



Alaska Economic Stabilization Team

Office of Governor Mike Dunleavy

Information Sheet-2

April 3, 2020

Introduction

The Alaska Economic Stabilization Team (AEST) continues to receive information and stabilization strategies from many Alaskans for the Administration and legislative leaders to consider related to stabilizing Alaska's economy amidst COVID-19. The information presented has come from a diverse range of individuals and interests across Alaska. This information sheet, as before, is not meant to be a comprehensive report of everything we are hearing nor is it intended to communicate a recommendation unless expressly stated.

Information Sheet 2 will be part of a series of information sheets we anticipate delivering. Moreover, Information Sheet 2 does not reflect all sector by sector recommendations made by Alaskans as AEST recognizes that this situation is fluid and many recommendations are simply being passed along in the form they were received to the Governor's Office or reported verbally. For these reasons, the Information Sheet is not considered complete or comprehensive.

Now that the United States Congress has passed major pieces of legislation to assist in the stabilization of the economy, Alaskans are waiting for the Alaska Legislature to utilize any tools currently available to help Alaska's economy.

Developing Economic Themes We are Hearing:

- Alaskans understand that we still have a rough road ahead of us before there is a clear sign of economic stabilization and that life, health, and safety of every Alaskan remains the top priority.
- COVID-19 restrictions have had and will continue to have a compounding, negative impact on the state's economy in the foreseeable future.
- Alaskans understand that this is a temporary situation, but the question remains how long it will last and what happens in the long term.
- Alaskans and Alaska businesses are asking when we will be back to "normal" and what will normal look like in the future. Any further definition here will be helpful, whether weeks, months, etc.

Continuing Strategic Theme We are Hearing: "A Big Economic Threat Requires a Big Response...The federal government has heard this, and the Alaska Legislature needs to follow suit."

Over-Arching Stimulus Ideas:

1. Emergency Stimulus Payment to Alaskans: As noted in Information Sheet 1, we continue to hear that more cash is needed **now**. Alaskans report that they appreciate the federal government raising and extending unemployment benefits (anticipated April 1), as well as the federal government's payment to families of certain income levels (anticipated in three to six weeks). Still, we continue to hear that the economic restrictions are compounding job losses, business struggles and failures, and perpetuating overall hardship. Relying on federal stimulus funds alone to stabilize Alaska's economy is wholly inadequate given the magnitude of the threat Alaska faces. There is still time for the Alaska Legislature to get cash to Alaskans in a meaningful, stabilizing way given that the federal payment should land in many Alaskans' hands within the month.
 - a. We continue to believe that waiting to infuse cash until October and November will be too little, too late. The state should consider making a level, monthly emergency payment to Alaskans across a three to five-month period.
 - b. How much and who the payments go to we leave to policy-makers, but clearly this payment stream across a wide group of Alaskans is needed to create a smoothing effect and give Alaskans more breathing room. This will allow the economy to stabilize during a summer that will be particularly difficult across many job categories and sectors. Governor Dunleavy proposed an early payment to Alaskans, but the Alaska Legislature chose to fund neither an early payment nor a stream of stabilizing payments.

2. Establish an Office (within the Office of the Governor) to Provide Technical Assistance for CARES 3 and future Federal COVID – 19 Aid. With the CARES 3 Federal Package, Alaskans and Alaska businesses have access to numerous, important benefits, including SBA loans, grants, tax incentives, and other programs. The challenge will be the speed with which Alaskans can access these dollars so as to provide economic relief and stabilization sooner. The State of Alaska should establish a temporary office under the umbrella of the Office of the Governor to be a single point of contact related to management and accountability for the CARES 3 money and other packages that come from the State. The office would also act as a clearing house of information for Alaskans and point them to the right State agency contacts. We recommend additional staff be hired in the Governor's Office to expand capacity there, rather than adding to already-overloaded personnel. This will allow the staff to directly focus on getting the maximum benefit from the federal funds and making sure Alaskans access as much as possible.

3. Financial Support for Businesses. The State of Alaska still needs to establish and document for lenders and Alaskans a 100% loan guaranty program so local financial institutions can create bridge loans for businesses while the federal government loan programs get established. As mentioned in Information Sheet 1, AIDEA can be utilized for this purpose. Additionally, we have heard that AIDEA should think of this as a new program and not try to fit it into its other programs, portfolios, or current way of thinking. AIDEA must consider and accept a higher level of risk than it has in the past. In addition, any loan program should include eligibility for non-profits and Community Development Financial Institutions (CDFIs). **[In process]**

4. Prepare for CARES 4 Package: The U.S. Congress plans to move an additional package of support for the economy when members return after April 20, 2020. We understand a congressional legislative package will likely contain infrastructure funding, including, but not limited to, the Highway/Transportation Bill; several fixes to CARES Package 3; potential additional support to families; and, provide for additional health care needs. The State should be outlining needs in these areas and forward requests to Alaska's congressional delegation. **[In process]**
5. Non-Profits Inclusion: Non-profits are not only key to delivering services to Alaskans, but also critical to the state's economic wellbeing as large employers and economic contributors. In legislation on the Federal, State and Local level, nonprofits should be part of the state's economic stabilization and recovery efforts.
6. Ensure Ways for Business Transactions to Continue: There are several major business transactions that could be impacted by the economic conditions of the state. These transactions have been in process for several months and are nearing completion of their government processes. If these transactions fail to be completed in a timely manner, they will have a negative impact on employees and the economy. It is important the regulating agencies have the needed staff to complete the work.

Ideas Collected from AEST Outreach:

Statewide Opportunities and Ideas:

- Electrical System Redundancy/Upgrades: Currently, Railbelt electric utility customers are paying off bonds (debt) incurred to build the Bradley Lake Hydroelectric Project and the bonds will be paid off in 2021. Once the bonds are paid off, Railbelt utilities and Railbelt customers are still required to make annual payments to the State totaling \$12.5 million for 20 years. The State could accelerate payoff of the bonds with its own payment, then use the next 20 years of payments from Railbelt electric customers to leverage approximately \$140 million of financing for electrical transmission upgrades and to improve back-up or redundancy protection.
- Leverage all public sector funds to pair or partner with private sector investment related to building new infrastructure and providing State services.
- Ensure State of Alaska money such as the Permanent Fund, pension funds, etc., have a portion of their portfolios allocated to Alaska businesses and investment, with different risk/return profiles than traditional investments to promote Alaska jobs and innovation.
 - *We have heard numerous times about the Permanent Fund (and other state funds) such statements like, "If now isn't a rainy day, I don't know what is?" And, "Why can't the power of the Permanent Fund be leveraged to re-tool Alaska businesses and to fund innovative, entrepreneurial Alaskan ideas that need some capital."*
- Review all current State capital projects in the pipeline: Reexamine the current project list and consider reallocation of dollars to projects that could be "shovel ready." Ensure that every DOT&PF (and other agencies' projects and services) project that is funded and designed be considered for an RFP for this coming construction season. **[In process]**

- With interest rates at the current level there is an opportunity to consider a statewide bond. To ensure it is not a “Christmas tree bond” the concept would be for projects intended to repair and replace existing infrastructure that employ people and create potential operational savings or efficiency.
- Consider utilizing the Alaska Gasline Development Corporation (AGDC) for long term energy (gas) projects throughout Alaska. AGDC’s authorizing statutes are broadly about getting natural gas to Alaskans, not just about one, single project. We recommend asking AGDC for ideas related to how its current statutory authority might be maximized to benefit Alaskans, both from a jobs and energy standpoint.
- Through the Alaska Housing Finance Corporation (AHFC), there are U.S. Housing and Urban Development (HUD) dollars available. HUD programs should be reviewed to determine if there are additional opportunities to use or expand these funds to maximize benefit to Alaskans.

Sector Specific Items:

Commercial Fisheries/Seafood: The number one issue for the summer season is about ensuring testing and safety protocols in place that are acceptable to communities with processing capabilities. This issue is beginning to be addressed organically by stakeholders. These stakeholders are engaging with the state and should continue at every level to ensure the fishing season can move forward.

Oil & Gas: For the smaller companies, particularly in Cook Inlet, an Alaska Supreme Court decision related to the State tax credits case is necessary as soon as possible. With low oil prices, late-life well production profiles, and COVID-19, a number of these companies are on the brink of having to abandon Cook Inlet production which will result in job losses and loss of revenue to the State.

Regulatory Issues:

- For renewals/certifications that employees need under State regulations, postpone those for up to six months and let them operate under their existing certification, if it is not a life safety issue.
- Suspend all regular inspection requirements for six months including reporting documents and certifications that are not life safety oriented.
- Postpone filing deadlines for reports that are required for grants, gaming licensing, etc. Review Federal OMB document as an example.
- We have heard that there is a need to ensure critical personnel can timely receive their certifications through the State and other training programs. IBEW, as an example, and private electrical contractors, have the ability to allow additional people to receive their certification (abbreviated if needed), assuming a certain level of training and on-site supervision, especially for purposes of providing back-up for critical personnel.
- Consider reducing land lease fees, building fees and other land use fees for a short period (6 months?), like the Municipality of Anchorage to encourage innovation and new construction.

Health Care Items

- Additional Personal Protective Equipment (PPE) is needed for health care workers and first responders. However, it is also needed to stabilize the economy. For example, childcare workers (some of whom care for children of health care providers) and numerous categories of trades and crafts workers require PPE. Other examples are state workers, utility workers, oil and gas critical employees, Pioneer Home workers, food prep workers, etc.

Employer Specific Items:

- Employers need guidance regarding when things can get up and running again and what the new standards will be for their employees. This should be a cooperative approach with the Government and employer.
 - For example, more widespread use of masks may be required (assuming health care and first responders have PPE). Given more recent information regarding the potential for transmission of the coronavirus without the carrier person having symptoms, we believe a more robust public discussion will be required regarding whether re-entry into jobs and places of employment will require more widespread use of masks.
 - Consider which building inspections related to HVAC and water & sewer systems might need to be carried out in commercial buildings before the workforce returns depending on how long commercial buildings are unused, so as to prevent other illnesses.
- Employers need a place to match up the unemployed Alaskans with employers that are hiring.
- One barrier identified to hiring Alaskans into Bristol Bay fisheries, for example, was the \$25 per day charged against the paychecks of seafood processor/cannery workers who live on site for the summer season. If the State could find some way to lawfully address room and board payment for Alaskan workers only, that would increase the base rate of pay and increase the incentive for Alaskans to take these jobs.

Personal Financial Items:

- Forgive or defer student loan payments for a period of time.
- Defer AHFC/other loan payments for a period of time.
- Allow The Alaska Community Foundation to be the conduit for the federal government money that would be transferred to the State from the CARES packages.
- Allow non-profit grants to be provided as an advance instead of reimbursable to allow increased cash flow to non-profits for a period of time.
- Establish a “Green Bank” to leverage outside investment money to build renewable energy projects throughout Alaska.
- State should examine and give immediate tax deferral on taxes it has ability to defer.