



Original sponsors: Hayes, Flood,  
Lindauer, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 15 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to commercial fisheries; and provid-  
7 ing for an effective date."

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

9 \* Section 1. AS 16.05.050 is amended by adding a new paragraph to read:  
10 (13) sell or lease a state hatchery facility.

11 \* Sec. 2. AS 16.10.310(a) is amended to read:

12 (a) The department may

13 (1) make loans to

14 (A) individual commercial fishermen who have been  
15 state residents for a continuous period of two years [FIVE YEARS]  
16 immediately preceding the date of application for a loan under  
17 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial  
18 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
19 the year immediately preceding the date of application and any  
20 other two [ANY ONE] of the past five years, and who actively  
21 participated in the fishery during those periods [THAT PERIOD],  
22 for the purchase of entry permits;

23 (B) an individual who has been a state resident for a  
24 continuous period of two years [FIVE YEARS] immediately preceding  
25 the date of application for a loan under AS 16.10.300 - 16.10.-  
26 370, who

27 (i) because of lack of training or lack of en-  
28 ployment opportunities in the area of residence does not  
29 have occupational opportunities available other than

1 commercial fishing; or

2 (ii) is economically dependent on commercial  
3 fishing for a livelihood and for whom commercial fishing has  
4 been a traditional way of life [FOR HIM] in Alaska, for the  
5 repair, restoration or upgrading of existing vessels and  
6 gear, for the purchase of entry permits and gear, and for  
7 the construction and purchase of vessels;

8 (C) corporations, partnerships, or joint ventures, 100  
9 percent of which are owned by individual commercial fishermen who  
10 have been state residents for a continuous period of two years  
11 [FIVE YEARS] immediately preceding the date of application for a  
12 loan under AS 16.10.310(a)(1)(B) and have had a crewmember or  
13 commercial fishing license under AS 16.05.480 or a permit under  
14 AS 16.43 for the year immediately preceding the date of applica-  
15 tion and any other two [ANY ONE] of the past five years, and who  
16 actively participated in the fishery during that period, for the  
17 repair, restoration or upgrading of existing vessels and gear,  
18 for the purchase of gear, and for the construction and purchase  
19 of vessels;

20 (2) designate agents and delegate its powers to them as  
21 necessary;

22 (3) adopt regulations necessary to carry out its functions;

23 (4) establish amortization plans for repayment of loans,  
24 which may include extensions for poor fishing seasons or for adverse  
25 market conditions for Alaskan products;

26 (5) enter into agreements with private lending institu-  
27 tions, other state agencies, or agencies of the federal government, to  
28 carry out the purposes of AS 16.10.300 - 16.10.370;

29 (6) enter into agreements with other agencies or

1 organizations to create an outreach program to make loans under  
2 AS 16.10.300 - 16.10.370 in rural areas of the state.

3 \* Sec. 3. AS 16.10 is amended by adding a new section to read:

4 Sec. 16.10.315. ALLOCATION OF LOANS. The department shall  
5 allocate at least ten percent of the money that is appropriated to  
6 make loans under AS 16.10.310 for loans of \$35,000 or less made under  
7 AS 16.10.310(a)(1)(B) and (C).

8 \* Sec. 4. AS 16.10.320 is amended by adding a new subsection to read:

9 (j) If a borrower ceases to be a state resident during the term  
10 of a loan made under AS 16.10.310 - 16.10.370, the loan shall be  
11 accelerated and the outstanding principal and interest shall be repaid  
12 by the borrower within 120 days after the state residence terminates.

13 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: CSHB 15 Date on Bill: 3/8/83  
 Title: "An Act relating to commerical fishing loans;....."  
 Sponsor: Special Committee on State Loans  
 Requestor: \_\_\_\_\_

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating		63.7	61.3	
Total		63.7	61.3	

b. Revenues:

Revenue	FY 83	FY 84	FY 85	FY 86

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

1. Five-year residents have a longer track record in Alaska, which makes their residency indicators much more obvious and more easily obtainable. A two-year residency requirement would require more investigative work into the residency background of the applicant.
2. Contact with other states will be necessary in cases which involve prepared term residency to determine the actual dates of residence.
3. Followup investigative work will need to be done to insure that principal and interest on these loans is repaid within 120 days after State residency terminates.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: D. A. Hostak Phone: 465-2510  
 Division: Loans & Veterans' Affairs Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lyon Date: \_\_\_\_\_  
 Department: Commerce and Economic Development

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

An Act relating to the eligibility for commercial fishing loans

Personal Services	Location	Monthly Salary	Yearly Salary	Yearly Benefits	Total Salary & Benefits
1 Investigator III	AWA	\$ 2838	\$ 34,056		\$ 34,056
<u>Benefits</u>	SBS Benefits			\$ 2,088	
	Monthly Benefits			2,880	
	Variable Benefits			5,279	<u>10,247</u>
Total Personal Services					44,303
<u>TRAVEL</u> - One trip per month					
Airfare \$486 X 12 trips plus 2 days per diem @ \$85 per trip					7,872
<u>CONTRACTUAL</u>					
Postage				\$ 311	
Telephone @ \$2500 for long distance				2,500	
Xerox				<u>150</u>	2,961
<u>COMMODITIES</u>					
Calculator @ \$280				\$ 280	
Setup costs for Desk				40	
Average yearly supplies				<u>200</u>	520
<u>EQUIPMENT</u>					
New position Modular Furniture Setup Costs				\$ 5,300	5,300
<u>ASHA</u>					
Space Rental				\$ 2,700	2,700
Total Estimated Expenses					<u><u>\$ 63,656</u></u>

+ pg. 3 line 3  
insert "appropriated" 3/15/83  
Version #2  
Asper

Add after date

Original sponsors: Hayes, Flood,  
Lindauer, et al

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 15 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: ~~"An Act relating to commercial fisheries."~~

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8 \* Section 1. AS 16.05.050 is amended by adding a new paragraph to read:

9 (13) sell or lease a state hatchery facility;

10 \* Sec. 2. AS 16.10.310(a) is amended to read:

11 (a) The department may

12 (1) make loans to

13 (A) individual commercial fishermen who have been  
14 state residents for a continuous period of two years [FIVE YEARS]  
15 immediately preceding the date of application for a loan under  
16 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial  
17 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
18 the year immediately preceding the date of application and any  
19 other two [ANY ONE] of the past five years, and who actively  
20 participated in the fishery during those periods [THAT PERIOD],  
21 for the purchase of entry permits;

22 (B) an individual who has been a state resident for a  
23 continuous period of two years [FIVE YEARS] immediately preceding  
24 the date of application for a loan under AS 16.10.300 - 16.10.-  
25 370, who

26 (i) because of lack of training or lack of em-  
27 ployment opportunities in the area of residence does not  
28 have occupational opportunities available other than commer-  
29 cial fishing; or

The following individuals are expected to testify on CS HB 15  
(Loans):

Representative Joe Hayes, prime sponsor

Representative Rick Uehling, Chair, House Special Committee on  
Loans

Don Hostak, Director, Division of Business Loans & Veterans'  
Affairs, Department of Commerce and Economic Development

Tom Koester, Assistant Attorney General, Department of Law

*ce*

*H. State Finance*

RECEIVED

THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTEENTH LEGISLATURE

FEB 7 1983

FISCAL NOTE

I. REQUEST  
Bill/Resolution No. HB 15 No 1 LEGISLATIVE FINANCE  
Title An Act relating to eligibility for commercial fishing loans.  
Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
Agency Affected Department of Commerce and Economic Development  
Program Category Affected Economic Development  
BRU, Program, Or Subprogram(s) Affected Division of Loans & Veterans' Affairs  
(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 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		63.7	61.3	64.4		

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND		63.7	61.3	64.4		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME						
PART TIME						
TEMPORARY						

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

Increased fund is required for the following reasons:

- Five-year residents have a longer track record in Alaska, which makes their residency indicators much more obvious and more easily obtainable. A one-year residency requirement would require more investigative work into the residency background of the applicant.
- During certain times of the year, many one-year residents do not have a prepared tax return, which is one of the main documents used in determining residency.
- Contact with other states will be necessary in cases which involve prepared term residency to determine the actual dates of residence.

IV. DATE \_\_\_\_\_ PREPARED BY D. A. Hostak Director  
AGENCY Department of Commerce & Economic Development  
Original: Legislative Finance PHONE 464-2555 Division of Loans & Veterans' Affairs

STATE OF ALASKA  
FISCAL NOTE

Revision Date April 8, 1983

I. REQUEST

Bill/Resolution No. SCSCSHB 15 (Finance)  
Title: Commercial Fishing Loans  
Sponsor: Haves, Flood, Lindauer, et al.  
Requestor: \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected: Commerce & Econ. Development  
Program Category Affected: Development  
BRU, Program of Subprogram(s) Affected: Loans & Veterans' Affairs

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES		44.3	46.9	49.7	52.7	55.9
200 TRAVEL		7.9	8.3	8.8	9.3	9.9
300 CONTRACTUAL		3.0	3.1	3.3	3.5	3.7
400 COMMODITIES		.5	.2	.2	.2	.2
500 EQUIPMENT		5.3	-0-	-0-	-0-	-0-
600 LAND & STRUCTURES		2.7	2.8	3.0	3.2	3.4
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING		63.7	61.3	65.0	68.9	73.1

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		63.7	61.3	65.0	68.9	73.1
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by sponsor.

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: D. A. Hostak *D. A. Hostak* Phone: 465-2510  
Division: Loans & Veterans' Affairs Date: 4-8-83  
Approved by Commissioner: Richard A. Lyon *R. Lyon* Date: 4/9/83  
Department: Commerce & Economic Development

Distribution:

Original to Legislative Finance  
Copy to Office of Management and Budget (for Legislature introduced bills)  
Copy to Department (for Governor introduced bills)  
Copy to Sponsor  
Copy to Requestor (if different from Sponsor)

3/8/83

SCSCSHB 15 (Finance) FISCAL NOTE ANALYSIS:

Provides for an Investigator III position. This position's primary responsibility would be to investigate the residency claims of applicants under the Commercial Fishing Loan Program. This would involve civil as well as criminal investigations. A large amount of the emphasis would be to insure that only qualified applicants receive loans and to prosecute applicants who provide fraudulent claims. There would also be a large amount of follow-up work. SCSCSHB 15 (Finance) provides for an accelerated payback if a borrower terminates his State residency. All figures are based on a 6% inflation increase per year. FY '85 figures are slightly lower than FY '84, due to the elimination of one-time expenditures for equipment and commodities.

1.	POSITION TITLE Investigator III				RANGE/STEP 18A	BARG. UNIT 6	FORM 12 PAGE/LINE	GOV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFI	STAFF MONTHS 12	RP NUMBER	FCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT 4	LEG.		
3.	CONTINUATION LEVEL		ADDITION		JUSTIFICATION					
4.	TYPE OF EXPENDITURE			AMOUNT						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	2,838/month	34,056.00							
6.	Benefits		5,279.00							
7.	Supplemental Benefits		2,088.00							
8.	Fixed Benefits		2,880.00							
9.	TOTAL PERSONAL SERVICES		01	44,303.00						
10.	Travel		02	7,872.00						
11.	Contractual		03	2,961.00						
12.	Commodities		04	520.00						
13.	Equipment		05	5,300.00						
14.	Other			2,700.00						
15.	TOTAL COST			63,656.00						
16.	RECEIPT CODE	FUNDING SOURCE								
17.		Federal Receipts 1002								
18.		G.F. Match 1003								
19.		General Funds 1004		63,656.00						
20.		I-A Receipts 1005								
21.		Program Receipts 1028								
		Other								
FOR B&M USE ONLY										
4A KEY NUMBER _____										

**13** REQUEST FOR  
NEW POSITION

AGENCY Commerce & Economic Development  
PROGRAM Economic Development  
BRU Loans & Veterans' Affairs  
COMPONENT \_\_\_\_\_

**FY 84**

Page 1 of 1  
Revised Date 3-23-83

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Bill Sheffield, Governor

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

December 6, 1982

D.A. Hostak, Director  
Division of Business Loans  
and Veterans Affairs  
Department of Commerce  
and Economic Development  
Pouch D  
Juneau, Alaska 99811

Re: Constitutionality of Residence  
Requirement for Fishing Loans  
(AS 16.10.310).  
Our file 366-161-83.

Dear Mr. Hostak:

In a November 26, 1982 opinion, this office concluded that the five-year durational residency requirements for commercial fishing loans in AS 16.10.310(a)(1) clearly are unconstitutional, that no good faith defense of the requirements could be advanced if they were challenged in court, and that the requirements were not severable. As a result, we concluded that the Department of Commerce and Economic Development, Division of Business Loans and Veterans' Affairs, had no choice but to suspend the program until the legislature had an opportunity to amend the enabling legislation.

Governor Sheffield asked us to review the conclusions of that opinion to determine whether the program legally can be

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

December 6, 1982  
Page 2

reinstated between now and the time the legislature has an opportunity to address the problem created by the five-year durational residency requirement. Governor Sheffield's request stemmed from a strong desire to minimize the adverse consequences resulting from suspension of the program at this time. 1/

In response to the governor's request, we have undertaken a thorough review of the November 26, 1982 opinion. Following that review, we remain satisfied that two of the conclusions reached in that opinion are correct: (1) the five-year durational residency requirements are unconstitutional; and (2) no good faith defense of those requirements could be advanced if they were challenged in court.

However, we are not as certain about the conclusion regarding the severability of those requirements from the remainder of the statute. Under Lynden Transport, Inc. v. State, 532 P.2d 700 (Alaska 1975), a two-step test for severability is employed. First, it must appear that legal effect can be given to the remainder of the statute after the offensive provision is stricken. Here, legal effect certainly can be given to all three subparagraphs of AS 16.10.310(a)(1) if the words "of five years" are deleted from each subparagraph. If those deletions

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1/ This time period -- i.e., between Thanksgiving and early spring -- is the fishing off-season. Accordingly, it is the busiest time of year for financial transactions most directly impacted by a suspension of the commercial fishing loan program.

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
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are made, the eligibility requirement in general would be that applicants "have been state residents for a continuous period [OF FIVE YEARS] immediately preceding the date of application for a loan." AS 16.10.310(a)(1)(A) (material in brackets deleted).

The second element of the Lynden Transport test is that it must appear the legislature intended the remainder of the statute to stand if the offensive provision was stricken. In AS 16.10.300, the legislature declared the policy underlying the commercial fishing loan program: "It is the policy of the state, under secs. 300-370 of this chapter, to promote the rehabilitation of the state's fisheries, development of a predominantly resident fishery, and continued maintenance of commercial fishing gear and vessels throughout the state by means of long-term low interest loans." Neither the rehabilitation of the state's fisheries nor the continued maintenance of commercial fishing gear and vessels is related, either directly or indirectly, to a durational residency requirement. If the five-year durational residency requirement is not severable and the program must be suspended as a result, these legislative purposes clearly will be thwarted. We believe the presence of legislative purposes wholly unrelated to the durational residency requirement may be viewed as evidence that the legislature intended the remainder of the statute to stand if the durational residency requirements were stricken.

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

December 6, 1982  
Page 4

Moreover, the express legislative purpose of promoting development of a predominately resident fishery and the implied legislative purpose of ensuring that only bona fide state resident commercial fishermen qualify for commercial fishing loans both can be accomplished quite easily without a statutory five-year durational residency requirement. Without that requirement, eligibility still would be limited by statute to those who "have been state residents for a continuous period" -- i.e., bona fide Alaska residents.

In other words, all of the legitimate legislative purposes underlying both the statutory commercial fishing loan program as a whole and the specific five-year durational residency requirements can be satisfied even if the five-year requirements are severed. As a result, we believe it is reasonable to conclude that the legislature would have intended the remainder of the statutory commercial fishing loan program to stand if the unconstitutional five-year durational residency requirements were stricken.

Accordingly, under Lynden Transport, the offensive five-year durational residency requirement can be found severable. We believe that is the result the Alaska Supreme Court would reach if the question was presented to it. As a result, we believe you should reinstitute the program under AS 16.10-.310(a)(1), but without the five-year durational residency re-

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

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quirement. That conclusion is supported by AS 01.10.030, the state's general severability clause 2/, which the Alaska Supreme Court views as establishing at least a weak presumption in favor of severability. Williams v. Zobel, 619 P.2d 422 (Alaska 1980).

Once the five-year durational residency requirements are severed, the statute then requires only that applicants have been state residents for a continuous period immediately prior to applying for a loan as an objective test of residency. To establish a legally defensible objective standard for the length of the statutorily required continuous period of residency, we believe the Department of Commerce and Economic Development should adopt emergency regulations under AS 16.10.310(a)(3) and AS 44-.62.250.

The length of any period of residency required by such regulations should be within a range which could be defended in court. Under the cases cited in the November 26, 1982 opinion, 30 days clearly would be permissible. One year almost certainly

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2/ AS 01.10.030 provides:

Any law heretofore or hereafter enacted by the Alaska Legislature which lacks a severability clause shall be construed as though it contained the clause in the following language, "If any provision of this Act, or the application thereof to any person or circumstance is held invalid, the remainder of this Act and the application to other persons or circumstances shall not be effected [sic] thereby."

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
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would be permissible. A good faith argument could be made that two years is permissible because of the highly transient nature of fishermen, although it is more likely than not that a two-year durational residency requirement would be found unconstitutional if challenged in court. To assist your department in adopting the necessary emergency regulations, we are attaching a draft finding of emergency, order of adoption, and amended regulation conforming to the requirements of AS 44.62.250. 3/

We are aware that the Alaska Supreme Court has acknowledged the doctrine of separation of powers. See e.g., Bradner v. Hammond, 553 P.2d 1 (Alaska 1976); Public Defender Agency v. Superior Court, 534 P.2d 947 (Alaska 1975). Under that doctrine, some might criticize a policy under which the attorney general concludes that constitutionally offensive provisions are severed under the Lynden Transport analysis with the executive branch then proceeding to implement the remainder of the statute. 4/ It apparently was for this reason -- i.e. that severing the constitutional portion of the statute could be viewed as impermissible

---

3/ Your department must then follow the additional steps outlined in the Drafting Manual for Administrative Regulations. See checklist on pp. 12-13 and chapter 5.

4/ This is precisely what happened when this department proposed to settle a court challenge to the state's longevity bonus program by severing the program's unconstitutional residency requirements and establishing a one-year durational residence requirement in their place.

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

December 6, 1982  
Page 7

legislating by the executive branch -- that former Attorney General Condon concluded that you had no choice but to suspend the program pending a legislative solution.

However, in the extraordinary situation where a statutory requirement clearly is unconstitutional and cannot be defended in court, I believe the better result is for the legislative will expressed in the overall statutory scheme to be implemented without the constitutionally offensive provisions if they can be severed under the Lynden Transport analysis. This gives the executive branch much more flexibility when the legislature passes a statute which is unconstitutional in part. Under a policy where offensive provisions cannot be severed, the difficult choice is between continuing to implement an unconstitutional statute or suspending an entire program. However, if an offensive provision can be severed, the executive branch can implement the legislative will in a constitutional manner, thereby satisfying the programmatic desires expressed by the legislature without running afoul of constitutional constraints.

If the legislature is dissatisfied with this result, or disagrees with the attorney general's conclusion regarding severability, it always has the option of amending the statute or repealing it altogether. Ultimately, the legislature must take final responsibility for the statutes which govern the state.

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

December 6, 1982  
Page 8

To intrude as little as possible into the legislative sphere, Governor Sheffield has made it clear that the solution outlined above is to be an interim solution only. Under AS 44.62-.260(a), emergency regulations expire 120 days after they are adopted. At that time, if the legislature has not addressed the problem presented by the unconstitutional five-year durational residency requirements, the program should again be suspended.

We are sending copies of this opinion to Senator Kerttula and Representative Hayes to ensure that the legislature has notice that the program will be suspended upon expiration of the emergency regulation if there is no legislative action before then. Consequently, the legislature will have to act if it desires the program to continue beyond the expiration date of the emergency regulation.

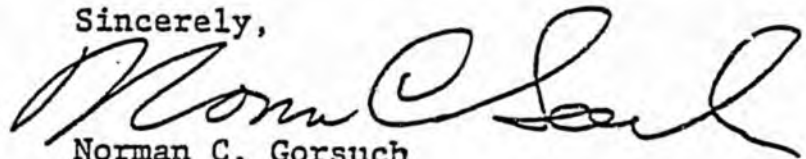
The administration is considering proposing legislation to remedy this problem, although no decision has been made in that regard. However, any permanent solution to the problem created by the unconstitutional five-year durational residency requirement in AS 16.10.310(a)(1) must be provided by the legislature. The interim solution outlined above is simply a pragmatic approach to solving the problem temporarily to avoid the considerable hardship immediate suspension of the program would work on the commercial fishing industry while the legislature considers this matter.

D.A. Hostak, Director  
Division of Business Loans & Veterans' Affairs  
Dept. of Commerce & Economic Development  
366-161-83

December 6, 1982  
Page 9

We will be happy to work with you in putting this suggested interim solution into practice.

Sincerely,



Norman C. Gorsuch  
Attorney General

NCG:GTK:d1m

Attachment

cc: Senator Jalmar Kerttula  
Representative Joe L. Hayes



# Alaska State Legislature

## House of Representatives

November 5, 1982

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

### MEMORANDUM

TO: The Honorable Joe Hayes  
Speaker of the House  
Anchorage

FROM: Mark K. Johnson  
Juneau

Subjects: Proposed legislation regarding (a) Commercial Fishing Loan Act and (b) Fishermen's Mortgage and Note Fund.

-----

Each of these programs was identified by the Attorney General in his letter of September 1, as posing constitutional problems because of durational residency requirements. After some research and reflection it was determined that attempts to cure the problems with these programs should be simple rather than complex.

In the Commercial Fishing Loan Act, AS 16.10.310-16.10.360, the Department of Commerce is given the authority to make loans to individual commercial fishermen and eligible business ventures for "the repair, restoration or upgrading of existing vessels and gear, for the purchase of entry permits and gear and for the construction and purchase of vessels...". The program also imposed a five year continuous residency requirement for eligibility for these loans.

The proposed legislation would delete the five year residency requirement entirely but expand a requirement that an applicant have actively participated in the fishery from one out of the last five years to three out of the last five years. Inasmuch as there is no residency requirement for the holding of a limited entry permit or on participation in the fishery as a crewmember, this may be a appropriate response.

Legislation creating the Fishermen's Mortgage and Note Fund, AS 16.10.650-16.10.720, also imposed a five year durational residency requirement on applicants for that program. The proposed legislative response would also delete this requirement from the law. But at the same time, the response would impose upon an applicant the burden of establishing that "he is likely to contribute to the economic stability of the state".

My understanding of the opinion of the U.S. Supreme Court in Zobel V. Williams, \_\_\_ U.S. \_\_\_, 72 L Ed 2d 672, (1982), is that the imposition of such a requirement is acceptable. Such a requirement does not suffer from the defect of being only backward looking but is rather, only concerned with the present and the future. I believe accordingly that such a requirement is a "legitimate state purpose". See the opinion of Justice Brennan at 72 L Ed 2d 672, at 684.

These last two pieces of proposed legislation represent the final areas in which legislative action is appropriate with the exception of the longevity bonus program. I will be spending some time on that issue to determine if some kind of legislative solution can be fashioned. I expect, however, that the likely conclusion is that the program must be scraped altogether or funded at a dramatically higher level.

\*Sec 1: AS 16.10.310 is amended to read:

Sec. 16.10.310. Powers of the department. (a) The department may  
(1) make loans to

(A) individual commercial fishermen who have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43.010-16.43.380 for any three of the past five years and who actively participated in the fishery during that period, for the repair, restoration or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels; and

(B) corporations, partnerships or joint ventures, 100 per cent of which are owned by individual commercial fishermen who have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43.010-16.43.380 for any three of the last five years, and who actively participated in the fishery during that period, for the repair, restoration or upgrading of existing vessels and gear, for the purchase of gear, and for the construction and purchase of vessels;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt rules and regulations necessary to carry out its functions;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons;

(5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government to carry out the purposes of AS 16.10.300-16.10.370.

(b) The department shall consult with the Department of Fish and Game on regulations and procedures established under AS 16.10.010-16.10.720.

\*Sec. 1: AS 16.10.680 is amended to read:

Sec. 16.10.680. Eligibility for loans . (a) The commissioner may purchase a mortgage or note under AS 16.10.660(b) if it secures a loan to an individual who meets one of the requirements of (b) of this section and who

(1) does not qualify for a loan for the purposes described in AS 16.10.670 under a state loan program;

(2) has not previously participated in the loan program established in AS 16.10.650-16.10.720 or in any other state loan program for the purposes described in AS 16.10.670; and

(3) meets the guidelines established by the commissioner to determine whether the applicant is reasonably likely to succeed as a commercial fisherman and be able to repay the loan.

(b) In addition to the requirements of (a)(1)-(4) of this section, the commissioner may purchase a mortgage or note under AS 16.10.660(b) only if it secures a loan to an individual who demonstrates under guidelines established by the commissioner that he is likely to contribute to the economic stability of the state and

(1) because of his lack of training or the lack of employment opportunities in the area in which he resides, he does not have occupational opportunities available to him other than commercial fishing; or

(2) he is economically dependent on commercial fishing for a livelihood and commercial fishing has been a traditional way of life for him in Alaska.

(c) The commissioner may not refuse to purchase a mortgage or note from a private financial institution under AS 16.10.660(b) solely because the applicant for the loan does not have a credit history.

(d) In determining whether the applicant is reasonably likely to be able to repay the loan under (a)(4) of this section; the private financial institution shall consider the applicant's income from commercial fishing and from other sources.

## FINDING OF EMERGENCY

The Department of Commerce and Economic Development finds that an emergency exists and that the attached amendment is necessary for the immediate preservation of the public peace, health, safety, or general welfare. A statement of the facts constituting the emergency is:

1. In a November 26, 1982 opinion, the Department of Law concluded that the five-year durational residency requirements for commercial fishing loans in AS 16.10.310(a)(1)(A), (B) and (C) are unconstitutional.
2. In a December 6, 1982 opinion, the Department of Law concluded that the five-year durational residency requirements for a commercial fishing loan are severable from the remainder of the statutory program.
3. The commercial fishing loan program was initially enacted in 1972. Since that time, it has become very important to the continued viability of the commercial fishing industry in Alaska. In addition to providing financing for vessels and gear, the commercial fishing loan program provides the only mechanism for financing the purchase of limited entry permits using the permits as collateral. If the program is suspended, it will work an immediate and considerable hardship on the commercial fishing industry in Alaska. Therefore, 03 AAC 80.100 must be amended to remove the requirement that an individual be a five-year resident to qualify for a commercial fishing loan for the immediate preservation of the general welfare of the industry.
4. The Department of Law concluded that the five-year durational residency requirement in AS 16.10.310(a)(1)(A), (B) and (C) was intended to ensure that only bona fide residents of Alaska qualify for commercial fishing loans. The legislature has not funded this department with a sufficient staff to make individual inquiries of each applicant for a commercial fishing loan to determine on an individualized basis whether that applicant is in fact a bona fide resident of Alaska and, at the same time, to make the necessary evaluation of an applicant's financial situation for purposes of obtaining a loan. As a result, some legally permissible screening requirement to test the bona fides of residency must be adopted.
5. The Department of Law informs us that a one-year durational residency requirement almost certainly is constitutional when a fundamental right or basic necessity of life is not involved, and that eligibility to apply for a commercial fishing loan is not a fundamental right nor a basic necessity of life.

ADOPTION ORDER

Under authority of AS 16.10.310(a)(3), the regulation is therefore adopted as an emergency regulation to take effect immediately upon filing by the lieutenant governor as provided in AS 44.62.180(3).

DATE: December 7, 1982  
Juneau, Alaska

Richard A. Lyon, Commissioner.  
Department of Commerce and  
Economic Development

FILING CERTIFICATION

I, Stephen Alan McAlpine, Lieutenant Governor for the State of Alaska, certify that on December 7, 1982, at \_\_\_\_\_m., I filed the attached regulations according to the provisions of AS 44.62.

Stephen Alan McAlpine  
Lieutenant Governor

3 AAC 80.100. DEFINITION OF TERMS. Unless the context requires otherwise, in this chapter and in the forms and instructions of the commissioner

. . .

(11) "resident" means a corporation, partnership or limited partnership 100 percent of which is owned by a resident commercial fisherman or an individual who, except for brief intervals, periods of military service, or attendance at an educational or training institution has resided in the state for one year [FIVE YEARS]; "residence" is determined by where the individual

- (A) is registered to vote;
- (B) maintains his permanent place of abode;
- (C) files his tax returns;
- (D) registers or licenses his personal property, including but not limited to cars, boats, trucks and trailers;
- (E) is licensed to drive; and
- (F) maintains bank accounts, savings accounts, lines of credit and other financial relationships. (Eff. 9/26/76, Reg. 59; am 5/16/81, Reg. 78; am / / , Reg. )

Authority: AS 16.10.310

*Quinn*

TO: HOUSE BILL 15

by FULLER

Page 2, after line 27:

Add a new section to read:

"\*Sec. 2. AS 16.10 is amended by adding a new section to read:

Sec. 16.10.315. ALLOCATION OF LOANS. The department shall allocate at least ten percent of the money that is available to make loans under AS 16.10.310 for loans of \$35,000 or less made under AS 16.1.310(a) (1) (B) and (C)."

*Representative  
Fuller's rationale  
for section 2  
of CS HB 15:*

The amendment would make it possible for small fishermen to have a better shot at getting a loan through this program. I arrived at the \$35,000 figure after consulting with a number of fishermen and fishermen's organizations in western Alaska. That is the amount it would take to outfit a skiff fishermen for herring or salmon.

The former Fishermen's Mortgage and Note Fund, now combined with the Commercial Fishing Revolving Loan Fund, has not reached a large number of the fishermen for which it was intended. In FY 81, no loans at all were made through the program as there were problems which were resolved legislatively the next year. In FY 82, 31 loans were made, but only one of them in the area above Cape Newenham, in what would be Rep. Vaska's and my districts. To date in FY 83, one loan has been made in the northwestern region of the state, 20 in Southeast (including Kodiak), one in Anchorage, 22 in Southwest/Bristol Bay, and 18 in Southeast.

The average amount of the loans made in Southeast and Kodiak is \$65,000; the loan made in Anchorage was \$90,000; in Southwest/Bristol Bay the average is \$60,000; and in Southeast it is \$35,000. To date this year, eighteen loans under \$35,000 have been made under Part B, for a total of \$433,000.

The allocation for parts A and B of the program is small, only \$1.8 million last year and this year, so the money is very quickly gone with the larger loans. Fishermen in western Alaska are not as sophisticated as fishermen in more developed parts of the state. They have never had commercial loans, the entire process is new to them, they have no credit history, and so on. The loan process simply takes longer for them. I know that in these times of declining revenues I wouldn't get very far in trying to make more money available to the program, so that all eligible applicants would be able to receive loans, so I'm taking this route to give these fishermen a chance to receive a loan. Effectively, the program will be spread out over a larger number of fishermen.

The reason I chose the ten percent figure is that it would give approximately half of the money allocated to parts B and C to these small loans. For instance, this year the budget submission for the entire program is right around \$9 million, which would give \$900,000 to

small loans. This is half of the amount allocated to the Fishermen's Mortgage and Note Fund portion of the loan program last year.

When the program ran out of money last year, there still were approximately fifty outstanding applications, so I don't think there will be any problem with using all of the money.

I should point out that this amendment is only part of my efforts at getting small loans out to commercial fishermen. I am also working on improving outreach in the rural areas, both through this program and through the present Community and Regional Affairs loan officers.

Alaska State Legislature



House of Representatives

Representative  
RICK UEHLING

CHAIRMAN  
HOUSE SPECIAL COMMITTEE  
ON STATE LOANS  
VICE-CHAIRMAN  
HOUSE RESOURCES COMMITTEE  
HOUSE LABOR AND COMMERCE COMMITTEE  
MEMBER  
JOINT GAS PIPELINE COMMITTEE  
HOUSE FINANCE SUBCOMMITTEE ON  
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(907) 465-4821

MEMORANDUM

TO: Representative Al Adams  
Chairman, House Finance Committee

FROM: Representative Rick Uehling

DATE: March 16, 1983

RE: Commercial Fishing Loans Bill [CSHB 15 (Loans)]

I suggest that the Finance Committee consider adopting the following amendment for inclusion in CSHB 15:

Page 3, line 3--delete "available" and insert "appropriated".

I believe that this change will effectively address the particular intent of the loans committee substitute without unnecessary restraints on funds received into the Commercial Fishing Revolving Loan Fund, thus preserving the revolving nature of the fund.

I encourage the committee to give this proposed amendment your favorable consideration. Thank you.

RU/wl

cc

HOUSE SPECIAL COMMITTEE ON STATE LOANS  
LETTER OF INTENT FOR CSHB 15 (Loans)

The Commercial Fishing Loan Program is a significant project for the State of Alaska. The program is intended to strengthen the state's fishing industry; to provide economic opportunities to persons who, because of the lack of training or lack of employment in the area of residency, do not have occupational opportunities otherwise available; and to aid persons who are economically dependent on fishing and for whom fishing has been a traditional way of life.

Because of its substantial contribution to the Alaska economy and traditional life style, the extant commercial fishing program is an extremely generous loan program and was intended to be so. The loans can be for up to \$300,000 to be paid back over a maximum of fifteen years at 10.5 percent interest. Frequently there is very little bankable collateral for the loan.

Testimony before the committee, experience of members of the committee, and other available material clearly establish that commercial fishing is a seasonal occupation, and that fishermen are extremely mobile. It has been shown that the pattern of fishing life makes it very difficult, if using the normal indices of intent over a short period such as one year, to distinguish between resident fishermen and non-resident fishermen.

The attractiveness of the program and the difficulty in effectively determining loan eligibility has led to a substantial percentage of fraudulent loan applications. According to the testimony given the committee, even with the current five-year residency requirement, a substantial number of questionable loan applications are filed and a significant number of false applications have been discovered.

Therefore, it is the opinion of the committee and of other legislators familiar with commercial fishing that a one-year residency requirement is not truly adequate to determine residency, which is largely a matter of subjective intent that must be inferred from objective evidence. While certainly a two-year residency requirement does not completely obviate the possibility of fraud, it significantly reduces it. For example, a bona fide Alaskan resident is less likely to spend two consecutive off-seasons outside than one off-season; and a non-resident is less likely to spend two consecutive off-seasons in Alaska than one off-season.

After examining the problem and the possible solutions, the committee has found that a durational residency requirement of two years is the most desirable solution to the problem. No narrower

method has been discovered which would produce satisfactory results. A broader test, such as a five-year residency requirement, would better achieve the aim of preventing fraud, but the gain from requiring a five-year pattern over requiring a two-year pattern is an incremental gain not a gain in kind. On the other hand, a one-year requirement has been shown unable to consistently distinguish a resident fisherman from a non-resident fisherman.

The committee recognizes the importance of the Commercial Fishing Loan Program to Alaska and strongly desires that the program be continued. It also recognizes the possibility of fraud and desires that this possibility be minimized. The committee firmly believes both objectives to be legitimate concerns of the state. The committee is of the considered opinion that these goals are more significant to the state than the opportunity to apply for a commercial fishing loan, after only one season as a resident, is to the individual.

The committee has been unable to find a narrower method of achieving these two objectives. Stronger anti-fraud measures would contribute nothing since the problem is an evidentiary problem, not a problem of penalties. Obviously hiring a horde of investigators would lessen the possibility of fraud, but such action would reduce the program's cost-effectiveness beyond practicality. Specifying other required indicia of residency would have little effect in preventing fraud since these could be obtained by a person desiring to commit fraud, and, more importantly, would result in people who are eligible for loans having their loan applications unfairly denied because they did not meet arbitrary criteria.

The committee understands that durational residency requirements for participation in state programs, especially requirements beyond one year, require substantial justification, and must be related to the particular evil they seek to remedy. There can be no serious question that this residency requirement does indeed relate directly to the evil of fraud in obtaining the loans. Given the facts in this particular situation, other, narrower, means of achieving the goal would not work reasonably satisfactorily. The prevention of fraud is a legitimate state objective and here the possibilities of fraudulently obtaining state benefits are unusually high. The committee is firmly convinced that the two-year requirement is adequately justified.

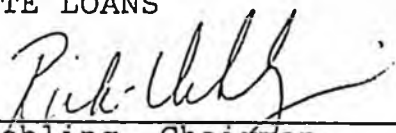
The state's interest in maintaining the fishing loan program is more important than the state's interest in minimizing fraud by requiring a two-year durational residency. It is therefore the

intent of the Legislature that, if a court of competent jurisdiction finally determines the two-year residency requirement to be unconstitutional, the two-year residency requirement should be severed and the program continued.

Should this occur, while recognizing that the effective prevention of fraud will be significantly more difficult, it is the intent of the Legislature that the administrator of the program use all means constitutionally possible to minimize the increase in successful fraud and in fraudulent applications.

Respectfully submitted,

THE HOUSE SPECIAL COMMITTEE  
ON STATE LOANS

  
\_\_\_\_\_  
Rick Uehling, Chairman

# STATE OF ALASKA

Bill Sheffield, Governor

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

March 16, 1983

The Honorable Rick Uehling  
Representative  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

Re: CSHB 15 (Loans)

Dear Representative Uehling:

You asked us to review Committee Substitute for House Bill 15 (Loans) to determine the legality of certain new sections of the bill added by the committee. Specifically, you asked for our opinion regarding section 2, which would mandate that at least 10 percent of available money be used for commercial fishing loans of \$35,000 or less, and section 3, which would accelerate the loan if a borrower ceases to be a state resident.

Unfortunately, although your request was delivered to this office on March 9, 1983, I did not receive it until March 14, 1983. As a result, I have not been able to review it in the kind of depth which would be most desirable. However, in the limited time which was available, I have developed some thoughts.

First, I see no constitutional problem with section 2. That section would require that at least 10 percent of the money that is available for commercial fishing loans be allocated for loans of \$35,000 or less. This would be a permissible exercise of the legislature's power to establish the basic guidelines for administration of the loan program by the executive branch.

On the other hand, section 3 does raise constitutional questions. However, it is my opinion that the provision would be found constitutional if challenged in the courts. This confirms my earlier off-the-cuff advice I gave to the House Special Committee on State Loans.

Section 3 would add a new subsection to AS 16.10.320. That subsection would provide in substance that a commercial fishing loan to a qualified state resident would be accelerated and repayment would be required within 120 days after the borrower ceases to be a state resident.

Initially, it is clear that the state constitutionally can limit monetary benefits, including below-market-rate commercial fishing loans in particular, to bona fide state residents. See 1982 Op. Att'y Gen. No. 12 (Alaska November 26). However, a constitutional question is raised by making such a loan due and payable 120 days after changing residency, since such a provision may be viewed as penalizing the right of Alaska residents to migrate to other states.

In the limited time available I have been unable to find any cases directly on point. However, it appears that the courts apply a balancing test in such a context to determine whether the state's interest in preserving the statutory scheme outweighs the penalty imposed on the individual. See e.g. Williams v. Zobel, 619 P.2d 422, 427 (Alaska 1980) (plurality opinion); id. at 431 n. 1 (Rabinowitz, C.J., concurring); id. at 439 (Connor, J., dissenting); Williams v. Zobel, 619 P.2d 448, 453 (Alaska 1980), reversed on other grounds, Zobel v. Williams, \_\_\_ U.S. \_\_\_, 72 L.Ed.2d 672 (1982).

In striking the balance here, we believe the courts would find that legitimate state objectives underlying section 3 outweigh any individual rights involved. Several legitimate state interests would be served by accelerating loans upon a change in residence. The most important, obviously, would be ensuring that direct state monetary benefits (i.e., subsidized loans) run only to bona fide state residents. This clearly is a permissible state objective. If loans to residents are accelerated and repaid at the time the borrower moves out of the state, that money immediately becomes available to loan to another bona fide state resident. In this way, only bona fide state residents will receive the benefits of the state loan program.

A second permissible state interest in acceleration upon a change in residency is safeguarding the fiscal integrity of the loan program. Loan administration, including bringing delinquent loans current and effecting foreclosure if necessary, will be significantly easier if the borrower is a state resident. If loans to nonresidents remain outstanding, the state may have to foreclose on collateral which is no longer within the state, may have to exercise long-arm jurisdiction over borrowers, etc. In that event, the state's ability to preserve the integrity of the revolving loan fund will be hampered significantly.

Finally, as the House Special Committee on State Loans letter of intent accompanying CS 15 (Loans) makes clear, one of the most difficult problems facing the commercial fishing loan program has been ensuring that only bona fide state residents

qualify. The committee noted that traditional indicia of residency are very easy to obtain. As a result, it is conceivable that nonresident loan applicants could come to Alaska for the minimum period required to qualify for a loan -- e.g., the two years which CSHB 15 (Loans) would require -- only to return immediately to some other state upon receiving the loan. An immediate acceleration clause would give the state the power to terminate the loan without the necessity of proving residency fraud at the time the loan was made. In other words, it provides a significant safeguard against residency fraud.

Against these permissible state interests must be balanced the individual's right to migrate from one state to another. We have no idea how the courts would strike the balance. Particularly with respect to loans for limited entry permits, the courts may be inclined to strike the balance in favor of the individual since the commercial fishing loan program is the only currently available mechanism for financing the purchase of a limited entry permit using the permit as collateral for the loan. 1/ In other words, no alternative financing might be available to a borrower migrating to another state.

However, against this individual interest, a number of additional factors must be balanced. The first is that nonresidents simply do not have the same right to state benefits that state residents have. Moreover, if enacted, the acceleration provision would be a part of every loan contract. A borrower may be estopped to assert that the provision is invalid. Finally, and most significantly, any decision to change residency necessarily carries with it certain consequences in terms of state benefits. Following a change in residency, the individual no longer is eligible for benefits afforded residents by his former state of residence while he is eligible for benefits afforded by his new state of residence. In this case, it would seem that one of the benefits for which eligibility would be lost is a continuing state subsidized loan.

This does not mean that a state could require

---

1/ The Commercial Fishing and Agriculture Bank is authorized to finance limited entry permits using the permit as collateral. However, because of constitutional challenges to the limited entry program, CFAB currently is not taking permits as collateral for loans to finance the purchase of permits.

The Honorable Rick Uehling

March 16, 1983  
Page 4

forfeiture of all previous benefits upon a change in residency. For example, a statute requiring repayment of all previously granted benefits would present precisely the kind of barrier to interstate migration which at least four members of the United States Supreme Court found impermissible in Zobel v. Williams, supra. (See concurring opinion of Justice Brennan.)

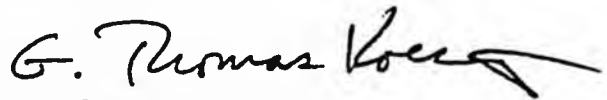
However, that is not what section 3 would accomplish. All it would do is require a person ceasing Alaska residence to forego the continuing future state subsidy of the loan.

Summarizing, it is our opinion that section 3, which would accelerate a commercial fishing loan if a borrower ceases to be a state resident, probably would be found constitutional if challenged in court. However, the question is not entirely free from doubt, and we cannot give a certain answer.

We hope this answers your question. If we can be of further assistance, please contact us at your convenience.

Sincerely,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By:   
G. Thomas Koester  
Assistant Attorney General

GTK:dlm

Alaska State Legislature  
House of Representatives

Al Adams  
Chairman  
Committee on Finance

Official Business

March 16, 1983

WHILE IN SESSION  
Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3706

OUT OF SESSION  
P.O. Box 333  
Kotzebue, Alaska 99752  
(907) 442-3320  

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1024 W. 6th  
Anchorage, Alaska 99501  
(907) 274-0615

MEMORANDUM

TO: House Finance Committee Members

FROM: Al Adams, Chair *ADA*  
House Finance Committee

SUBJ: CS HB 15 (Loans), relating to the commercial  
fish loan program

Commercial Fishing Loan Program

AS 16.10.300 - .370 provides loans for commercial fishing. An eligible individual, corporation, partnership or joint venture may receive a loan for repair of vessels and gear, construction and purchase of vessels, or purchase of gear or limited entry permits. The amount of the loan may not exceed 90% of the appraised value of the collateral used to secure the loan. Loans up to \$300,000 are provided at 10.5 % interest for fifteen years.

Effect of the Bill on the Program

The bill seeks to address the potential unconstitutionality of the five year residency requirement in statute. Currently, the Department of Commerce and Economic Development (DCED) is operating under emergency regulations that provide for a one year residency requirement. However, these regulations expire April 6, 1983. It is hoped that the legislature will act on this bill before that date so that new regulations can be drafted reflecting legislative intent regarding residency for the program.

The bill also addresses the amount of funding available for loans under \$35,000 and an accelerated repayment plan for loan recipients who move Outside during the term of loan repayment.

## Differences between CS HB 15 (Loans) and HB 15

Section 1 of the original bill provided for a one year residency requirement immediately preceding the date of application for the loan and required an applicant to have had a crew member or commercial fishing license for any three of the past five years. The CS has been modified to provide for a two year residency requirement, and possession of a license for the year immediately preceding the date of the loan application and any other two of the past five years.

The rationale behind the two year requirement is provided in the Loan Committee's proposed letter of intent. Basically, it is the Committee's desire that the program be protected from fraudulent applications to the extent constitutionally possible. Since residence is generally transitory throughout the year for a fisherman, the longer the residency requirement, the easier it will be for DCED to distinguish between a resident and a nonresident. The letter of intent has been approved by both the Department of Law and the Division of Legal Services, Legislative Affairs Agency.

The language of the CS regarding holding a license for a certain number of years is an attempt at compromise between the language provided in the original bill, and the Governor's bill on the same subject--SB 73.

Section 2 was added to the committee substitute at the request of Representative Fuller. It provides that at least 10% of the funding appropriated would be available for loans under \$35,000.

The Loan Committee Chair requests that the language of this section be changed slightly to make it clear that the intention is for 10% of the annual appropriation to be used for this purpose, not 10% of the entire revolving loan fund. He has provided language to the committee to address this problem.

Section 3 was added to the committee substitute at the request of Representative Goll. The language would provide that loan beneficiaries who move Outside during the term of loan repayment must pay off the loan within six months. The Department of Law has indicated that no legal problems will arise from this section.

### Fiscal Note

DCED has requested one additional investigator

position. The department feels that the residency change will necessitate more careful review of applications. Currently, DCED passes along potentially fraudulent applications to the Office of Special Prosecutions in the Department of Law. Law does not have the personnel necessary to carefully investigate the volume of potentially fraudulent applications that have arisen due to the institution of a shorter residency requirement.

The costs associated with this position equal \$ 63,656.

CHAIRMAN  
HOUSE SPECIAL COMMITTEE  
ON STATE LOANS  
VICE-CHAIRMAN  
HOUSE RESOURCES COMMITTEE  
HOUSE LABOR AND COMMERCE COMMITTEE  
MEMBER  
JOINT GAS PIPELINE COMMITTEE  
HOUSE FINANCE SUBCOMMITTEE ON  
ADMINISTRATION, REVENUE  
AND THE GOVERNOR'S OFFICE

Alaska State Legislature



House of Representatives

Representative  
RICK UEHLING

OK

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(907) 465-4821

MEMORANDUM

TO: Representative Al Adams  
Chairman, House Finance Committee

FROM: Representative Rick Uehling

DATE: March 16, 1983

RE: Commercial Fishing Loans Bill [CSHB 15 (Loans)]

I suggest that the Finance Committee consider adopting the following amendment for inclusion in CSHB 15:

Page 3, line 3—delete "available" and insert "appropriated".

I believe that this change will effectively address the particular intent of the loans committee substitute without unnecessary restraints on funds received into the Commercial Fishing Revolving Loan Fund, thus preserving the revolving nature of the fund.

I encourage the committee to give this proposed amendment your favorable consideration. Thank you.

RJ/wl

\*\*\*\*\*CORRECTION NOTICE\*\*\*\*\*

PLEASE INSERT THIS NEW SENATE BILL FOR THE PREVIOUS BILL.

Introduced: 1/26/83  
Referred: Resources, Labor and Commerce  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2

SENATE BILL NO. 73

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to commercial fishing loans; and  
7 providing for an effective date."

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

9 \* Section 1. AS 16.10.310(a)(1) is amended to read:

10

(1) make loans to

11

(A) individual commercial fishermen who have been  
12 state residents for one year [A CONTINUOUS PERIOD OF FIVE YEARS]  
13 immediately preceding the date of application for a loan under  
14 AS 16.10.300 -- 16.10.370 and have had a crewmember or commercial  
15 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
16 [ANY ONE OF] the part year [FIVE YEARS], and who actively partic-  
17 ipated in the fishery during that period, for the purpose of en-  
18 try permits;

19

(B) an individual who has been a state resident for  
20 one year [A CONTINUOUS PERIOD OF FIVE YEARS] immediately preced-  
21 ing the date of application for a loan under AS 16.10.300 --  
22 16.10.370, who (i) because of lack of training or lack of employ-  
23 ment opportunities in the area of residence does not have occupa-  
24 tional opportunities available other than commercial fishing; or  
25 (ii) is economically dependent on commercial fishing for a live-  
26 lihood and commercial fishing has been a traditional way of life  
27 for the individual in Alaska, for the repair, restoration or up-  
28 grading of existing vessels and gear, for the purchase of entry  
29 permits and gear, and for the construction and purchase of

1 vessels;

2 (C) corporations, partnerships, or joint ventures, 100  
3 percent of which are owned by individual commercial fishermen who  
4 have been state residents [RESIDENCES] for one year [A CONTINUOUS  
5 PERIOD OF FIVE YEARS] immediately preceding the date of applica-  
6 tion for a loan under AS 16.10.310(a)(1)(B) and have had a crew-  
7 member or commercial fishing license under AS 16.05.480 or a per-  
8 mit under AS 16.43 for [ANY ONE OF] the past year [FIVE YEARS],  
9 and who actively participated in the fishery during that period,  
10 for the repair, restoration or upgrading of existing vessels and  
11 gear, for the purchase of gear, and for the construction and pur-  
12 chase of vessels;

13 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

\*\*\*\*\*CORRECTION NOTICE\*\*\*\*\*

PLEASE INSERT THIS NEW SENATE BILL FOR THE PREVIOUS BILL.

Introduced: 1/26/83  
Referred: Resources, Labor and Commerce  
and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 73

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to commercial fishing loans; and  
7 providing for an effective date."

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

9 \* Section 1. AS 16.10.310(a)(1) is amended to read:

10 (1) make loans to

11 (A) individual commercial fishermen who have been  
12 state residents for one year [A CONTINUOUS PERIOD OF FIVE YEARS]  
13 immediately preceding the date of application for a loan under  
14 AS 16.10.300 -- 16.10.370 and have had a crewmember or commercial  
15 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
16 [ANY ONE OF] the past year [FIVE YEARS], and who actively partic-  
17 ipated in the fishery during that period, for the purpose of en-  
18 try permits;

19 (B) an individual who has been a state resident for  
20 one year [A CONTINUOUS PERIOD OF FIVE YEARS] immediately preced-  
21 ing the date of application for a loan under AS 16.10.300 --  
22 16.10.370, who (i) because of lack of training or lack of employ-  
23 ment opportunities in the area of residence does not have occupa-  
24 tional opportunities available other than commercial fishing; or  
25 (ii) is economically dependent on commercial fishing for a live-  
26 lihood and commercial fishing has been a traditional way of life  
27 for the individual in Alaska, for the repair, restoration or up-  
28 grading of existing vessels and gear, for the purchase of entry  
29 permits and gear, and for the construction and purchase of

1 vessels;

2 (C) corporations, partnerships, or joint ventures, 100  
3 percent of which are owned by individual commercial fishermen who  
4 have been state residents [RESIDENCES] for one year [A CONTINUOUS  
5 PERIOD OF FIVE YEARS] immediately preceding the date of applica-  
6 tion for a loan under AS 16.10.310(a)(1)(B) and have had a crew-  
7 member or commercial fishing license under AS 16.05.480 or a per-  
8 mit under AS 16.43 for [ANY ONE OF] the past year [FIVE YEARS],  
9 and who actively participated in the fishery during that period,  
10 for the repair, restoration or upgrading of existing vessels and  
11 gear, for the purchase of gear, and for the construction and pur-  
12 chase of vessels;

13 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
14 10.070(c).

Introduced: 1/17/83  
Referred: Resources and Finance

BY HAYES, FLOOD, LINDAUER  
SZYMANSKI AND TISCHER

1 IN THE HOUSE

2 HOUSE BILL NO. 15

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to eligibility for commercial fish-  
7 ing loans."

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

9 \* Section 1. AS 16.10.310(a) is amended to read:

10 (a) The department may

11 (1) make loans to

12 (A) individual commercial fishermen who have been  
13 state residents for a continuous period of one year [FIVE YEARS]  
14 immediately preceding the date of application for a loan under  
15 AS 16.10.300 - 16.10.370 and have had a crewmember or commercial  
16 fishing license under AS 16.05.480 or a permit under AS 16.43 for  
17 any three [ONE] of the past five years, and who actively partic-  
18 ipated in the fishery during that period, for the purchase of  
19 entry permits;

20 (B) an individual who has been a state resident for a  
21 continuous period of one year [FIVE YEARS] immediately preceding  
22 the date of application for a loan under AS 16.10.300 - 16.10.-  
23 370, who

24 (i) because of lack of training or lack of em-  
25 ployment opportunities in the area of residence does not  
26 have occupational opportunities available other than commer-  
27 cial fishing; or

28 (ii) is economically dependent on commercial  
29 fishing for a livelihood and for whom commercial fishing has

1           been a traditional way of life [FOR HIM] in Alaska, for the  
2           repair, restoration or upgrading of existing vessels and  
3           gear, for the purchase of entry permits and gear, and for  
4           the construction and purchase of vessels;

5           (C) corporations, partnerships, or joint ventures, 100  
6           percent of which are owned by individual commercial fishermen who  
7           have been state residents for a continuous period of one year  
8           [FIVE YEARS] immediately preceding the date of application for a  
9           loan under AS 16.10.310(a)(1)(B) and have had a crewmember or  
10          commercial fishing license under AS 16.05.480 or a permit under  
11          AS 16.43 for any three [ONE] of the past five years, and who  
12          actively participated in the fishery during that period, for the  
13          repair, restoration or upgrading of existing vessels and gear,  
14          for the purchase of gear, and for the construction and purchase  
15          of vessels;

16          (2) designate agents and delegate its powers to them as  
17          necessary;

18          (3) adopt regulations necessary to carry out its functions;

19          (4) establish amortization plans for repayment of loans,  
20          which may include extensions for poor fishing seasons or for adverse  
21          market conditions for Alaskan products;

22          (5) enter into agreements with private lending institu-  
23          tions, other state agencies, or agencies of the federal government, to  
24          carry out the purposes of AS 16.10.300 - 16.10.370;

25          (6) enter into agreements with other agencies or organiza-  
26          tions to create an outreach program to make loans under AS 16.10.300 -  
27          16.10.370 in rural areas of the state.

Offered: 3/9/83  
Referred: Finance

Original sponsors: Hayes, Flood,  
Lindauer, et al

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE  
ON STATE LOANS

2

CS FOR HOUSE BILL NO. 15 (Loans)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to commercial fishing loans (AS 16.-

7

10.300 - 16.10.370)."

8

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

9

\* Section 1. AS 16.10.310(a) is amended to read:

10

(a) The department may

11

(1) make loans to

12

(A) individual commercial fishermen who have been

13

state residents for a continuous period of two years [FIVE YEARS

14

immediately preceding the date of application for a loan under

15

AS 16.10.300 - 16.10.370 and have had a crewmember or commercial

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fishing license under AS 16.05.480 or a permit under AS 16.43 for

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the year immediately preceding the date of application and any

18

other two [ANY ONE] of the past five years, and who actively

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participated in the fishery during those periods [THAT PERIOD],

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for the purchase of entry permits;

21

(B) an individual who has been a state resident for a

22

continuous period of two years [FIVE YEARS] immediately preceding

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the date of application for a loan under AS 16.10.300 - 16.10.-

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370, who

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(i) because of lack of training or lack of em-

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ployment opportunities in the area of residence does not

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have occupational opportunities available other than commer-

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cial fishing; or

29

(ii) is economically dependent on commercial

1 fishing for a livelihood and for whom commercial fishing has  
2 been a traditional way of life [FOR HIM] in Alaska, for the  
3 repair, restoration or upgrading of existing vessels and  
4 gear, for the purchase of entry permits and gear, and for  
5 the construction and purchase of vessels;

6 (C) corporations, partnerships, or joint ventures, 100  
7 percent of which are owned by individual commercial fishermen who  
8 have been state residents for a continuous period of two years  
9 [FIVE YEARS] immediately preceding the date of application for a  
10 loan under AS 16.10.310(a)(1)(B) and have had a crewmember or  
11 commercial fishing license under AS 16.05.480 or a permit under  
12 AS 16.43 for the year immediately preceding the date of applica-  
13 tion and any other two [ANY ONE] of the past five years, and who  
14 actively participated in the fishery during that period, for the  
15 repair, restoration or upgrading of existing vessels and gear,  
16 for the purchase of gear, and for the construction and purchase  
17 of vessels;

18 (2) designate agents and delegate its powers to them as  
19 necessary;

20 (3) adopt regulations necessary to carry out its functions;

21 (4) establish amortization plans for repayment of loans,  
22 which may include extensions for poor fishing seasons or for adverse  
23 market conditions for Alaskan products;

24 (5) enter into agreements with private lending institu-  
25 tions, other state agencies, or agencies of the federal government, to  
26 carry out the purposes of AS 16.10.300 - 16.10.370;

27 (6) enter into agreements with other agencies or organiza-  
28 tions to create an outreach program to make loans under AS 16.10.300 -  
29 16.10.370 in rural areas of the state.

1 \* Sec. 2. AS 16.10 is amended by adding a new section to read:

2           Sec. 16.10.315. ALLOCATION OF LOANS.    The department shall  
3           allocate at least ten percent of the money that is available to make  
4           loans under AS 16.10.310 for loans of \$35,000 or less made under  
5           AS 16.10.310(a)(1)(B) and (C).

6 \* Sec. 3. AS 16.10.320 is amended by adding a new subsection to read:

7           (j) If a borrower ceases to be a state resident during the term  
8           of a loan made under AS 16.10.310 - 16.10.370, the loan shall be  
9           accelerated and the outstanding principal and interest shall be repaid  
10          by the borrower within 120 days after the state residence terminates.