Information Sheet-3
April 15, 2020

Introduction

This is the third information sheet provided by the Alaska Economic Stabilization Team (AEST) for the Administration and legislative leaders to consider related to stabilizing Alaska's economy amidst COVID-19. These documents are intended to reflect the ideas and requests we have been hearing from Alaskans all across the state representing a wide array of business interests. 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.

AEST recognizes that this situation is fluid and many recommendations, from the AEST and others, are simply being passed along to the Governor's Office or reported verbally in the form they were received. More well-defined communication lines have opened between the public and the Administration than were present four weeks ago when AEST was deployed. For these reasons, the Information Sheet is not considered complete or comprehensive, and Information Sheet 3 may be the last in this series of prepared documents given the transitioning nature of the health and economic threats.

We have attached several detailed proposals from groups we have met with (via videoconference) that provide additional ideas and details. Along with this, we continue to ask each industry sector to voluntarily develop their own organized information and share with the State.

It is clear from what we have heard and the work we have done that Congress will be developing additional pieces of legislation to support individuals and businesses. We still believe the best path forward would include simultaneous and more significant assistance at the state level by way of legislative appropriation, and thus, the Alaska Legislature may be required to convene again.

Developing Economic Themes We are Hearing:

- Alaskans continue to be concerned for the life, health, and safety of every Alaskan, but more Alaskans are raising concerns about significant economic hardship and relaying the desire to get back to work. Alaskans understand that this is a temporary situation but are becoming more anxious for a clear sign of when the economy will be "turned back on."

- COVID-19 restrictions have had and will continue to have a compounding, negative impact on the state's economy in the foreseeable future.

- Alaskans want direction and the ability to provide input on what the "new normal" in business will look like in the future. Businesses groups (by sector) are starting to develop their own best practices, standards or protocols by which they propose to operate and regain consumer confidence that products and services can be delivered safely when re-entry or re-engagement is allowed on a more widespread basis. We recommended that the State of Alaska develop a central point for protocols developed by the different industry segments, and we believe the State is developing such a site.

Over-Arching Stimulus Ideas:

1. Emergency Stimulus Payments to Alaskans Needed Across Months: As noted in Information Sheets 1 and 2 we continue to hear that more cash is needed **now** by individual Alaskans and Alaska businesses. We continue to recommend the State of Alaska find a way to make monthly emergency payments to individual Alaskans for a period of approximately five months so as to stabilize the economy from a household and consumer spending standpoint. Here's another potential path we see for accomplishing such a goal, different in some respects than what we proposed before.

    a. 1st Payment (Now): Federal Government Stimulus Payment. The federal government's assistance has been slower in arriving than expected. Still, we understand the federal government's payment to families of certain income levels has already begun to be disbursed. Count this payment as month 1.

    b. 2nd Payment (May 15-June 1, 2020): The Administration could potentially direct an early payment of the 2020 Permanent Fund Dividend to Alaskans using existing State cash flow and accounting practices. Instead of paying the dividend to Alaskans in October, the dividend could be paid earlier, putting approximately $680 million now into Alaska households and the Alaska economy. There are at least two ways this might be accomplished that are detailed in Attachment A. In summary, the first option involves using part of the FY20 inflation proofing appropriation to appropriate in FY 20 what the legislature agreed to appropriate in FY 21 (via October PFD payments). The second option involves paying the PFD early using the Constitutional Budget Reserve. In either case, the options appear to be consistent with and fulfill the legislature's intent for appropriations made earlier.

    c. 3rd, 4th & 5th Payments (July 1, Aug. 1, Sept. 1): The Alaska Legislature, and potentially the Governor, with legal advice from the Attorney General, could utilize a portion of the remaining Earnings Reserve Account (that was appropriated for FY 20 into the corpus of the PF, but is not yet transferred) to make three emergency monthly payments to every Alaskan (or adult Alaskan). Legislators had earlier expressed concern that they would not have enough budget reserves for the future if they made these monthly payments, but where the source of funds was already appropriated with the intent that it end up in the corpus of the PF, utilizing these appropriated funds for monthly emergency payments would not diminish the State's easily accessible budget reserves.

We continue to hear that the economic restrictions combatting the pandemic compound 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 State leadership to get more cash to Alaskans in a meaningful, stabilizing way given that the federal stimulus payment to individuals should land in many Alaskans' hands within the month.

We continue to believe that waiting to infuse cash until October and November (via a regular PFD appropriated by legislators) will be too little, too late. Instead, the State should consider making a level, monthly emergency payment to Alaskans across a three to five-month period, utilizing vehicles like the ones described above.

How much and who the payments go to we leave to policymakers, 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.

2. Financial Support for Businesses. As we have said in Information Sheets 1 & 2, there is a critical need to create a backstop and a loan program for Alaska businesses. The State will need to play a larger role than anticipated in supporting businesses in Alaska's economy as it is clear now that the Federal Government is running short on funds for their current loan programs. That is why a significant financial backstop at the state level is needed.

In addition, the State will need to handle loan programs and investments for businesses that may not qualify for Federal loan programs or businesses that need cash faster than the Federal programs can generate. AIDEA has been moving in this direction and held two special board meetings to address these needs. AEST, SOA and AIDEA have met with the Credit Unions, Community Banks and Banks, in general, to iron out the details of these loan programs. Lt. Gov. Meyer is now heading this effort to coordinate all the parties and move it forward. Lastly, any loan program should include eligibility for non-profits and Community Development Financial Institutions (CDFIs).

3. Prepare for additional Federal Legislation: The U.S. Congress plans to move additional packages of support for the health and economic needs of the country. We understand Congress is working on several different packages. One potential package would add money for business support, medical facilities and support to displaced workers, as well as technical changes to the recently passed bill. Future legislation will likely contain infrastructure funding including, but not limited to, the Highway/Transportation Bill. The State should proactively outline needs in these areas and forward requests to Alaska's congressional delegation so our priorities are represented at the Federal level.

Ideas Collected from AEST Outreach:

Legislative:

We hosted zoom calls with the Majority and Minority of both the Alaska State House and Alaska State Senate. These calls were designed to present the work we have done to this point, listen to what legislators are hearing from their communities around the state, and receive their input/concerns.

There were mixed views on what to do with an emergency cash payment to Alaskans during this time. There were varied reasons given by members of the Legislature for not providing a payment before their recent recess, but it appears they are gaining a better appreciation for the compounding impacts to families and the need for smoothing or stabilizing the economy with significant stimulus from federal and state governments as we move forward.

Summary of Ideas from Legislative Meetings:

- As with all Alaskans, legislators were concerned about when businesses can reopen and when we can "turn the economy back on." In addition to timing, there were concerns about what the various industry protocols would include when that happens.
- Many questions remain around the federal money that will be provided to the State, and whether it will be enough and how it will be spent, etc.
- We heard from legislators that the current "211" system is overloaded and that it takes too long to get a response. The 211 system is staffed and run by United Way. AEST asked United Way for a proposal on what it would take to improve the 211 system, and that proposal is provided as Attachment B.
- Legislators also spoke about Alaska small businesses needing a financial backstop where funds could be available sooner than the federal government is providing. Many of these struggling small businesses cannot survive another two weeks, let alone thirty days, without assistance.
- Commercial fishing was raised as a concern by all four caucuses – specifically, with regard to the inconsistent protocols developing from community to community. Legislators recognized the need to have standards that fit the communities, but it was suggested that perhaps the State could provide some baseline health standards and protocols that have wider application across the fisheries and communities.
- Concerns about the adequacy of personal protective equipment (PPE) for "essential workers" who are not in the medical field were also raised.

The AEST raised with each caucus the need for the Alaska Legislature to be able to conduct its business remotely, at least temporarily, during the health emergency. Additional legislative sessions and meetings will likely be needed to address some of the above challenges. The Alaska Legislature, in our view, should consider temporarily suspending its legislative rules regarding convening together, which involves travel for most as well as gathering in large groups in one room (House and Senate Chambers, committee rooms, etc.), and instead temporarily use technology to meet and conduct business rather than gathering and convening in one spot.

Re-Opening the Economy:

Re-opening the economy has become the number one issue people and businesses are bringing to our attention. We understand the Administration is working on this issue and considering next steps related to a potential phased re-start or re-entry of Alaskans into their jobs and workplaces. We believe this topic and the future of AEST's work will require a separate document, which is currently in development and will be submitted separately.

In efforts to prepare the public for this ongoing process, AEST also recommends considering naming someone to join Dr. Zink in the daily press briefings who can provide similar fact-based reports on the economy. In order to be effective, this should be "just the facts" and not an opportunity to provide commentary. A credible source should be selected who can:

- share new ways to access benefits
- be a credible barometer for people on the State's response to economic stabilization issues
- earn the public's trust and provide the facts of the day while explaining how we are building towards the future - much like Dr. Zink has provided on the health side.

Ideas Collected from AEST Outreach:

During this process we began receiving detailed presentations about economic opportunities and strategic thinking related to economic stabilization. Instead of restating each idea, we have prepared a summary in these pages and attached the more detailed report.

ATTACHMENT A: [Options to pay an early PFD, as outlined at pages 2 & 3.]

ATTACHMENT B: [Proposal for better "211 system" response time as outlined at p. 4.]

ATTACHMENT C: ***Providing Economic Relief to Alaska's Nonprofits***
Prepared by The Foraker Group

In general, this proposal we received, which is attached, discusses the significance of nonprofits to our economy and how nonprofits can help re-establish and grow the economy. We understand that one of the nonprofit sector's biggest hurdles is that the business side of State government (financing programs, for example) fail to recognize the nonprofit's important role in a healthy economy. Nonprofits believe it important that they have access to loan programs within the state, such as from AIDEA, provided AIDEA recognizes their unique business model and doesn't hold them to traditional market return standards. With loans and grants the nonprofit community believes it can play a pivotal role in Alaska's economic recovery and in the long-term stability of the economy. The attached paper prepared by Foraker Group addresses these issues.

ATTACHMENT D: ***Angel Investors and Venture Capital Recommendations***
Prepared by Alaska's Angel and VC Community

"Capital, capital, capital" summarizes well the need here. The "Angel and VC community" have

put together a document that details steps in developing short-term and long-term strategies for investment in Alaska's new economy. The document is not meant to be a program in concrete, but a starting point identifying what is needed. The amounts may vary on how this fund would be capitalized, but the main point is that more "risk capital" should be deployed. Capital that is not just looking for a high rate of return, but instead capital invested for the combined goals of return, job growth and Alaska's economic growth. This group was one of the most optimistic we met with. They believed if the State was a real partner in capital investment, the economy of the state could diversify and grow significantly over time.

This Angel and VC community proposal is not the same as, but runs parallel with, earlier proposals we heard and communicated that Alaska needs to deploy a substantial sum of state capital ($1-2 billion+) into saving jobs and existing businesses, and the Angel and VC community have provided a roadmap for how a portion of that significant amount may be fruitfully invested in our new economy.

ATTACHMENT E: ***COVID-19 Economic Disaster Response***
Prepared by AEDC and Alaska Small Business Development Center

This proposal from the economic development corporation side of the economy not only looks at what is needed now, but how it plays into a long-term recovery. There are four specific proposals: ARDOR Small Business Grant Program; Division of Economic Development Loan Program Expansion; Workforce Development/Training; and New Industry Development and Destination Marketing Funding. The first two programs are designed to assist business with responsible loan and grant programs to help businesses now and in the future. The workforce/training programs would make training available for emerging changes in our economy both due to the COVID-19 response and due to natural changes to the economy. Lastly, it is clear that there will once again be a need to promote Alaska as a place to visit. All four of these proposals can operate separately, but the developers of these ideas saw them as leveraging value from each other.

ATTACHMENT F: ***Alaska "Amazon" – We are open for Business***
Prepared by Porcaro Communications

Over the last few weeks, we have been hearing about the need to re-open Alaska businesses at the right moment - when the health threat against Alaskans has been stabilized. When and how to re-start jobs remains as questions. Alaska, over the years, has depended significantly on purchasing products online from the big online retailers, thus bypassing good Alaska businesses. The concern now is that because of the "hunker down" policy, and with many Alaska businesses closed, Alaskans have increased their online buying habits, increasing the flow of cash leaving the state.

Several ideas have come to us addressing this challenge. We have included a paper that was written by a local public relations firm, on what they dubbed the "Alaska Amazon." The concept is simply to create our own "Amazon" so we can order online from Alaska businesses, stemming the flood of money to outside companies. That's it. The idea could help during the transition to the new model of Alaska business and create an industry at the same time.

ATTACHMENT G: ***Alaska Economic Development Organization Weekly Call April 9, 2020***
Prepared by the Center for Economic Development

Lastly, we include this item because of the breadth of items this organization laid on the table, and we believed their perspective was important for the State's leadership to see. Some of these items may duplicate what we have already proposed or observed in all three AEST Information Sheets, but we believe this report is most valuable viewed in its entirety. Their document covers the Legislature, the Governor and Administration, and Alaska's federal delegation. The ideas advanced have direct and indirect impacts benefiting the short- and long-term economic recovery of the state.

Sector Specific Items:

Across the last four to five weeks, we have heard and reported from all of Alaska's economic sectors. Here, we include only highlights from our most recent conversations below that we do not believe were earlier communicated. Again, this is not intended to be a comprehensive sector by sector review, nor is the intent to leave anyone out, as the other economic sectors have already had their viewpoints communicated through AEST.

Hatcheries**:** At this point, the hatchery industry has not experienced to date direct negative impact from an economic or employment standpoint. The hatcheries' economic issues will be more fully manifested if the broader fishing/seafood industry falters and cannot fish or process. The hatcheries' business model depends on fishing industry receipts to the hatcheries. There were three concerns and requests:

a. **Potential Loan Payment Deferrals**: There should be a process developed now that would allow for some sort of hatchery-related loan payment deferral, should the fishing industry experience severe negative impacts.
b. **Necessary Operating Funds**: If there are severe negative impacts on the fishing industry, the hatcheries' needs will extend beyond loan payment deferrals. The industry has requested a grant program up to a total of $25 million available for covering their day-to-day operations during this crisis.
c. **Renovations:** There is an ongoing need to renovate their facilities which requires capital.

Mining Industry**:** Several specific concerns were raised in our meeting and calls with the mining industry (from small scale placer mining operations to large scale mining):

a. State agencies need to ensure permitting agencies continue to timely and consistently move permits forward so permits are in hand for the upcoming season and Alaskans can go to work. This allows companies and small businesses to contract with and prepare employees and contractors for work by mid-June.
b. Due to the remote locations of mines and the often-necessary travel (including from Outside) for employees, the mines need to have rapid tests (for COVID-19) in order to ensure safe working environments.
c. This group is experiencing stress on getting access to capital to support their operations and payments to sub-contractors. The federal loan programs are taking too long to move money

into the market.

d. The industry would like a central point for accessing mine standards and protocols (best standards related to COVID-19) so they can learn from each other.
e. A cash grant program was suggested for the purpose of encouraging exploration. The idea was that this would be modeled on the Yukon Mineral Expiration Program (YMEP). The Yukon apparently allows small grant ($10-$15,000) to hire people in the summer to help local employment.

Personal Financial Items:

- Make it easier for people who fall under certain income levels to apply for the federal grants that are available. The IRS has introduced a new tool that AEST has shared with a variety of groups so they can begin to use and share the tool.
- Need broader dissemination of information on SBA programs. [Note: AEST along with State of Alaska have set up a call with SBA to follow-up on this item.]
- There is concern that some service workers who received extended healthcare benefits may run out within the next 6-8 weeks.
- Alaskans are still waiting for their unemployment compensation and there are many reports of the system being overwhelmed and causing delays in disbursing funds.
- There need to be clear communication and guidelines for what it means to go back to work, what are the best practices, what is expected of employees, and what is expected of employers.
- Provide a dedicated place for Alaskans to contact if employers are not following guidelines for protecting employees and/or customers.

OPTIONS TO CASH FLOW FY21 PFD FOR EARLY PAYMENT IN FY20

The options presented are consistent with prior accounting practices.

*Advancing payment of the 2020 PFD payment supports Alaskans during rapidly deteriorating economic conditions, is revenue/expense neutral, and fulfills the legislative intent for appropriations previously made.

*In every case, the options set forth below are consistent with the intent of the Legislature. Advancing the timing for the upcoming PFD payment by accessing existing and previously appropriated funding sources, even across fiscal year lines, does not deny any appropriation of funds or shortchange any prior appropriation.

*Accounting for cash flow across fiscal years routinely occurs when accounting staff take actions to incur debts as instructed, typically consistent with existing policy. In some cases, these actions are subsequently brought to the Legislature for retroactive approval in the form of supplemental budget. No supplemental budget authority is needed for the options set forth below, which are fully funded through existing authorizations.

*Although agency accounting staff have been taught to live by their manual, which likely instructs against moving money between fiscal years without explicit authority, such direction is understood to be routinely provided.

OPTION 1: Paying the full PFD early using FY20 inflation proofing appropriation

Assumptions

- Last year, the Legislature appropriated an amount "not to exceed" $4 billion from ERA to principle (corpus) of Permanent Fund effective July 1, 2019 (FY20). *See* HB 39, Sec. 19(j) https://omb.alaska.gov/ombfiles/20_budget/PDFs/HB39Bill_6-28-19.pdf (at p.64, lines 11-17) ($9.4 billion originally appropriated from ERA to corpus; $5.4 billion vetoed).
- The Legislature also included intent language that this was to be used for inflation proofing for the next eight fiscal years.
    - The intent language opens the door for allocating the authorized funding to inflation proofing over the eight years, as opposed to completing the transfer in a single year.
- An additional $943M was appropriated for inflation proofing for the fiscal year ending June 30, 2020. *Id.*, Sec. 19(i) (at p.64, lines 6-10). (In a follow up action, HB 3001, the Legislature attempted to fund prior years' inflation proofing payments and to restore up to an additional $5.4B in inflation proofing funding; these amounts were also vetoed. *See* HB3001, Sec. 8(a)-(d), (h), https://omb.alaska.gov/ombfiles/20_budget/PDFs/HB2001_Markup_8-19-19.pdf (at p. 17, lines 9-25 and p.18 lines 4-11).
- Taken together, these provisions appropriate $943M expressly designated for FY20 inflation proofing, plus an additional $4B with no specified date for the funding to be deployed to satisfy the legislative intent for inflation proofing over eight years.
- In addition, the Legislature made no provision in the FY21 budget directing any amount of this previously authorized $4B be expressly dedicated to inflation proofing for the upcoming fiscal year.

- The Legislature also has already authorized payment of an FY21 $1,000 PFD, which equals an estimated $680 million total.
    - The transfer of this funding from the ERA to the dividend fund has an effective date of July 1, 2020 (FY21).

Plan

The Dept of Revenue (DoR) could make the following accounting system instructions to AK Perm Fund Corp and PFD Division, both of which are within DoR:

- Direct $680 million of the $4 billion inflation proofing appropriation from the ERA (assuming the amount has not already been deposited into corpus through the accounting systems) and deposit it in a DoR account (which may be designated for an inflation proofing payment to the corpus at some future specified date).
- Direct the funds from the DoR account to the dividend fund. Once the money is in the dividend fund then pay the PFD at some date prior to FY21.
- At this point, once the PFD has been paid, the DoR account in the system will be at a zero balance.
- On or after July 1, when the fall PFD appropriation takes effect, make the $680 million in transfers from the ERA ($360M) and CBR ($320M) to the dividend fund, then transfer the amount from the dividend fund to the DoR account. Once the funds are back in the DoR account pay the equal amount back to the $4B reserve account for inflation proofing or to the corpus at the specified date.
- At this point, the intent of the prior appropriations will have been fulfilled without spending any more or less money: the same amount in inflation proofing has been paid (or remains available to be paid), and the PFD will have been paid in the same amount as set by the Legislature for FY21. No program or other appropriated funds were shortchanged in doing so, and all actions can be taken within calendar year 2020 while still navigating the hurdle that is the changing of fiscal years between June and July.

Issues

- Is the previously authorized $4B for inflation proofing still available in the ER?
- Opponents will raise concerns that funding for inflation proofing is being misappropriated.
- Assess the enforceability of the FY20 intent language, given that designated funding ($943M) is already appropriated for FY20 inflation proofing and no amount has been expressly authorized for FY21 inflation proofing or for any year thereafter.

OPTION 2: Paying the full PFD early using the CBR

Assumptions

- FY21 PFD was funded from two places:
    - $360 million from ERA
    - $320 million from CBR
    - Both of those appropriations take effect on July 1, 2020.
- DOT manages multiple extensive federal programs using cash flow accounting to navigate the timing mismatches between the federal and state appropriations and legislative cycles, construction seasons, permitting and ROW, and competitive bidding processes.
- A little over 90% of the surface transportation program is funded with federal dollars, which are typically paid after work had been done or projects have been completed. As a result, AKDOT uses state funds to cash flow projects and is reimbursed by the feds as the project moves forward. Because most project work is completed during the summer construction season, new

projects or additional work often commences in May or June before the new state fiscal year takes effect. The CBR is typically used to cashflow these activities (without appropriation) until federal funding is collected.

- Using that as an example:

Plan

The Dept of Revenue (DoR) could make the following accounting system instructions:

- Using the bill citation for the FY21 PFD as proof of the appropriation, transfer $680M from the CBR and deposit it in the dividend fund. Once the money is in the dividend fund then pay the PFD prior to FY21.
- Simultaneously with the transfer from the CBR, set up a "liability" or negative balance showing the CBR is owed $360M from the dividend fund.
- On July 1, the authority for the FY21 PFD appropriation will be entered into the accounting system, such that the $360M from the ER will be directed to the dividend fund and then flow back into the CBR, thereby cancelling out the negative balance and leaving zero dollars in the dividend fund for the remainder of FY21, reflecting that the PFD will have already been paid.
- Again, this is a method to satisfy the intent of all appropriations previously made without spending additional money or shortchanging any other appropriations in the process.

Issues

- Is there sufficient funding in the CBR to cashflow the entire PFD payment and other AK cashflow needs?
- Accessing $680M at once in the CBR will be characterized as exceeding the typical cashflow reliance on the funding source; however, $320M of this amount aligns with the existing authority under the FY21 budget.

OPTION 3: Paying a partial PFD early using the CBR

Assumptions

- Same as Option 2

Plan

The Dept of Revenue (DoR) could make the following accounting system instructions:

- Using the bill citation for the FY21 PFD as proof of the appropriation, transfer $320M from the CBR and deposit it in the dividend fund. Once the money is in the dividend fund then pay early a partial PFD in the amount of approximately $470 per person before FY21.
- Simultaneously with the transfer from the CBR, set up a "liability" or negative balance showing the CBR is owed $320M from the dividend fund. Then on July 1, the authority for the FY21 PFD appropriation will show up in the accounting system, thereby cancelling out the negative balance as the CBR portion of the PFD will have already been paid.
- The remaining $530 per person PFD payment could be paid after July 1 from the existing ER authority in the FY21 budget.
- Again, this is a method to satisfy the intent of all appropriations previously made without spending additional money or shortchanging any other appropriations in the process.

Issues

- Is there sufficient funding in the CBR to cashflow the partial payment and other AK cashflow needs?

- Accessing $320M at once in the CBR will be characterized as exceeding the typical cashflow reliance on the funding source; however, the partial funding will be more directly aligned with the existing authority under the FY21 budget.

Proposal to Expand Alaska 2-1-1

Alaska 2-1-1 is a statewide navigation system. It consists of:

- a call center
- a robust database of services statewide
- a web-based search platform
- a data collection/reporting system
- specialized navigation support

The system was built to expand and contract, as required. During this COVID-19 response, 2-1-1 went from 100+ calls a day to a record call volume day of 466 and implemented expanded hours - 7 am - 8 pm, 7 days a week. Data collected and passed on in real time to the State DHSS and local entities has assisted in their daily messaging and adjustment of their internal operations.

Ongoing Operations: Steady state operations requires $400,000 a year and operations are sorely taxed now with extra hours, staff overtime, continually updating the database, and pushing out constantly changing information on behalf of the policy makers as the situation evolves. We hear the concerns of Alaskans calling from all over the state. As we move through this pandemic and individuals find themselves in situations never experienced before, we are hearing more requests for instructions on how to file for unemployment benefits, distress over telephone lines being jammed, and concern over having enough food for their families and paying rent.

In addition to the pandemic, Alaska 2-1-1 worked alongside the State, local governments, for profit and nonprofit entities during the 2018 earthquake and the statewide budget cutbacks in 2019. What we have learned is that the easy to remember phone number; the free and confidential service; the ability to access translation for almost 200 languages; and the professional voice at the end of the phone line has been critical to maintaining calm and assisting in navigating to resources and solutions for many Alaskans. Working alongside first responders to alleviate unnecessary call volume (adding 2-1-1 to the 3-1-1 service within the Municipality of Anchorage) has also proven successful and seamless.

Opportunities for Enhanced Navigation. At the beginning of the response to COVID-19, 2-1-1 and the State DHSS enhanced navigation by deploying health care professionals to assist callers. Now, the bulk of the calls are for assistance with unemployment, public benefits, rent assistance, food, mental health, and transportation. More navigation support is needed for these callers.

With additional resources, 2-1-1 can navigate callers for benefits enrollment and other assistance programs through partnerships with the Department of Labor and Division of Public Benefits, for example.

Key 2-1-1 Data.
Since 2007, 266,354 Alaskans have called 2-1-1 and received357,932 service referrals. There have been 585,551 online database searches. Over 95 percent of callers reported the 2-1-1 service as helpful.

There are 1009 agencies ,1130 programs, and 9321 services in the database. Agencies can make their listings active or inactive in real time if their resources or services change.

In 2019, the top three call and referral data were for:

- Food and Nutrition
- Housing and Shelter
- Healthcare

Request. United Way of Anchorage requests $125,000 for Alaska 2-1-1:

- $75,000 to stand up benefits assistance information, referral, and navigation for Alaskans coping with the economic impacts of COVID-19
- $50,000 to support the ongoing capacity of 2-1-1 to respond to significantly higher service requests

Contact.
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theforakergroup
Standing Beside Alaska's Nonprofits

Providing Economic Relief to Alaska's Nonprofits

Central to the role of nonprofits and by definition of the IRS, nonprofits are not inherently financially viable in the marketplace. They are created to serve the greater good and fill the role that government either cannot or will not play and the for-profit market has deemed not viable. Nonprofits either generate their primary source of revenue from charitable giving or mission-related earned revenue. Government funds are also part of this equation as many nonprofits are involved in public-private partnerships. This is especially true in Alaska where there is no county system of government and nonprofits fulfill essential services like fire protection, healthcare, utilities etc. In addition, nonprofits are a major economic engine for Alaska accounting for 17% of the workforce or 44,000 jobs. They do this with rules and restrictions on generating and managing their resources that are strict and enforced by the IRS.

Most nonprofits are reliable and prudent with their resources. In fact, most nonprofits do more with very little than any other sector could imagine. Simply put, the standards that we must conform to require us to do the greatest amount of good as determined by our missions in the most prudent way. The notion of ownership is far from that of a for-profit business. The board of directors is the fiduciary and must act in the best interest of providing mission for the greater good. This includes the IRS requirements for dissolution whereby – in line with the commitment of stewarding resources for the public's good – the remaining assets must be repurposed to another nonprofit with a similar mission. For all of these reasons, nonprofits are not accustomed to taking loans and, in fact, it is often the least prudent option for a board to make given the reliance on charitable giving and mission-based income to survive.

These are unprecedented times and nonprofits are rising to the occasion as fast as they can to serve Alaska. Nonprofits are woven into every aspect of our lives and often in unseen ways. Alaska's communities require our role for the spiritual, the cultural, the environmental, and the essential. They are on the front lines as more than 50% of all healthcare in Alaska is delivered by nonprofits. They are almost 100% of our human service organizations, which are caring for the elderly, people who experience disabilities, children, homeless, hungry, and so much more. Every one of these organizations has had to quickly adapt and stay open to ensure this crisis does not escalate and Alaskans receive the services they need to survive. This is the time to do all we can to help nonprofits weather this health and economic crisis.

For all of these reasons, and more, it is Foraker's strong position that loans are not the most prudent or advisable option for nonprofits. If a loan program is offered, it must provide every avenue for no default. In fact, this is the current recognized strategy in the federal relief options. The state could follow congressional intent in the Payroll Protection Program which is first a loan that converts to a grant on a date certain with conditions that nonprofits retain staff and focus on mission.

Importantly, any loan option should be offered in conjunction with a granting program that offers operating support to deal with the impacts of this pandemic both in program adaptation, temporary closure, and loss of revenue.

The nonprofit community needs support over two time horizons. 1) The first is now – to both pay for the adaptations they have made to ramp up and serve Alaskans and/or to maintain their missions with

closed programs and no revenue. Many have applied for federal CARES and PPP funding, but this process will be slow to provide critical funding to the sector and there will likely not be enough for all who apply. 2) The second is the time from now until the economic picture improves. The CARES funding is a temporary fix for economic conditions that will last much longer. Nonprofits will need funding to carry them from the time CARES and PPP funding ends and the economic conditions return to a viable level to sustain the work.

Yes, many of our nonprofits have prudently built reserves to cover contingencies, but this crisis goes well beyond any normal planning scenarios. Our nonprofits are likely using their reserves right now to survive, or they are scrambling to request philanthropic support to tide them over. Truthfully, even with major changes, deep cutbacks, and a generous outpouring of donations, most organizations will only last a few months.

For the first time in history, Congress has recognized the importance of nonprofits in federal relief. The CARES act specifically acknowledges charitable nonprofits, veteran's organizations, and tribal governments by providing essential funds outside of a loan mechanism. And again even with a loan option they provide a mechanism to turn them into grants. The state should follow this intention with all federal CARES funding at a minimum.

Understanding all these complexities, we urge the State and AIDEA, in addition to establishing a robust granting option for Alaska nonprofits, to consider separate criteria for nonprofits for any loan/grant option for nonprofits. These are unprecedented times, and nonprofits need a pathway toward success now and into the future.

Overall Considerations for a Loan/Grant Option:

- Within the CARES Act, PPP, and Family's First Coronavirus Response Act, nonprofits are treated differently depending on their corporation status. Charitable 501(c)3 and (c)19 veteran organizations are specifically called out as eligible for all options; the remaining nonprofits are much more limited in their access. We recommend that Alaska options include a wider net while still ensuring that (c)3 organizations – including health, human services, education, recreation, environment, arts, culture, animal welfare, and religion among other focuses – are still covered. While the majority (70%) of Alaska's nonprofits are charitable, it is important to note that the other types of nonprofits are large contributors to the economy. These other nonprofit classifications include:
    - 501(c)(4) organizations like civic leagues and volunteer fire departments
    - 501(c)(6) business leagues like chambers of commerce
    - 501(c)(12) entities such as electric utilities
    - 501(c)(14) entities like state-chartered credit unions.
- Federal relief programs distinguish between support to maintain employment and financial relief for mission work impacted by COVID-19. We encourage creating loan/grant opportunities that also take both into account. Some of our strongest mission-oriented organizations have small staff because of their use of networks, collaborations, and volunteers. Their missions are still greatly impacted so employment alone cannot be the sole criteria for support.

- In our original outline of a loan program to Commissioner Mahoney, we suggested a process to set up a nonprofit review committee made up of Foraker, Rasmuson Foundation and other philanthropic partners who are experts in grant review. We want to emphasize this suggestion because a nonprofit review panel can alleviate some pieces of the process for the AIDEA board, or at least greatly enhance the process and ensure that nonprofits are treated as the CARES act intended.

- Finally, we recommend including a provision for refinancing through this program because some nonprofit do have existing loans and it is a clear need that would helpful for many organizations.

Criteria suggestions for State or AIDEA loan/grant programs in two parts:

1. A list of criteria for consideration

2. A list of things that should NOT be considered.

Criteria for Consideration*:

The following criteria represents a modified list from that for the Pick.Click.Give. program which the state has already implemented as a standard for nonprofit accountability. We recommend a modified list because the program is only focused on charitable organizations. Additional criteria are based on the CARES act criteria.

- Unless federally exempt, recipients will have a current or 2018 Internal Revenue Service Form 990 on file with the IRS, or, if the IRS has granted a filing extension for the current year, have on file that form for the immediately preceding year.

- Recipients will be directed by a voluntary board of directors or local advisory board whose majority of members are residents of the state of Alaska.

- Recipients will have provided in-state aid or services during the two calendar years that immediately precede the year the application is filed.

- Recipients will have completed and provided a financial audit conducted by an independent certified public accountant for the fiscal year to which the IRS Form 990 was filed. This requirement applies only to organizations whose total annual budget exceeds $500,000 during the fiscal year to which the IRS Form 990 applies.

Other suggested criteria

- An IRS letter of determination of nonprofit status for more than 5 years

- A sworn statement showing that the nonprofit has been impacted by COVID either because of the adaptation and expansion of services and expenses as the result of COVID, or loss of revenue from a temporary closure caused by Covid (expansion, adaptation or contraction), or

from loss of mission-related revenue (as determined by the IRS), charitable giving, or loss of government funding.

*Note that more research would be essential to ensure there were no unintended consequences that left a large number of nonprofits ineligible.

Criteria NOT to require in the loan program:

- Do not require a personal guarantee by the CEO or other staff – the SBA frames this as a testament of ownership.
- Do not require collateral as nonprofit ownership is determined differently by the IRS.

Submitted by Laurie Wolf, President and CEO, The Foraker Group
April 11, 2020

Alaska Economic Stabilization Team: Angel and VC Recommendations **April 7, 2020**

Alaska's Angel and Venture Capital (VC) community was tasked on April 2, 2020 by the Alaska Economic Stability Team (AEST) to develop a set of recommendations that:

1. Ensure the continuity of existing early stage ventures
2. Accelerate the creation and development of early stage businesses within the State, and
3. Provide a long-term strategy for Alaskan entrepreneurship that broadens the State's job creation engines and leverages the innate character, talent, and resources of Alaska.

With over 30 participants leading many critical venturing organizations throughout Alaska, the Angel and VC community has been well represented in this rapid response. What follows are a set of consistently supported Platforms distilled to a single page from over 40 pages of detailed suggestions.

Platform I: Provide Rapid Access to Capital. Implement an immediate, aggressive financial response to the COVID crisis, which will otherwise destroy solvent Alaska businesses.

- ***Critical near-term:* Save Alaska small businesses and startups from extinction by making available rapid, easy-to-access, low-cost liquidity**. Several examples are available upon request.
- *Important mid-term:* Increase and diversify available capital. Grow non-dilutive, seed equity and University research and innovation funds. Promote the state's crowdfunding law, building a portal for in-state investment and encouraging investor network formation. Partner with the private sector, financial institutions, CDFIs, and the Alaska Permanent Fund on new and existing programs.

Platform II: Commit as a State to Innovation and Entrepreneurship. Fund a statewide, performance-driven entity that builds an entrepreneurial and innovation-based economy. Activities include technical assistance programing; enabling collaborative work spaces; curating community and industry challenges; investor and mentor development; and expanding education and acceleration efforts. Examples: Pennsylvania's Ben Franklin Technology Partners; Ohio's Third Frontier.

Platform III: Extend Alaskan Capability. Prioritize Alaska's rural and urban entrepreneurs with lending, policy, investing incentives and research funding preferences. Focus on strategic industry priorities as outlined by the Governor and Legislature, including those capabilities critical to our independence and security. Consider the role of import substitution and light manufacturing.

Funding Source and Structure

A number of potential sources exist to support the Platforms above including:

- Alaska Industrial Development and Export Authority (AIDEA)
- CARES Act funding provided to the State of Alaska
- CBR Budgetary Allocation, or
- Alaska Permanent Fund Allocation (consistent with the $9BB presently allocated to PE & VC)

The investment community recognizes that fund mandates and restrictions represent potential hurdles, but believes these efforts may be utilized to save, grow, and extend the Alaskan economy. Envisioned is an initial funding amount of $250MM to support rapid action on the above priorities, followed by a continuing commitment of $100MM/yr for the next 7 years. Minimize allocation to overhead, consistent with standard venture models.

Next Steps

As next steps, we recommend the following process:

- AEST reviews and clarifies recommendations
- Recommendations presented to Governor Dunleavy for consideration and action
- Action-oriented refinement: immediate actions, accountability framework, and long-term strategy

These materials have been submitted by the Angel and VC Community in Alaska, a community comprised of experienced accredited investors investing within Alaska. This group has dedicated considerable monetary resources and more importantly, time in the development of entrepreneurship within our state. We welcome an iterative dialogue with public officials and administrators as we pursue the best short-term outcomes and build long-term capability for Alaska.

Project Proposals
COVID-19 Economic Disaster Response
Proposed to the Governor's Alaska Economic Stabilization Team

Bill Popp, President & CEO, Anchorage Economic Development Corporation
Jon Bittner, Executive Director, Alaska Small Business Development Center

1. ARDOR Small Business Grant Program ($25-$50 million statewide)

Alaska Regional Development Organizations (ARDORs) are uniquely positioned in both state statute and within SB241 to provide rapidly deployable programs to respond to the COVID-19 pandemic impacts on the economy. This program proposal would utilize ARDORs to fully leverage limited

One of the things that is becoming very apparent is the need for a business relief grant program targeting the smaller end of the spectrum of small businesses. Businesses with less than 50 employees, with an emphasis on businesses with 10 or less employees.

A set of scalable grants, based on size business (# of employees) and other key criteria that denote need, could be a huge help right now. While there are several programs through the CARES Act that serve businesses, those programs have been slow to roll out and with a growing number of gaps in applicability to a number of businesses and non-profits. The volume of businesses served by a program like this will keep more people employed and have more businesses still standing and ready to go when Alaska is past this period of hunker down.

The program could be tiered with grants scaled for employers with 26 to 50 employees, 11 to 25 employees, 10 or less employees. The size of the grant could be tiered to reflect that size. I.e. $100,000 for 50 employee businesses, $50,000 for 25 employee businesses, $25,000 for 10 or less employee businesses. The dollar amounts are just examples and open to adjustment. The point though is that the grant needs to be meaningful and impactful to help carry these businesses for at least 60-90 days.

To be clear the funds provided to businesses will be in the form of a grant. Loans come with a significant level of bureaucracy that costs money that could be better used in the hands of businesses. Further, this funding is intended to carry over businesses until revenues begin to flow again and we want to stretch the funding as far possible to support the greatest number of businesses.

There will still be costs associated with establishing systems to accept, track, disburse funds, protect against fraud, and generally administer the program to assure it is accountable and appropriately transparent. Partnership with the State of Alaska DCCED will be a key support for the effective development and deployment of the program. Administrative costs will need to be addressed within the program at reasonable levels that balance the need for efficiency and accountability with the need to maximize the level of grants being provided.

We have identified a similar program already active in Boston.
https://www.boston.gov/departments/economic-development/small-business-relief-fund

This program could be emulated in Alaska, especially if the City of Boston would be willing to share their program structure with Alaska. And it was not a big project as Boston has this program up and running within the first month of the COVID-19 disaster.

2. **DCCED Division of Economic Development Loan Program Expansion ($75-$100 million statewide)**

DCCED has a number of existing loan programs already in place under the oversight of the Division of Economic Development. These existing programs could be modified and expanded to offer new loan products focused on the following industries that are feeling the greatest direct impacts from the COVID-19 pandemic:

- Tourism
- Commercial fishing
- Retail
- Construction

Loan programs targeting these largely small business industries most impacted by COVID-19. Through implementation of modified program guidelines, these loans would offer the following benefits to Alaska businesses most stressed by the current disaster:

- Higher-risk lending to existing businesses not otherwise provided by traditional private sector lenders
- Provides following options:
    - needed funding for business expansion that results in increased employment
    - needed funding to bridge down market until revenues improve
    - Loans not to exceed $2.0 million
- Highly favorable interest rates, for example prime plus one would equal 4.25%
- Balanced approach for lending to businesses. I.e. 40% for businesses with 100+ employees, 60% for businesses with less than 100 employees
- Fast turn around in loan approval process predicated on borrower providing required application information.

The program can be easily adjusted to a more targeted program for very small businesses (under 10 employees) or smaller loan amounts ($1.0 million or less) if there is a desire to spread benefit to a broader number of businesses that otherwise do not qualify for traditional private sector financial programs.

3. **Workforce Development/Retraining and New Industry Development Program ($50-$75 million statewide)**

As the economic impacts continue to impact Alaskan businesses into the summer, particularly in industries like tourism, retail, construction, fishing and other sectors, many more Alaskans will find themselves unemployed or underemployed. While the CARES Act contained changes to the unemployment insurance criteria and payments, the benefits are still finite, and participants will eventually need to re-enter the workforce in some fashion.

Of particular concern is the long-term consequences of the COVID-19 impact on sectors like tourism, seafood and other industries. For example, it is very possible that the tourism sector

will suffer long-term consequences from the pandemic resulting in significant job losses and business closures that will take years to recover from. This presents a need to retrain workforce into new industries and stimulate growth in new business sectors not currently representing a significant presence in the Alaska economy. Analysis will be required to identify impacted existing sectors and new sectors that could be developed in order to target new training and business development targets.

For displaced workers training grants can be offered and access to specialized retraining programs developed by the University in partnership with the private sector, the State can help position affected individuals to reenter the workforce. Focusing on developing skills that either fill existing needs within the state or that are marketable outside Alaska will enable participants to start generating income even when many sectors of Alaska's economy are struggling. The program would need to:

- Leverage broadband access, particularly outside the urban centers
- Focus on retraining programs that target specific industries and skillsets that are least impacted by the COVID-19 emergency
- Engages the private sector and the University to identify or develop the training needed
- Allow unemployed Alaskans to participate for free in order to generate the maximum value and interest in the shortest amount of time.
- Provide training not only for participants to get new jobs with existing companies, but also to create their own jobs focusing on fields that use the internet to access a wider customer base outside the state.

Partnerships could be made with the University of Alaska, the Denali Commission, the Rasmuson Foundation, GCI, ACS, native corporations as examples of major employers across the state to identify opportunities, develop training programs, facilitate placements and assist individuals in using the internet to access markets and customers outside the state to bring more revenues in from outside.

4. Destination Marketing Funding ($25-$50 million statewide)

Alaska's tourism industry is a jobs producer, funds local governments, and supports communities. In 2019, 2.25 million visitors supported $1.4 billion in direct wages and generated $4.5 billion in economic activity for the state.

The tourism industry has been, and will continue to be, disproportionately impacted by the COVID-19 emergency. The economic impacts will be unprecedented. There is an additional consideration related to the economic disaster: this pandemic threatens the quality of life opportunities for Alaska's residents as restaurants, arts and cultural centers, museums, and long-treasured activities (day cruises, guided activities, flightseeing) will be forced to close.

Unlike most Lower 48 destinations, Alaska is significantly dependent on cruise (60%), air (36%), or cross-border travel (4%) for peak season traffic. A recent traveler sentiment study shows the likelihood of travelers taking a leisure trip in the next 6 months has declined by more than 50% in past month (March 2020). Interest in cruise travel has plummeted even more and continues on its downward track.

Based on current government actions (CDC restrictions on cruise ships, Canadian banning of ships), it is likely that Alaska will lose the entire 2020 summer cruise season.

Without a strong tourism promotion program, Alaska's visitation levels – and the jobs created by visitor spending – will take much longer to stabilize, much less regain 2019 levels.

When the time is right, Alaska's tourism industry, via the Alaska Travel Industry Association (ATIA) and community Destination Marketing Organizations (DMOs) need to be poised to reach out to potential visitors to think of Alaska as a safe, familiar destination with wide-open spaces, to help rebuild Alaska tourism jobs and Alaska's travel economy. In addition, the industry needs to rebuild and re-envision the foundational and long-standing itineraries and consumer expectations of an Alaska vacation.

These marketing organizations have the talent and expertise; but they will need funding to be competitive.

ATIA is funded by an annual appropriate from the State, supplemented by industry participation in marketing programs. With the legislature in recess, a marketing appropriation for FY21 is not yet secured; further, even at their highest, the state levels of funding are not near the amount needed to mount a "recovery campaign."

Likewise, regional DMOs are facing devastating budget cuts based on visitor activity in their region. Visit Anchorage is expecting a nearly 90% decline in revenue during the upcoming summer peak season; this scenario is playing out for tourism marketing entities statewide. With such severe cuts, no community will be in a position to aggressively market to try and improve the trajectory of our state's recovery.

Investment in tourism marketing is needed to gain back market share - as soon as it is safe
While Alaska's tourism sector is resilient, it will need enhanced efforts to attract visitors and create jobs supporting Alaska families and communities.

Dedicated tourism marketing funds are needed to quicken the pace of visitors returning to Alaska; our landscapes and wide open spaces will offer particular appeal with the public right now. However, travel by air and by cruise ship present specific challenges that will take strong marketing to overcome in the near and mid-term.

Marketing funding allocations could be split with half supporting the statewide marketing program (ATIA) and the remainder supporting community DMOs on a proportional basis.

PORCARO
COMMUNICATIONS

The Case for an Alaskan Amazon

As Alaska seeks to climb out of the unprecedented hole Covid-19 has cast us into, we will need a ladder built of big, bold ideas. Of paramount importance will be helping consumers spend again and helping businesses sell again.

The future of retail and selling in general had already been forever changed by Amazon.com. Across America, traditional brick and mortar stores are closing and shopping malls are being repurposed. Now it is fair to consider whether the Covid-19 lockdown will result in an even faster migration away from in-store shopping, as the online shopping habits take hold in an even greater cross-section of humanity.

For years, Alaskan businesses were somewhat protected from Amazon and other online retailers by high shipping costs. We are all familiar with the disappointment of finding the perfect jacket or tent for a great price, only to be shut down by $35 shipping – or even *Not Available In Your Area* messages. Then Amazon extended its Prime membership to Alaska, and some other online retailers followed suit, and now Alaskans can enjoy most of the online shopping benefits that the rest of the country does. We don't get the two-day, or one-day in some cases, delivery of the Lower 48, but one-week free delivery is a huge improvement.

How can Alaskan businesses compete and get their share of the online market that is taking more and more business away from brick-and-mortar stores – especially now that many are in danger of never being able to recover from the disruption of the pandemic? The good news is that some traditional businesses have adapted and successfully challenged Amazon's supremacy. Walmart and Target, for example, have built large and growing online businesses. Ebay also continues to be a force, and they have expanded beyond their original auction format, to include online stores similar to Amazon.

While all of these online retailers serve Alaskans to varying degrees, they leave an open door for an Alaska-specific competitor for several reasons.

1. The service they offer Alaska is a watered-down version of their mainland product, with certain items not available to Alaska, longer shipping times, and shipping fees for some.

2. They do not have a strong selection of merchandise made by or made for Alaskans. Alaska is small enough and remote enough, that big outside operations often do not customize their merchandise to meet our needs.

3. Perishable goods, such as fresh vegetables, fish, or other food products are out of the question for Alaskans. This move into groceries and similar items, while offering some challenges, looks like a potential growth market for online retailers. An AKmazon.com (probably not the real name, but a descriptive title for the sake of this document) will open up the possibility of filling this niche.

How to Build It

We believe the site can be set up without reinventing the wheel. There are programming services that offer ready-made, scalable Amazon clones that can be configured to meet the retailer's need. This can be as simple as an e-commerce site for a single retailer, or a full-blown consolidated site like we are planning.

As the site grows, we can work with the service provider to program functionality that may be unique to our needs, or we can employ our own programmers, depending upon which gives us the greatest flexibility and cost efficiency.

In this manner, we can launch the site quickly, so it can begin to contribute to the state's economy and to local businesses immediately, and begin the rebuilding process the state so vitally needs.

How it Will Work

The purpose of our AKmazon site is not to generate profits for itself, but to build a platform to rebuild from the pandemic, and to support and grow Alaska businesses long-term, by giving them a place to market and sell their products and services that they could never achieve on their own.

Creating a website, of course, is not all that difficult or expensive. The smallest business can do it. However, building a good website, maintaining it, and marketing it effectively are quite costly and time consuming – especially for a small business that is trying to create a product, serve their regular customers, manage employees, and all of the other myriad things that go along with running a business. The AKmazon takes care of a lot of those worries.

Like Amazon, eBay, or Alibaba, our AKmazon will support itself by taking a percentage of every sale made on the site. Amazon typically charges about 15 percent to their vendor partners, plus a fulfillment fee to pack and ship the item. EBay is a little less, and the sellers ship their own items. We might propose a hybrid, where the seller can choose to store inventory at AKmazon's warehouse and let us ship, or they can handle the shipping and inventory themselves, paying us a lower fee.

Since AKmazon's mission is to promote local business, rather than turn a profit for itself, our fees can be the lowest possible, while generating enough revenue to be sustainable without ongoing state funding. Low fees, aggressive marketing of the site (both in-state and out-of-state), and providing fulfillment and shipping services will remove participation barriers from local businesses, which should make the AKmazon practically irresistible. By the time we factor in the value of warehousing, fulfillment, and shipping, it could actually save money for any local company or individual that wants to add e-commerce to their business model.

The Big Hook: If those incentives are not enough, we propose a jump start by giving every Alaskan a credit to purchase on the site. We can discuss the amount. It does not need to be huge, but should be large enough to get people's attention. This will achieve multiple goals.

1. Businesses will clamor to sell on the site, as it will give them a shot at the tens of millions of dollars of ready money to be spent.

2. Every consumer in the state will go to the site to take advantage of this free spending money. As they have a good experience, they will begin to build the habit of shopping there.

3. It will inject a much-needed immediate infusion of cash into the economy at at time when people may be naturally inclined to keep their powder dry.

Besides just physical products, AKmazon can be a site to market Alaskan services, as well – both to consumers and to businesses. A big part of Alibaba's business is matching commercial sellers to commercial buyers, and we believe we can help make that happen for Alaskan businesses. The fulfillment will differ from that used for physical products, but it can be a powerful tool for service providers and business-to-business operations.

We believe that many businesses will see the benefit of selling on the AKmazon site without much arm-twisting, especially with the statewide shopping credit. But we will also do a marketing campaign to sellers to get the greatest possible participation. One way that we may accomplish this is to allow sellers to provide a link to their own websites, right on their AKmazon listings. Again, since our goal is not to get profit for ourselves, this will at least help sellers use the site as a promotional tool, even if they do not wish to utilize our warehousing and fulfillment capabilities. In time, some who choose this option will probably come around to recognizing the value of letting someone else take care of those considerations.

Delivering the Goods

A fulfillment expert will be one of the most important people we can employ for AKmazon. This individual, or perhaps team, will figure out the most efficient ways to get the products to the customers, and will also know how to negotiate the best deals with carriers.

That being said, we have some opinions of how the delivery can work, which will vary, depending upon where the customer lives or works.

For Anchorage, we expect to follow the model Amazon has adopted in locations where they have warehouse facilities, and employ a fleet of local delivery vans. These can deliver merchandise from our warehouse to the destination, or pick it up from a seller's location, and deliver it to the destination,

if the seller chooses this option. This will allow next-day or two-day delivery, much like Amazon Prime in the Lower 48.

For larger Railbelt cities, we can have a truck, or work with local truckers, to take daily shipments to a shipping hub in each city, where an AKmazon or private contractor's van can receive them and deliver within the city.

For other Alaskan towns and villages, we can make use of the extremely low in-state mailing costs to still ship merchandise to bush customers, or from bush sellers.

Since one of our goals will be to open up Outside markets to Alaskan merchandise, we will also seek out the best, most cost-effective shipping options to the Lower 48. We will either work with existing freight consolidators or have our own internal consolidator.

A Brilliant Opportunity for Alaska

Alaska has a history of encountering difficult challenges and coming out stronger than before. If we handle this correctly, the current crisis can be another of those times. Necessity is the mother of invention; the necessity has never been greater, so it's time to get inventive. With the federal emergency funds, we have the opportunity to build something great for our state that may not have ever happened otherwise.

Alaska offers all kinds of products and services that are just waiting for a better way to get to market. These can be for other Alaskans, who want to do business locally, but can't find what they need in-state, or perhaps can't find it at a competitive price. Or perhaps it's someone who visited or used to live in Alaska and wants to stock up on something they enjoyed up here. Or perhaps someone is interested in some unspecified Alaskan product, and they don't even know where to look.

The AKmazon model will give Alaskan sellers the ability to appear at or near the top of any search that involves Alaska, or a host of other keywords. This kind of presence would be out of reach for small local businesses. Once on the site, the home page can showcase things like Top Sellers, New Products, New Vendors, or other things that can help put individual businesses in the limelight.

And by removing the high cost of marketing, rent, warehousing, in-house packing and shipping, etc., we can help make Alaskan products more affordable and competitive at a time they need it the most.

Alaska Economic Development Organizations Weekly Call, April 9, 2020

Comment Summary

This document captures the commentary and input from the weekly economic development organizations weekly videoconference organized by the University of Alaska Center for Economic Development. Former Senator Mark Begich, Former Governor Sean Parnell, and Department of Commerce, Community, and Economic Development (DCCED) Commissioner Julie Anderson were in attendance, along with Alaska Regional Development Organizations (ARDORs) and other economic development entities. Participants were asked to provide written commentary prior to the meeting about options for state and federal government to address the economic downturn caused by the COVID-19 pandemic.

Major themes:

- **Urgency of capital deployment.** The Small Business Administration's (SBA)emergency programs are providing critical assistance, but funds are not getting to businesses fast enough and accessing the programs through various participating banks is complex. Funds will also be exhausted soon and more money will need to be appropriated. State financing programs through DCCED and the Alaska Industrial Development and Export Authority (AIDEA) should be leveraged creatively. For example, legislation authorizing AIDEA to buy the loan portfolios of various revolving loan funds could be an efficient way to encourage more lending at the local level.
- **Coordination and partnership with regional development and economic development organizations (ARDORs and EDOs).** The state should coordinate closely with these organizations in planning for economic recovery. ARDORs and Economic Development Organizations (EDOs) can be vehicles for distributing resources, and provide guidance on effective uses of relief funding.
- **Provide or coordinate technical assistance.** Businesses, local governments, and nonprofits in smaller communities will struggle to access relief programs from the state and federal governments. Wherever appropriate, the state should help these organizations utilize assistance programs, or direct funding to organizations that can provide help.
- **Existing funds for fisheries relief are inadequate**. The $300 million in aid for fisheries nationwide under the CARES Act is woefully insufficient. The Bristol Bay commercial salmon fishery alone is valued at $300 million.
- **Continue investing in growth.** Funding for infrastructure and innovation should continue, particularly through future federal stimulus efforts. Transportation infrastructure, broadband, energy, and other areas are important investments, and good economic stimulus.

For more information, please contact Nolan Klouda at Center for Economic Development at nfklouda@alaska.edu or 907.538.4478.

Detailed Comments from Members

Suggestions for the Department of Commerce, Community, and Economic Development (DCCED)

- Increase the amount of funding available through their loan programs, reduce requirements to lend, postpone collection on all loans, make grants available through DCRA, and use Made in Alaska Facebook and Instagram accounts to publicize the great work being done by Alaska manufacturers to respond to the crisis. (a small morale booster)
- Identify partnerships for disbursement of funding so that the response is localized.
- Form partnerships so that project development is expanded to meet the scope of the problem; develop an ambitious plan capable of tackling the shock some sectors of Alaska face. This will require collective and pooled resources.
- Technical assistance for federal relief (i.e. help with applications, etc.) especially in small communities where these technical assistance resources are lacking. Businesses and individuals may also eventually need more legal assistance with bankruptcies and creditors.
- Push some resources to local EDOs (not only ARDORs) to work on local-level priorities. For example, match local economic development group budget. Or make grants to organizations in a few categories: entrepreneurship support, key industry support, workforce development, business retention.
- Continue to eliminate/reduce fees for business transactions.
- Develop a Winter Economy project, which includes tourism but also recognizes that Alaska's weakest part of the year is October through April.
- Work with other agencies to help small businesses across Alaska to get as much dollar impact from the various stimulus packages as possible.

Suggestions for the Legislature and other units of state government

- Increase allocations to revolving loan fund programs. Give automatic extensions for business licenses, occupational licenses, waive business and corporate taxes.
- Advocate for federal funds to address the scale of the problem Alaska is facing. Fund baseline research and infrastructure into strategic investments in Alaska that kick-start private sector investment. Reach out to EDOs and the private sector for advice.
- Advocate for more money for helping fisheries industry businesses. $300 million nationwide is a drop in the bucket.
- Local (or in-state) hire initiatives, job training programs, food security initiatives, energy assistance initiatives, broadband access initiatives - anything to make our communities more self-reliant and our economies more diversified and employable.
- Expand unemployment insurance benefits.
- Build/maintain infrastructure that is supportive of economic activity—roads, energy resources, bandwidth (invest in IT infrastructure like we do roads—everyone needs them and everyone benefits from them), and the university system.
- At this point the legislature is recessed. It is doubtful they will come back anytime soon, maybe this summer. If and when they do come back, they need to come back with the recognition that the economic impacts of COVID-19 are real and far reaching to Alaska’s economy including

businesses and employees. Specific programs that will sustain business and encourage retention of employees are needed and soon.

Suggestions for Alaska's Congressional Delegation

- Appropriate additional funds to the SBA loan programs (PPP and EIDL) and remove obstacles to
- Secure funding for manufacturers who produce PPE during this time so that they can produce PPE for Alaskans (now that we've moved to universal masking) and buy the necessary raw materials.
- Increase funding for revolving loan funds.
- Increase EDA funds for disaster planning grants and implementation grants
- Prepare for a substantial funding request at a level sufficient to redirect the state's faltering oil-based economy. Partner with state leadership (who should partner with nonprofit and private sectors, per above).
- Advocate for national strategic projects in Alaska, such as Arctic Development, military, aerospace, minerals, transportation, trans-shipment, and research.
- Advocate for more money for helping fisheries industry businesses. $300 million nationwide is a drop in the bucket.
- Continue federal funding of response programs. Create and fund recovery programs that work for Alaska.
- Alaska is fortunate to have three strong voices in Congress that see the need to sustain the economy during this pandemic…our delegation should give some focus to Alaska's critical infrastructure, including: ports, rail, road, airports, schools, universities, hospitals, and power generation. All these and more will be need if Alaska is to, again, emerge from the recession.

Other suggestions and recommendations

- It's going to be important to encourage law and policy makers to commit to investments during this recovery period. Locally, we are looking to the WPA and CCC models from the New Deal; however, they take investment. Our funding for schools, libraries, museums, and even basic government services, like public safety and water treatment, are going to be stretched to the limit and lacking. But small-scale investments in ideas and projects that diversify the economy, and not just one sector over another, might help propel communities, especially rural communities, forward.
- Let's create a set of funds, implemented at the local level, seeded with federal or state dollars, and matched with local and private dollars, to recapitalize businesses at attractive terms with relatively easy exit strategies (to get companies back out on their own). Loans will not be the best tool for many, many businesses—they will need somewhat patient capital.
- Encourage other Alaska communities to create Economic Response Teams. Pooling of information and available resources. The more local information and local utilization of available economic resource we are able to spread across Alaska the better off all Alaska will be in the future.