

ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE

April 6, 2005

2:03 p.m.

MEMBERS PRESENT

Representative Jay Ramras, Co-Chair
Representative Ralph Samuels, Co-Chair
Representative Jim Elkins
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Kurt Olson
Representative Paul Seaton
Representative Harry Crawford
Representative Mary Kapsner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 230

"An Act authorizing the making of loans for upgrade of commercial fishing tender vessels and gear."

- MOVED HB 230 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 230

SHORT TITLE: LOANS FOR COMMERCIAL FISHING TENDERS

SPONSOR(S): REPRESENTATIVE(S) THOMAS

03/22/05	(H)	READ THE FIRST TIME - REFERRALS
03/22/05	(H)	FSH, RES
03/30/05	(H)	FSH AT 8:30 AM CAPITOL 124
03/30/05	(H)	Moved Out of Committee
03/30/05	(H)	MINUTE(FSH)
04/01/05	(H)	FSH RPT 4DP 1NR
04/01/05	(H)	DP: WILSON, ELKINS, LEDOUX, THOMAS;
04/01/05	(H)	NR: SALMON
04/06/05	(H)	RES AT 1:00 PM CAPITOL 124

WITNESS REGISTER

IAN FISK, Staff
to Representative Bill Thomas

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 230 on behalf of Representative Thomas, sponsor.

JERRY MCCUNE

Cordova District Fishermen United
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 230.

JASON KOONTZ, Tender Owner
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 230 and recommended additions.

GREG WINEGAR, Director
Division of Investments
Department of Commerce, Community, & Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 230.

ACTION NARRATIVE

CO-CHAIR RALPH SAMUELS called the House Resources Standing Committee meeting to order at [2:03:43 PM](#). Representatives Samuels, Elkins, Olson, Crawford, and LeDoux were present at the call to order. Representatives Kapsner, Ramras, and Gatto arrived as the meeting was in progress.

HB 230-LOANS FOR COMMERCIAL FISHING TENDERS

CO-CHAIR SAMUELS announced that the only order of business would be HOUSE BILL NO. 230 "An Act authorizing the making of loans for upgrade of commercial fishing tender vessels and gear."

IAN FISK, Staff to Representative Bill Thomas, Alaska State Legislature, said commercial fishermen have access to a revolving loan fund. The fund is in the Department of Commerce, and it enables fishermen to borrow money to purchase permits, boats, and for product quality improvement. The program encourages Alaska ownership of the industry by limiting the loans to residents. Fish tender owners do not currently have access to the loan, but HB 230 will change that for product quality upgrades. Companies can apply for the loans, but all of the owners must be qualified Alaska residents.

CO-CHAIR SAMUELS asked if all the shareholders of a corporation have to qualify as residents.

MR. FISK said that was the way he understood it.

REPRESENTATIVE CRAWFORD asked where the loan money came from.

MR. FISK said it was initially capitalized with state funds in the 1970s, and it has not gotten any general funds since 1985. It is a self-sustaining revolving fund, he said, and it covers the cost of the operations as well. He added that the program has helped a lot of fishermen over the years. He predicts four or five loans to tender operators per year.

REPRESENTATIVE GATTO asked about the program's success rate.

MR. FISK deferred to the fund managers.

REPRESENTATIVE LEDOUX speculated that tendering may be less risky financially than fishing.

MR. FISK said perhaps it is less risky because tenders usually get a fixed daily rate; however, some operate on a percentage.

[2:09:15 PM](#)

JASON KOONTZ, Homer, said he is a new owner of a fishing tender, and HB 230 looks good, but he would like it to include loans for refinancing or purchasing vessels. The borrowers could use refinance money to upgrade their vessels, he said, but it is a great bill and a good step forward. He said the money should stay in the fund and not go to the general fund, especially since the salmon fisheries are rebounding.

[2:10:53 PM](#)

JERRY MCCUNE, Cordova District Fishermen United, Juneau, said fishermen all over the state depend on tenders--they are a big part of the operation. There are some tender operators who do not have fishing permits, so HB 230 makes the whole industry eligible to access the loan fund.

[2:12:12 PM](#)

REPRESENTATIVE GATTO said he has only known one tender owner and he was outrageously wealthy.

MR. MCCUNE said some big king crabbers tender in the summer and don't need loans, but there are small independent operators.

REPRESENTATIVE GATTO asked if it was the same risk as fishing.

[2:13:25 PM](#)

MR. MCCUNE said tenders have the same risk if there is no season, but tenders sign contracts, which is less risky than agreeing to a percentage. The daily rate may be used for a small sockeye fishery, he said. He stated that tender operators with fishing permits already have access to the loan program.

REPRESENTATIVE KAPSNER said there were once tender boats on the Kuskokwim River, and they did not make a lot of money.

[2:15:04 PM](#)

REPRESENTATIVE LEDOUX said Representative Seaton owns tenders.

REPRESENTATIVE SEATON said he was not the guy that Representative Gatto was thinking of. There are different tender operations in each area of the state, he said. Some tenders haul big volumes of low-value fish. There is a category of tender owners who are the poorest of the poor, he noted. They don't have the money to buy a fishing permit so they get an old boat, a cannery may provide the fuel, and they become small-scale tenders. The cheaper boats often don't have good refrigeration systems, and the bill will help with those upgrades. Representative Seaton declared a conflict of interest because he has four tenders.

CO-CHAIR SAMUELS acknowledged Representative Seaton's conflict of interest but required him to vote.

[2:17:47 PM](#)

GREG WINEGAR, Director, Division of Investments, Department of Commerce, Community, & Economic Development, said the total that has gone into the loan fund is \$60 million, and the last appropriation from the state was in 1985. He noted that \$84 million have been transferred back out of the fund to the general fund or to other programs. The program has made about \$373 million in loans, and there are about \$100 million on the books. It is completely revolving, and as a loan is repaid it goes back into the fund and also covers all operating expenses.

[2:20:01 PM](#)

REPRESENTATIVE CRAWFORD asked if the loan fund is protected.

MR. WINEGAR said the fund is completely protected and separate.

REPRESENTATIVE SEATON noted Mr. McCune's testimony that tenders who fish can get loans.

MR. WINEGAR said there are some fishermen that also tender but when they come in for loans, the loans are for their fishing vessels, not for their tenders. This bill will make it clear that money can be borrowed for a tender, he added.

[2:21:17 PM](#)

REPRESENTATIVE SEATON said he wanted to keep that clear. Tendering and fishing are different operations.

REPRESENTATIVE GATTO asked what the default rate is and if boats are used for collateral.

MR. WINEGAR said the program has foreclosed and taken vessels, but it is a last resort. The fund's default rate is 9.8 percent for the total program, but only 7.0 percent for the product quality upgrade loans. It is probably higher than a home loan program because of the higher risks, and many borrowers don't qualify for conventional bank loans.

[2:22:42 PM](#)

REPRESENTATIVE ELKINS moved to report HB 230, version 24-LS0801\G, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 230 was passed from the House Resources Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at [2:25 PM](#).