.

CHAIR SPOHNHOLZ asked if Commissioner Anderson has considered lifting the cap on the amount of PPP/EIDL funds a business can receive to be eligible for the AK CARES program. She opined that \$5,000 is an arbitrary number and the program could be further streamlined by allowing some flexibility on that issue.

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COMMISSIONER ANDERSON recalled that constituents who were recipients of PPP/EIDL loans of \$5,000 or less had expressed concern about their eligibility for the AK CARES program during the RPL process. She said the \$5,000 cap was established from that feedback. However, she noted that as the program has evolved, it is becoming clear that there are problems with implementation and sufficiency. She added that DCCED is considering amending the \$5,000 cap.

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CHAIR SPOHNHOLZ reiterated that numerous economic development experts have communicated that the \$5,000 limit is arbitrary. She emphasized the importance of providing support to small businesses.

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JULIE ESTEY, Greater Wasilla Chamber of Commerce, said Wasilla is the economic hub of the fastest growing area in Alaska. She informed the committee that the Greater Wasilla Chamber Commerce represents nearly 300 members primarily composed of small businesses and nonprofits. She explained that Wasilla businesses were hit by closures and restrictions in the spring and although they are currently open, they are largely reporting significantly less revenue. She stated that she looks forward to the development of an efficient system for the AK CARES program, which would allow the funding to reach people who need it. She shared that the landscape of Wasilla's Main Street has already shifted from the loss of a business that was a supporter of numerous large nonprofits - especially at-risk youth. She said in addition to the business and its employees, the community will also be impacted by its closure. She noted that many businesses were recovering from the earthquake when COVID-19 hit. She explained that without reserves in place due to earthquake-related losses, some businesses are closing their doors indefinitely. Additionally, several large community nonprofits are relying on PPP funds, which are quickly running out. Other struggling businesses, she said, have received a small amount of funding that excludes them from qualifying for additional help. She commended Commissioner Anderson for considering lifting the \$5,000 threshold. She opined that with the existing uncertainty, getting assistance and funding to businesses as efficiently as possible "has been the one hope that businesses have to keep going." She advocated for 501(c)6 nonprofit organizations, which includes the Greater Wasilla Chamber of Commerce. She noted that the chamber has spent countless hours compiling data and resources for its members, connecting them with elected officials and bringing in speakers, all without charge. Additionally, the chamber has been providing data to community nonprofits to aid in their response planning from business impact studies. She reported that the chamber has lost one-quarter of its annual income with further projected losses. Overall, she said, the chamber is projected to lose about 50 percent of its annual revenue. She explained that

the chamber has cut back staff and expenses but lacks another avenue of support and cannot responsibly take on loan debt; therefore, access to the AK CARES funding would be a lifeline. She expressed her support for the changes listed by Commissioner Anderson, specifically expanding eligibility for 501(c)6 organizations and businesses that received any amount of PPP/EIDL funding. She concluded by asserting that the need is stark and very real for businesses in the Wasilla community.

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REPRESENTATIVE BART LEBON, Alaska State Legislature, asked if the Greater Wasilla Chamber of Commerce applied for EIDL funding through the SBA.

MS. ESTEY said she does not know. She offered to follow up with the requested information.

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MR. WEITZNER explained that AIDEA has been running a RP process by initially engaging with Credit Union 1. After the announcement for the AK CARES program, AIDEA initiated an addendum to extend the existing RP program and look for additional program operators. He indicated that AIDEA, DCCED and Credit Union 1 see a benefit to having additional parties that could provide their experience with other programs and apply that information to streamline the AK CARES process. He reported that constructive discussions have occurred with experienced financial institutions about existing programs with federal funding, as well as other grant providers, to understand best practices for processing applications. He stated that AIDEA is working on implementing their suggestions into Credit Union 1's existing application base as well as the new applications under the revised program guidelines. He noted that establishing a centralized portal for new applications will be critical for eliminating confusion about the required information. He opined that developing a central portal would help the processing time for program operators. Regarding the status of the RFP, he said, it is currently outstanding; however, AIDEA is in the process of engaging in conversations with additional program operators.

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CHAIR SPOHNHOLZ recalled that the administrative fee is being changed to entice more participants to administer the program. She asked if that is true.

MR. WEITZNER explained that AIDEA has left the administrative fee open to allow potential interested parties to respond with their bid.

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JAMES WILEMAN, President/CEO, Credit Union 1, explained that Credit Union 1 accepts the AK CARES program applications through their portal, verifies the information, processes the grants, and disburses the funds. He said it can be that simple; however, the lag comes from verifying the supporting documentation for eligible expenses. He explained that the instructions call for items to be listed on the schedule with supporting documents, such as a receipt or statement, to verify the expense; staff must then sift through the information to ensure that items are COVID-19 related. He said sometimes it's clear and other times it requires back and forth communication with the grantee, which adds significantly more time to the processing time. He noted that improvements have been made, including short videos that accompany each section of the application process. He emphasized the importance of submitting complete application packages and opined that a centralized portal would help with that. He noted that Credit Union 1 has reached out to applicants who have not responded, which makes it difficult to disburse relief to them. He opined that onboarding new operators for the program would quicken the distribution of funds. He explained that Credit Union 1 has repurposed internal staff and hired temps to add hours of additional processing capability.

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CHAIR SPOHNHOLZ asked if throughout the process, Credit Union 1 has learned anything that has helped speed up the processing time in recent days.

MR. WILEMAN stated that Credit Union 1 has done everything they can on that front and is in the process of testing several new forms that could help operators process the applications faster. Overall, he said, it's difficult for business owners to put together all the supporting documentation that's required, which results in a "back and forth" with operators and a longer processing time. He reiterated that Credit Union 1 has improved

from an internal standpoint. He explained that they are quick to sort applications that cannot be processed and need to be resubmitted from complete applications that can be processed as quickly as possible.

CHAIR SPOHNHOLZ asked if the new forms are making a dramatic difference in the amount of applications that can be processed daily.

MR. WILEMAN said the new forms have only been tested with a handful of applications; nonetheless, they should speed up the processing time.

CHAIR SPOHNHOLZ pointed out that currently, only 12 percent of submitted applications have been approved. Based on today's testimony, she expressed doubt that there would be significant acceleration in processed applications.

MR. WILEMAN reiterated that the new forms are encouraging and speed up the application process; however, he pointed out that it will take time to provide those forms to people who have already applied. He said the biggest frustration is that many applications are not complete enough to process. He added that the possibility of bringing on an additional operator with a centralized portal would be most helpful moving forward. He said there is hope for optimism, but it will take time to complete the RFP process to bring on a new operator and to get new forms resubmitted by applicants.

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CHAIR SPOHNHOLZ asked how a portal would dramatically speed up the time it takes to process applications.

MR. WEITZNER explained that providing new applications that are easier to process would speed up the review process and ultimately improve the turnover time. He added that a well-designed portal would be the first interface that applicants engage in and would help improve the processing time.

CHAIR SPOHNHOLZ questioned whether an online portal would eliminate the need for paper applications.

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MR. WEITZNER answered yes. He said the purpose of the portal is to ensure an innate database that provides applicants with

required fields to be filled out as opposed to paper forms that may have been submitted incompletely, which leads to an extended discussion between program operators and applicants. He expressed his hope that implementing a portal would be the most significant method to speed up the processing time. He added that streamlining internal Credit Union 1 procedures by implementing input from a broader group would also quicken the review process.

CHAIR SPOHNHOLZ acknowledged the importance of streamlining the process.

MR. WEITZNER noted that implementing best practices from experienced organizations should help avoid the need to restructure at a later stage. Regarding the RFP, he expressed his hope that communicating the aforementioned changes to interested parties would show that AIDEA is interested in incorporating feedback from Credit Union 1 and is implementing changes in a coordinated, collaborative process.

CHAIR SPOHNHOLZ inquired as to the timeline for the live portal.

MR. WEITZNER said he does not know.

CHAIR SPOHNHOLZ asked if there has been an RFP issue regarding the creation of the portal.

MR. WEITZNER said AIDEA would issue an addendum to the existing RFP; however, there have been conversations on whether to create that portal internally within AIDEA or to incorporate a program operator with an existing portal that can be used for centralized processing.

REPRESENTATIVE STUTES noted that her office contacted DCCED and Alaska Department of Fish & Game (ADF&G) about making CFEC permit holders eligible for the AK CARES grant program in mid-May. She expressed her hope that moving forward, quicker action would be taken.

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REPRESENTATIVE STORY sought clarification on what is holding up the process for people that already submitted applications.

MR. WILEMAN stated that the difficulty is widespread, ranging from incorrect applications to incomplete eligible expense schedules. Another common mistake, he said, is that applicants

forget to provide supporting documentation to verify that their business expenses are COVID-19 related and within the timeframe parameters of the program. He explained there is often a great deal of back and forth to acquire missing information for applications that are mostly complete. He added that Credit Union 1's records show phone calls or emails sent to many applicants who reportedly "haven't not heard back" from Credit Union 1. He said Credit Union 1 is reliant on the applicant to return their call or upload the required information. He stated that Credit Union 1 makes every effort to complete the reviews and process the grants.

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REPRESENTATIVE STORY asked if Credit Union 1 has considered bringing people in to expedite the customer service process.

MR. WILEMAN said originally, no. He explained that the necessary skills were deployed to the Credit Union 1 branch staff; additionally, ARDORs held informational sessions for businesses. He offered his belief that the application checklist and informational videos have helped businesses complete their applications. He said Credit Union staff 1 has done everything they can in terms of customer service and reiterated that they are reliant on applicants providing complete applications.

REPRESENTATIVE LEBON said he spent several weeks with his former banking employer and reported that most PPP applications were submitted incompletely, which required follow-up conversations to acquire additional information. He asked if Credit Union 1 is disbursing funds electronically.

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MR. WILEMAN said checks are being mailed via controlled disbursements to grant applicants' unpaid bills, future expenses, or to the grant applicant directly for reimbursement of paid expenses.

REPRESENTATIVE LEBON surmised that all checks are being disbursed by mail to vendors or applicants.

MR. WILEMAN confirmed that.

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REPRESENTATIVE STORY speculated that transferring the funds electronically would streamline the process. She asked why the checks are being disbursed by mail.

MR. WILEMAN explained that Credit Union 1 is mailing the checks to ensure an appropriate paper trail for potential future audits. He noted that Credit Union 1 was instructed to do so.

CHAIR SPOHNHOLZ sought to clarify whether the instructions were included in the AIDEA contract.

MR. WILEMAN answered yes. He said Credit Union 1 has not been receiving negative feedback about the method of disbursement.

[3:55:12 PM](#)

MR. WILEMAN in closing, indicated that Credit Union 1 would continue to improve on disbursing the grants as quickly as possible.

[3:56:47 PM](#)

VINCENT LANG, Commissioner, Alaska Department of Fish and Game, explained that the federal CARES Act provided \$300 million for nationwide fishery relief, of which ADF&G believed it would receive a large percentage based on the proportional landings of Alaska. However, when the money was awarded, each state was capped at \$50 million. Subsequently, he said, ADF&G submitted an RPL to gain control of the distribution of those funds through DCCED. Instead, the \$50 million was distributed via the [Regional Fishery Management Councils], which nullified the need for the RPL. He continued to explain that there are five eligible groups competing for the \$50 million awarded to Alaska, including the processing sector, the charter and lodge industry, the aquaculture industry, commercial fishermen, and subsistence users. He said currently, ADF&G has been discussing eligibility criteria with National Marine Fisheries Service (NMFS) and the individual groups to establish a plan for the funds. He indicated that ADF&G is consciously taking a deliberate approach to avoid pulling fishermen out of the water to submit applications during a critical part of their season.

[4:02:06 PM](#)

REPRESENTATIVE STUTES questioned whether Pacific States Marine Fisheries Commission (PSMFC) is involved.

COMMISSIONER LANG confirmed that.

[4:02:45 PM](#)

REPRESENTATIVE ORTIZ sought clarification on whether the processing sector is eligible for funding from the \$50 million.

COMMISSIONER LANG offered his understanding that processors are eligible.

CHAIR SPOHNHOLZ inquired as to a reasonable timeframe in which the fishing industry could expect relief checks to be disbursed.

COMMISSIONER LANG said ADF&G is aiming to get a plan approved by NMFS by the end of September to allow the disbursement of checks by the end of the calendar year. He reiterated his reluctance to pull fishermen away from their work to complete applications. He said the relief checks could be small compared to the income they could make from fishing.

CHAIR SPOHNHOLZ commended that.

[4:05:40 PM](#)

REPRESENTATIVE STUTES asked to what degree PSMFC is involved; also, for the deadline that the funds must be distributed by.

COMMISSIONER LANG offered his belief that the deadline is the end of the 2021 calendar year. He indicated that ADF&G would provide PSMFC with a clear spending plan that allows them to cut checks for eligible candidates.

REPRESENTATIVE STUTES shared her understanding that the deadline is September 2021.

[4:07:47 PM](#)

REPRESENTATIVE STUTES asked whether receiving funds from the \$50 million would make recipients ineligible for the AK CARES grant program.

COMMISSIONER LANG offered his understanding that it would not make applicants ineligible; however, they "can't be made more than complete in their losses by the different aspects of the CARES Act."

REPRESENTATIVE STUTES surmised that if an applicant applied for the CARES Act it would be considered when applying for the \$50 million.

COMMISSIONER LANG said, "they can't be made more than whole, and NMFS will take that into account through the application process."

REPRESENTATIVE STUTES questioned whether it's exclusionary.

COMMISSIONER LANG offered his belief that it is not.

[4:09:07 PM](#)

JERRY MCCUNE, Cordova District Fishermen United, explained that before fishermen start a season, they must spend between \$5,000 and \$6,000 for expenses such as insurance, boat maintenance, and storage. He noted that some Alaskan fisheries haven't opened while others are almost closed; therefore, fishermen will need help. He stated that COVID-19 has created low prices and poor markets. The processors, he said, have spent millions in response to the pandemic, which also adds to low prices. He expressed frustration with the amount of time PSMFC has taken to allocate money in the past. He expressed appreciation for the expanded eligibility requirements, which will allow fishermen to use a CFEC permit in lieu of an Alaska business license. He expressed support for making fishermen that received any amount of PPP/EIDL funds and 501(c)5 organizations eligible for the AK CARES program.

[4:17:03 PM](#)

MR. BITTNER reported that nationally, the average for PPP loans is \$105,000 and the EIDL loan average is \$65,000. In Alaska, the average PPP loan is \$112,000 and the average EIDL loan is \$65,000. He added that the average national EIDL advance is \$3,300 and in Alaska, it's \$3,100. Overall, he said the SBA has made just over \$4.9 million in PPP loans since the program's inception. There is over \$130 billion left and the program has been extended for several months longer. He said 11,201 Alaskan companies have received a PPP loan to date, totaling \$1.26 billion. He noted that several changes were made the PPP, one which allows commercial fishing employees to count towards the total amount awarded in PPP. He reported that nationally, the industries that have received the most money to date are healthcare/social assistance, professional scientific and technical services, construction, manufacturing, and

accommodation/food service. In Alaska, the highest awarded industries are healthcare, construction, other services, accommodation/food services, and professional scientific and technical services. He stated that 5,780 EIDL loans were awarded to Alaskans totaling \$358 million. Additionally, 9,376 Alaskans received EIDL grants totaling \$31 million. Overall, almost 30,000 individual transactions came through those programs totaling over one billion.

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MR. BITTNER continued to explain that difficulty exists because no one funding source can solve all the problems for businesses in Alaska. He said the situation is dire. The tourism season is nonexistent, and locals cannot replace the revenue made from the usual 2.2 million visitors. He stated that the oil industry is experiencing a slight rebound; however, the price remains well below last year's, which has a ripple effect on secondary industries across the state. Restaurants are also having a rough time, as are most other industries. He noted that the healthcare industry is rebounding, most likely resulting from the easing of restrictions on elective surgeries. He reported that a significant number of Alaskans are still on unemployment and a significant number of Alaskan businesses - 37.9 percent - are closed. Furthermore, conservative estimates suggest that the economic impact in Alaska will last for one to two years. He highlighted an increase in community support of businesses and support from financial institutions and anchor industries.

[4:27:04 PM](#)

REPRESENTATIVE STUTES asked for clarification on whether \$130 billion is left in the PPP.

MR. BITTNER said yes, there is a large amount of money left in the program. He added that based on the burn rate over the last several weeks, nothing suggests that the money will run out any time soon.

REPRESENTATIVE STUTES asked when fishermen can apply for the AK CARES program with a CFEC permit in lieu of a business license.

COMMISSIONER ANDERSON said DCCED is finalizing the revised program requirements and RFP process. She said it should be available to fishermen in the next two to three weeks.

REPRESENTATIVE STUTES asked if Commissioner Anderson would notify Chair Spohnholz when a definitive date becomes available.

COMMISSIONER ANDERSON confirmed that.

[4:29:10 PM](#)

CHAIR SPOHNHOLZ encouraged everyone to read the UAA Center for Economic Development's analysis of the PPP. She emphasized that each program is designed to pay for different expenses and that different kinds of businesses are eligible for each one. She reiterated that businesses that received \$5,000 or less in PPP/EIDL funds are currently eligible for the AK CARES program; additionally, that DCCED would explore further eligibility expansions. She expressed concern that 34 percent of Alaskan businesses are currently closed and emphasized the importance of protecting the small business community to keep Alaskans working.

[4:32:53 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:32 p.m.