



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

Dana Pruhs, Chair
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 Dana and Alan,

Thank you for taking the time speak with us last week. In response to the COVID-19 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 we think could enhance the impact of the program.

An eligibility requirement of the AK Cares Program is that the applicant may not have received PPP or EIDL funding. We ask that you reevaluate this restriction. As the summer unfolds, it is becoming evident that many businesses, particularly those of a seasonal nature, will not have the chance to reopen and establish the payroll levels that will qualify them to benefit from the forgiveness provisions of PPP funding. They will be left with a debt obligation, that while low interest, will influence 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". By excluding any business that has received PPP funds, it seems that purpose will not be met.

According to the Alaska Small Business Development Center, the average PPP loan in round two of funding through May 8 was \$77,500, which is significantly less than the \$190,000 average from round one. Between the two rounds of funding, over 9,500 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 to apply.

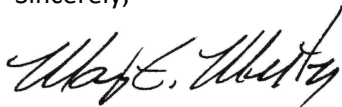
We recognize that that crafters of the AK Cares program rightly want to avoid the possibility that a business might receive duplicative grant funding. However, two provisions could prevent this from occurring:

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