

We understand that as a local government you have the responsibility to determine how best to spend the CARES funding for your community. While the U.S. Treasury rules must be followed, there is considerable flexibility. Funds cannot only pay for incurred COVID-19 expenses, they can also be used to solve problems exacerbated by COVID-19. We strongly encourage each government to determine how much or what percentage of funds will be distributed to nonprofits and small businesses in their community. To that end, we offer a simplified set of suggestions for your grant-making process.

Establishing Grant Programs for Nonprofits and Small Businesses Responding to the COVID-19 Crisis

As the state's municipal and nonprofit associations, and the state's small business support center, our interest is in supporting 165 cities and boroughs, the 6,000 Alaska nonprofits, and the 80% of Alaska businesses that serve residents in those and other Alaska communities. Alaska's local governments recognize that nonprofits and small business are a major economic driver for Alaskans and their families, partnering with government in delivering essential services, leveraging public funds for maximum impact through public/private partnerships, investing in our communities, and helping ensure community well-being and quality of life for all Alaskans.

While some local governments may have an existing grant program, the following guidance, which is aligned with the CARES Act, is intended to offer a **streamlined process** for how they can effectively implement nonprofit and small business support programs for relief and recovery during this public health and economic crisis. As partners, AML, The Foraker Group, and AKSBDC stand ready to support local governments in developing funding programs that encourage nonprofits and small business participation. Alaska communities are building on this strong partnership today and into the future.

Timing considerations for current funding and future relief funding

Nonprofits, just like our small businesses, will need support in two time frames and maybe even three.

- They need support **now** for the adaptations they have made to ramp up and serve Alaskans and to maintain their missions with closed programs and no revenue. Many have applied for federal CARES Act and PPP funding, but this process is slow to get critical funding to the sector, and there will likely not be enough for all who apply.
- They will need support **three-to-nine months** from now. The CARE Act 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 resume to a viable level to sustain the work.
- And those that rely on tourism, seafood, and oil and gas will also likely need more support measured in years, not months, to recover from the impacts of this pandemic.

Considerations for a CARES grant relief program:

- Grant funding for the program is coming from CARES Act funds.
- A nonprofit or small business self-certifies that it was/is negatively impacted by the COVID pandemic either through rapid expansion or adaptation to serve the community or because of forced closure in the name of public health. <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

- All funds have as few restrictions as possible to ensure nonprofits and small businesses can spend the relief funds on operational costs as needed.

Suggested eligibility and access for nonprofit consideration:*

The following criteria represent a modified list from the one used 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.

- All nonprofits, not just (c)3 and (c)19 organizations, are eligible if they meet the other 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 proceed the year the application is filed.
- Recipients will have completed and provided a financial audit with an unqualified opinion 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 \$750,000 during the fiscal year to which the IRS Form 990 applies.
- Recipients will have an IRS letter of determination of nonprofit status for more than 2 years.
- Recipients will provide 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.

Other suggested criteria for maximum participation for relief and recovery of nonprofits and small businesses:

- We strongly encourage criteria THAT DOES NOT eliminate nonprofits or small businesses who have already received any amount of other funding including PPP or EIDL. Nonprofits and businesses that will recover will do so because they are putting many strategies together. No single source of funding will lead to a full recovery.
- The federal relief makes a distinction in its offerings between support to maintain employment and financial relief for mission work impacted by COVID-19. Grant opportunities must take both into account as some of our strongest mission-oriented organizations have no or 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. We strongly encourage criteria to NOT be based on the number of employees. Employees are only one indicator of need and many nonprofits and small businesses employ part-time,

seasonal, or contractual workers, or are sole proprietors. Employee count deeply limits those who need help.

A relief application process that works to support all Alaska nonprofits and small businesses: *

Local governments may not be set up to process grant applications or manage this process, so we recommend:

- In the interest of the local government and applicant, make this a simplified process for both parties.
- Applications can be online and in a paper format and distributed through local networks (formal, informal, online, radio, newspapers, in person).
- We strongly recommend a noncompetitive process. This will ensure a quick and transparent distribution of funds to your community.
 - Tolerate unsophisticated depictions of business financials
 - Assign meaningful technical assistance that 'gets applicants to yes'
 - Communicate widely
 - Allow self-certification

Non-competitive decision process – three options for consideration:**

1. Give the same amount to every nonprofit and small business in your region that meets the other criteria – take the total and divide by the total amount of eligible nonprofits and businesses.
2. Use a sliding scale for fund distribution to all eligible nonprofits and small businesses in your region based on FY19 or FY20 annual operating budget. An example is as follows:
 - \$10,000 grant -- \$100,000 or less annual budget
 - \$25,000 grant -- \$101,000 to \$500,000 annual budget
 - \$50,000 grant -- \$500,001 or more annual budget
3. Use a two-tiered format
 - Tier 1 – A simple application for amounts under \$25,000, just basic information and justification
 - Tier 2 – A simple application for amounts over \$25,000, but with additional financial documentation

**This process could be managed through the clerk or finance office or through a partnership under an agreement with a local entity like a local foundation, The Alaska Community Foundation, or other industry umbrella nonprofits or the AKSBDC. (Note that their granting process and fee structure will likely differ from this process so establishing the relationship is an essential first step. Remember that expediency and fairness of funding distribution should be a priority.)

Decision-making process:

- In the interest of the local government and applicant and the time limitations of this funding, make this a simplified process for both parties.

- We strongly recommend a noncompetitive process. This will ensure a quick and transparent distribution of funds to your community.
- If there is capacity and a desire for a competitive process we recommend the following:
 - Establish a simple matrix to ensure funding is distributed across issue areas, regional geography, and relief and recovery needs. (Note: Foraker and AML can provide a template. Additionally, if a needs assessment or survey instrument is available to establish the known needs in your community, we recommend using it to build a more specific decision matrix.)
 - Keep the decision-making process at the manager level for smaller amounts.
 - Establish grant review committees for larger requests with nonprofit representation and expertise.
 - Bring slate of pre-approved grants to the council or assembly for approval as required.

Distribution process:

- Consider release of full amount to each applicant, especially for smaller amounts, by check or ACH.
- If you have capacity, distribute in tranches – similar to Governor’s proposal for municipalities. This allows for internal tracking along the way.

Reporting process:

- Require single reporting depending on the size of the grant.
- Compile all information into a simplified report to OMB to account for CARES Act requirements.
- Encourage development of an impact dashboard, maybe through AML and Foraker, to demonstrate how CARES Act funds have helped Alaskans.

Options for partnerships to maximize capacity and speed of delivery:

- Foraker can share applications or notifications with nonprofits as grant opportunities emerge.
- Foraker can advise or troubleshoot challenges to support nonprofit education and grant making.
- Foraker and AML can provide a decision matrix or other template examples.
- AML can play a role in managing applications if desired and/or interested or if there is limited capacity at the local level.
- AML can augment capacity of local governments in support of reporting and compliance requirements with the state or federal government.
- SBDC and Anchorage Community Land Trust can offer support to small businesses and advertise the program.
- Local community foundations are experts in local grant making and have systems in place to manage the grant application process in partnership with local governments.

****Technical assistance to get to 'Yes'***

The provision of technical assistance is crucial in supporting nonprofits and businesses to finalize applications. Business owners and nonprofit stewards of all types will need crucial high-touch guidance to move through program requirements. If they are unable to satisfactorily meet the criteria, they should not be categorically denied or moved to the back of the line. Technical assistance should help businesses and nonprofits get to 'a yes, your application has been successfully filed' conclusion.

Recommendations:

- Grant maker creates staff capacity to meet technical assistance demand or secures outside partnership to provide support.
- In-person visits can be scheduled.
- Online only applications are strongly discouraged – they exacerbate the digital divide.
- If no, there is always a next step and a resource to help applicants keep moving.
- Applications can be tracked and their status is available to applicants.

****Toleration for unsophisticated financials***

One certainty with PPP is that it went to those with high-quality bookkeeping. This isn't the case for all Alaska businesses. Many missed out on PPP because of unsophisticated account tracking and minimal accounting practices. Those include businesses that operate primarily in the cash economy, sole proprietors, and more. Additionally, many Alaska businesses don't have a strong banking relationship. They have a checking account for cash in and cash out transactions.

Recommendation:

- Request just enough compliance documentation but not excess materials.

****Clear eligibility that doesn't exclude those who have already been excluded***

Businesses and nonprofits need to know up-front how eligibility is determined and who will have priority. We know that first-come first-serve didn't work for many of the businesses and nonprofits who have already been left out of federal aid. We recommend eligibility to cater to these businesses that have been left out, including those businesses that have applied for federal aid but haven't yet received it. We also recommend that clear guidelines are set in advance for the way the money can be spent and whether recipients will need to track expenses accordingly. We know this has been a major challenge of the PPP. We recommend flexibility in expenditures beyond just payroll and rent.

Recommendation:

- Use a noncompetitive process for applicant selection and clearly state the reporting requirements up-front.

****“Widely communicated” recommendations:***

Communication about the program has to be widespread. Some will hear the message right away. Other programs have failed to reach a broad swath of businesses and nonprofits because of poor planning and execution around communications.

Recommendation:

- Ensure strong communication and education about the grant program one week before the program opens for applications.
 - Provide for the translation of materials, especially into Alaska Native languages
 - Allocate resources for marketing and outreach
 - Ensure the application process has an option for verbal transmission of business information to grantor or supporting partner who puts it into forms
 - Develop FAQs
 - Allow for online submission or drop off submission with receipt verification
 - Provide in-person consultation or partner to provide technical assistance to grantees

Sample grant application

- The application will be posted online ([www.-----](#)). The application process will be open for **7** business days to allow all applicants time to complete and submit applications. Paper applications also will be accepted via mail and will be available for pickup at **_____**. The application will be available in -----**(insert languages)**.
- Applications can be submitted online at **info@_____** or mail to **_____**.
- Applications must be submitted by **___** PM on **___** or postmarked by **___**.
- Only complete applications will be considered.
- Businesses and nonprofit organizations must have had been in operation prior to January 1, 2018 to qualify for funding.
- Applicants will be notified by preferred contact (email or phone) when their applications have been received.
- All qualified applicants will receive a set amount of funding based on the annual operating budget in 2019. This is not a competitive process.
- Grantee will be required to submit a final report by January 31, 2021 detailing how funds were used. Use of funds must comply with allowable expenses.
- All business information will be kept strictly confidential and will not be shared or used for any purpose other than evaluation of the grant award.
- Hold harmless: TBD

Suggested application content (Special thanks to Cook Inlet Lending and the Kodiak Economic Taskforce for their hard work in developing local applications. This sample is based on those applications and our own recommendations)

Name of business or nonprofit organization: _____

Name of contact: _____

Contact telephone: _____ Contact email: _____

Address of business or nonprofit: _____

Type of business: ☐ Sole proprietorship ☐ Partnership ☐ LLC ☐ S Corporation ☐ C Corporation ☐ nonprofit corporation ☐ other, please list: _____

If your organization is a nonprofit, check which type: ☐ 501(c)(3) Charitable Organization ☐ 501(c)(5) Labor, Agricultural, or Horticultural Organization ☐ 501(c)(6) Trade/Professional Organization ☐ 501(c)(13) Cemetery Company ☐ 501(c)(19) or (23) Veterans Organization ☐ 501(e) Cooperative Hospital Service Organization ☐ Other, please list: _____

IRS Employer Identification Number: _____
Sole proprietors may provide a Social Security Number OR Individual Tax Identification Number

If your organization is a business, list all individuals* and organizations that own 50% or more:

Name: _____

Name: _____

Eligibility

1. Does your business/nonprofit have a physical location in the _____ (insert location)? ☐ Yes ☐ No
(This could be an office, store, restaurant, food truck, farmers market stand, home-based business or space that depends on foot traffic).

2. Are you a sole proprietor? If "no" skip to Question 3. ☐ Yes ☐ No

2a. If your business is a sole proprietorship, did you receive at least 75% of your annual gross income from the business in 2019? ☐ Yes ☐ No

3. Were your 2019 gross annual revenues ☐ \$100K or less; ☐ \$101,000 to \$500,000; ☐ \$500,001 or more.

4. Is your business a franchise or chain? (Does not apply to nonprofits) ☐ Yes ☐ No

5. How has your business/nonprofit been harmed by the COVID-19 pandemic? Check all that apply:

☐ Full or partial closure due to city or state emergency order

☐ Forced to lay off or not pay one or more employees

☐ A loss of monthly revenue of 25% or more

- ☐ Probably closure if we do not get federal or state assistance
- ☐ For nonprofits, organization has expanded to address community health, safety, social, and/or economic needs related to COVID-19

5a. Are your losses related to the COVID-19 pandemic? ☐ Yes ☐ No*

6. Does the nonprofit, business, or a listed owner have an outstanding judgment, tax liens, pending or threatened bankruptcy proceedings, pending or threatened lawsuits against them, or criminal proceedings? ☐ Yes ☐ No. If yes, please explain.*

7. Is the organization, business, or a listed owner delinquent on any federal, state, or local taxes or assessments, direct or guaranteed loans, leases, contracts, grants, child support payments, or any other obligations? ☐ Yes ☐ No. If yes, please explain.*

8. Does any owner, owner's spouse, or household member work for or serve in an official capacity for local or state government? ☐ Yes ☐ No. If yes, please explain.*

9. Is your business restricted to patrons over age 18 or 21? ☐ Yes ☐ No. For example, liquor store, bar, smoke shop, marijuana dispensary, and adult entertainment

10: Nonprofits only, please confirm that your organization:

- ☐ Is directed by a volunteer board or local advisory board with a majority of members who are Alaska residents
- ☐ Has provided aid or services in ----- (city, borough, region) during 2018 and 2019
- ☐ Issued an IRS determination letter of nonprofit status in 2018 or earlier

DISCLAIMERS * Please confirm your understanding of these disclaimers ☐ Yes ☐ No

1. Application for the grant DOES NOT GUARANTEE award of funding.
2. The total amount awarded will be based on funds available.
3. All businesses receiving funding MUST complete a W-9 prior to receipt of funding.
4. It is the sole responsibility of the applicant to determine or to seek independent advice to determine the tax implications to the grant funds received by the applicant.

CERTIFICATION *

As an official signer for my nonprofit/business, I certify that all of the information provided in this application is true and accurate. You are agreeing to assist in the verification of information provided in this application and to provide additional information, if requested. _____

Insert information on how to submit a completed application

Insert information on where to receive more information or assistance

Insert note of confidentiality. Example: All business information will be kept strictly confidential and will not be used or shared for other purposes.