

COMMITTEE REPORT
HOUSE

5/29/81

FURTHER:

(11)

Date: June 7, 1981

Mr. Speaker:

The Committee on FINANCE has had CSSB 140 (Fin) am

"An Act establishing a fishery product revolving loan fund and providing for loans and loan guarantees for commercial fish purchasers; and providing for an effective date."

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSB 140 (Fin) same title
 new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

Chairman
CHAIRMAN

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

HCS CSSB 140(Res)

I. REQUEST

Bill/Resolution No. HOUSE CS FOR SENATE BILL NO. 140(Res)
Title Establishing a fishery product revolving loan fund, providing for loans and loan
guarantees; appropriations for loan guarantees. Date 5/29/81

Requested by House Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected Revenue Collection and Management
BRU, Program, or Subprogram(s) Affected Treasury Management
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL		3.0				
300 CONTRACTUAL		5.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		8.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		8.0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

-0-

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The appropriations bill, CSSB 141(Fin), appropriates \$40 million to the Department of Revenue, fish processing loan guarantee account. It does not appropriate funds for the Fishery Product Revolving Loan Fund.

CFAB and other commerical banks make the loans. Department of Revenue enters into agreements with CFAB or commerical bank. Above travel to review information as necessary at bank; contractual services for related professional advice (legal, etc.).

Anselm C. Staack

IV. DATE June 1, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue, Treasury Division
PHONE 465-2351

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 140 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to loans and loan guarantees for
7 commercial fish processors and purchasers and estab-
8 lishing a fishery product revolving loan fund; and
9 providing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 45 is amended by adding a new chapter to read:

12 CHAPTER 91. FISHERY PRODUCT REVOLVING LOAN FUND.

13 Sec. 45.91.010. ESTABLISHMENT OF LOAN FUND. The fishery product
14 revolving loan fund is established in the Department of Revenue.

15 Sec. 45.91.020. FISHERY PRODUCT LOANS. The department may pur-
16 chase participations in loans made to fish processors with facilities
17 located in Alaska and which are used to finance those processors' in-
18 ventories of canned, frozen, or processed products from Alaska fish-
19 eries.

20 Sec. 45.91.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
21 commissioner may

22 (1) designate agents and delegate powers to them as is
23 necessary;

24 (2) adopt regulations to implement this chapter;

25 (3) make and execute contracts and other instruments to im-
26 plement this chapter;

27 (4) purchase participations in notes and agreements securing
28 loans in accordance with this chapter;

29 (5) require that loans in which the fund participates be

1 secured by adequate collateral;

2 (6) acquire real or personal property by purchase, transfer,
3 or foreclosure when that acquisition is necessary to protect a note in
4 which the fund has an interest.

5 (b) Money in the fund that is not being used for participations
6 in fishery product loans must be invested by the department in the same
7 manner as provided for the investment of general fund surplus under
8 AS 37.10.070.

9 (c) Earnings and interest income from investment and fishery pro-
10 duct loan participations must be transferred to the general fund. Re-
11 payments of principal from investments and loan participations must be
12 returned to the fund.

13 Sec. 45.91.040. LIMITATIONS ON LOANS. (a) Loan participations
14 purchased under this chapter are subject to the following limitations:

15 (1) State participation in a single loan may not exceed 90
16 percent of the total amount of the loan.

17 (2) The term of a loan may not exceed one year unless ex-
18 tended under an arrangement made in accordance with (c) of this section.

19 (3) The loan must be secured by a pledge of the inventory
20 being financed by the loan, by a pledge of the accounts receivable from
21 that inventory, or by other collateral acceptable to all participants
22 in the loan. The security interest taken by the state in the collateral
23 must be at least equal in priority to the interests in the collateral
24 of all other participants in the loan, and the proportion which the
25 amount of the state's security interest bears to the total amount of
26 collateral furnished to all participants in the loan shall at least
27 equal the percentage of its participation in the total amount of the
28 loan.

29 (4) The loan must be originated and serviced by either the

1 Alaska Commercial Fishing and Agriculture Bank (AS 44.81.010) or by a
2 state or federally chartered financial institution.

3 (5) The servicing charge on the loan may not exceed one-half
4 of one percent of the outstanding balance of the loan.

5 (6) The rate of interest, including all service fees, on the
6 unpaid balance of the loan fund's participation in a loan shall float
7 at the average rate at which six month U.S. Treasury bills are awarded
8 in the weekly auction of U.S. Treasury bills, plus three and three-
9 fourths percentage points, but may not exceed the applicable interest
10 rate.

11 (7) Loans must be made only to fish processors with facil-
12 ities located in Alaska.

13 (8) Loans may not be made to fish processors which are 50
14 percent or more owned or controlled by aliens.

15 (b) Money in the fund shall be used to purchase participation in
16 loans made to fish processors which are 50 percent or more owned or
17 controlled by residents of the state until these processors needs for
18 loans are met before the money in the fund may be used to purchase
19 participation in loans made to fish processors which are less than 50
20 percent owned or controlled by residents of the state.

21 (c) If the department is a participant in a loan to a fish proces-
22 sor that has not been, or appears unlikely to be, fully repaid within
23 the one-year term prescribed in (a)(2) of this section, the department
24 may not participate in another loan to that processor until the out-
25 standing loan to the processor has been paid.

26 (d) For the purposes of this section

27 (1) "alien" means

28 (A) an individual who is not a citizen or national of
29 the United States, or who is not lawfully admitted to the United

1 States for permanent residence, or paroled into the United States
2 under the Immigration and Nationality Act (8 U.S.C. secs. 1101 -
3 1503), as amended;

4 (B) a person, other than an individual, that was not
5 created or organized under the laws of the United States or of a
6 state, or whose principal place of business is not located in any
7 state; or

8 (C) a person, other than an individual, that was created
9 or organized under the laws of the United States or of a state, or
10 whose principal place of business is located in a state, and that
11 is controlled by a person described in (A) or (B) of this para-
12 graph;

13 (2) "control" means that a relationship exists between a
14 person and fish processor in which the person exercises control con-
15 sisting of

16 (A) owning directly or indirectly, or having the power
17 to vote, the percentage indicated of any class of voting security
18 of a fish processor organized as a corporation; or

19 (B) influencing or affecting in any substantive manner
20 the election of a majority of the directors or trustees of a fish
21 processor organized as a corporation;

22 (3) "person" means an individual, a corporation, a partner-
23 ship, an association, a joint-stock company, an estate, a trust where
24 the interests of the beneficiaries are evidenced by a security, an
25 unincorporated association, a government, a political subdivision of a
26 government, or a combination of these entities.

27 Sec. 45.91.050. SALE OR TRANSFER OF MORTGAGES AND NOTES. The de-
28 partment may sell or transfer at par value or at a premium or discount
29 to any bank or other private purchaser for cash or other consideration

1 the mortgages and notes held as security for loans made under this
2 chapter. The proceeds from the sale or transfer are assets of the
3 fund.

4 Sec. 45.91.060. DEFINITIONS. In this chapter

5 (1) "commissioner" means the commissioner of revenue;

6 (2) "department" means the Department of Revenue;

7 (3) "fish processor" means a person engaging in a business
8 for which a license is required under AS 43.75.010 - 43.75.090;

9 (4) "facilities located in Alaska" means facilities at which
10 fisheries products are canned, frozen, or otherwise processed for
11 inventory, including floating facilities which are documented under the
12 laws of the United States as defined in 46 U.S.C. 801, and operate
13 within the three-mile limit or within historic bays and inland waters
14 of the state;

15 (5) "fishery product" means fin fish, shellfish, and fish
16 byproducts, including but not limited to salmon, halibut, herring,
17 flounder, crab, clam, cod, shrimp, and pollock;

18 (6) "fund" means the fishery product revolving loan fund.

19 * Sec. 2. LOAN GUARANTEES FOR COMMERCIAL FISH PURCHASERS. (a) The
20 Alaska Commercial Fishing and Agriculture Bank or a state or federally
21 chartered financial institution may

22 (1) make loans to provide financial assistance to commercial
23 purchasers of the 1981 fish harvest;

24 (2) participate with state or federally chartered financial
25 institutions in the making of loans to provide financial assistance to
26 commercial purchasers of the 1981 fish harvest;

27 (3) enter into agreements with the Department of Revenue to
28 provide guarantees from the 1981 fish processing loan guarantee account for
29 up to 50 percent of the portion of a loan described in (1) and (2) of this

1 subsection held by a state or federally chartered financial institution or
2 an institution of the federal farm credit system.

3 (b) A loan may not be guaranteed under (a)(3) of this section unless
4 20 percent or more of the loan is held by the Alaska Commercial Fishing and
5 Agriculture Bank or a state or federally chartered financial institution.

6 (c) There is created as a separate account in the general fund the
7 1981 fish processing loan guarantee account. The 1981 fish processing loan
8 guarantee account consists of assets appropriated to it from the general
9 fund. The commissioner of revenue shall administer the 1981 fish processing
10 loan guarantee account and may enter into agreements with the Alaska Commer-
11 cial Fishing and Agriculture Bank or a state or federally chartered financial
12 institution to use the assets of the 1981 fish processing loan guarantee
13 account to provide guarantees for loans under (a)(3) of this section. The
14 total amount of the guaranteed portion of loans guaranteed under (a)(3) of
15 this section may not exceed \$40,000,000.

16 (d) A loan may not be guaranteed under this section unless the borrower
17 is an individual who is a resident of the state, or is a corporation, part-
18 nership, or joint venture in which a majority of the beneficial interest is
19 owned by residents of the state and of which a majority of the owners are
20 residents of the state.

21 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
22 070(c).

changes p. 5+6

Original sponsor: Rules/Governor

Offered: 5/29/81
Referred: Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

HOUSE CS FOR CS FOR SENATE BILL NO. 140 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing a fishery product revolving loan fund and providing for loans and loan guarantees for commercial fish purchasers; and providing for an effective date."

7

8

9

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11

* Section 1. AS 45 is amended by adding a new chapter to read:

12

CHAPTER 91. FISHERY PRODUCT REVOLVING LOAN FUND.

13

Sec. 45.91.010. ESTABLISHMENT OF LOAN FUND. The fishery product revolving loan fund is established in the Department of Revenue.

14

15

Sec. 45.91.020. FISHERY PRODUCT LOANS. The department may purchase participations in loans made to fish processors with facilities located in Alaska and which are used to finance those processors' inventories of canned, frozen, or processed products from Alaska fisheries.

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19

20

Sec. 45.91.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The commissioner may

21

22

(1) designate agents and delegate powers to them as is necessary;

23

24

(2) adopt regulations to implement this chapter;

25

26

(3) make and execute contracts and other instruments to implement this chapter;

27

28

(4) purchase participations in notes and agreements securing loans in accordance with this chapter;

29

(5) require that loans in which the fund participates be

1 the mortgages and notes held as security for loans made under this
2 chapter. The proceeds from the sale or transfer are assets of the
3 fund.

4 Sec. 45.91.060. DEFINITIONS. In this chapter

5 (1) "commissioner" means the commissioner of revenue;

6 (2) "department" means the Department of Revenue;

7 (3) "fish processor" means a person engaging in a business
8 for which a license is required under AS 43.75.010 - 43.75.090;

9 (4) "facilities located in Alaska" means facilities at which
10 fisheries products are canned, frozen, or otherwise processed for
11 inventory, including floating facilities which are documented under the
12 laws of the United States as defined in 46 U.S.C. 801, and operate
13 within the three-mile limit or within historic bays and inland waters
14 of the state;

15 (5) "fishery product" means fin fish, shellfish, and fish
16 byproducts, including but not limited to salmon, halibut, herring,
17 flounder, crab, clam, cod, shrimp, and pollock;

18 (6) "fund" means the fishery product revolving loan fund.

19 * Sec. 2. LOAN GUARANTEES FOR COMMERCIAL FISH PURCHASERS. (a) The
20 Commercial Fishing and Agriculture Bank or a ~~commercial bank~~ *state or federally chartered*
21 ~~financial institution~~ *financial institution*
~~offices in the state~~ may

22 (1) make loans to provide financial assistance to commercial
23 purchasers of the 1981 fish harvest;

24 (2) participate with ~~commercial banks~~ *state or federally chartered financial institutions*
25 provide financial assistance to commercial purchasers of the 1981 fish
26 harvest;

27 (3) enter into agreements with the Department of Revenue to
28 provide guarantees from the fish processing loan guarantee account for up to
29 50 percent of the portion of a loan described in (1) and (2) of this sub-

state or federally chartered financial institution

1 section held by a ~~commercial bank~~ or an institution of the federal farm
2 credit system.

3 (b) A loan may not be guaranteed under (a)(3) of this section unless
4 20 percent or more of the loan is held by the Commercial Fishing and Agricul-
5 ture Bank or a ~~commercial bank which has offices in the state.~~ state or federally chartered financial institution

6 ~~(c) The commissioner of revenue may enter into agreements with the~~
7 ~~Commercial Fishing and Agriculture Bank or a commercial bank which has~~
8 ~~offices in the state to use the assets of the fish processing loan guarantee~~
9 ~~account created in sec. 2(c), ch. 32, SLA 1980, to provide guarantees for~~
10 ~~loans under (a)(3) of this section. The total amount of the guaranteed~~
11 ~~portion of loans guaranteed under (a)(3) of this section may not exceed~~
12 ~~\$40,000,000.~~

new
subsection
(c)
Attached

13 (d) A loan may not be guaranteed under this section unless the borrower
14 is an individual who is a resident of the state, or is a corporation, part-
15 nership, or joint venture in which a majority of the beneficial interest is
16 owned by residents of the state and of which a majority of the owners are
17 residents of the state.

18 ~~(e) In this section, "commercial bank" means a bank chartered by the~~
19 ~~United States or by a state of the United States.~~ delete

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Finance Committee
FROM: Rep. Terry Gardiner
DATE: May 29, 1981
RE: Amendments, CS SB 140

The Resources Committee made amendments to CS SB 140 to expand the use of the loan guarantee account from the ~~Commercial Fish and Agriculture Bank~~ to include all other commercial banks in the state. The bill, as drafted when arriving in the committee, provided that only the Commercial Fish and Agriculture Bank could use the loan guarantee account which is identical to the bill that was passed last year, Sec.2(c), Ch.32, SLA 1980. Thus the bill only referred back to that 1980 session law.

When expanding the use of the loan guarantee account from the CFAB to include all of the commercial banks, a drafting error was made in failing to realize that the 1980 law would also need to be amended.

Rather than using a cumbersome process of amending a 1980 law which was temporary legislation, it seems to me that it would be much easier just to recreate a fish processing loan guarantee account in this legislation and delete all references to the prior 1980 law. Thus I offer the following amendments which would accomplish that purpose.

Page 6, line 6-11: Delete the entire sub-section (c).

Page 6, line 6: Add the following:

"(c) There is created as a separate account in the general fund the fish processing loan guarantee account. The fish processing loan guarantee account consists of assets transferred to it from the general fund. The Commissioner of Revenue shall administer the fish processing loan guarantee account and may enter into agreements with the Commercial Fish and Agriculture Bank or a state or federally chartered financial institution which has offices in Alaska to use the assets of the fish processing loan guarantee account to provide guarantees for loans under (a) (3) of this section. The total amount of the guaranteed portion of loans

appropriated



guaranteed under (a) (3) of this section may not exceed
\$40,000,000."

A compatible amendment must also be made with the CS SB 141, the appropriation bill.

Page 1, line 12: Delete "(Sec. 2(c), Ch. 32, SIA 1980)"

February 3, 1981

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which would establish the fishery product revolving loan fund in the Department of Revenue. This bill is designed to provide short-term financing to fish processors with facilities located in Alaska. The Department of Revenue would be authorized under the bill to purchase participation interests in loans made by banks to fish processors. These loans would provide needed funds to fish processors to cover operating costs before the fishery products are sold.

I am also transmitting a bill appropriating money to the fund.

Sincerely,

S/JS/H

Jay S. Hammond
Governor

SENATE
LETTER OF INTENT FOR SENATE BILL NO. 140

As it considered the fishery product revolving loan fund, the Legislature recognized the need for administrative discretion to ensure the successful and smooth operation of such a program. However, the Legislature wishes to avoid the possibility that a few large processors might monopolize the loan fund to the detrimental exclusion of many smaller processors. In deciding how to strike a balance between these two concerns, the Legislature has chosen not to impose statutory restraints at the expense of program flexibility, but instead has opted to express through this letter its intent about how the fish pack revolving loan fund should be kept open to large and small processors alike. While the Legislature also intends that the interim program of guarantees for fish pack loans through Fiscal Year 1982 be open to large and small processors, the intent expressed in this letter is directed particularly toward the revolving loan fund and not the interim program.

First of all, it is intended that not more than 10 percent of the loan fund be committed or loaned to a processor at any one time unless the loan needs of the other qualified processors are already met.

Second, the loans should not run ordinarily for more than one year. The Committee's substitute does not impose this as a requirement, but instead makes a processor ineligible for a new loan if an existing loan is not repaid within a one-year term. The Legislature believes the threat of being cut off from fish pack financing for the coming season

(Adopted as Senate Letter of Intent May 13, 1981)

will have a greater effect in getting a processor to pay off last season's pack loan than will the threat of foreclosing on last season's pack. Accordingly, it is intended that any agreement extending an existing loan will be made only near the end of the initial term of that loan and that, in any event, the coming season's pack will not be financed unless the processor has reasonably and diligently endeavored to pay off the existing loan.

Third, new loans should not automatically be made to a processor as old loans are paid off. The critical word in the last sentence is "automatically". There is nothing wrong if a processor qualifies for and receives fish pack financing from the fund year after year, but he must qualify and be credit-worthy each year. It is not intended that a loan to a processor one year will in any way become a line of credit or a reservation for a similar loan the next year.

Fourth, priority should be given to loan applications with the highest proportion of the total loan being financed from conventional lending institutions or the Commercial Fishing and Agriculture Bank (CFAB) instead of the loan fund. This creates an incentive for processors not to rely on the fund unduly and also helps make the money in the fund go further.

(Adopted as a Senate Letter of Intent May 13, 1981)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

CSSB 140(FIN)
CSSB 141(FIN)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS FOR SENATE BILLS 140 & 141 (FIN)
Title Establishing a fishery product revolving loan fund, providing for loans and loan
~~REQUESTS~~ guarantees; appropriations for loan guarantees. Date 5/1/81

Requested by Senate Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected Revenue Collection and Management
BRU, Program, or Subprogram(s) Affected Treasury Management
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL		3.0				
300 CONTRACTUAL		5.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		8.0				

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		8.0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

-0-

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The appropriations bill, CSSB 141(FIN), appropriates \$40 million to the Department of Revenue, fish processing loan guarantee account. It does not appropriate funds for the Fishery Product Revolving Loan Fund.

CFAB and other commercial banks make the loans. Department of Revenue enters into agreements with CFAB. Above travel to review information as necessary at CFAB; contractual services for related professional advice (legal, etc.).

IV. DATE May 6, 1981

PREPARED BY Anselm C. Staack, Treasury Comptroller
AGENCY Dept. of Revenue, Treasury Division
PHONE 465-2351

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

CSSB 140 (Res)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS FOR SENATE BILL NO. 140 (Res.)

Title Establishing a fishery product revolving loan fund

Requested by Senate Finance Committee

Date 3/16/81

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Treasury Management

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	13.1	52.2	57.4	63.2	69.5	76.4
200 TRAVEL	3.0	12.0	13.2	14.5	16.0	17.6
300 CONTRACTUAL	2.0	20.0	22.0	24.2	26.6	29.3
400 COMMODITIES	.2	.3	.3	.4	.4	.5
500 EQUIPMENT	2.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	20.3	84.5	92.9	102.3	112.5	123.8

FUNDING (Thousands of Dollars)

	20.3	84.5	92.9	102.3	112.5	123.8
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	1	1	1	1	1	1
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Above includes salary and benefits for State Investment Officer II. Travel cost due to nature of fishing business and review requirements for loans. Contractual expenditures related to regulations, necessary professional services, space requirements, etc. Equipment for new position.

Costs shown in 81 are for a three-month period assuming immediate effective date bill. If not effective until new fiscal year, equipment costs should be moved to FY 82.

Anselm C. Staack

IV. DATE March 25, 1981

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

Original sponsor: Rules/Governor

Offered: 5/29/81
Referred: Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

HOUSE CS FOR CS FOR SENATE BILL NO. 140 (Resources)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act establishing a fishery product revolving loan fund and providing for loans and loan guarantees for commercial fish purchasers; and providing for an effective date."

7

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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 45 is amended by adding a new chapter to read:

12

CHAPTER 91. FISHERY PRODUCT REVOLVING LOAN FUND.

13

Sec. 45.91.010. ESTABLISHMENT OF LOAN FUND. The fishery product revolving loan fund is established in the Department of Revenue.

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Sec. 45.91.020. FISHERY PRODUCT LOANS. The department may purchase participations in loans made to fish processors with facilities located in Alaska and which are used to finance those processors' inventories of canned, frozen, or processed products from Alaska fisheries.

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Sec. 45.91.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The commissioner may

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(1) designate agents and delegate powers to them as is necessary;

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(2) adopt regulations to implement this chapter;

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(3) make and execute contracts and other instruments to implement this chapter;

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(4) purchase participations in notes and agreements securing loans in accordance with this chapter;

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(5) require that loans in which the fund participates be

1 secured by adequate collateral;

2 (6) acquire real or personal property by purchase, transfer,
3 or foreclosure when that acquisition is necessary to protect a note in
4 which the fund has an interest.

5 (b) Money in the fund that is not being used for participations
6 in fishery product loans must be invested by the department in the same
7 manner as provided for the investment of general fund surplus under
8 AS 37.10.070.

9 (c) Earnings and interest income from investment and fishery pro-
10 duct loan participations must be transferred to the general fund. Re-
11 payments of principal from investments and loan participations must be
12 returned to the fund.

13 Sec. 45.91.040. LIMITATIONS ON LOANS. (a) Loan participations
14 purchased under this chapter are subject to the following limitations:

15 (1) State participation in a single loan may not exceed 90
16 percent of the total amount of the loan.

17 (2) The term of a loan may not exceed one year unless ex-
18 tended under an arrangement made in accordance with (c) of this section.

19 (3) The loan must be secured by a pledge of the inventory
20 being financed by the loan, by a pledge of the accounts receivable from
21 that inventory, or by other collateral acceptable to all participants
22 in the loan. The security interest taken by the state in the collateral
23 must be at least equal in priority to the interests in the collateral
24 of all other participants in the loan, and the proportion which the
25 amount of the state's security interest bears to the total amount of
26 collateral furnished to all participants in the loan shall at least
27 equal the percentage of its participation in the total amount of the
28 loan.

29 (4) The loan must be originated and serviced by either the

1 Alaska Commercial Fishing and Agriculture Bank (AS 44.81.010) or by a
2 state or federally chartered financial institution.

3 (5) The servicing charge on the loan may not exceed one-half
4 of one percent of the outstanding balance of the loan.

5 (6) The rate of interest, including all service fees, on the
6 unpaid balance of the loan fund's participation in a loan shall float
7 at the average rate at which six month U.S. Treasury bills are awarded
8 in the weekly auction of U.S. Treasury bills, plus three and three-
9 fourths percentage points, but may not exceed the applicable interest
10 rate.

11 (7) Loans must be made only to fish processors with facil-
12 ities located in Alaska.

13 (8) Loans may not be made to fish processors which are 50
14 percent or more owned or controlled by aliens.

15 (b) Money in the fund shall be used to purchase participation in
16 loans made to fish processors which are 50 percent or more owned or
17 controlled by residents of the state until these processors needs for
18 loans are met before the money in the fund may be used to purchase
19 participation in loans made to fish processors which are less than 50
20 percent owned or controlled by residents of the state.

21 (c) If the department is a participant in a loan to a fish proces-
22 sor that has not been, or appears unlikely to be, fully repaid within
23 the one-year term prescribed in (a)(2) of this section, the department
24 may not participate in another loan to that processor until the out-
25 standing loan to the processor has been paid.

26 (d) For the purposes of this section

27 (1) "alien" means

28 (A) an individual who is not a citizen or national of
29 the United States, or who is not lawfully admitted to the United

1 States for permanent residence, or paroled into the United States
2 under the Immigration and Nationality Act (8 U.S.C. secs. 1101 -
3 1503), as amended;

4 (B) a person, other than an individual, that was not
5 created or organized under the laws of the United States or of a
6 state, or whose principal place of business is not located in any
7 state; or

8 (C) a person, other than an individual, that was created
9 or organized under the laws of the United States or of a state, or
10 whose principal place of business is located in a state, and which
11 is controlled by a person described in (A) or (B) of this para-
12 graph;

13 (2) "control" means that a relationship exists between a
14 person and fish processor in which the person exercises control con-
15 sisting of

16 (A) owning directly or indirectly, or having the power
17 to vote, the percentage indicated of any class of voting security
18 of a fish processor organized as a corporation; or

19 (B) influencing or affecting in any substantive manner
20 the election of a majority of the directors or trustees of a fish
21 processor organized as a corporation;

22 (3) "person" means an individual, a corporation, a partner-
23 ship, an association, a joint-stock company, an estate, a trust where
24 the interests of the beneficiaries are evidenced by a security, an
25 unincorporated association, a government, a political subdivision of a
26 government, or a combination of these entities.

27 Sec. 45.91.050. SALE OR TRANSFER OF MORTGAGES AND NOTES. The de-
28 partment may sell or transfer at par value or at a premium or discount
29 to any bank or other private purchaser for cash or other consideration

1 the mortgages and notes held as security for loans made under this
2 chapter. The proceeds from the sale or transfer are assets of the
3 fund.

4 Sec. 45.91.060. DEFINITIONS. In this chapter

5 (1) "commissioner" means the commissioner of revenue;

6 (2) "department" means the Department of Revenue;

7 (3) "fish processor" means a person engaging in a business
8 for which a license is required under AS 43.75.010 - 43.75.090;

9 (4) "facilities located in Alaska" means facilities at which
10 fisheries products are canned, frozen, or otherwise processed for
11 inventory, including floating facilities which are documented under the
12 laws of the United States as defined in 46 U.S.C. 801, and operate
13 within the three-mile limit or within historic bays and inland waters
14 of the state;

15 (5) "fishery product" means fin fish, shellfish, and fish
16 byproducts, including but not limited to salmon, halibut, herring,
17 flounder, crab, clam, cod, shrimp, and pollock;

18 (6) "fund" means the fishery product revolving loan fund.

19 * Sec. 2. LOAN GUARANTEES FOR COMMERCIAL FISH PURCHASERS. (a) The
20 Commercial Fishing and Agriculture Bank or a commercial bank which has
21 offices in the state may

22 (1) make loans to provide financial assistance to commercial
23 purchasers of the 1981 fish harvest;

24 (2) participate with commercial banks in the making of loans to
25 provide financial assistance to commercial purchasers of the 1981 fish
26 harvest;

27 (3) enter into agreements with the Department of Revenue to
28 provide guarantees from the fish processing loan guarantee account for up to
29 50 percent of the portion of a loan described in (1) and (2) of this sub-

1 section held by a commercial bank or an institution of the federal farm
2 credit system.

3 (b) A loan may not be guaranteed under (a)(3) of this section unless
4 70 percent or more of the loan is held by the Commercial Fishing and Agricul-
5 ture Bank or a commercial bank which has offices in the state.

6 (c) The commissioner of revenue may enter into agreements with the
7 Commercial Fishing and Agriculture Bank or a commercial bank which has
8 offices in the state to use the assets of the fish processing loan guarantee
9 account created in sec. 2(c), ch. 32, SLA 1980, to provide guarantees for
10 loans under (a)(3) of this section. The total amount of the guaranteed
11 portion of loans guaranteed under (a)(3) of this section may not exceed
12 \$40,000,000.

13 (d) A loan may not be guaranteed under this section unless the borrower
14 is an individual who is a resident of the state, or is a corporation, part-
15 nership, or joint venture in which a majority of the beneficial interest is
16 owned by residents of the state and of which a majority of the owners are
17 residents of the state.

18 (e) In this section, "commercial bank" means a bank chartered by the
19 United States or by a state of the United States.

20 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
21 070(c).

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Original sponsor: Rules/Governor

Offered: 5/1/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 140 (Finance) am
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing a fishery product revolving loan
7 fund and providing for loans and loan guarantees for
8 commercial fish purchasers; and providing for an
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 45 is amended by adding a new chapter to read:

12 CHAPTER 91. FISHERY PRODUCT REVOLVING LOAN FUND.

13 Sec. 45.91.010. ESTABLISHMENT OF LOAN FUND. The fishery product
14 revolving loan fund is established in the Department of Revenue.

15 Sec. 45.91.020. FISHERY PRODUCT LOANS. The department may pur-
16 chase participations in loans made to fish processors with facilities
17 located in Alaska and which are used to finance those processors' in-
18 ventories of canned, frozen, or processed products from Alaska fish-
19 eries.

20 Sec. 45.91.030. POWERS AND DUTIES OF THE DEPARTMENT. (a) The
21 commissioner may

22 (1) designate agents and delegate powers to them as is
23 necessary;

24 (2) adopt regulations to implement this chapter;

25 (3) make and execute contracts and other instruments to im-
26 plement this chapter;

27 (4) purchase participations in notes and agreements securing
28 loans in accordance with this chapter;

29 (5) require that loans in which the fund participates be

1 secured by adequate collateral;

2 (6) acquire real or personal property by purchase, transfer,
3 or foreclosure when that acquisition is necessary to protect a note in
4 which the fund has an interest.

5 (b) Money in the fund that is not being used for participations
6 in fishery product loans must be invested by the department in the same
7 manner as provided for the investment of general fund surplus under
8 AS 37.10.070.

9 (c) Earnings and interest income from investment and fishery pro-
10 duct loan participations must be transferred to the general fund. Re-
11 payments of principal from investments and loan participations must be
12 returned to the fund.

13 Sec. 45.91.040. LIMITATIONS ON LOANS. (a) Loan participations
14 purchased under this chapter are subject to the following limitations:

15 (1) State participation in a single loan may not exceed 90
16 percent of the total amount of the loan.

17 (2) The term of a loan may not exceed one year unless ex-
18 tended under an arrangement made in accordance with (c) of this section.

19 (3) The loan must be secured by a pledge of the inventory
20 being financed by the loan, by a pledge of the accounts receivable from
21 that inventory, or by other collateral acceptable to all participants
22 in the loan. The security interest taken by the state in the collateral
23 must be at least equal in priority to the interests in the collateral
24 of all other participants in the loan, and the proportion which the
25 amount of the state's security interest bears to the total amount of
26 collateral furnished to all participants in the loan shall at least
27 equal the percentage of its participation in the total amount of the
28 loan.

29 (4) The loan must be originated and serviced by either the

1 Alaska Commercial Fishing and Agriculture Bank (AS 44.81.010) or by a
2 state or federally chartered financial institution.

3 (5) The servicing charge on the loan may not exceed one-half
4 of one percent of the outstanding balance of the loan.

5 (6) The rate of interest, including all service fees, on the
6 unpaid balance of one loan fund's participation in a loan shall float
7 at the average rate at which six month U.S. Treasury bills are awarded
8 in the weekly auction of U.S. Treasury bills, plus three and three-
9 fourths percentage points, but may not exceed the applicable interest
10 rate.

11 (7) Loans must be made only to fish processors with facil-
12 ities located in Alaska.

13 (8) Loans may not be made to fish processors which are 80
14 percent or more owned or controlled by aliens.

15 (b) Money in the fund shall be used to purchase participation in
16 loans made to fish processors which are 50 percent or more owned or
17 controlled by persons domiciled in Alaska until these processors needs
18 for loans are met before the money in the fund may be used to purchase
19 participation in loans made to fish processors which are less than 50
20 percent owned or controlled by persons domiciled in Alaska.

21 (c) If the department is a participant in a loan to a fish
22 processor that has not been, or appears unlikely to be, fully repaid
23 within the one-year term prescribed in (a)(2) of this section, the
24 department may not participate in another loan to that processor until
25 the outstanding loan to the processor has been paid.

26 (d) For the purposes of this section

27 (1) "alien" means

28 (A) an individual who is not a citizen or national of
29 the United States, or who is not lawfully admitted to the United

1 States for permanent residence, or paroled into the United States
2 under the Immigration and Nationality Act (8 U.S.C. secs. 1101 -
3 1503), as amended;

4 (B) a person, other than an individual, that was not
5 created or organized under the laws of the United States or of a
6 state, or whose principal place of business is not located in any
7 state; or

8 (C) a person, other than an individual, that was created
9 or organized under the laws of the United States or of a state, or
10 whose principal place of business is located in a state, and which
11 is controlled by a person described in (A) or (B) of this para-
12 graph;

13 (2) "control" means that a relationship exists between a
14 person and fish processor in which the person exercises control con-
15 sisting of

16 (A) owning directly or indirectly, or having the power
17 to vote, the percentage indicated of any class of voting security
18 of a fish processor organized as a corporation; or

19 (B) influencing or affecting in any substantive manner
20 the election of a majority of the directors or trustees of a fish
21 processor organized as a corporation;

22 (3) "person" means an individual, a corporation, a partner-
23 ship, an association, a joint-stock company, an estate, a trust where
24 the interests of the beneficiaries are evidenced by a security, an
25 unincorporated association, a government, a political subdivision of a
26 government, or a combination of these entities.

27 Sec. 45.91.050. SALE OR TRANSFER OF MORTGAGES AND NOTES. The de-
28 partment may sell or transfer at par value or at a premium or discount
29 to any bank or other private purchaser for cash or other consideration

1 the mortgages and notes held as security for loans made under this
2 chapter. The proceeds from the sale or transfer are assets of the
3 fund.

4 Sec. 45.91.060. DEFINITIONS. In this chapter

5 (1) "commissioner" means the commissioner of revenue;

6 (2) "department" means the Department of Revenue;

7 (3) "fish processor" means a person engaging in a business
8 for which a license is required under AS 43.75.010 - 43.75.090;

9 (4) "facilities located in Alaska" means facilities at which
10 fisheries products are canned, frozen, or otherwise processed for
11 inventory, including floating facilities which are documented under the
12 laws of the United States as defined in 46 U.S.C. 801, and operate
13 within the three-mile limit or within historic bays and inland waters
14 of the state;

15 (5) "fishery product" means fin fish, shellfish, and fish
16 byproducts, including but not limited to salmon, halibut, herring,
17 flounder, crab, clam, cod, shrimp, and pollock;

18 (6) "fund" means the fishery product revolving loan fund.

19 * Sec. 2. LOAN GUARANTEES FOR COMMERCIAL FISH PURCHASERS. (a) The
20 Commercial Fishing and Agriculture Bank may

21 (1) make loans to provide financial assistance to commercial
22 purchasers of the 1981 fish harvest;

23 (2) participate with commercial banks in the making of loans to
24 provide financial assistance to commercial purchasers of the 1981 fish
25 harvest;

26 (3) enter into agreements with the Department of Revenue to
27 provide guarantees from the fish processing loan guarantee account for up to
28 50 percent of the portion of a loan described in (1) and (2) of this sub-
29 section held by a commercial bank or an institution of the federal farm

1 credit system.

2 (b) A loan may not be guaranteed under (a)(3) of this section unless
3 20 percent or more of the loan is held by the Commercial Fishing and Agricul-
4 ture Bank.

5 (c) The commissioner of revenue may enter into agreements with the
6 Commercial Fishing and Agriculture Bank to use the assets of the fish pro-
7 cessing loan guarantee account created in sec. 2(c), ch. 32, SLA 1980, to
8 provide guarantees for loans under (a)(3) of this section. The total amount
9 of the guaranteed portion of loans guaranteed under (a)(3) of this section
10 may not exceed \$40,000,000.

11 (d) In this section, "commercial bank" means a bank chartered by the
12 United States or by a state of the United States.

13 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
14 070(c).

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5/1/81

This is the
fiscal note
that accompanied
the bill as
it passed from
SFC.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

MAR 26 1981

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

March 26, 1981

The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee
Room 525 - Capitol Building
Juneau, Alaska

Dear Senators Bennett and Dankworth:

Re: CS for Senate Bill No. 140 (Resources)

CS for Senate Bill No. 140 (Resources), an Act establishing a fishery product revolving loan fund, was referred on March 16, 1981 by the Senate Resources Committee to the Senate Finance Committee.

For the consideration of the Senate Finance Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

CSSB 140 (Res)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS FOR SENATE BILL NO. 140 (Res.)

Title Establishing a fishery product revolving loan fund

Requested by Senate Finance Committee

Date 3/16/81

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Treasury Management

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES	13.1	52.2	57.4	63.2	69.5	76.4
200 TRAVEL	3.0	12.0	13.2	14.5	16.0	17.6
300 CONTRACTUAL	2.0	20.0	22.0	24.2	26.6	29.3
400 COMMODITIES	.2	.3	.3	.4	.4	.5
500 EQUIPMENT	2.0					
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	20.3	84.5	92.9	102.3	112.5	123.8

FUNDING (Thousands of Dollars)

<u>GENERAL FUND</u>	20.3	84.5	92.9	102.3	112.5	123.8
<u>FEDERAL FUNDS</u>						
<u>OTHER (Specify Fund Source)</u>						

POSITIONS

<u>FULL TIME</u>	1	1	1	1	1	1
<u>PART TIME</u>						
<u>TEMPORARY</u>						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Above includes salary and benefits for State Investment Officer II. Travel cost due to nature of fishing business and review requirements for loans. Contractual expenditures related to regulations, necessary professional services, space requirements, etc. Equipment for new position.

Costs shown in 81 are for a three-month period assuming immediate effective date bill. If not effective until new fiscal year, equipment costs should be moved to FY 82.

IV. DATE March 25, 1981

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

PHONE 465-2351