

CS FOR SENATE BILL NO. 34(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 2/9/11

Referred: Finance

Sponsor(s): SENATORS WIELECHOWSKI, ELLIS, PASKVAN, MCGUIRE, MENARD, AND THOMAS,
Davis

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.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 **LEGISLATIVE INTENT.** It is the legislature's intent in this Act to provide small,
10 short-term loans to small businesses in order to promote economic development in the state
11 by creating jobs and economic opportunities for the citizens of the state.

12 * **Sec. 3.** AS 44.33 is amended by adding new sections to read:

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

14 **Sec. 44.33.950. Alaska small business revolving loan fund.** (a) A revolving

1 loan fund to be known as the Alaska small business revolving loan fund is created in
 2 the general fund. The Department of Commerce, Community, and Economic
 3 Development may use money in the fund to carry out the purposes of AS 44.33.950 -
 4 44.33.990.

5 (b) The fund consists of the following:

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

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

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

13 (C) money received by gift, grant, devise, bequest, or donation
 14 to the fund;

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

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

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

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

21 (1) make loans from the fund to eligible applicants under
 22 AS 44.33.960(a)(1) to be used for working capital, equipment, construction, or other
 23 commercial purposes by a business located in the state;

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

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

28 (4) allow an assumption of a loan if

29 (A) the applicant meets the requirements established under
 30 AS 44.33.960; and

31 (B) approval of the assumption would be consistent with the

1 purposes of this section;

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

3 (6) charge and collect fees for services provided under AS 44.33.950 -
4 44.33.990;

5 (7) adopt regulations under AS 44.62 necessary to carry out the
6 provisions of AS 44.33.950 - 44.33.990, including regulations to establish reasonable
7 fees for services provided; and

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

9 **Sec. 44.33.960. Eligibility.** (a) For an applicant to be eligible for a loan under
10 AS 44.33.950 - 44.33.990,

11 (1) the applicant shall be a resident of the state as determined under (b)
12 of this section;

13 (2) the applicant shall provide from a source that is not a state agency
14 or a public corporation of the state 20 percent of the money to be used on the project
15 or enterprise for which money from a loan will be used; and

16 (3) if the requested loan amount is \$35,000 or more, the applicant shall
17 provide to the department a document from a state financial institution that states

18 (A) the applicant has been denied a loan for the same purpose;

19 or

20 (B) a loan from the financial institution is contingent on the
21 applicant's also receiving a loan from the fund.

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

23 (1) shall physically reside in this state and maintain a domicile in this
24 state during the 12 consecutive months before the date of application for the program;
25 and

26 (2) may not have

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

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

30 (c) In this section, "state financial institution" means a financial institution that
31 has a physical location in the state from which the state financial institution does

1 business.

2 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money
3 from the fund to make loans of up to \$50,000 to one individual or loans of up to
4 \$100,000 to two or more individuals.

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

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

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

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

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

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

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

21 **Sec. 44.33.975. Disposal of property acquired by default or foreclosure.**
22 The department shall dispose of property acquired through default or foreclosure of a
23 loan made under AS 44.33.950 - 44.33.990. Disposal must be made in a manner that
24 serves the best interest of the state and may include the amortization of payments over
25 a period of years.

26 **Sec. 44.33.990. Definitions.** In AS 44.33.950 - 44.33.990, unless the context
27 otherwise requires,

28 (1) "commissioner" means the commissioner of commerce,
29 community, and economic development;

30 (2) "department" means the Department of Commerce, Community,
31 and Economic Development;

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

2 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TRANSITION: REGULATIONS. The Department of Commerce, Community, and
5 Economic Development may adopt regulations under AS 44.62 (Administrative Procedure
6 Act) necessary to implement the changes made in sec. 3 of this Act. The regulations take
7 effect under AS 44.62 but not before July 1, 2011.

8 * **Sec. 5.** Section 4 of this Act takes effect immediately under AS 01.10.070(c).

9 * **Sec. 6.** Except as provided in sec. 5 of this Act, this Act takes effect July 1, 2011.