



Economic Stabilization Task Force

Appointed by the City & Borough of Juneau's Mayor

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www.beta.juneau.org/assembly/economic-stabilization

May 19, 2020

Alan Weitzner, Acting Director
AIDEA
813 West Northern Lights Blvd
Anchorage, AK 99503

RE: Modify AK Cares Program to allow participation by business that received PPP support

Dear Alan,

Thank you for taking the time speak with us last week. In response to the COVID crisis, Juneau's Mayor Beth Weldon has appointed an Economic Stabilization Task Force, charging us in part with identifying initiatives and opportunities that will help local businesses weather this storm. We believe AK Cares will provide invaluable relief to Alaska's small businesses, keeping many afloat through this crisis, and greatly appreciate the opportunity to comment on one area that we think could enhance the impact of the program.

One of the eligibility requirements is that the applicant cannot have received PPP or EIDL funds. We ask that you reevaluate that restriction. It is becoming evident as the summer unfolds that the reality for many businesses, particularly those that are seasonal, is that they will not have the chance to reopen and establish the payroll levels that will qualify them to truly benefit from the forgiveness provisions of the PPP. They will be left with an obligation that, while low interest, is still debt that will impact their financial strength for years to come.

The third stated purpose of the AK Cares program is to benefit "Alaska seasonal businesses which have not fully benefited from the terms and conditions of the SBA PPP or other federal loan programs"ⁱⁱ. By excluding any business that has received PPP funds, it seems that purpose will not be met.

According the Alaska Small Business Development center, the average PPP Loan in round two of funding through May 8th was \$77,500, significantly less than the \$190,000 average from round one. Between the two rounds of funding, over 9500 Alaska businesses have received PPP funds. Further, round two is still open with funds available, so Alaska businesses of all sizes and shapes have had opportunity at this point to apply.

We recognize that that crafters of the AK Cares program rightly want to avoid the possibility that a business might get grant funds twice. However, two provisions could prevent that from occurring:

1. Since PPP was intended to cover just payroll and a portion of utilities rent and interest costs, AK Cares funds could be distributed only to cover expenses not eligible for PPP forgiveness. The following expenses are eligible under AK Cares but not PPP:
 - Short Term or credit card debt incurred to support the business during the emergency
 - Mortgage payments (PPP covers only interest)
 - Purchase of PPE
 - Business related equipment
 - Expenses to replenish inventory or other necessary reopening expenses.
2. AK Cares funds could only be extended to cover amounts eligible for PPP forgiveness (Payroll and benefits, utilities, rent and interest) if the business can clearly establish that their measurement period is over and funds will not be forgiven due to the circumstances of that business.

We understand that the goal of the AK Cares program is to get critical funding in the hands of Alaska's small business, with particular acknowledgement of the challenges faced by seasonal businesses. The exclusion of any business that received PPP funds will remove this much needed support from thousands of Alaska business, many of whom will not qualify at all or in large part from the PPP forgiveness benefit.

We appreciate you consideration. If we can answer any questions, please do not hesitate to contact us at 907-957-7131 or max@mertzcpa.com

Sincerely,

Max Mertz
Co-Chair
Mayor's Economic Stabilization Task Force, Juneau AK

¹ G20-18 AK Cares Funding Program, Term Sheet, P.5

Appointed Task Force Members

Max Mertz, Co-Chair • Linda Thomas, Co-Chair • Susan Bell • Theresa Belton • Bruce Botelho

Eric Forst • Ken Koelsch • Lauren MacVay • Laura Martinson • Terra Peters