



## ATIA Invited Testimony

### Alaska State House Labor and Commerce Committee on Alaska State CARES Act funding – May 8, 2020

Thank you Chair Spohnholz for the opportunity to speak with you and committee members today. For the record, my name is Sarah Leonard, I am the President & CEO of the Alaska Travel Industry Association or ATIA, the leading statewide trade association for travel and tourism businesses in Alaska. ATIA is the statewide voice for tourism businesses and we market Alaska as a premier traveler destination.

I've been asked to share with you with the significant challenges Alaska's tourism businesses are facing due to the COVID-19 pandemic and the need for financial support for these businesses. I think you'll hear similar messages from me as the other presenters.

#### **The COVID-19 pandemic is decimating Alaska's tourism industry.**

I want to share with you a couple of quotes from an informal tourism impacts survey ATIA conducted last month:

From a tourism business owner from Ketchikan: *This was to be my 20th season of operations. I don't have sufficient cash on hand to pay my mortgage and will lose my shop / office and home.*

From a tourism business owner in Seward, Alaska: *"This Coronavirus is devastating us and our community. We are a community of all small businesses. How do we pay our bills when our doors are shuttered and the planet is on lockdown?"*

ATIA's priority from the beginning, has been the health and safety of our teams, our families and Alaskans. However, the necessary travel restrictions have impacted every tourism sector entry point from cruise cancellations to air travel restrictions to road access into Alaska with the Canadian border closure.

Many of our over 650 member businesses have had to lay off employees due to the impacts of COVID-19. Tourism businesses and nonprofit community partners are facing the devastating decisions now about whether to hang on this summer and try to capture revenue from potential instate travel, as we see updated health mandates, or close down entirely. This means letting go of thousands of jobs and in some cases their livelihoods.

Tourism businesses, like many businesses in Alaska, looked to the federal CARES Act programs for help. We recognize and thank our Congressional delegation and those in Washington D.C. who were acting quickly to provide critical assistance to thousands of Alaskans. The number one issue we are hearing from tourism industry businesses is the need for liquidity – as soon as possible. Businesses did apply for the initial \$10,000 loan through the Economic Injury Disaster Loan or (EIDL) program and I have heard several that received an initial advance. However, I have not heard of many that have moved to the next step toward an EIDL loan. Many businesses have also already applied for the payroll protection plan or (PPP) and were awaiting word on the status of these loans before the funds ran out. While both these programs were refunded by Congress, for many small businesses, the gap between request and receipt may have meant shutting their doors completely.

We also heard clearly Alaska tourism business owners and our community partners across the state, at every size and sector, expressed the challenge in trying to navigate the financial assistance through the CARES Act – a constantly changing process. The loan programs did not take into consideration the seasonality of many tourism businesses in Alaska and included complicated formulas in their applications. Smaller sized tourism businesses often lack sufficient formal documentation to meet traditional loan requirements. With new regulation

changes intended to improve the PPP program in particular, to allow flexibility in the amount of a loan a business might apply or reapply for – is still trickling down to local lenders.

While the loan programs have provided a pause for some businesses for the next two or three months potentially, collateral requirements and personal guarantees only add to a business owners financial burden in a time when any incoming revenue is uncertain. The CARES Act loans - even at low interest - must be repaid. And for businesses already in debt, this will only add to the slow recovery of their business and the Alaska tourism economy. Changing loans to grants to support tourism businesses now, may help them stabilize and be ready to recover when it is safe to travel again.

Alaska should pull out every tool in our toolbox to support our businesses and communities. Whether implementing forgivable loan programs through AIDEA **and** allocating a portion of the federal stimulus funds toward specialized grant programs with trusted organizations - we are looking to your leadership to act quickly.

A direct grant program for tourism businesses and administered by ATIA would provide the much-needed help Alaska's tourism businesses need now to survive, filling a gap between additional federal and state assistance. For example, ATIA, working with our partners at the Alaska Dept. of Commerce, Community and Economic Development, could distribute \$10 million to 500 struggling tourism businesses with individual grants of \$20,000 toward basic operating costs that would help them maintain until next year and when travelers can return. A \$25 million program would support 1,250 businesses at the same \$20,000 grant level. A business could pay for their insurance premiums up front or pay their utility bills for the year. This grant support would provide Alaska's tourism businesses the critical help they need, from an organization they are used to hearing from, to maintain a minimum level of operations today and in the coming months so they are able to welcome guests later, when it is safe to do so.

ATIA has extensive experience managing grants and contracts for the State of Alaska, through DCCED. We are poised to implement this granting program and are able be both fluid and

accountable. Grants, unlike loans, will not add additional financial pressure on struggling businesses.

Thank you to my industry and business colleagues for your comments today and to the Chair and committee members for your leadership and your support of tourism businesses across our state and for all that you are doing to help Alaskans.