

FISCAL NOTE

STATE OF ALASKA 2010 LEGISLATIVE SESSION

Fiscal Note Number: 1 **CORRECTED**
 Bill Version: HB 412
 (H) Publish Date: 3/8/10

Identifier (file name):	HB412-CED-INV-2-26-10	Dept. Affected:	DCCED
Title	Microloan Revolving Fund	RDU	122
		Component	Investments
Sponsor	Rules Committee by Request of the Governor		
Requester	House Labor and Commerce Committee	Component Number	383

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2016
OPERATING EXPENDITURES							
Personal Services	72.3		74.6	76.7	79.2	81.6	84.2
Travel	2.5		2.5	2.5	2.5	2.5	2.5
Contractual	0.0		0.0	0.0	0.0	0.0	0.0
Supplies	0.5		0.5	0.5	0.5	0.5	0.5
Equipment	2.4		0.1	0.1	0.1	1.1	0.6
Land & Structures							
Grants & Claims							
Misc (Fund capitalization)	3,500.0						
TOTAL OPERATING	3,577.7	0.0	77.7	79.8	82.3	85.7	87.8
CAPITAL EXPENDITURES							
CHANGE IN REVENUES (Micro Loan)	95.8		131.6	239.9	250.8	257.3	270.4

FUND SOURCE	(Thousands of Dollars)						
	1002 Federal Receipts	1003 GF Match	1140 AIDEA Dividend	1005 GF/Program Receipts	1037 GF/Mental Health	Micro Loan Revolving Loan Program	TOTAL
1002 Federal Receipts							
1003 GF Match							
1140 AIDEA Dividend	3,577.7						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Micro Loan Revolving Loan Program	0.0	77.7	79.8	82.3	85.7	87.8	
TOTAL	3,577.7	0.0	77.7	79.8	82.3	85.7	87.8

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	1.0	0.0	1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

ANALYSIS: <i>(Attach a separate page if necessary)</i>
This new program would provide short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment, and inventory, and leasehold improvements. The initial capitalization would be \$3.577 million from the AIDEA dividend. The fund would be set up as a revolving fund so that all earnings and loan repayments would be retained by the fund for future loans. All operating expenses would also be paid from earnings of the fund. Projected operating expenses are for personal services for a Loan/Collection Officer, two trips to rural Alaska per year, initial set-up expenses (supplies and equipment) plus projected supplies and equipment use through 2016.
Increases to revenue have been projected through FY2016. We estimate that approximately 75 loans will be made in the first year and that 100 loans would be made in the second year for a total of \$3.5 million in loan demand. Repayments to the fund and earnings retained by the fund would provide cash flow to make approximately 25 additional loans each year thereafter.

(Continued on page two.)

Prepared by:	Greg Winegar, Director	Phone 465-2510
Division	Division of Investments	Date/Time 2/26/10 10:59 AM
Approved by:	Emil Notti, Commissioner	Date 2/26/2010
	Department of Commerce, Community, and Economic Development	

ANALYSIS CONTINUATION

Earnings retained by the Micro Revolving Loan Fund would be comprised of interest repayments, fees collected and earnings on the daily cash balances.

The program would promote economic development through job creation by helping new and existing Alaska small businesses succeed. This is consistent with the departments' mission and the benefits to the state would be documented through job creation performance measures.

Capitalization of the Alaska Micro Loan Program is contingent upon the passage of legislation to sell the Alaska Energy Authority's Power Project Fund (AS 42.45.010) loan portfolio. The sale of the loan portfolio is expected to provide approximately \$21 million to the power project fund to be used for future loans. If the legislation passes, the capital appropriation in section 8 of the FY 2011 capital bill (page 47, line 1-3) that capitalizes the Power Project Fund with AIDEA dividend will be reduced by \$3.577 million.