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REPRESENTATIVE Paul Seaton

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HB 59

Alaska Manufacture preference

To be eligible for the rate reduction under HB 59 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 59 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 the 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.

HB 59 does not make the rate reduction mandatory because the Department needs to have the discretion to institute it when the market allows. For example, in today's market the interest rates are so low, if the Department were required to issue the interest rate discount it would create a loss for the fund.

HB 59 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.