

**HB**

**412**

<target><bill>HB 412</bill><subject>HB  
412</subject><comm>SF26</comm></target>

STATE CAPITOL  
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Governor Sean Parnell  
STATE OF ALASKA

February 25, 2010

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

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 Mike Chenault  
February 25, 2010  
Page 2

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sean Parnell". The signature is written in black ink and is positioned above the printed name and title.

Sean Parnell  
Governor

Enclosure

## Sectional Analysis of HB 412

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** 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 2** 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 3** stipulates that Section 3 of this Act takes effect immediately.

**Section 4** 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: 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 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
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							
<b>TOTAL OPERATING</b>	<b>3,577.7</b>	<b>0.0</b>	<b>77.7</b>	<b>79.8</b>	<b>82.3</b>	<b>85.7</b>	<b>87.8</b>	
<b>CAPITAL EXPENDITURES</b>								
<b>CHANGE IN REVENUES (Micro Loan)</b>	<b>95.8</b>		<b>131.6</b>	<b>239.9</b>	<b>250.8</b>	<b>257.3</b>	<b>270.4</b>	

**FUND SOURCE** (Thousands of Dollars)

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
<b>TOTAL</b>	<b>3,577.7</b>	<b>0.0</b>	<b>77.7</b>	<b>79.8</b>	<b>82.3</b>	<b>85.7</b>	<b>87.8</b>

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 \$3.577 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

FISCAL NOTE #1 **\*\*CORRECTED\*\***

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO.           HB 412          

**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.

### CSHB 412 Explanations of Changes

There were 3 changes made to HB 412 in the House Finance Committee. Those were as follows:

- 1) The interest rate cap of 8% was removed on page 3, Line 26.
- 2) Residency requirements were tightened by inserting "in the previous 12 months" on page 3, line 17 following "in the state"
- 3) The legislative findings in section 1 were removed.

**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%</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.

# Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4336 • 1-800-478-4370



March 11, 2010

The Honorable Sean Parnell  
Office of the Governor  
P.O. Box 110001  
Juneau, AK 99811-0001

Dear Governor Parnell:

I am writing to thank you and urge your continued support for SB 302 and HB 412 – bills to create a microloan revolving loan fund. As you are no doubt aware from your experiences in rural Alaska, access to start up capital is a key initial component of starting new enterprises and creating jobs in Alaska. Residents of the Bristol Bay region are creative and enterprising and there is no lack of entrepreneurial spirit; however there is a huge lack of supporting capital. Our organization provides technical assistance to entrepreneurs with feasibility studies, business plans and funding searches. By far, the most challenging aspect of starting a small business in our region is a lack of capital; even when it involves a very small amount of money. Traditional sources of capital such as banks and other financial institutes are not viable sources of capital for small entrepreneurs in rural Alaska.

As with many other states, Alaska residents understand that supporting small business development is a key part of their overall economic development. However, Alaska is one of four states in the nation that does not have a microloan program and these bills would resolve that and fill an unmet need that would help small businesses and rural Alaska residents.

We urge your support and thank you in advance for your efforts.

Sincerely,

H. Robin Samuelson  
Chief Executive Officer



**AEDC**  
Anchorage Economic  
Development Corporation

**Voting Members**

Anand Vadapalli ACS  
 Bill O'Leary Alaska Railroad Corporation  
 Bob Lacher CH2M HILL  
 Brian Wenzel CanocoPhillips  
 Bruce Bustamante Princess Tours  
 Bruce Lamoureux Providence Alaska Medical Center  
 Chris Brown AT&T  
 Chris Stephens Bond Stephens & Johnson, inc  
 Claire Fitzpatrick BP Exploration Alaska, Inc  
 Connie Carter FedEx Express  
 Dale Pittman Exxon Mobil Corporation  
 David Hamilton Alaska USA Federal Credit Union  
 Dennis Mitchell Lynden International  
 Ed Herndon Chugach Alaska Corporation  
 Greg Kessler Totem Ocean Trailer Express  
 Greg Pearce GCI  
 Jeffrey Davis Prentiss Blue Cross Blue Shield of Alaska  
 Joseph Everhart Wells Fargo Bank N.A  
 Lon Wilson The Wilson Agency, LLC  
 Mark Liland Northern Air Cargo  
 Marlo Wellington Continental Airlines  
 Michael Prozeralik kpb architects  
 Mike Devlin Evergreen Films, Inc  
 Pat Walsh WalshSheppard  
 Peter Grunwaldt Premier Alaska Tours  
 Scott Hansen Carpenters Local 1281  
 Sophie Minich CFI  
 Stephanie Holthaus Alta Air Logistics  
 Stewart Osgood DOWL HKM  
 Suzanne Cherot Birch, Horton, Bitner & Cherot  
 Tim Vig USKH, Inc.

**Ex-Officio Members – Legislators**

Rep. Craig Johnson Alaska State Legislature  
 Rep. Harry Crawford Alaska State Legislature  
 Sen. Johnny Ellis Alaska State Legislature  
 Sen. Lesli McGuire Alaska State Legislature

**Ex-Officio Members – Municipality**

Mayor Don Sullivan Municipality of Anchorage  
 Assemb. Bill Starr Municipality of Anchorage  
 Assemb. Don Coffey Municipality of Anchorage

**Ex-Officio Members –  
Appointed by the Board**

Brian Nerland KeyBank Alaska  
 Carol Comeau Anchorage School District  
 Chris Anderson AIDEA  
 Christine Klein Acting Airport Director, State of Alaska  
 Elisha Baker University of Alaska Anchorage  
 George Vakalis ANWU  
 Julie Soupe Anchorage Convention & Visitors Bureau  
 Larry Cash RIM Architects  
 Mary K. Hughes Past Chairman of the AEDC Board  
 Tenny Owens Artique, Ltd  
 Tony Izzo Anchorage Chamber of Commerce

March 10, 2009

The Honorable Governor Sean Parnell  
 State of Alaska  
 State Capitol  
 P.O. Box 110001  
 Juneau, AK 99811-0001

Re: SB302 and HB412 Alaska Micro Loan Program

Dear Governor Parnell:

I write to you today to offer the strong support of the Anchorage Economic Development Corporation for passage of legislation enacting the Alaska Micro Loan Program. The passage of this legislation, important to small businesses across Alaska, will provide a key source of needed capital that is vital to health and growth of our economy.

In reviewing the specifics of the legislation, it is apparent that this modest investment by the state of Alaska could yield significant benefits for communities in every region of the state. The sizes of the loans offered are quite modest, as are the corresponding fees and interest rates charged. The infusion of capital this program offers will help both existing businesses and start-up businesses to bridge short-term funding gaps, purchase new equipment, expand services and employ more Alaska citizens.

Thank you for introducing this important legislation. AEDC supports the passage of this legislation as an important step to grow and diversify the economy of Alaska.

Sincerely,

Bill Popp  
 President & CEO



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". The signature is written in a cursive style with a large initial "J".

Jim Dodson  
President & CEO  
Fairbanks Economic Development Corporation



**Southwest Alaska Municipal Conference**

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 907.562.0438 www.swamc.org

Alaska Peninsula  
Aleutian Chain  
Bristol Bay  
Kodiak Island  
Pribilof Islands

March 11, 2010

Governor Sean Parnell  
State of Alaska  
PO Box 110001  
Juneau, AK 99811

Re: Support for SB 302 and HB 412

Dear Governor Parnell,

Thank you for submitting SB 302 and HB 412, two bills aimed at creating a microloan revolving fund for the State of Alaska. By introducing this legislation, you have proven your awareness that access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, day care providers, and a host of other small business startups and entrepreneurs.

Alaska is one of four states in the nation that do not have a microloan program and these bills would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports them.

Again, thank you for introducing these bills. I hope they can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,  
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

A handwritten signature in black ink, appearing to read "Andy Van", with a long horizontal flourish extending to the right.

Executive Director



State Office  
430 West 7th Avenue, Suite 110  
Anchorage, AK 99501  
TEL: 907.274.7232  
FAX: 907.274.0565  
www.aksbdc.org

March 4, 2010

Office of Governor Sean Parnell  
Susan K. Bell  
Special Staff Assistant  
P.O. Box 110001  
Juneau, AK 99811-0001

RE: SB302 & HB412

Dear Susan,

The Alaska Small Business Development Center (SBDC), with its 7 statewide locations, supports the governor's introduction of bills SB302 and HB412. As an organization that was initiated, nationwide, in the 80's by the U.S. Small Business Administration, we have helped Alaska businesses locate loan opportunities for almost 25 years.

Micro-lending is an opportunity for many small businesses who typically do not find the lending options with banks due to the small amount of their loan request. Many lending institutions prefer loan applications with values of \$100,000 or more. The micro-lending bill that the governor has introduced will assist many small businesses move their operations to the next level.

In 2009, the Alaska SBDC assisted over 4,000 clients, by providing free and confidential one on one business counseling and low cost workshops. In addition to these services, we also have formal agreements in place to serve as Technical Assistance (TA) providers to many SBA loan recipients. This process requires loan recipients to have specific counseling and training based on their individual needs as a condition of the loan. These needs can run the gamut from business planning/development, marketing, to financial management, as well as many training opportunities.

The approval of the micro-lending bills will significantly impact and support many small businesses throughout Alaska, including the clients we assist in rural villages and communities through our Rural Outreach Program for Entrepreneurs (ROPE). We offer our support and look forward to many future business successes as a result of this initiative.

Sincerely,

Debi Fowler  
Associate State Director  
Alaska Small Business Development Center

STATEWIDE CENTERS: Anchorage, Fairbanks, Juneau, Kenai Peninsula, Mat-Su Valley

FAMILY PROGRAMS: PTAC - Procurement Technical Assistance Centers of Alaska, APEX - Alaska Performance Excellence, TREND - Technology Research and Development Center of Alaska, ROPE - Rural Outreach Program for Entrepreneurs, and our Buy Alaska Program



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 5<sup>th</sup> 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 1<sup>st</sup> or 2<sup>nd</sup> 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



From: Made In Mat-Su Association  
March 18, 2010  
1100 E. Dan Street  
Wasilla, Alaska 99654

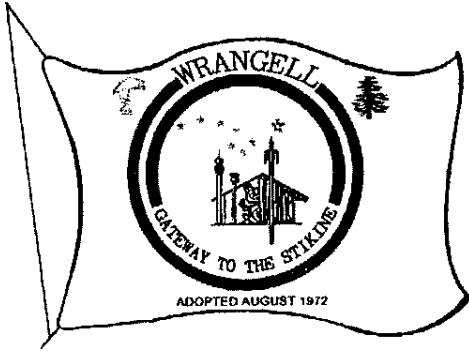
To: The Honorable members of the 2010 Alaska State Legislature

The Made In Mat-Su Association lends the full support of its members and affiliates to SB302/HB 412. The Association supports the proposed Small Business Micro Loan program as the most important small business legislation in many years.

This bill when passed will create opportunities for Alaskan small businesses of all kinds to acquire needed funding for capital improvements, raw materials, inventory, marketing and a variety of other needs. This potential funding will allow small businesses to become more competitive, more financially viable and thus allow for a greater share of the Alaska Market.

We ask for your consideration and support of this extremely important bill.

Thank You  
Mike A. Borgford  
Executive Director  
Made In Mat-Su Association



**CITY AND BOROUGH  
OF WRANGELL**

INCORPORATED MAY 30, 2008

P.O. BOX 531 (907)-874-2381  
Wrangell, AK 99929 FAX (907)-874-3952  
[www.wrangell.com](http://www.wrangell.com)

April 9, 2010

Honorable Senator Bert Stedman, Co-Chair Senate Finance Committee  
Honorable Senator Lyman Hoffman, Co-Chair Senate Finance Committee

Re: SB302 An Act establishing the Alaska microloan revolving fund

Dear Honorable Senator Stedman and Honorable Senator Hoffman,

I am writing to offer support of SB302 introduced by Governor Parnell. Small businesses statewide have been dramatically impacted by the recession, but businesses in Wrangell were impacted long before, due to the loss of so many jobs directly or indirectly related to the disappearing timber industry.

Wrangell survives by the success and tenacity of our small businesses. Many individuals in Wrangell have turned hobbies into full time job opportunities, or into successful supplemental income ventures. However, because of our declining population and the seasonal ups and downs of fishing, tourism and timber, Wrangell is considered a "high risk" community from a lending standpoint. The proposed Micro-Lending program will enable small business to access needed credit for seasonal operations, expand operations when the opportunities present themselves, and provide necessary upgrades or retooling to keep up with the rapidly changing technologies needed to be competitive.

Wrangell Economic Development Committee fully supports the passage of this legislation as a critical step to grow our communities and diversify the economy of Alaska.

Sincerely,

A handwritten signature in cursive script that reads "Carol Rushmore".

Carol Rushmore  
Economic Development Director

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

MAR 22 2010



5408

LO  
SB-FYI

March 12, 2010

Governor Sean Parnell  
State of Alaska  
P.O. Box 110001  
Juneau, AK 99811-0001

Re: Support for SB 302 & HB 412 – Creating a Microloan Revolving Fund

Dear Governor Parnell:

Thank you for submitting Senate Bill 302 and House Bill 412 to create a Microloan Revolving Fund. As you clearly know, access to start-up capital is a key initial component of starting new enterprises and creating jobs in Alaska. Alaska is one of four states in the nation that do not have a microloan program and these bills would resolve that and fill an unmet need that would help small businesses. We strongly support these bills.

Yukon Delta Fisheries Development Association (YDFDA) is one of six Community Development Quota (CDQ) organizations that represent the communities of Alakanuk, Emmonak, Nunam Iqua, Kotlik, Mountain Village, and Grayling whose mission is to create income and employment opportunities for Yukon Delta residents.

Sincerely,

Ragnar O. Alstrom  
Executive Director

## Yukon Delta Fisheries Development Association

Representing the Alaskan Communities of: ALAKANUK • EMMONAK • GRAYLING • KOTLIK • MOUNTAIN VILLAGE • NUNAM IQUA



# City of Emmonak

P.O. Box 9, Emmonak, Alaska 99581  
(907) 949-1227 • (907) 949-1249 • Fax (907) 949-1926  
email: emkcity@unicom-alaska.com

3346  
LC  
MAR 22 2010

Honorable Governor  
Sean Parnell  
P.O. Box 110001  
Juneau, Alaska 99811-0001  
3<sup>rd</sup> Floor State Capitol

Date: March 17, 2010

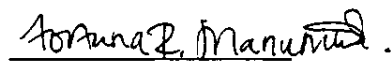
Dear Governor Parnell,

I am writing on behalf of the City of Emmonak, an area currently working toward development for our local organizations.

**We strongly support SB 302 and HB 412- a bill creating a microloan revolving fund. Access to start up capitol is a key initial component of starting new enterprises and creating jobs in Alaska.**

As you know, Alaska has been one of four states in the nation that do not have a microloan program and these bills would resolve that and fill an unmet need that would help small businesses, we believe the bill will greatly benefit our small businesses which is why we support them.

Sincerely,

  
Fortuna R. Manumik  
City Clerk  
City of Emmonak

Cc Donald Olson, Senator  
Neal Foster, House Representative