

CS FOR HOUSE BILL NO. 177(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered: 2/5/14

Referred: Finance

Sponsor(s): REPRESENTATIVES EDGMON, Peggy Wilson, Kito III

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to interest rates on loans from the commercial fishing revolving loan**
2 **fund and the community quota entity revolving loan fund; and providing for an effective**
3 **date."**

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

5 *** Section 1.** AS 16.10.320(a) is amended to read:

6 (a) Except as permitted in (h), [AND] (l), and (n) of this section, a loan under
7 AS 16.10.300 - 16.10.370

8 (1) may not exceed a term of 15 years, except for extensions under
9 AS 16.10.310(a)(4);

10 (2) may not bear interest at a rate

11 (A) exceeding the prime rate, as defined by AS 44.88.599, plus
12 two percentage points;

13 (B) [AT A RATE] of more than 10 1/2 percent a year; [OR]

14 (C) that is less than the prime rate, as defined in

AS 44.88.599, minus three percentage points; or

(D) [AT A RATE] that is less than **three percent a year** [THE COST OF FUNDS TO THE STATE];

(3) must be secured by a first priority lien and appropriate security agreement;

(4) may not exceed 80 percent of the appraised value of the collateral used to secure the loan; and

(5) may not be made to a person who has a past due child support obligation established by court order or by the child support services agency under AS 25.27.160 - 25.27.220 at the time of application.

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

(j) All principal and interest payments, and any money chargeable to principal or interest that is collected through liquidation by foreclosure or other process, on loans made under AS 16.10.300 - 16.10.370, except loans made under AS 16.10.310(a)(1)(E) after June 30, 2012, shall be paid into the commercial fishing revolving loan fund. [ALL PRINCIPAL AND INTEREST PAYMENTS, AND ANY MONEY CHARGEABLE TO PRINCIPAL OR INTEREST THAT IS COLLECTED THROUGH LIQUIDATION BY FORECLOSURE OR OTHER PROCESS, ON LOANS MADE UNDER AS 16.10.310(a)(1)(E) AFTER JUNE 30, 2012, SHALL BE PAID INTO THE COMMUNITY QUOTA ENTITY REVOLVING LOAN FUND.]

* **Sec. 3.** AS 16.10.320(l) is amended to read:

(l) Until a community quota entity has used loans under this subsection to purchase fishing quota shares cumulatively authorizing a total take of 50,000 pounds, a loan or a portion of a loan made to that community quota entity under AS 16.10.310(a)(1)(E) may not exceed 95 percent of the appraised value of the collateral used to secure the loan or a portion of the loan. A loan to a community quota entity under AS 16.10.310(a)(1)(E)

(1) may not exceed a term of 25 years, except for extensions under AS 16.10.310(a)(4);

(2) may not bear interest

(A) at a rate exceeding

1 (i) the prime rate, as defined by AS 44.88.599, plus
 2 two percentage points; or

3 (ii) 10 1/2 percent a year;

4 (B) at a rate that is less than

5 (i) the cost of funds to the state; or

6 (ii) three percent a year;

7 (3) [(2)] may not, alone or in combination with other loans to the
 8 community quota entity under AS 16.10.310(a)(4), exceed \$1,000,000 in loans to one
 9 community quota entity;

10 (4) [(3)] may have terms that allow for a community quota entity to
 11 defer interest payments for up to two years; and

12 (5) [(4)] is not eligible for refinancing by the department.

13 * **Sec. 4.** AS 16.10.320(m) is amended to read:

14 (m) In AS 16.10.320(l) [THIS SECTION], "cost of funds" means the true
 15 interest cost expressed as a rate based on the prime rate plus one percentage point plus
 16 an additional percentage determined by the department to represent risk of loss, term
 17 of credit facility, the allocable expense of operation, cost of issuance, and loan
 18 servicing costs.

19 * **Sec. 5.** AS 16.10.320 is amended by adding a new subsection to read:

20 (n) A loan made under AS 16.10.310(a)(1)(A)(ii), 16.10.310(a)(1)(A)(iii), or
 21 16.10.310(a)(1)(B) to upgrade an existing vessel and gear for the purpose of
 22 improving the quality of Alaska seafood products or for propulsion engine or
 23 generator engine replacement on an existing vessel for the purpose of improving fuel
 24 efficiency may not bear interest exceeding the prime rate, as defined by AS 44.88.599,
 25 minus two percentage points, or at a rate exceeding 10 1/2 percent, and may not bear
 26 interest at a rate of less than three percent.

27 * **Sec. 6.** AS 16.10.345 is amended by adding new subsections to read:

28 (c) The community quota entity revolving loan fund consists of the following:

29 (1) money appropriated to, transferred to, or received by gift, grant,
 30 devise, bequest, or donation to the fund;

31 (2) principal and interest payments or other income earned on loans or

1 investments of the fund; and

2 (3) money chargeable to principal or interest that is collected through
3 liquidation by foreclosure or other process on loans made under
4 AS 16.10.310(a)(1)(E) and 16.10.345.

5 (d) Money in the fund may be used by the legislature to make appropriations
6 for costs of administering AS 16.10.310(a)(1)(E) and 16.10.345.

7 * **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).