



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

*Sean Parnell, Governor
Susan K. Bell, Commissioner*

February 16, 2011

Representative Paul Seaton, Co-Chair
House Resources Committee
State Capitol, Room 102
Juneau, Alaska 99801

Representative Eric Feige, Co-Chair
House Resources Committee
State Capitol, Room 126
Juneau, Alaska 99801

Re: House Bill 121 – Loan Funds: Charter/Mariculture/Microloan

Dear Representatives Seaton and Feige,

Please accept this request for your consideration to schedule CSHB 121 (FSH) before the House Resources Committee at your earliest convenience.

This bill would create the Alaska microloan revolving loan program, the mariculture revolving loan fund, and the commercial charter fisheries revolving loan fund, within the Department of Commerce, Community, and Economic Development. The programs would be set up as revolving loan funds so that all earnings and loan payments would be retained by the funds for future loans. All operating expenses would also be paid from earnings of the fund. This bill also allows the Department of Commerce, Community, and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of the loan is spent on a product produced or manufactured in the State of Alaska.

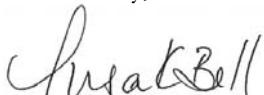
This legislation will promote economic development in Alaska by helping small businesses access critically needed capital, a new loan program has been developed that is modeled after a program currently operated through the federal Small Business Administration (SBA) and available in every other state. The SBA program, known as the Microloan Program, provides small, short-term loans to small businesses. This federal program, however, is not currently available in Alaska because an intermediary lender is required and to date no lenders meeting the SBA's qualifications have been identified in Alaska.

This legislation will promote economic development by providing Alaska's mariculture industry with critically needed access to capital allowing the industry to expand and successfully compete in world seafood markets. Currently access to start-up capital by Alaska's mariculturists is very limited due to the time needed for crop development and market readiness. It has been determined that due to the unique cash flow characteristics inherent in the industry access to capital with flexible terms is essential.

Additionally, on January 5, 2010 the North Pacific Fisheries Management Council published a final rule implementing a halibut charter fisheries limited entry program. It is expected that 40% of those captains applying for the permit based on past fishing history will be denied under NOAA's restrictions. This has resulted in escalating permit prices while quota has been reduced making it difficult for those to remain in business. In an effort to make financing available to Alaskans for the purchase of halibut charter permits, while helping to ensure those valuable permits remain in Alaskan's hands, a new loan fund has been developed that is similar to the highly successful commercial fishing revolving loan fund (AS 16.10.340).

If you have any questions regarding this bill, please feel free to contact Curtis Thayer, Deputy Commissioner of Commerce, Community and Economic Development at 296-8100, or Wanetta Ayers, Director of Division of Economic Development at 269-4903.

Sincerely,



Susan K. Bell
Commissioner