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COMMITTEE REPORT

HOUSE

FURTHER: Finance

(7)

4/12/82

Date: 4-14-82

Mr. Speaker: (C&RA referral
waived 4/12/82)

The Committee on Resources has had SB 768

"An Act relating to residential loans administered by regional
Native housing authorities; 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)
[X] replace with CS for SB 768 [] same title
[X] new title
and recommends _____
[] AND attaches a "Letter of Intent" [] New Fiscal Note
[] reports it back without recommendation
[] referred to the _____ Committee

MEMBERS SIGNING
DO PASS

E. C. Pritchett

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Do NOT
PASS!!

E. C. Pritchett
CHAIRMAN



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

KEN FANNING, CO-CHAIRMAN
ERIC SUTCLIFFE, CO-CHAIRMAN
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For the past two years the Department of Revenue has administered a loan guarantee program for commercial fish processors. Under the program, the loans had to originate with CFAB which limited the guarantees to processors which were 51% Alaskan owned. The loans were effectively guaranteed for up to 50% of any eventual loss. The funds encumbered by guarantees remained in the state treasury unless there was a default. In that event, after recovering what it could from the collateral, the bank would be reimbursed by the state for 50% of the loss. Last year a \$40 million appropriation was made for loan guarantees, and the Department of Revenue recently received its first notice of default.

CSSB 768

1. Establishes a revolving loan guarantee account. Page 1, line 11.
2. Establishes a 50% guarantee program for 1982 season loans. Page 2, lines 8-22.
 - (a) The program is available to CFAB and other banks. This will enable processors which are less than 51% Alaskan owned to participate. Page 2, lines 14-16.
 - (b) The guarantees apply to costs associated with the 1981 recall and for the purchase and processing of salmon in 1982 (salmon only). Page 1, lines 16-18, and Page 3, line 13.
 - (c) Until July 1, 1982, 20% of the account is reserved for loans to companies which are 51% Alaskan owned. Page 2, lines 24,25.
 - (d) Guarantee limit: \$10 million per borrower. Page 2, line 18.
 - (e) Term of the loan: 1 year. Page 2, line 10.
 - (f) The guarantees are a percentage of the loss, not a percentage of the principal. Page 2, lines 19-22.

3. Establishes a 50% guarantee program for 1983 and subsequent years. Page 3, lines 16-27.

(a) Limited to banks located in the state and to processors which are 51% Alaskan owned. Page 3, lines 24-27.

(b) Term of the loan: 1 year. Page 3, line 18.

(c) Guarantee limit: \$10 million per borrower. Page 2, line 18.

(d) Guarantees are a percentage of the loss, not a percentage of the principal. Page 2, lines 19-22.

4. Repeals the Revolving Loan Fund (AS 45. 91). Page 2, line 28.

5. Amends Chapter 41, SLA 1981.

(a) Increases last year's guarantees from an effective 50% to 70%. Page 4, line 19.

(b) Applies only to canned salmon caught in 1981. Page 4, line 11.

(c) Available only to companies which operate in 1982. Page 4, lines 16-18 & 22.23.

(According to CFAB there are 5 loans which qualify for an increased 1981 guarantee. The combined value of the loans is \$17.5 million. 70% of \$17.5 = \$12.15 million.)



REPRESENTING
THE SOUTHERN ALASKA PENINSULA
THE ALEUTIAN CHAIN
KODIAK ISLAND
AND THE PRIBILOF ISLANDS

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SB 768

For the past two years the Department of Revenue has provided a 40% guarantee to banks on loans made to fish processors. Under the existing program, processors can use the loans to purchase fish and to pay processing expenses. In the case of default, the Department of Revenue pays the bank 40% of the outstanding debt. The 1980 and 1981 programs required that all guaranteed loans originate with CFAB. A \$40 million appropriation was made last year for loan guarantees.

This bill establishes a revolving loan guarantee account which, unlike past appropriations, does not lapse into the General Fund. The account would be funded with money left over from last year and a \$100 million appropriation from the "Rainy Day Account". Money encumbered for guarantees does not leave the state treasury unless a loan goes into default. Then the bank collects what it can from the collateral, and if the principal isn't recovered in full, the state pays a percentage of the loss.

This bill establishes a 50% guarantee program for loans made for salmon processing. The program is open to CFAB

and other banking institutions. Until July 1, 1982, \$20 million is reserved for companies which are 51% Alaskan owned. Not more than \$10 million may be guaranteed per borrower. After January 1, 1983, the program will be open only to banks located in the state and to fish processors which are 51% Alaskan owned. The term of the loan is one year.

CSSB 768 also increases the guaranteed portion from 40% to 70% for loans made for canned salmon in 1981.

The revolving loan fund (AS 45.91) is repealed. This fund was established last year but has never been funded.



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KEN FANNING, CO-CHAIRMAN
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MEMORANDUM

TO: Representative Jack Fuller
Chairman, Rules Committee

FROM: Representative Eric Sutcliffe ^{EGS}
Co-Chairman, Resources Committee

RE: CSSB 768 Fiscal Note

DATE: April 15, 1982

The fiscal impact of CSSB 768 will be addressed in a separate appropriations bill. It is for that reason that the House Resources Committee has not attached a fiscal note to CSSB 768.