

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

April 2, 2013
10:03 a.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Bob Herron
Representative Jonathan Kreiss-Tomkins

MEMBERS ABSENT

Representative Craig Johnson
Representative Kurt Olson

COMMITTEE CALENDAR

HOUSE BILL NO. 177

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

- HEARD & HELD

CONFIRMATION HEARING(S)

Fisherman's Fund Advisory and Appeals Council

Don Stiles - Nome
Mark Saldi - Skagway

- CONFIRMATION(S) ADVANCED

PREVIOUS COMMITTEE ACTION

BILL: HB 177

SHORT TITLE: COMMERCIAL FISHING LOANS

SPONSOR(S): REPRESENTATIVE(S) EDGMON

03/20/13	(H)	READ THE FIRST TIME - REFERRALS
03/20/13	(H)	FSH, FIN
04/02/13	(H)	FSH AT 10:00 AM CAPITOL 120

WITNESS REGISTER

TIM CLARK, Staff
Representative Bryce Edgmon
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 177 on behalf of Representative Edgmon, sponsor.

LORENE PALMER, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified in official support of HB 177.

CATHY JEANS, Division Operations Manager
Financing Section
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the hearing on HB 177.

JIM ANDERSEN, Lending Collection Manager
Financing Section
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions, during the hearing on HB 177.

DON STILES, Appointee
Fisherman's Fund Advisory and Appeals Council
Nome, Alaska

POSITION STATEMENT: Responded to questions as appointee to the Fisherman's Fund Advisory and Appeals Council.

MARK SALDI, Appointee
Fisherman's Fund Advisory and Appeals Council
Nome, Alaska

POSITION STATEMENT: Responded to questions as appointee to the Fisherman's Fund Advisory and Appeals Council.

GERALD McCUNE, Lobbyist
Cordova District Fishermen United
Cordova, Alaska

POSITION STATEMENT: Testified with support for both appointees to the Fisherman's Fund Advisory and Appeals Council.

CLAY BEZENEK, Member
Fisherman's Fund Advisory and Appeals Council
Member, Southeast Alaska Regional Dive Fisheries Association
Ketchikan, Alaska

POSITION STATEMENT: Testified with support for both appointees to the Fisherman's Fund Advisory and Appeals Council.

ACTION NARRATIVE

[10:03:03 AM](#)

CHAIR PAUL SEATON called the House Special Committee on Fisheries meeting to order at 10:03 a.m. Present at the call to order were Representatives Seaton, Kreiss-Tomkins, Feige and Gattis; Representative Herron arrived as the meeting was in progress.

HB 177-COMMERCIAL FISHING LOANS

[10:03:28 AM](#)

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 177, "An Act relating to interest rates on loans from the commercial fishing revolving loan fund and the community quota entity revolving loan fund; and providing for an effective date."

[10:04:09 AM](#)

TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, presented HB 177, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

HB 177 restores the division of Economic Development's ability to offer incentivizing interest rates for important loan programs within the Commercial Fishing Loan Fund.

The Department of Commerce proposed this legislation to Representative Edgmon because its authority to offer incentivizing loan terms has been so important to its mission to foster economic development in Alaska.

Since 1973, the Commercial Fishing Loan Fund has been a cornerstone in the state's effort to increase Alaskan ownership of Alaskan fisheries.

It encourages development of predominately resident fisheries by enabling more Alaskan fishers to make substantial investments in the efficiency and profitability of their businesses.

Product Quality Improvement and Engine Fuel Efficiency loans are among the most effective offerings in the loan fund for boosting the competitiveness of Alaskan fishing operations.

Upgrading vessels and gear to enhance product quality can dramatically increase the value of one's catch.

Repowering a vessel with fuel efficient propulsion and generator engines can save a business tens of thousands of dollars each year.

HB 177 will once again allow the department to offer such loans at two percent below the prime rate—with a floor of three percent — in order to encourage more Alaskan fishers to make substantial investments in the efficiency and profitability of their businesses.

In doing so, the department will help to increase the vitality of Alaskan businesses and strengthen one of the state's most important industries.

[10:06:34 AM](#)

CHAIR SEATON asked whether the loan interest percentages relate to other loan options established under the Commercial Fishing Loan Fund.

MR. CLARK said the three percent floor was set by the Division of Economic Development at a time of low market interest rates, to ensure a profitable and healthy revolving loan fund.

[10:07:55 AM](#)

MR. CLARK presented the sectional analysis, paraphrasing from a prepared statement, which read [original punctuation provided]:

Section 1 amends AS 16.20.320(a) to allow the department to make loans from the Commercial Fishing Revolving Loan Fund at interest rates not exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. New language in this section also stipulates that the department cannot make loans that bear interest at less than 3 percent.

Section 2 deletes language from AS 16.10.320(j) that pertains to the revolving status of the Community Quota Entity Revolving Loan Fund. This language is no longer necessary because the bill introduces more complete language addressing the CQE Fund's revolving status in Section 6.

Section 3 amends AS 16.10.320(l) to specify certain terms for Community Quota Entity program loans. Loans may not bear interest exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. Also, this section states that loans may not bear interest at a rate that is less than the costs of funds to the state or at a rate that is less than three percent.

Section 4 amends AS 16.10.320(m) to make this subsection apply only to AS 16.10.320(l), which refers to the Community Quota Entity loan program. Subsection (m) defines "cost of funds," which plays a part in loan terms in the CQE loan program.

Section 5 amends AS 16.10.320 to add a new subsection that sets allowable interest rates for Section A and Section B loans for Product Quality Improvement and Engine Fuel Efficiency. Interest rates for these loans cannot exceed the prime rate minus two percent. However, they cannot be lower than three percent. Nor can the rates exceed 10 ½ percent.

Section 6 adds a new subsection to AS 16.10.345 that describes what the Community Quota Entity Revolving Loan Fund consists of and also ensures that it is a fully revolving fund. In particular, this language establishes that income earned on investments of the fund roll back into the fund – a feature that is absent in current statute. This section also allows monies in the fund to be used for administering the CQE loan program (in the same way that CFRLF earnings

can be used to pay for its programs' administrative costs).

Section 7 gives the legislation an immediate effective date.

[10:12:20 AM](#)

LORENE PALMER, Director, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), stated official support for HB 177 and offered to respond to questions.

[10:12:59 AM](#)

CHAIR SEATON asked how many loan applications the division receives on an annual basis.

MS. PALMER directed attention to the committee packet, and pointed out the division report, which indicate the fund history, [titled "Product Quality Improvement Loans as of March 6, 2013"].

[10:14:38 AM](#)

REPRESENTATIVE FEIGE asked about the loan default rate.

MS. PALMER answered that the overall default rate is about 1.4 percent; very low.

[10:14:56 AM](#)

REPRESENTATIVE HERRON referred to the committee packet and the document titled "Monies Transferred From the CFRLF to Fund the Alaska Department of Fish & Game Operating Budget (ADF&G)," to ask what type of operations the \$10 million has funded at ADF&G.

CATHY JEANS, Division Operations Manager, Financing Section, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), offered to provide the information to the committee.

REPRESENTATIVE FEIGE referred to the committee handout illustrating the web page and suggested that the fund may be competing with the private lending sector.

MS. PALMER said the program serves a high risk market, and provides loan accessibility to those who might otherwise have difficulty obtaining commercial loans.

[10:18:38 AM](#)

REPRESENTATIVE FEIGE noted that the program requirements, depicted on the web page handout, do not include turn-down information.

MS. PALMER explained that the web site provides an overview for application eligibility, but the actual loan process requires an in-depth disclosure.

CHAIR SEATON suggested that the department provide further details of the application process.

REPRESENTATIVE FEIGE asked if there is a requirement that the applicant have been turned down by a commercial banking establishment, in order to be eligible for a state loan.

[10:19:45 AM](#)

JIM ANDERSEN, Lending Collection Manager, Financing Section, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), said statute requires that the successful applicant will have been denied for a similar loan by a recognized lender.

[10:20:32 AM](#)

CHAIR SEATON opened public testimony, and seeing none, announced HB 177 would be held in committee for further consideration.

CONFIRMATION HEARING(S):
Fisherman's Fund Advisory and Appeals Council

[10:21:03 AM](#)

CHAIR SEATON announced that the committee would now turn its attention to the confirmation hearing for the appointments to the Fisherman's Fund Advisory and Appeals Council.

[10:21:23 AM](#)

DON STILES, Appointee, Fisherman's Fund Advisory and Appeals Council, offered a brief biography, as provided in the committee packet, and said work and community commitments will not interfere with his work on the council.

[10:23:14 AM](#)

REPRESENTATIVE FEIGE noted that the appointee has worked as a fisheries specialist in the Fisheries Department of Kawarek Incorporated and asked for further details of Mr. Stiles fishing history.

MR. STILES established that Kawarek Incorporated is a non-profit Native organization, and said he began commercial fishing for salmon as a young boy on the Unalakleet and Yukon rivers, and in Norton Sound. Currently he fishes Norton Sound for crab and halibut as a participant in the local community development quota (CDQ) program.

REPRESENTATIVE FEIGE made a motion to advance the confirmation of Donald Stiles to the Fisherman's Fund Advisory and Appeals Council, to the joint session for consideration. There being no objection, the confirmation was advanced.

[10:25:26 AM](#)

MARK SALDI, Appointee, Fisherman's Fund Advisory and Appeals Council, offered a brief biography as provided in the committee packet, and said having fished Southeast Alaska, for 34 years, he currently holds five limited entry permits. He reported that the five years of service on the council has been an enjoyable experience, which he would like to continue.

CHAIR SEATON opened public testimony.

[10:27:25 AM](#)

GERALD McCUNE, Lobbyist, Cordova District Fishermen United, noted that the Fisherman's Fund is the only dedicated fund begun prior to statehood. The council meetings are often ill attended, he reported, and stated support for both appointees.

[10:29:04 AM](#)

CLAY BEZENEK, Member, Southeast Alaska Regional Dive Fisheries Association, voiced support for both appointees and said as a council member he has enjoyed working with the two gentlemen at

past meetings. Additionally, he said it has been important to have Don Stiles as a member representing the northwestern area. The council only meets twice a year but provides an important financial service to fishermen.

CHAIR SEATON closed public testimony.

[10:31:35 AM](#)

REPRESENTATIVE FEIGE made a motion to advance the confirmation of Mark Saldi to the Fishermen's Fund Advisory and Appeals Council, to the joint session for consideration. There being no objection, the confirmation was advanced.

CHAIR SEATON CHAIR SEATON reminded members that signing the report regarding appointment to the council in no way reflects individual members' approval or disapproval of the appointee, and that the nomination is merely forwarded to the full legislature for confirmation or rejection.

[10:32:04 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:32 a.m.