

Fund Source Report

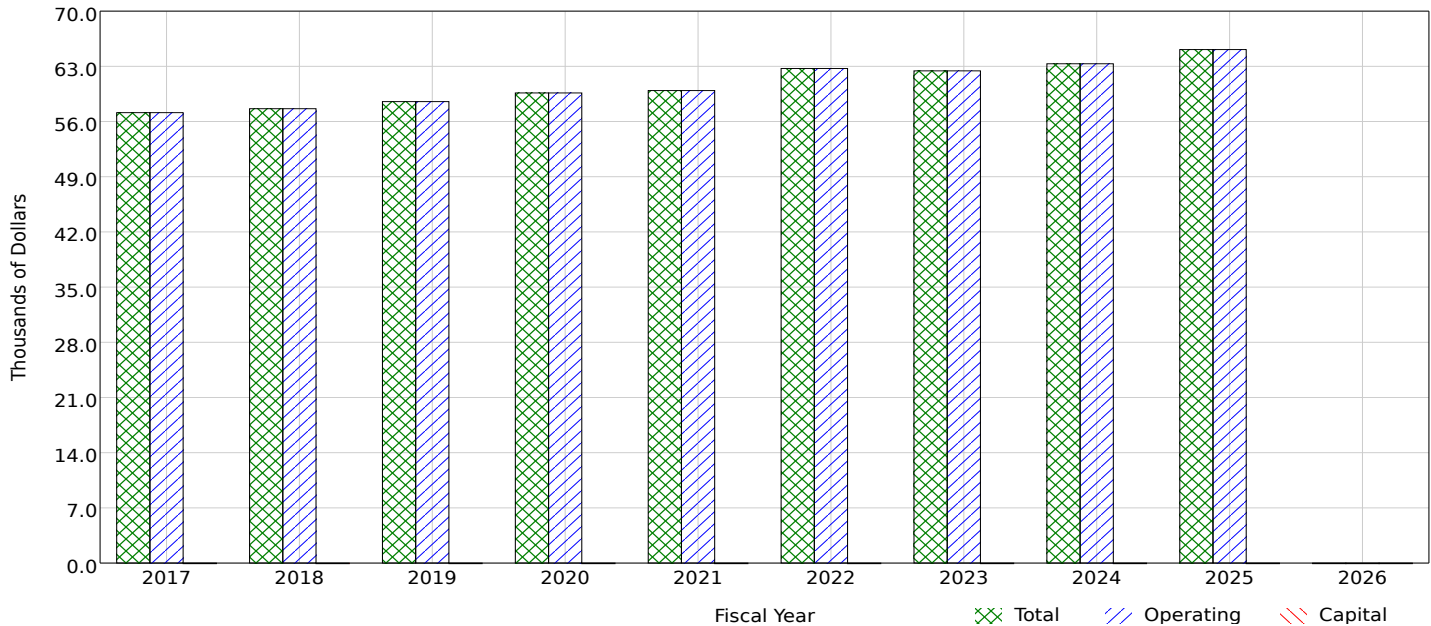
1164

Rural Dev

Rural Development Initiative Fund

Year Authorized 2000 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Designated General

Operating and Capital Appropriations



Legal Authority

AS 44.88.600-.620

Source of Revenue

Consists of money or assets appropriated or transferred to the authority for the stated purpose, loan repayments, interest, or other income earned on loans or investments of the fund, and money or assets transferred to the fund by the Alaska Industrial Development and Export Authority.

Restrictions on Use

Alaska Industrial Development and Export Authority (AIDEA) may use money from the fund to make loans to a business located in a community with a population of 5,000 or less that is not connected by road or rail to Anchorage or Fairbanks, or with a population of 2,000 or less that is connected by road or rail to Anchorage or Fairbanks.

Description and History

In 1989, the Department of Community and Regional Affairs (DCRA) established a pilot loan program to test the demand for and quality of loans that are sought in local communities. The spread of these loans and procedures show that a varied small portfolio can exist and, with proper safeguards, can be a profitable investment. A total of \$350,000 in loans leveraged \$700,000 in other financing and generated a total of 22 jobs.

In 1992 a bill passed that gave broad authority to the Commissioner of the DCRA to create a loan program and included a \$500,000 fiscal note as the start-up for the fund. Because of the vast demand for a debt capital in rural Alaska, the department looked for a way to leverage the funds effectively. The Alaska Industrial Development and Export Authority's (AIDEA) Small Business Assistance (guarantee) program underwrites up to 80% of a bank's participation in a loan. For various reasons, banks had not used the program. The passage of Rural Development Initiative Fund was viewed by the department as a means to help both the AIDEA program and the banks structure rural loans.

The legislature (Chapter 117, SLA 2000) renamed code 1051 by adding to its title the word "economic". Code 1051 was deactivated upon the purchase of assets by AIDEA.

This new fund titled the "Rural Development Initiative Fund" was established in the AIDEA, and is managed by the Department of Community and Economic Development, Division of Investments. It is a revolving loan fund and a portion of the fund is used for annual operating costs of the Division of Investments.

October 2019

The Division of Investments was consolidated with the Office of Economic Development into a new Division of Economic Development via

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Administrative Order 257.