

CS FOR HOUSE BILL NO. 76(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered: 3/29/17

Referred: Finance

Sponsor(s): REPRESENTATIVES ORTIZ, Kreiss-Tomkins, Kito, Gara, Josephson

SENATOR Stevens

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the mariculture revolving loan fund and loans and grants from the**
2 **fund; and providing for an effective date."**

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

4 *** Section 1.** AS 16.10 is amended by adding a new section to article 14 to read:

5 **Sec. 16.10.890. Declaration of policy.** It is the policy of the state, under
6 AS 16.10.890 - 16.10.945, to promote mariculture and the enhancement of the state's
7 shellfish fisheries by means of grants and long-term, low-interest loans.

8 *** Sec. 2.** AS 16.10.900 is amended to read:

9 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture
10 revolving loan fund is created **in** [WITHIN] the Department of Commerce,
11 Community, and Economic Development to carry out the purposes of **AS 16.10.890 -**
12 **16.10.945** [AS 16.10.900 - 16.10.945].

13 (b) The mariculture revolving loan fund consists of the following:

14 (1) money appropriated to, transferred to, or received by gift, grant,

1 devise, bequest, or donation to the fund;

2 (2) principal and interest payments or other income earned on loans or
3 investments of the fund; and

4 (3) money chargeable to principal or interest that is collected through
5 liquidation by foreclosure or other process on loans made under AS 16.10.890 -
6 16.10.945 [AS 16.10.900 - 16.10.945].

7 (c) Money in the fund may be used by the legislature to make appropriations
8 for costs of administering AS 16.10.890 - 16.10.945 [AS 16.10.900 - 16.10.945].

9 * **Sec. 3.** AS 16.10.900 is amended by adding a new subsection to read:

10 (d) Of the total amount available annually to the department to carry out the
11 purposes of AS 16.10.890 - 16.10.945, less any funds appropriated under (c) of this
12 section, 60 percent shall be available solely for making loans under
13 AS 16.10.910(a)(1) and the remainder shall be available solely for making loans under
14 AS 16.10.910(a)(2) and grants under AS 16.10.905(9).

15 * **Sec. 4.** AS 16.10.905 is amended to read:

16 **Sec. 16.10.905. Powers and duties of the department.** The department may

17 (1) make loans to eligible applicants under AS 16.10.890 - 16.10.945
18 [AS 16.10.900 - 16.10.945] for the planning, construction, and operation of a

19 (A) mariculture business;

20 (B) hatchery that artificially propagates marine aquatic
21 plants or shellfish; or

22 (C) a shellfish enhancement project;

23 (2) receive, take, hold, and administer any appropriation, transfer, gift,
24 grant, bequest, devise, or donation of money for the fund;

25 (3) establish amortization plans for repayment of loans, including
26 extensions of the terms of loans;

27 (4) allow an assumption of a loan if

28 (A) the applicant meets the requirements established under this
29 section; and

30 (B) approval of the assumption would be consistent with the
31 purposes of AS 16.10.890 - 16.10.945 [AS 16.10.900 - 16.10.945];

1 (5) establish the rate of interest for loans consistent with law;

2 (6) charge and collect fees for services provided under AS 16.10.890 -
 3 16.10.945 [AS 16.10.900 - 16.10.945];

4 (7) adopt regulations under AS 44.62 necessary to carry out the
 5 provisions of AS 16.10.890 - 16.10.945 [AS 16.10.900 - 16.10.945], including
 6 regulations to establish reasonable fees for services provided; [AND]

7 (8) designate agents and delegate powers as necessary to the agents;

8 (9) make one-time grants for organizational and planning
 9 purposes to nonprofit organizations eligible for loans under AS 16.10.910(a)(2) in
 10 amounts not exceeding \$100,000.

11 * **Sec. 5.** AS 16.10.905 is amended by adding a new subsection to read:

12 (b) The department may not make more than \$500,000 in aggregate grants
 13 under (a)(9) of this section.

14 * **Sec. 6.** AS 16.10.910(a) is amended to read:

15 (a) For an applicant to be eligible for a loan under AS 16.10.890 - 16.10.945
 16 [AS 16.10.900 - 16.10.945], the applicant shall be

17 (1) [BE] a resident of the state who has

18 (A) [, AS DETERMINED UNDER (c) OF THIS SECTION;

19 (2) HAVE] a permitted mariculture farm location in this state; and

20 (B) [(3) HAVE] experience or training in the mariculture
 21 industry; or

22 (2) a resident of the state or entity organized under the laws of this
 23 state that

24 (A) holds a permit under AS 16.40.100 to operate a
 25 hatchery for the purpose of producing aquatic plants or shellfish; or

26 (B) conducts shellfish enhancement projects.

27 * **Sec. 7.** AS 16.10.910(c) is amended to read:

28 (c) To meet the residency requirements of (a) of this section, an individual
 29 [THE] applicant

30 (1) shall physically reside in this state and maintain a domicile in this
 31 state during the 24 consecutive months preceding the date of application for the

1 program; and

2 (2) may not have

3 (A) declared or established residency in another state; or

4 (B) received residency or a benefit based on residency from

5 another state.

6 * **Sec. 8.** AS 16.10.915(a) is amended to read:

7 (a) Except as provided in (b) and (c) of this section, a loan under

8 **AS 16.10.890 - 16.10.945** [AS 16.10.900 - 16.10.945]

9 (1) may not exceed

10 (A) \$100,000 a year **for an applicant under**

11 **AS 16.10.910(a)(1); or**

12 (B) **\$1,000,000 a year for an applicant under**

13 **AS 16.10.910(a)(2);**

14 (2) may not, **unless extended under AS 16.10.905,** exceed a term of

15 (A) 20 years **for an applicant under AS 16.10.910(a)(1); or**

16 (B) **30 years for an applicant under AS 16.10.910(a)(2)** [,

17 EXCEPT FOR EXTENSIONS UNDER AS 16.10.905];

18 (3) may not bear interest at a rate greater than the prime rate, as
19 defined in AS 44.88.599, plus one percentage point, but which may not be less than
20 five percent a year or more than nine percent a year;

21 (4) must be secured by a first priority lien on collateral acceptable to
22 the department; and

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

26 * **Sec. 9.** AS 16.10.915(b) is amended to read:

27 (b) Subsequent loans may be made to **a** [THE] borrower under

28 (1) **AS 16.10.910(a)(1),** [AS 16.10.910] if the total of the balances
29 outstanding on the loans received by the borrower does not exceed \$300,000; **or**

30 (2) **AS 16.10.910(a)(2), if the total of the balances outstanding on**
31 **the loans received by the borrower does not exceed \$1,000,000.**

1 * **Sec. 10.** AS 16.10.915(c) is amended to read:

2 (c) A loan under AS 16.10.910 may be made for the purchase of boats or
3 vessels determined to be integral to the operation of the farm **or hatchery.**

4 * **Sec. 11.** AS 16.10.915(d) is amended to read:

5 (d) For a loan made under **AS 16.10.890 - 16.10.945** [AS 16.10.900 -
6 16.10.945], the department may provide a reduction of the interest rate of not more
7 than two percent if at least 50 percent of the loan proceeds are used by the borrower
8 for purchasing products manufactured or produced in the state. When the department
9 offers a reduction under this subsection, the department shall provide the reduction to
10 all loan applicants who meet the criterion described in this subsection. In this
11 subsection, "manufactured or produced" means processing, developing, or making an
12 item into a new item with a distinct character and use.

13 * **Sec. 12.** AS 16.10.915 is amended by adding a new subsection to read:

14 (e) The department may not make a loan to an applicant under
15 AS 16.10.910(a)(2) for a hatchery or shellfish enhancement project unless the
16 department determines that the hatchery or enhancement project will

17 (1) be managed in a financially viable manner that is reasonably
18 expected to result in repayment of the loan; and

19 (2) provide a significant contribution to common property fisheries, or
20 otherwise benefit the public interest.

21 * **Sec. 13.** AS 16.10.920 is amended to read:

22 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The
23 department may not require the repayment of **the principal of** and interest on a loan
24 made under AS 16.10.910 during the first six years of the loan. Interest on the
25 principal of a loan made under **AS 16.10.910(a)(1)** [AS 16.10.910] may **not** be
26 deferred for a period of [NOT] more than the first six years of the loan. **The**
27 **department may defer principal of and interest on a loan made under**
28 **AS 16.10.910(a)(2) for a period of up to 11 years after the loan is made. The**
29 **department may provide that interest on the principal of a loan made under**
30 **AS 16.10.910(a)(2) may not accrue during a period of not less than six years and**
31 **not more than 11 years after the loan is made.**

1 * **Sec. 14.** AS 16.10 is amended by adding a new section to read:

2 **Sec. 16.10.923. Voluntary assessment on sale of shellfish.** (a) An association
3 of persons who hold entry permits under AS 16.43 comprising at least 51 percent of
4 the persons holding entry permits and actively participating in a fishery to be benefited
5 by a hatchery program may levy and collect an assessment from among its members
6 for the purpose of securing and repaying a loan made under AS 16.10.890 - 16.10.945.

7 (b) Upon satisfactory demonstration to the department that an assessment
8 levied under this section may reasonably be relied on to secure and repay a loan to be
9 made under AS 16.10.890 - 16.10.945, the department may make the loan.

10 * **Sec. 15.** AS 16.10.935 is amended to read:

11 **Sec. 16.10.935. Disposal of property acquired after default.** The department
12 shall dispose of property acquired through default of a loan made under AS 16.10.890
13 - 16.10.945 [AS 16.10.900 - 16.10.945]. Disposal must be made in a manner that
14 serves the best interest of the state and may include the amortization of payments over
15 a period of years.

16 * **Sec. 16.** AS 16.10.945 is amended to read:

17 **Sec. 16.10.945. Definitions.** In AS 16.10.890 - 16.10.945 [AS 16.10.900 -
18 16.10.945],

19 (1) "commissioner" means the commissioner of commerce,
20 community, and economic development;

21 (2) "department" means the Department of Commerce, Community,
22 and Economic Development;

23 (3) "hatchery" has the meaning given in AS 16.40.199;

24 (4) "mariculture" means the farming of shellfish and aquatic plants as
25 defined in AS 16.40.199;

26 (5) "shellfish enhancement project" means a project to

27 (A) augment the yield or harvest of shellfish above
28 naturally occurring levels using a natural, artificial, or semiartificial
29 production system; or

30 (B) rehabilitate a shellfish stock by restoring it to its
31 naturally occurring levels of productivity.

1 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 **APPLICABILITY.** Changes made by this Act to the terms of loans made under
4 AS 16.10.890 - 16.10.945 do not apply to a loan made before the effective date of this Act.

5 * **Sec. 18.** This Act takes effect immediately under AS 01.10.070(c).