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Governor proposes microloan program for small businesses

March 11, 2010, Juneau, Alaska – Companion bills aimed at promoting economic development in Alaska have been introduced in the Legislature. Gov. Sean Parnell recently submitted House Bill 412 and Senate Bill 302, proposed legislation designed to create a Microloan Revolving Fund.

In an effort to help small businesses access critically needed capital to grow their businesses, the Alaska Division of Investments has developed the framework for this new loan program, which would be modeled after a successful program currently operated through the federal Small Business Administration. At present, Alaska is one of only four states that do not have a microloan program.

The program proposed by the Governor would set a limit of $35,000 on an individual loan, or $70,000 for two or more parties. Loans could be used for start-up cash, working capital, or a variety of other commercial purposes for businesses in Alaska. Under the terms of the legislation, the fund would be established by setting aside $3.5 million. Repaid loans – at prime plus 1 percent interest, with a 6 percent floor and 8 percent ceiling – would keep the fund revolving and pay for operating expenses.

“We are very supportive of the governor’s legislation, which will be a vital component of our efforts to spur economic diversification and sustainable economic growth in Alaska,” said Emil Notti, commissioner of the Department of Commerce, Community, and Economic Development. “The Small Business Assistance Center within our Office of Economic Development regularly gets calls from around the state from entrepreneurs seeking this kind of assistance. It will be a great addition to existing loan programs offered by the Division of Investments.”

The proposed microloan program would complement two existing small business loan programs administered by the Division of Investments – the Small Business Economic Development Revolving Loan Fund and the Rural Development Initiative Fund. Both programs are geared toward long-term financing and have more stringent eligibility requirements than the proposed microloan program.

“Small businesses are the No. 1 creator of private-sector jobs,” Gov. Parnell said. “Microloan programs have been highly successful in other states, and we know there has been a great need for one here in Alaska. This legislation will be good for our economy and for Alaska families.”
Under the Governor’s plan, loans would be available in all regions of the state, and the application process would be streamlined. Loan terms would not exceed six years.

The Senate version of the bill was passed out of the Senate Labor and Commerce Committee on Wednesday. It will also be heard in the Senate Finance Committee. In the House, the bill has been referred to the Finance and Labor and Commerce committees.

Full text of the proposed legislation can be found online by searching the bill numbers at http://w3.legis.state.ak.us/. For additional information, contact Mark Kelsey in the Office of Economic Development, at 269-7387, or by e-mail at mark.kelsey@alaska.gov.