

Alaska State Legislature

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REPRESENTATIVE Paul Seaton

District 35

MEMORANDUM

TO: Representative Bryce Edgemon, Chair
House Fisheries Committee

FROM: Representative Paul Seaton

DATE: March 18, 2010

RE: Questions on HB389

I would like to clarify questions relating to how the Division of Investments would determine whether or not a product is manufactured in the state of Alaska. The legislation states that in order for a borrower to be eligible for the rate reduction “at least 50 percent of the loan proceeds” need to be spent on a product that is manufactured or produced in the state (p.1, 1.8). As long as half of the money borrowed is spent on an Alaskan product, the entire loan is eligible for the rate reduction. No determination needs to be made on how much of the actual product is manufactured in Alaska.

The committee had further questions of the definition of manufacture. HB 389 states “ ‘manufactured or produced’ means processing, developing, or making an item into a new item with a distinct character and use.” (p.1 1.13-14) Merely assembling a product from a kit, as Rep. Kawasaki questioned, would not be making a product with a new and distinct product. However, taking various parts – pieces of pipe, steel and wire – and making a new distinct purpose would be considered a product manufactured in Alaska. The Department would require the borrower to prove the product was manufactured in Alaska by presenting a statement from the Alaskan company before they would be eligible.

Walking the committee through a couple of hypothetical situations may be helpful.

Under the Product Quality Program:

A fisherman borrows \$40,000 under the Product Quality Program. They purchase an Alaskan made refrigeration unit for \$30,000 and spend \$10,000 to install it. Seventy-five percent of the loan is spent on an Alaska manufactured product, which makes the entire \$40,000 loan eligible for a rate reduction under HB389.

Under the Engine Efficiency Program:

A fisherman borrows \$20,000 under the Engine Efficiency Program. They purchase an Alaskan made marine electrical generator for \$14,000 and spend \$6,000 to install it. Seventy percent of the loan is spent on an Alaska manufactured product, which makes the entire \$20,000 loan eligible for a rate reduction under HB389.

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Mary Ellen, the AG for the Department of Commerce, Community and Economic Development, is confident that the language in the bill is clear enough for the Department to administer and that any further definitions can be dealt with in regulations. The language in the bill came from the State Procurement code, AS 36.30.332 and 338. I would also like to note that the HB389 was thoroughly vetted with the Division of Investments and their AG, Mary Ellen, before we brought it to the committee.

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