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HB 389

Alaska Manufacture preference

HB 389 allows the Department of Commerce Community and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of their loan is spent on a product produced or manufactured in the State of Alaska. The Commercial Fishing Loan Fund was created by the State of Alaska to aid commercial fishermen in securing new equipment, quota shares and upgrades to their vessels. The Department already allows reductions in interest rates for borrowers who pay on time, make engine and fuel efficiency upgrades or product quality improvements.

The Department needs to have the discretion to institute this rate reduction program when the market allows it, which is why HB 389 does not make the reduction mandatory. For example, in today's market the interest rates are so low, if the Department were required to issue the loan it would jeopardize the solvency of the fund.

To be eligible for the rate reduction under HB 389 at least 50% of borrower's purchases with the loan fund have to be manufactured in the State of Alaska. The definition of manufacture is "processing, developing, or making an item into a new item with a distinct character and use."

HB 389 promotes economic development in Alaska by encouraging Alaska fisherman to purchase equipment manufactured in the State of Alaska when using Commercial Fishing Loan Fund dollars.