



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

Sean Parnell, Governor
Emil Notti, Commissioner

March 3, 2010

The Honorable Joe Paskvan
Chair, Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 7
Juneau, Alaska 99801-1182

RE: SB 302 "An Act establishing the Alaska microloan revolving fund; making loans for commercial purposes from the fund; and relating to the fund and loans; and providing for an effective date."

Dear Senator Paskvan,

On February 26, 2010, SB 302 (Companion Bill HB 412) was introduced by the Governor through the Senate Rules committee and referred to your committee. This legislation is intended to provide much needed capital for Alaskan small businesses in the form of a loan program to be administered by the Division of Investments in the Department of Commerce, Community and Economic Development.

Attached you will find: 1) a copy of bill; 2) Transmittal letter from the Governor; 3) Sectional analysis; 4) Current fiscal note; 5) a one-page briefing paper and 6) Letters of support.

We respectfully request you to schedule SB 302 for hearing in your committee, and we urge favorable action on this bill. We will be happy to meet with you and other members of the committee to provide any other information you may require. Thank you for considering our request.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tyson Fick".

Tyson Fick
Legislative Liaison

STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
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Governor Sean Parnell
STATE OF ALASKA

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Governor@alaska.gov

February 25, 2010

The Honorable Gary Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Art. III, Sec. 18 of the Alaska Constitution, I am transmitting a bill establishing the Alaska micro loan revolving fund; making loans for commercial purposes from the fund; and relating to the fund and loans.

In an effort to promote economic development in the state 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). The SBA program, known as the micro loan program, provides small, short-term loans to small businesses. This federal program, however, is not currently available in the state because an intermediary lender is required and to date no lenders meeting the SBA's qualifications have been identified in the state.

This bill will create the Alaska micro loan revolving program in the Department of Commerce, Community, and Economic Development. The program will be set up as a revolving loan fund so that all earnings and loan payments will be retained by the fund for future loans. All operating expenses will also be paid from earnings of the fund.

An applicant for the loan must be a resident of the state of Alaska and provide a reasonable amount of money from other non-state sources for use on projects for which money from a loan will be used. Loans under this program may not exceed \$35,000 to one person, or \$70,000 to two or more persons. A loan under the program bears interest at the rate of prime plus one percentage point, but may not be less than six percent per year and not more than eight percent per year. The maximum term for a loan under this program will be six years; however, extensions may be granted. Finally, a loan must be secured by collateral acceptable to the commissioner of the Department of Commerce, Community, and Economic Development.

The Honorable Gary Stevens
February 25, 2010
Page 2

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Parnell". The signature is fluid and cursive, with a large initial "S" and "P".

Sean Parnell
Governor

Enclosure

SENATE BILL NO. 302

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 2/26/10

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing the Alaska microloan revolving fund; making loans for
2 commercial purposes from the fund; and relating to the fund and loans; and providing
3 for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** The uncodified law of the State of Alaska is modified by adding a new section
6 to read:

7 FINDINGS. The legislature finds and declares that

8 (1) it has become essential for the ongoing economic health and well-being of
9 the state and its citizens and families for the state to help small businesses access critically
10 needed capital; and

11 (2) economic growth and self-employment in the small business sector is
12 hampered due to lack of available capital resources.

13 * **Sec. 2.** AS 44.33 is amended by adding new sections to read:

14 **Article 15. Alaska Microloan Revolving Fund.**

1 **Sec. 44.33.950. Alaska microloan revolving fund.** (a) There is created within
 2 the Department of Commerce, Community, and Economic Development a revolving
 3 loan fund to be known as the Alaska microloan revolving fund to carry out the
 4 purposes of AS 44.33.950 - 44.33.990.

5 (b) The Alaska microloan revolving fund consists of the following:

6 (1) money appropriated to, transferred to, or received by gift, devise,
 7 bequest, or donation to the fund;

8 (2) principal and interest payments or other income earned on loans or
 9 investments of the fund;

10 (3) money chargeable to principal or interest that is collected through
 11 liquidation by foreclosure or other process on loans made under AS 44.33.950 -
 12 44.33.990.

13 (c) Money in the fund may be used by the legislature to make appropriations
 14 for costs of administering AS 44.33.950 - 44.33.990.

15 **Sec. 44.33.955. Powers and duties of the department.** The department may

16 (1) make loans to eligible applicants under AS 44.33.960 to be used for
 17 working capital, equipment, construction, or other commercial purposes by a business
 18 located in the state;

19 (2) receive, take, hold, and administer any appropriation, gift, grant,
 20 bequest, devise, or donation of money for the fund;

21 (3) establish amortization plans for repayment of loans, including
 22 extensions of the terms of loans;

23 (4) allow an assumption of a loan if

24 (A) the applicant meets the requirements established under this
 25 section; and

26 (B) approval of the assumption would be consistent with the
 27 purposes of this section;

28 (5) establish the rate of interest for loans consistent with law;

29 (6) charge and collect fees for services provided under AS 44.33.950 -
 30 44.33.990; and

31 (7) adopt regulations, under AS 44.62, necessary to carry out the

1 provisions of AS 44.33.950 - 44.33.990, including regulations to establish reasonable
 2 fees for services provided; and

3 (8) designate agents and delegate powers as necessary to the agents.

4 **Sec. 44.33.960. Eligibility.** (a) For an applicant to be eligible for a loan under
 5 AS 44.33.950 - 44.33.990, the applicant must

6 (1) be a resident of the state as determined under (b) of this section;
 7 and

8 (2) provide a reasonable amount of money from other nonstate sources
 9 for use on any project or enterprise for which money from a loan will be used.

10 (b) To meet the residency requirements of (a) of this section, the applicant

11 (1) must physically reside in this state and maintain a domicile in this
 12 state during the 12 consecutive months before the date of application for the program;
 13 and

14 (2) may not have

15 (A) declared or established residency in another state; or

16 (B) received residency or a benefit based on residency from
 17 another state.

18 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money
 19 from the Alaska microloan revolving fund to make loans of up to \$35,000 to a person,
 20 or loans of up to \$70,000 to two or more persons.

21 (b) A loan established under AS 44.33.950 - 44.33.990

22 (1) may not exceed a term of six years, except for extensions
 23 authorized under AS 44.33.955 or regulations adopted under AS 44.33.955;

24 (2) may not bear interest exceeding the prime rate, as defined in
 25 AS 44.88.599, plus one percentage point but interest may not be less than six percent
 26 per year and not more than eight percent per year;

27 (3) must be secured by collateral acceptable to the commissioner; and

28 (4) may not be made to a person who has a past due child support
 29 obligation established by court order or by the child support services agency under
 30 AS 25.27.160 - 25.27.220 at the time of application.

31 **Sec. 44.33.970. Special account established.** (a) There is established as a

1 special account within the Alaska microloan revolving fund the foreclosure expense
2 account.

3 (b) The department may expend money credited to the foreclosure expense
4 account when necessary to protect the state's security interest in collateral on loans
5 granted under AS 44.33.965 or to defray expenses incurred during foreclosure
6 proceedings after a default by an obligor.

7 **Sec. 44.33.975. Disposal of property acquired by default or foreclosure.**

8 The department shall dispose of property acquired through default or foreclosure of a
9 loan made under AS 44.33.950 - 44.33.990. Disposal must be made in a manner that
10 serves the best interest of the state, and may include the amortization of payments over
11 a period of years.

12 **Sec. 44.33.990. Definitions.** In AS 44.33.950 - 44.33.990, unless the context
13 otherwise requires,

14 (1) "commissioner" means the commissioner of commerce,
15 community, and economic development;

16 (2) "department" means the Department of Commerce, Community,
17 and Economic Development.

18 * **Sec. 3.** The uncodified law of the State if Alaska is amended by adding a new section to
19 read:

20 TRANSITION: REGULATIONS. The Department of Commerce, Community, and
21 Economic Development may immediately proceed to adopt regulations under AS 44.62
22 (Administrative Procedure Act) necessary to implement the changes made in sec. 2 of this
23 Act. The regulations take effect under AS 44.62 but not before July 1, 2010.

24 * **Sec. 4.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

25 * **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect July 1, 2010.

Sectional Analysis of SB 302

Prepared by Greg Winegar
Alaska Division of Investments
(907) 465-2510

Alaska Microloan Revolving Fund

Summary: This bill creates the Alaska Microloan Revolving Fund (Fund) within the Department of Commerce, Community, and Economic Development (department). The purpose of the Fund is to help promote economic development in the state by helping small businesses access critically needed capital. The Fund will be set up as a revolving loan fund so that all earnings and loan payments would be retained by the Fund for future loans. All operating expenses would also be paid from earnings of the Fund.

Section 1 modifies the uncodified law of the State of Alaska to describe findings related to the Fund.

Section 2 creates a new article in AS 44.33 titled "Alaska Microloan Revolving Fund".

AS 44.33.950 establishes the Fund as a revolving fund and describes the various components of the Fund. It also authorizes the legislature to make appropriations from the Fund to pay for administrative costs.

AS 44.33.955 describes the powers and duties of the department. It allows the department to make loans for working capital, equipment, construction or other commercial purposes. Additionally, it allows the department to receive money for the Fund; establish amortization plans for repayment of loans, including extensions of the terms of loans; allow assumptions; establish interest rates, charge and collect fees; adopt regulations and designate agents.

AS 44.33.960 establishes the eligibility requirements for applicants. The applicant must be a resident of the State and provide a reasonable amount of money from other nonstate sources for use on the project for which loan funds will be used. This section also stipulates the residency requirements. It states that an applicant must physically reside in the state and maintain a domicile in the state during the twelve consecutive months before the date of application. It goes on to state that an applicant may not have declared residency in another state or to have received a benefit based on residency from another state.

AS 44.33.965 sets out limitations on the loans. Loans may be made for up to \$35,000 per person or, up to \$70,000 to two or more persons. The loan term may not exceed six years and may not bear an interest exceeding the prime rate plus one percentage point; however, it may not be less than six percent per year and not more than eight percent per year. The loan must be secured by collateral acceptable to the commissioner and may not be made to a person who has a past due child support obligation.

AS 44.33.970 establishes a special account within the Fund called the "foreclosure expense account." The department may expend money from this account to protect the state's security position in loan collateral or to defray expenses incurred during foreclosure proceedings.

AS 44.33.975 requires the department to dispose of property acquired through default or foreclosure in a manner that serves the best interest of the state. It also authorizes the department to finance the sale of property obtained through a foreclosure action.

AS 44.33.990 provides definitions for “commissioner” and “department.”

Section 3 of the bill amends the uncodified law of the State of Alaska by adding a new section titled, “TRANSITION: REGULATIONS.” This section authorizes the department to immediately proceed with the adoption of regulations necessary to implement the changes made in Section 2. It further stipulates that the regulations may not take effect before July 1, 2010.

Section 4 stipulates that Section 3 of this Act takes effect immediately.

Section 5 states that except as provided in Section 4 of this Act, the Act takes effect on July 1, 2010.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 302
 () Publish Date: _____

Identifier (file name): SB302-CED-INV-2-26-10

Title <u>MICROLOAN REVOLVING FUND</u>	Dept. Affected: <u>DCCED</u>
Sponsor <u>Rules Committee by Request of the Governor</u>	RDU <u>122</u>
Requester <u>Senate Labor and Commerce Committee</u>	Component <u>Investments</u>
	Component Number <u>383</u>

Expenditures/Revenues

(Thousands of Dollars)

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

	Appropriation Required	Information					
OPERATING EXPENDITURES	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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	3,577.0						
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	3,577.0	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: (Attach a separate page if necessary)

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 \$3.5 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: <u>Greg Winegar, Director</u>	Phone <u>465-2510</u>
Division: <u>Division of Investments</u>	Date/Time <u>2/26/2010 10:59PM</u>
Approved by: <u>Emil Notti, Commissioner</u>	Date <u>2/26/2010</u>
<u>Department of Commerce, Community, and Economic Development</u>	

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. SB 302

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.

Alaska Micro Loan Program

DCCED/ Division of Investments

Summary of Bill:

In an effort to promote economic development in Alaska by helping small businesses access critically needed capital to grow their businesses, the Alaska Division of Investments (ADI) has developed the framework for a new loan program that would be modeled after a program currently operated through the federal Small Business Administration (SBA). For the purposes of this discussion we have named the program the "Alaska Micro Loan Program" (AMLP). The SBA program is currently available in 46 states, however it is not available in Alaska. The reason the program is not available in Alaska is that an intermediary lender is required and to date no lenders that meet SBA's qualifications have an interest in pursuing this type of loan in the state.

AMPL Program Specifics

<i>Eligibility:</i>	<i>Alaska resident borrowers.</i>
<i>Maximum Loan:</i>	<i>\$35,000.</i>
<i>Maximum Term:</i>	<i>6 years.</i>
<i>Collateral:</i>	<i>Sufficient to secure the loan.</i>
<i>Equity:</i>	<i>Borrower must have at least a 10% equity position.</i>
<i>Capitalization:</i>	<i>\$3.5 million. The program would be set up as a Revolving Loan 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.</i>
<i>Fees:</i>	<i>\$100 application fee and a 1% origination fee to be paid at loan closing.</i>
<i>Interest Rate:</i>	<i>Prime plus one with a floor of 6% and a ceiling of 8%</i>
<i>Operating Expenses:</i>	<i>Approximately \$77K per year. All operating expenses would be covered by income produced by the program.</i>

Other Comments:

The AMLP program would complement two existing small business loan programs currently administered by ADI, the Small Business Economic Development Revolving Loan Fund (SBEDRLF) and the Rural Development Initiative Fund (RDIF).

The SBEDRLF program involves federal money from the Economic Development Administration and is targeted at specific communities that have experienced economic hardship. The program has been primarily used for long term financing and requires that numerous federal requirements be met.

The RDIF program was created with state funds and is only available to small businesses located in communities of 5,000 or less if not connected by road or rail to Anchorage or Fairbanks or communities with populations of less than 2,000 if connected by road or rail to Anchorage or Fairbanks. The RDIF program has also primarily been used for long term financing.

On the other hand, the AMLP program would provide relatively short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment, inventory and leasehold improvements. Loans would be available in all regions of the state and the application process would be relatively streamlined.



301 Cushman St., Suite 301, Fairbanks, AK 99701

March 2, 2010

Dear Governor Parnell,

We appreciate your continued interest in developing jobs and opportunity in Alaska. The recent legislation submitted by your office, Senate Bill 302 and House Bill 412, creating an Alaska microloan revolving fund is a good example of your continued efforts.

Here at the Fairbanks Economic Development Corporation we recognize the need for this legislation and offer our support as you move this legislation forward.

Thank you,

A handwritten signature in black ink, appearing to read "Jim Dodson".

Jim Dodson
President & CEO
Fairbanks Economic Development Corporation



January 26, 2010

Dear Special Assistant Bell,

Welcome to our 3rd annual Legislative Breakfast and thank you so much for taking your valuable time to visit with us. It is more important than ever that we come together as a unified body in support of our region.

We continue to work alongside the communities in Southeast Alaska to provide wage earning jobs, sustainable businesses and a livelihood for the people that live here. We have prepared a work plan and a list of legislative priorities based on work done by our committee members. We would be happy to answer any questions or receive any comments you would offer.

Southeast Conference is a broad based membership association of communities in Southeast Alaska with a mission of undertaking and supporting activities that promote strong economies, healthy communities and a quality environment throughout the region. We are offering our support and our services to you as a regional organization in hopes we can all work together to build a stronger economy for our communities.

Sincerely,

Maxine Thompson
Board President



**Southeast Conference Economic Development Committee
FY 2010 Work Plan**

Economic Development Committee Mission

Our vision for Southeast Alaska is to maintain and increase local business viability and job opportunities in the region through the support of specific industry sectors, and of infrastructure and institutions that support economic development. Develop a sustainable diversified regional economy.

Program Goals

- Maintain and increase local jobs, and increase per capita income within the SE Alaska region.
- Support improvements in regional infrastructure that is essential to economic development within the SE Alaska region.
- Support improvements in institutions that are essential to economic development in the SE Alaska region.
- Develop a sustainable diversified regional economy.

Economic Development Tasks and Work Plan

- Maintain an Economic Development Committee to address economic development issues in the region.
- Prepare the FY10 CEDS in cooperation with Central Council of Tlingit & Haida Indian Tribes of Alaska.
- Integrate goals and objective across SEC committees where appropriate.
- Work with the Tourism, Timber, and Fisheries and other SEC Committees as appropriate on issues related to economic development in the region.
- Support economic development in the minerals industries, especially development that maintains and/or creates local jobs in the region.
- Support and participate in statewide economic development planning activities, and advocate for development in the SE Alaska region within those planning processes.
- Work with agencies and organizations to recruit new businesses to the region.
- Work to develop trade routes to and from SE Alaska using the port at Prince Rupert, B.C.
- Work to improve the broadband and telecommunications infrastructure in the region.
- Work with agencies to develop road and power connections between communities in SE Alaska.
- Support revenue sharing for local governments.
- Advocate for increased staffing and support provided to local governments through the Division of Community and Regional Affairs.
- Support planning and funding for ports and harbor improvements (marinas, barge ramps, etc.).
- Support marketing for SE Alaska products.
- Support Integrated Resource Plan (IRP) funding and implementation for distressed SE Alaska Communities.
- Support the workforce investment board in its efforts to fund and provide training opportunities for the local workforce.



Economic Development FY 2010 Legislative Priorities

- Advocate for increased staffing and support provided to local governments through the Division of Community and Regional Affairs.
- Support funding for improved broadband and telecommunications infrastructure in the region, especially in underserved areas.
- Support funding for Integrated Resource Planning (IRP) for distressed Southeast Alaska communities (with SEC Energy and Transportation Committees).
- Support increased funding for the ARDOR program.
- Support State revenue sharing for local governments.
- Support funding for job training in the region through the Alaska Workforce Investment Board (AWIB)
- Support state funding for regional ports and harbors projects (with SEC Transportation Committee).
- Support funding for a study to develop trade routes to and from Southeast using the container port at Prince Rupert, B.C. (with SEC Transportation Committee).
- Support state funding for marketing, micro-loans and business development in the region.



March 2, 2010

Office of the Governor
PO Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

Thank you for introducing HB 412 & SB 302 – Microloan Revolving Fund. Please let me elaborate on what this would mean for me and my business.

I have an unusual situation that can be only be categorized as very “Alaskan”. I am a small summer seasonal business. I buy strictly Alaskan king crab, Dungeness Crab & Opilio crab and try to support local vendors. I am going into my 5th year of business. I have approximately 10 employees over the course of the summer. I have finally achieved a decent net profit as of last year.

However, every year, I scramble with the banks to be able to purchase enough crab at reasonable rates, to get through my season. As with most fisheries, the Crab fishery is a cash business.

Here in lies the problem:

- I have to purchase my crab in October (during crab season) which is at the end of my season.
 - This causes hardship as I am trying to pay down my loans at the end of the season, pay sales & Federal taxes and save enough money to get through the winter.
 - I am having to pay interest and storage on crab for 6 months before I reopen
- My sales have increased each year by 60-78%. That is pretty exceptional for a down economy. However, that means my inventory needs to increase.
 - Because I can't get enough money up front to buy crab, the price of crab goes up. This can mean a difference of \$7,000 - \$15,000 in would be profits that just disappear.
 - This money could be used to buy down my loans with the bank & buy inventory.
 - This doesn't give the required equity position in my business because I'm on a “treadmill”.
- Banks hesitate to loan on a perishable inventory. The most I have been able to get is 60% LTV ratio, (I have to provide 40%) on enough crab that only lasts me 6 weeks.
 - This makes coming up with 40% difficult because the above problems.
 - Banks want more collateral, but because I am currently banking with **FIVE** institutions, they all have 1st or 2nd position on everything I have. None of them are willing to take crab as full

collateral even though the price goes up, there is a market for it and it is the only thing I need money for.

- If I get an unsecured loan, the interest rates are so high that once again, it negates the margin of profit.
- SBA & JEDC loans only tend to support start-up businesses. I have not been successful in applying for a line of credit for inventory, especially in the amount that I need and on a perishable product. (Approx \$200,000). I have found that:
 - There is money for start ups. (Most of which fail)
 - Money for "bush" or rural areas or disadvantaged sector
 - Money for larger businesses that need \$1m or more
 - Absolutely no help for businesses that only need money for inventory in the (\$100-\$500k range)

Even though I have proven over and over that I pay back my lines of credit or working capital loans, (to the tune of \$150,000 each year) I scramble to get enough money to keep up with the increase in business.

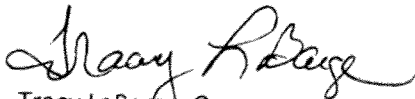
While I also struggle with typical "Alaskan" hurdles such as the high cost of shipping, high costs of rent, and lack of cold storage, I have continued to be a staunch supporter of Alaska and Alaska products. I have chosen to take a smaller profit margin to keep my business in Alaska, but this is proving harder each year.

Granted I am a seasonal business that depends on the cruise ship sector, but I NEVER thought that being successful would present the obstacles it has. Businesses such as mine are in desperate need of way to get capital at a low cost for "unusual" situations to continue to stay in state and in business.

While I would like to see the dollar amount of the bill be higher, I support and applaud the idea of offering a low cost way for businesses to grow.

Thank you for your efforts.

Sincerely,



Tracy LaBarge, Owner
PO Box 21082
Juneau, AK 99802
907.723.2004

To whom it may concern;

My name is Ted Ragains and I am young entrepreneur in Anchorage. The reason I am writing this letter is to inform all who will listen of the plight of small business owners across Alaska. As everyone knows we are in a recession, which has impacts for all businesses. I believe that small businesses have especially been impacted because of the limited credit available for business operation and expansion.

As a small business owner, I depend on credit to place orders for inventory, expansion, advertising and payroll during slow times. Availability of this credit has allowed many businesses to weather economic slow downs in the past and even to emerge stronger when the economy recovers. This recession is different; all forms of available credit have dried up, especially those for small businesses.

Let me give you some details about my situation. I started my first business as a senior project while working toward my Bachelors Degree in Marketing and Finance. My first business, Solara Skin and Laser Center, does all sorts of cosmetic procedures. Our services include laser treatments, Botox, Juvederm, and medical grade facials. Our lasers can get rid of unwanted hair, tattoos, sunspots, spider veins, rosacea and can also give you a mini face lift. Solara has been a great success for the last five years because we identified a niche in the marketplace and successfully capitalized on it.

Just twelve months ago my sister and I started Off the Rack, a men's clothing store that specializes in high-end clothing at a fraction of the price of department stores. In addition to selling new men's clothing we also will take gently used clothes on consignment. We are the only store in Alaska that is oriented exclusively to men's fashion clothing. The response to our store has been amazing and I am looking forward to growing as the buzz spreads.

Our two companies and our personal credit is excellent with the exception of having too much individual revolving credit which has been necessary for business operation. Our credit cards started cutting our credit limits to the exact amount that we had on the card. This was not only happening to cards that carried a balance from month to month but also cards that we paid in full every month. Cards that we had faithfully paid in full cut our available limits from \$25,000 to \$500. In one month we lost nearly \$60,000 in available credit. In addition, the banks cut our working lines of credit to virtually nothing and the credit cards raised their rates by approximately 15% across the board on cards with or without a balance.

This has put small businesses like mine in a difficult position with many owners laying off employees or closing their doors altogether. We have gone to banks and have been told that we have great credit scores but our credit cards and lines of credit are all maxed. We have explained that the credit card companies and banks have lowered the limits to the exact amount that we have on the card but it doesn't seem to change anything. With available credit being cut by half to three quarters of what we originally had. Interest rates are being changed without warning and banks are unwilling to extend credit

to small businesses. We are left with no viable options for operating let alone expanding our businesses.

Small businesses are the backbone of the American economy providing nearly 60 percent of employment opportunities in the Country. I have spoken with many small businesses owners in Anchorage and with trade groups including the chamber of commerce and have found that I am not alone in this difficulty. One colleague, who represents 450 small businesses in the municipality, said that she talks to business owners every day who say they are either going to have to do major layoffs, sell or go bankrupt because they can't order enough inventory to keep their doors open.

Alaska has weathered this financial crisis fairly well compared to the lower 48 but I fear that it may change if something is not done to free up a credit source for business owners. As small businesses we are people who have put everything on the line to succeed including our homes, retirement plans and land. It doesn't seem right that we are being punished for the irresponsible lending of the very banks and credit card companies who are now denying the responsible and credit worthy individuals and businesses access to the credit they need to stay afloat.

With oil being at higher than average rates Alaska is in a position that most of the other states are not. Alaska and Governor Parnell have a unique opportunity to help small business owners get access to a line of credit at a reasonable interest rate. This would keep the unemployment numbers down and keep very viable businesses afloat through the storm. The state can actually help small businesses while at the same time earning a respectful interest rate on the money lent.

I am asking the powers that be to act with urgency. Establish a fund for small businesses so that we can lock in interest rates for 3-4 years that would beat bank loans and credit cards (10%-12%). This would allow us to order the inventory that we need to operate, minimize layoffs, finish expansion efforts, and have a stable interest rate for business forecasting. In addition, the state would be making an interest rate that is enviable to most other options and certainly involves less risk than some of the other options. I can assure you that small business owners are tenacious and will fight to keep their businesses afloat. We just need to be given weapons to fight with.

Sincerely,

Ted Ragains