

**SENATE BILL NO. 34**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY SENATORS WIELECHOWSKI, ELLIS, PASKVAN, MCGUIRE, MENARD, AND THOMAS, Davis

Introduced: 1/19/11

Referred: Labor and Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act establishing the Alaska small business revolving loan fund; relating to the fund**  
2 **and loans from the fund; and providing for an effective date."**

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

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

6 **SHORT TITLE.** This Act may be known as the Alaska Small Business Act.

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

8 **Article 15. Alaska Small Business Revolving Loan Fund.**

9 **Sec. 44.33.950. Alaska small business revolving loan fund.** (a) A revolving  
10 loan fund to be known as the Alaska small business revolving loan fund is created in  
11 the general fund. The Department of Commerce, Community, and Economic  
12 Development may use money in the fund to carry out the purposes of AS 44.33.950 -  
13 44.33.990.

14 (b) The fund consists of the following:

1 (1) money appropriated to the fund, including money appropriated  
2 from the following sources:

3 (A) interest payments or other income earned on loans or  
4 investments of the fund;

5 (B) money chargeable to interest that is collected through  
6 liquidation by foreclosure or other process on loans made under AS 44.33.950  
7 - 44.33.990; and

8 (C) money received by gift, devise, bequest, or donation to the  
9 fund;

10 (2) principal payments on loans from the fund;

11 (3) money chargeable to principal that is collected through liquidation  
12 by foreclosure or other process on loans made under AS 44.33.950 - 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 from the fund to eligible applicants under  
17 AS 44.33.960 to be used for working capital, equipment, construction, or other  
18 commercial purposes by a business 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  
25 AS 44.33.960; 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;

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 from a source that is not a state agency or a public  
9 corporation of the state 20 percent of the money to be used on the project or enterprise  
10 for which money from a loan will be used.

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

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

15 (2) may not have

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

17 (B) received residency or a benefit based on residency from  
18 another state in the previous 12 months.

19 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money  
20 from the fund to make loans of up to \$50,000 to one individual or loans of up to  
21 \$100,000 to two or more individuals.

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

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

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

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

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

1           **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
2 account is established as a special account in the fund.

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           (3) "fund" means the Alaska small business revolving loan fund.

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

21           TRANSITION: REGULATIONS. The Department of Commerce, Community, and  
22 Economic Development may immediately proceed to adopt regulations under AS 44.62  
23 (Administrative Procedure Act) necessary to implement the changes made in sec. 2 of this  
24 Act. The regulations take effect under AS 44.62 but not before July 1, 2011.

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

26       \* **Sec. 5.** Except as provided in sec. 4 of this Act, this Act takes effect July 1, 2011.