

HOUSE BILL NO. 177

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/6/97

Referred: Labor and Commerce, House Special Committee on Fisheries, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to loans to commercial fishermen for marketing development
2 purposes; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 16.10.310(a) is amended to read:

5 (a) The department may

6 (1) make loans

7 (A) to individual commercial fishermen who have been state
8 residents for a continuous period of two years immediately preceding the date
9 of application for a loan under AS 16.10.300 - 16.10.370 and have had a
10 crewmember or commercial fishing license under AS 16.05.480 or a permit
11 under AS 16.43 for the year immediately preceding the date of application and
12 any other two of the past five years, and who actively participated in the
13 fishery during those periods,

14 (i) for the purchase of entry permits;

1 (ii) to upgrade existing vessels and gear for the purpose
2 of improving the quality of Alaska seafood products; or

3 (iii) to satisfy past due federal tax obligations that may
4 result in the execution upon and involuntary transfer of the individual
5 commercial fishermen's entry permits, to the extent allowed under (d)
6 of this section;

7 (B) an individual for the repair, restoration, or upgrading of
8 existing vessels and gear, for the purchase of entry permits and gear, for the
9 construction and purchase of vessels, or, to the extent allowed under (d) of this
10 section, to satisfy past due federal tax obligations that may result in the
11 execution upon and involuntary transfer of the individual's entry permits, if the
12 individual has been a state resident for a continuous period of two years
13 immediately preceding the date of application for a loan under AS 16.10.300 -
14 16.10.370, and either

15 (i) because of lack of training or lack of employment
16 opportunities in the area of residence, does not have occupational
17 opportunities available other than commercial fishing; or

18 (ii) is economically dependent on commercial fishing for
19 a livelihood and for whom commercial fishing has been a traditional
20 way of life in Alaska;

21 (C) for the purchase of quota shares for fisheries in or off the
22 state by individual commercial fishermen who

23 (i) have been state residents for a continuous period of
24 two years immediately preceding the date of application for a loan
25 under AS 16.10.300 - 16.10.370;

26 (ii) for any two of the past five years, possessed a
27 crewmember or commercial fishing license under AS 16.05.480 or a
28 permit under AS 16.43 and actively participated in a fishery for which
29 the license or permit was issued;

30 (iii) qualify as a transferee for quota shares under
31 applicable law; and

(iv) are not eligible for financing from other recognized commercial lending institutions to purchase quota shares;

(D) for market development purposes to an individual commercial fisherman who

(i) has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370;

(ii) during any two of the last five years immediately preceding the loan application, was a holder of a commercial fishing license under AS 16.05.480 or of a permit under AS 16.43 and actively participated during that same time period in the fishery for which the license or permit was issued;

(iii) presents to the department and receives approval of a harvester marketing plan for fisheries products made from fish commercially taken in this state that specifies how any loan proceeds awarded under AS 16.10.300 - 16.10.370 would be used to market the harvest and that meets other requirements as specified by the department in regulations;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

- 1 (7) allow an assumption of a loan if
- 2 (A) the applicant has been a state resident for a continuous
- 3 period of two years immediately preceding the date of the request for an
- 4 assumption; and
- 5 (B) approval of the assumption would be consistent with the
- 6 purposes of AS 16.10.300; an applicant for a loan assumption may not be
- 7 disqualified because the applicant does not meet the loan eligibility
- 8 requirements of (1) of this subsection;
- 9 (8) prequalify loan applicants for a limited entry permit loan or a quota
- 10 shares loan and charge a fee not to exceed \$200 for prequalification;
- 11 (9) charge and collect the fees established under this subsection;
- 12 (10) refinance a debt obligation incurred by a borrower or borrowers
- 13 under this section if the borrower or borrowers otherwise qualify for a loan under
- 14 AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination
- 15 charge of one-half percent of the amount of the debt obligation that has been
- 16 refinanced when the first refinancing payment is due;
- 17 (11) refinance debt obligations, not to exceed \$300,000, incurred by a
- 18 borrower or borrowers for the purchase of a commercial fishing vessel or gear if the
- 19 borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370;
- 20 the department may collect a refinancing loan origination charge as provided by
- 21 regulation.

22 * **Sec. 2.** AS 16.10.320(d) is amended to read:

23 (d) The total of balances outstanding on loans made to a borrower under

24 AS 16.10.310(a)(1)(A) may not exceed \$300,000. The total of balances outstanding on

25 loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed \$100,000. The

26 total balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(C)

27 may not exceed \$300,000. **The total of balances outstanding on loans made to a**

28 **borrower under AS 16.10.310(a)(1)(D) may not exceed \$100,000.** The total of

29 balances outstanding on all loans, including debt refinancing under AS 16.10.310(a),

30 made to a borrower under AS 16.10.300 - 16.10.370 may not exceed \$300,000.

31 * **Sec. 3.** AS 16.10.325 is amended to read:

1 **Sec. 16.10.325. Guarantors.** A person may act as guarantor if the borrower
2 has insufficient collateral to secure a loan for the purposes described in
3 AS 16.10.310(a)(1)(B), [OR] (C), or (D). The loan agreement shall specifically
4 describe the property of the guarantor to be used as collateral by the borrower and
5 shall be signed by the guarantor and the borrower. The department shall provide the
6 guarantor with a copy of all notices sent to the borrower by the department. If the loan
7 is for the purchase of an entry permit or quota shares, the guaranty by the guarantor
8 may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit
9 or quota shares.

10 * **Sec. 4.** AS 16.10.338 is amended by adding a new subsection to read:

11 (d) If a limited entry permit is pledged for security for a loan made under
12 AS 16.10.310(a)(1)(D) for the financing of a harvester marketing plan and the
13 borrower thereafter fails to make a payment or defaults, the commissioner shall, in
14 addition to the notice provided under AS 16.10.335(a), notify the borrower that subject
15 to the commissioner's acceptance the borrower may sell any assets that the borrower
16 owns as a result of the plan, apply the sales proceeds to the debt, and renegotiate
17 payment of the balance due on the loan to avoid the immediate loss of the limited
18 entry permit that has been pledged for security for the loan.

19 * **Sec. 5.** AS 16.10.360 is amended by adding a new paragraph to read:

20 (6) "market development purposes" includes efforts to enhance

21 (A) the recognition, consumption, and market penetration of
22 specific fisheries products made from fish taken in this state; and

23 (B) the general salability of fisheries products made from fish
24 taken in this state.

25 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).