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## **Alaska Legislative Update**

May 20, 2020

### **PFD**

The Governor announced Wednesday night that Permanent Fund Dividend checks will begin to be distributed July 1<sup>st</sup> instead of waiting until October. Checks will be \$1,000 this year and unless the Legislature comes back and approves additional payments this will be the dividend in 2020.

### **Legislature**

The Legislature was back in Juneau this week to approve the Governor's proposed distribution plan for the \$1.25 billion of CARES Act funding passed by Congress in late March. The funds appropriated amount to \$568.5 million to cities and boroughs, as much as \$100 million for fishermen and fishing businesses, and \$289.3 million for small businesses that have not received aid from other [existing federal programs](#). Other sections of the plan include \$10 million to fight homelessness; \$52 million for the Alaska Department of Transportation and Public Facilities; Emergency Education Relief Funds of \$44.9 million; Child Nutrition Funding of \$41.9 million to schools and other institutions participating in the National School Lunch Program and related programs; National Endowment for the Arts Funding of \$0.4 million consisting of grants to arts organizations, local arts agencies, and partners for emergency relief to sustain operations in response to COVID-19; and federal Transit Administration Grants of \$29.0 million.

This package, originally proposed by the Governor and now approved for disbursement by the Legislature, addresses known federal relief received by the State to date. Other items such as homeless grants, housing programs, and broadband grants will be put forward as additional federal guidance becomes clear.

This funding is provided to the State for items that “are necessary expenditures incurred due to the public health crisis with respect to the Coronavirus Disease 2019 (COVID-19).” Expenditures of the Coronavirus Relief Fund are constrained by guidance released by the US Treasury on April 22. Please see below the distribution allocation as approved including a program providing for grants to businesses. In addition to the state’s grant program for business and non-profits Municipalities may also provide grants to individuals, businesses, and non-profits in their communities.

### **Special Session, Elections, Budget**

The Legislature adjourned this morning after taking its final action, however there is still unfinished business to complete sometime later this summer or fall. When the Legislature recessed in late March they had not yet met in Joint Session to take up the Governor’s appointees for confirmation and left about \$172 million in capital projects to be taken up at a later date. Additionally, most pieces of legislation were left in the que – of the 567 pieces of legislation introduced only 68 have been

passed.

The deadline for candidates to file for office is June 1. All 40 members of the House of Representatives and 11 members of Senate will be up this cycle. The Primary Election is to be held August 18 and there will be much focus on the struggling economy as a result of the hit to tourism and fisheries, and significant drop in oil prices. With the drop in oil prices the State faces another year of significant deficit.

The State now anticipates \$527 m less in oil revenue in the current fiscal year (FY 20 ending June 30) and \$815 m in FY 21 (beginning July 1). This may prove to be a very optimistic forecast as it assumed \$51.65 price per barrel for the rest of this current fiscal year and \$37 per barrel for FY 21. Prices dropped to near negative in April and are now hovering in the \$33 dollar range. This is anticipated to leave a \$1.3 billion deficit for FY 20 and a \$986 million shortfall for FY 21. Additionally, this forecast was presented before producers began throttling back production due to lack of market and storage space.

These shortfalls will be filled with the last remaining savings from the Constitutional Budget Reserve Fund. This is a conservative estimate as it doesn't account for any supplemental needs for unbudgeted or unforeseen costs such as the summer wildfire season, Medicaid spending, or prolonged low oil prices or production.

## **COVID-19 Response Fund Distribution**

### Commerce – Direct Municipal Relief (\$568.6 million)\*:

- Funding is allocated using a combination of quantified economic activity metrics – such as retail, hospitality and tourism, regional commercial fishing, and other measures of commerce activity – and population as distributed through the community assistance program. Provides communities with the resources needed to respond to first and second order impacts of COVID- 19.
- Distributions to communities will be:
- \$257,548,754 will be distributed first, apportioned to communities based on Community Assistance formula;
- \$107,723,302 will accompany that first distribution, based on prior economic activity - unincorporated communities will not receive this or future distributions;
- \$101,650,415 will be available for distribution on July 1;
- \$101,650,415 will be available for distribution on October 1;
- The first distribution of \$365,272,056 will likely wait on OMB and DCRA to finalize grant agreement processes. Access to July 1 or October 1 funds will be based on ability to spend at least 80% of earlier distributions.
- It is believed that municipalities receiving these funds may use them for a variety of costs related to the Pandemic as well to provide aid to individuals, businesses, and non-profits.

Allowable expenditures and the guidance from US Treasury:

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

## **Commerce/AIDEA – Small Business Relief (\$290 million)\*:**

- AK CARES is an essential part of the State’s expedited economic response to COVID-19, providing *grants* at the direction of the Department of Commerce, Community and Economic Development to qualifying Alaska small businesses and non-profits utilizing Credit Union 1 – a third-party processor – to rapidly review applications, distribute funding, and provide the necessary reporting.
- The program needs between \$150 million and \$250 million in order to reach over 3,500 to 5,000 Alaska businesses and nonprofits with meaningful impact.
- According to information provided to lawmakers, the program will target businesses who have 50 or fewer employees (seasonal workers would not count against that limit), loans would be between \$5,000 and \$100,000 – based on eligible expenses.
- The application period for this program is expected to open on **May 26, 2020**.

### **Who Can Apply**

Small businesses including C-Corps, S-Corps, Partnerships, nonprofits (501(c)3 or 501(c)19), or sole proprietorships with a current Alaska Business License that:

- Did not qualify or were otherwise unable to obtain SBA PPP or EIDL funding
- In operation for at least one year prior to March 11, 2020
- Have on average 50 or fewer employees

### **Who Is *NOT* Eligible to Apply**

- Marijuana related businesses.
- Secondary income sources.
- Out of State business.
- Business that has received funding or have an approved application for SBA’s PPP or has EIDL funding in excess of \$5,000.
- Business with more than 50 full time equivalent employees.
- Business that has filed bankruptcy.
- Businesses that do not meet the eligibility criteria outlined above.

### **Eligible Expenses**

Amount of grant award based on the following COVID-19 emergency related eligible expenses during the period 8 weeks prior and 8 weeks following the application date:

- Payroll costs and expenses;
- Payment of any short term (less than 24 months) or credit card debt incurred by the applicant to support the applicant’s business during the emergency;
- Rent or mortgage payments (unless otherwise waived by lessor/lender);
- Utilities payments;
- Purchase of personal protective equipment required by the business;
- Business related equipment; and
- Expenses incurred to replenish inventory or other necessary re-opening expenses.

Application Form and Schedule of Eligible Expenses Form available May 21st.

Program is expected to go live starting May 26th. However, they advise perspective applicants to start gathering information supporting your eligible expenses and make sure your business license is current.

- This link is to the site for the program which currently has minimal information but will updated tomorrow.

<https://www.commerce.alaska.gov/web/ded/AKCARESGrant.aspx?fbclid=IwAR2RK1wlrG5oQyFrlecqOL3woc61FCRsMECf8gC-mSO2fPYFNuDYqyiCVk>

- The state's website for economic recovery resources for businesses:  
<https://www.commerce.alaska.gov/web/EconomicRecoveryResourcesforBusiness.aspx>
- DCCED will also allocate \$750,000 to Alaska Regional Development Organizations to provide technical support to Alaska small businesses applying for State grants and federal loans.

#### Existing Department of Commerce programs

- The department has [a small business economic development loan program](#) that offers up to \$300,000 and a low fixed interest rate. The state's [Rural Development Initiative Fund](#) offers loans for businesses in towns off the road system with populations of 5,000 or less. The department's [Microloan Loan Program](#) offers up to \$35,000 per person for Alaska residents.
- The availability of each of those loans is subject to available funding, but each program could receive an injection of cash under the governor's plan.

<https://www.commerce.alaska.gov/web/EconomicRecoveryResourcesforBusiness.aspx>

#### AHFC – Homelessness Assistance (\$10.0 million)\*:

- COVID-19 economic impacts have increased the need for homelessness assistance. This funding will provide grants to local communities and agencies to support programs designed to prevent and reduce homelessness, provide services that prevent housing displacement, and assist the homeless to transition back to permanent housing.

#### Health – Non-Profit Support (\$50.0 million):

- Basic essential human services, including, but not limited to soup kitchens & food banks, non-residential emergency shelters, religious non-profits, homeless shelters, clothing items, and other entities supporting social welfare. No RPL is required as the Department of Health and Social Services (DHSS) has adequate authorization to accept federal receipts.

#### Health – Health-Related COVID-19 Costs (\$331.4 million)\*:

- Support ongoing response and mitigation efforts with federal receipts and maintain a contingency for potential unknown impacts. No RPL is required as DHSS has adequate authorization to accept federal receipts.

#### Education - Emergency Education Relief Funds (\$44.9 million)\*:

- Emergency grants to Local Education Agencies that are impacted by COVID-19. Distributed per the Title-1 formula.

#### Education – Child Nutrition Funding (\$41.9 million)\*:

- Funding to schools and other institutions participating in the National School Lunch Program and related programs.

#### Education – National Endowment for the Arts Funding (\$0.4 million)\*:

- Grants to arts organizations, local arts agencies, and partners for emergency relief to sustain operations in response to COVID-19.

#### Transportation - Federal Transit Administration Grants (\$29.0 million):

- Funds are available for operating expenses for all Federal Transit Administration 5311 recipients (non-urbanized areas) including Anchorage, Fairbanks, and the Alaska Marine Highway System

#### Transportation - Federal Aviation Administration Rural Airport System Maintenance (\$49.0 million):

- Airport Grants will be used for statewide aviation and rural airport system operating and maintenance expenses, where revenue or expenditure impacts have occurred.

Transportation - Measurement Standards and Whittier Tunnel Support (\$3.0 million):

- Funding for unbudgeted and unanticipated expenditures related to ensuring continuity of operations and program delivery within this appropriation.

Commerce - Economic Stimulus for Alaskan Fisheries (\$100.0 million)

- Through the Federal CARES Act funding is being allocated to the National Fisheries Marine Service who will distribute funding to states to provide assistance to subsistence, charter/guide, and commercial fishery participants affected by COVID-19

Public Safety - U.S. Department of Justice Byrne-JAG Grant (\$3.6 million)\*:

- The program provides states with critical funding necessary to support a range of program areas including law enforcement, prosecution, indigent defense, courts, corrections, crime victim and witness initiatives, and mental health programs.

University – Higher Education Emergency Relief Fund (\$5.0 million)\*:

- Grants directly to students and institutions impacted by the COVID-19 public health crisis.

Transportation - International Airport (\$32.1 million)

- Funds will be accepted directly by the International Airport System to support airport operations.

Office of the Governor – Elections Support (\$3.0 million)

- Funds are used to support modifications to the current elections process in light of the COVID- 19 public health crisis. Authority already exists to deposit funds into the Election Fund, but a subsequent project appropriation will be required in the near future.

Commerce - Community Development Block Grants (\$2.8 Million):

Funds to alleviate the causes and conditions of poverty in communities. Sufficient prior-year funding exists to receive these federal receipts.