

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES**

February 3, 2009

10:03 a.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Chair
Representative Craig Johnson
Representative Wes Keller
Representative Charisse Millett
Representative Cathy Engstrom Munoz
Representative Robert L. "Bob" Buch
Representative Scott Kawasaki

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 20

"An Act relating to commercial fishing loans for energy efficiency upgrades."

- MOVED CSHB 20(FSH) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 20

SHORT TITLE: FISHERIES LOANS FOR ENERGY EFFICIENCY

SPONSOR(S): REPRESENTATIVE(S) EDGMON, BUCH

01/20/09	(H)	PREFILE RELEASED 1/9/09
01/20/09	(H)	READ THE FIRST TIME - REFERRALS
01/20/09	(H)	FSH, FIN

WITNESS REGISTER

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

POSITION STATEMENT: Provided information and supported HB 20.

MARK VINSEL, Executive Director
United Fishermen of Alaska (UFA)

Juneau, Alaska

POSITION STATEMENT: Testified in support HB 20.

JASON BRUNE, Executive Director
Resource Development Council (RDC)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 20.

ACTION NARRATIVE

[10:03:07 AM](#)

CHAIR BRYCE EDGMON called the House Special Committee on Fisheries meeting to order at 10:03 a.m. Representatives Edgmon, Johnson, Keller, Millett, Munoz, Kawasaki, and Buch were present at the call to order.

[10:04:01 AM](#)

CHAIR EDGMON noted that the committee will meet every Tuesday and Thursday and on some Saturdays from 10:00 a.m. to 12:00 p.m.

HB 20-FISHERIES LOANS FOR ENERGY EFFICIENCY

CHAIR EDGMON announced that the only order of business would be HOUSE BILL NO. 20, "An Act relating to commercial fishing loans for energy efficiency upgrades."

[10:05:02 AM](#)

REPRESENTATIVE MILLETT informed the committee that she may have a conflict with HB 20 because as a commercial fisherman she may take advantage of the proposed program.

[10:06:48 AM](#)

[Chair Edgmon passed the gavel to Representative Keller.]

[10:06:56 AM](#)

REPRESENTATIVE JOHNSON moved to adopt CSHB 20, Version 26-LS0124\S, Kane, 1/29/09, ("Version S") as the working document. There being no objection, Version S was before the committee.

[10:07:45 AM](#)

CHAIR EDGMON, speaking as the sponsor, said the legislation is an attempt to provide energy relief to the fishing community. The legislation expands the existing commercial fishing loan program so that a larger number of Alaska fishermen can participate. He said HB 20 renames the "'engine' efficiency loan" the "'energy' efficiency loan" and explained that the purpose for renaming it is to allow qualified fishermen to purchase more efficient engines as well as to make other energy efficiency improvements to their vessels or gear. Version S provides a technical fix that removes a prohibition from AS 16.10.310(a)(1)(B) that would allow AS 16.10.310(a)(1)(A) fishermen to participate in this energy efficiency program. Version S also raises the total allowable balance for this newly created energy efficiency loan program from \$300,000 to \$400,000. The higher amount is warranted because [Alaska] is a higher cost environment, he opined.

[10:10:49 AM](#)

CHAIR EDGMON explained that the existing Commercial Fishing Revolving Loan Fund has many components. He said Version S would allow fishermen participating in the loan fund under AS 16.10.310(a)(1)(A), which provides a maximum loan of \$300,000 for the purchase of limited entry permits or existing vessel or gear upgrades, to also participate in AS 16.10.310(a)(1)(B) where the engine efficiency loan program currently resides. Version S would also rename that program the energy efficiency program. The aforementioned will allow a larger number of fishermen to take advantage of the loan program in today's low interest environment. He said there is a fiscal note that would add one more staff position to address the expected increase in demand for the loan program. This would not involve any general fund money, he continued, because it involves program receipt authority which is money that is derived from the portfolio and its earnings.

[10:13:02 AM](#)

REPRESENTATIVE KAWASAKI inquired as to whether energy efficiency is defined in the bill or in regulation.

CHAIR EDGMON replied it would likely be defined in regulation, but deferred the question to Mr. Winegar.

[10:13:27 AM](#)

REPRESENTATIVE MUNOZ understood that currently under AS 16.10.310(a)(1)(B), fishermen can apply for \$100,000. Would these fishermen then be able to apply for an additional \$100,000, or is the purpose to expand the borrowing power of AS 16.10.310(a)(1)(A) applicants only, she asked.

CHAIR EDGMON said the bill's intent is to allow AS 16.10.310(a)(1)(A) participants who would not qualify for the AS 16.10.310(a)(1)(B) loan program to be able to qualify for the energy efficiency loan program. Therefore, it would broaden the energy efficiency program so that both AS 16.10.310(a)(1)(A) and AS 16.10.310(a)(1)(B) participants could qualify. It would not do anything else; the existing requirements of AS 16.10.310(a)(1)(A) and 16.10.310(a)(1)(B) would apply for the other loan programs that are in place.

[10:14:42 AM](#)

GREG WINEGAR, Director, Division of Investments, Department of Commerce, Community, & Economic Development, noted that the Division of Investments administers the Commercial Fishing Revolving Loan Fund. He explained that the primary purpose of this fund is to promote a predominantly resident fishery and it does this by providing low interest loans to harvesters in Alaska. The program began in the early 1970s and has been successful from both a policy standpoint and a fiscal standpoint. The fund is totally self-sufficient and spins off more earnings than are necessary to run the program, so there would be no general fund impact as a result. The bill allows people who qualify either for AS 16.10.310(a)(1)(A) or 16.10.310(a)(1)(B) to make energy efficiency improvements to their vessels. This has a two-fold advantage: it helps Alaska's fishermen be more competitive and profitable and it helps the environment by lessening the industry's carbon footprint. He said the fiscal note is due to an expected increase in loan demand; the division estimates about \$4.2 million the first year. The fund has plenty of reserves to handle the increased demand. The division put in for one position in case the increased demand is as substantial as expected and the position would only be filled if the expectation does materialize. The position would have no impact on the general fund because all of the loans as well as the operating expenses are paid out of the loan fund. He said the division supports HB 20 as it does a number of positive things for the fishing industry.

[10:17:06 AM](#)

MR. WINEGAR, in response to Representative Munoz, explained that the limit stays the same, but what the bill does is allow fishermen to come in under either of these two [subparagraphs]. So, a fisherman could get up to \$300,000 under AS 16.10.310(a)(1)(A) and still be eligible to come in under 16.10.310(a)(1)(B) and borrow another \$100,000. Right now the limit is a total of \$300,000 between the two sections.

[10:17:44 AM](#)

REPRESENTATIVE MUNOZ reiterated her question as to whether fishermen borrowing \$100,000 under AS 16.10.310(a)(1)(B) could then borrow an additional \$100,000.

MR. WINEGAR replied that the limit for [AS 16.10.310(a)(1)(B)] stays at \$100,000. The bill enables a fisherman to get up to \$100,000 under AS 16.10.310(a)(1)(B), as well as up to \$300,000 under AS 16.10.310(a)(1)(A). So the limits are not going up on each section, it is the total limit of the two sections that goes up to \$400,000.

[10:18:27 AM](#)

REPRESENTATIVE KAWASAKI reiterated his question regarding where energy efficiency will be defined.

MR. WINEGAR confirmed that it would be defined by regulation. If the bill is passed, the division would initiate a regulation process to further define what types of things are being talked about. He said the division went through a similar process with the product quality improvement loans.

[10:18:54 AM](#)

REPRESENTATIVE JOHNSON surmised this would be a secured loan that would involve collateral.

MR. WINEGAR responded correct, all of the loans are collateralized. In further response to Representative Johnson, Mr. Winegar offered his understanding of the intent of the retroactive clause. The division initiated the program for AS 16.10.310(a)(1)(B) in fall [2008] because it already had the statutory authority to make this type of loan. The division went through a regulation process that enabled it to dramatically lower the interest rate to make this a real incentive program. A number of folks found out about this last

fall and started working on the process, not realizing that this did not apply to AS 16.10.310(a)(1)(A) borrowers. The division does not have the statutory authority to do that for AS 16.10.310(a)(1)(A) and that is the purpose of this legislation. The idea is to let these people also participate in the program. Mr. Winegar related his belief that it is a small number of folks and it would mostly be for upgrading to more fuel efficient engines. He allowed that items not involving an engine may need to be handled from a policy standpoint or decisions deferred until the regulations are in place.

[10:21:09 AM](#)

REPRESENTATIVE JOHNSON asked whether it would be advantageous to not include the retroactivity as he has a problem with going backwards.

MR. WINEGAR said he does not have any issue with that, but would defer to the sponsor. He noted that there is already a regulation in place that allows the division to provide reimbursement for items purchased with cash within the year.

[10:22:18 AM](#)

CHAIR EDGMON opined that it's worth at least having the discussion at the committee level regarding factoring in the small number of folks who have already repowered their fishing vessel. Furthermore, the reduction of a few interest points over a 15-year lifespan could really have an impact on an Alaskan family. He then said that he is open to discussing whether to maintain the retroactivity clause.

[10:23:45 AM](#)

REPRESENTATIVE JOHNSON clarified that his concern is regarding writing regulations based on things that have already happened; regulations should be written based upon the best policies for the state in the future. He said he didn't want to exclude anyone and would prefer forward-looking regulations rather than backward-looking regulations.

[10:25:12 AM](#)

REPRESENTATIVE KAWASAKI asked if an immediate effective date would provide folks knowledge of the program and allow them to participate in the program this next fishing year.

MR. WINEGAR relayed that the program can be put together as soon as the legislation passes.

CHAIR EDGMON opined that the fact that there's no knowledge as to when the legislation will pass and be in effect provides additional justification for the retroactivity.

MR. WINEGAR highlighted that the interest rates are at an all-time low, and thus this is a great opportunity to take advantage of that interest rate environment.

[10:27:27 AM](#)

REPRESENTATIVE KAWASAKI recalled testimony that the commercial fishing loan fund is only available to locals. Therefore, he presumed that there must be a residency requirement such that the individual has to live in Alaska for a certain number of years. He asked if the boat has to be housed in Alaska.

MR. WINEGAR answered that the statute includes a two-year residency requirement, but there is no specific requirement regarding the location of the vessel.

[10:28:16 AM](#)

REPRESENTATIVE KAWASAKI related his understanding that the folks who qualify for this loan are folks who don't qualify for bank loans.

MR. WINEGAR responded that is correct under AS 16.10.310(a)(1)(B), which targets those who can't obtain financing from banks but that's not the case under AS 16.10.310(a)(1)(A). In further response to Representative Kawasaki, Mr. Winegar acknowledged that those loans under AS 16.10.310(a)(1)(B) are a bit riskier portfolio and have a bit higher delinquency rate. However, they do repay their loans. The rates are low and the fund has performed very well, even with the AS 16.10.310(a)(1)(B) criteria.

[10:29:18 AM](#)

REPRESENTATIVE KELLER inquired as to what programs are available to commercial sport fishing guides.

MR. WINEGAR informed the committee that there are two loan programs that the division makes to charter operations, both of which are small business-related programs. The loans are the

Rural Development Initiative Fund and the Small Business Economic Development Fund from which the division has made several loans to charter operators. Mr. Winegar said he didn't see why an engine upgrade for [commercial sport fishing guides] wouldn't qualify as well under the aforementioned two loan programs. In further response to Representative Keller, Mr. Winegar specified that the terms and interest rates for the commercial sport fishing loans are different. The Rural Development Initiative Fund has a statutory floor of 6 percent and the Small Business Economic Development Fund has federal funds and has a floor of 4 percent. Under the commercial fishing loan program, the rate is prime minus two, which amounts to 2 percent.

[10:32:11 AM](#)

MARK VINSEL, Executive Director, United Fishermen of Alaska (UFA), related support for HB 20. He then opined that without the success of marketing and differentiating Alaska's fish as wild and sustainable, it would've been a very tragic season for the fishing industry. He told the committee that this past season, a petition was circulated among commercial fishermen in about 15 communities, and within a few weeks about 18,000 signatures were obtained. With regard to the fuel price situation, Mr. Vinsel opined that carbon creation or consumption needs to be reduced no matter the price of fuel. Therefore, the fleets need to be modernized and this program provides a great way to do so. The UFA appreciates the administration and the division moving forward with this program and other energy saving improvements both of which HB 20 would accomplish.

[10:35:01 AM](#)

CHAIR EDGMON requested comment on the retroactivity clause of the legislation and asked whether there's a good reason to include the retroactivity clause.

MR. VINSEL recalled that UFA discussed [the engine efficiency loan program] at its late September board meeting, but the [retroactivity issue] didn't come up. Although he acknowledged the existing ability for fishermen to be reimbursed for purchases within a year, he shared Mr. Winegar's concerns that [reimbursing individuals] would still need to be addressed regardless of whether the legislation is passed promptly. One of the reasons [UFA] supported expanding the program to other energy improvements is because many fishermen have already paid for modernization, he said. Those fishermen benefited very well

and the retroactivity doesn't leave out those leading the way [in seeking energy efficiencies].

[10:37:15 AM](#)

JASON BRUNE, Executive Director, Resource Development Council (RDC), began by relaying support for HB 20. He reminded the committee that RDC is a statewide, nonprofit, membership funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries as well as Alaska Native corporations, local communities, organized labor, and industry support firms. The purpose of RDC is to link the diverse interests together to encourage a strong diversified private sector in Alaska and expand the state's economic base through the responsible development of the state's natural resources. Throughout the past several years Alaskans have been struggling with high energy costs. He relayed that fuel cost and usage have escalated since fishermen have to go further out for catch due to impacts from endangered species listings, critical habitat designations, marine protected areas, and fish movement. Therefore, opportunities to improve energy efficiency through state loans are important for the fishermen as well as the environment. Increased efficiency, he opined, will likely lower costs, and decreased carbon emissions. Mr. Brune concluded by encouraging the committee to vote in favor of this legislation.

[10:39:01 AM](#)

REPRESENTATIVE KELLER, upon determining no one else wished to testify, closed public testimony.

[10:39:40 AM](#)

REPRESENTATIVE JOHNSON moved to report CSHB 20, Version 26-LS0124\S, Kane, 1/29/09, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 20(FSH) was reported out of the House Special Committee on Fisheries.

[Representative Keller returned the gavel to Chair Edgmon.]

[10:40:46 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:40 a.m.