

COMMITTEE REPORT

HOUSE

(11)

FURTHER:

(waived from State Loans to Finance 5/24/84)

Date: 5 25 84

5/24/84

The Committee on FINANCE has had CSSB 496 (Fin)

"An Act relating to loans for commercial fishing and agriculture; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CSSB 496 (Finance) same title new title
- and recommends do pass
- AND attaches a "Letter of Intent" New Fiscal Note Zero Fiscal Note Attached
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE BILL NO. 496 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to loans for commercial fishing and
7 agriculture; and 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) 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 immediately
14 preceding the date of application for a loan under AS 16.10.300 -
15 16.10.370 and have had a crewmember or commercial fishing license
16 under AS 16.05.480 or a permit under AS 16.43 for the year imme-
17 diately preceding the date of application and any other two of
18 the past five years, and who actively participated in the fishery
19 during those periods, for the purchase of entry permits;

20 (B) an individual who has been a state resident for a
21 continuous period of two years immediately preceding the date of
22 application for a loan under AS 16.10.300 - 16.10.370, who (i)
23 because of lack of training or lack of employment opportunities
24 in the area of residence does not have occupational opportunities
25 available other than commercial fishing; or (ii) is economically
26 dependent on commercial fishing for a livelihood or [AND] for
27 whom commercial fishing has been a traditional way of life for
28 the individual in Alaska; [,] for the repair, restoration or
29 upgrading of existing vessels and gear, for the purchase of entry

1 permits and gear, and for the construction and purchase of ves-
2 sels;

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

14 (D) individuals, or to corporations, partnerships, or
15 joint ventures, 100 percent of which are owned by individuals,
16 for the repair, restoration or upgrading of existing vessels and
17 gear, for the purchase of entry permits for fisheries in the
18 drainage system of the Yukon and Kuskokwim Rivers, for the pur-
19 chase of gear, and for the construction and purchase of vessels,
20 if the individuals

21 (i) have been state residents for a continuous
22 period of two years immediately preceding the date of appli-
23 cation for a loan under AS 16.10.300 - 16.10.370; and

24 (ii) have documented active participation in a
25 fishery in the drainage system of the Yukon and Kuskokwim
26 Rivers on a subsistence basis for the year immediately
27 preceding the date of application and any other two of the
28 past five years;

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

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necessary;

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

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

(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;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption.

* Sec. 2. AS 16.10.320(a) is amended to read:

(a) A loan under AS 16.10.310 - 16.10.370

(1) may not exceed a term of 15 years, except for extensions granted under AS 16.10.310(a)(4);

(2) may not bear interest exceeding 10-1/2 percent;

(3) shall be secured by a first priority lien and appropriate security agreement; and

(4) may not exceed 90 percent of the appraised value of the collateral used to secure the loan, except that a loan granted under AS 16.10.333 for the purchase of an Alaska limited entry permit may not exceed an amount determined in accordance with (f) or (h) of this section.

* Sec. 3. AS 16.10.320(d) is amended to read:

(d) The total of balances outstanding on loans [LOANS] made to a borrower under AS 16.10.310(a)(1)(A) may not exceed [A TOTAL OF]

1 \$300,000. Loans made to a borrower under AS 16.10.310(a)(1)(B) or (C)
2 may not exceed a total of \$100,000. A loan to an associate of the
3 borrower is considered to be a loan to the borrower. For the purposes
4 of this section, "associate of the borrower" means

5 (1) a corporation or other organization of which the
6 borrower is an officer, director or partner, or is, directly or in-
7 directly, the beneficial owner of 10 percent or more of any class of
8 equity securities;

9 (2) a person who is, directly or indirectly, the beneficial
10 owner of 10 percent or more of any class of equity securities of the
11 borrower;

12 (3) a trust or other estate in which the borrower has a
13 substantial beneficial interest or as to which the borrower serves as
14 trustee or in a similar fiduciary capacity.

15 * Sec. 4. AS 16.10.320(e) is amended to read:

16 (e) Two or more individual commercial fishermen who each satisfy
17 the requirements specified in AS 16.10.310(a)(1)(B) may jointly obtain
18 a commercial fishing loan for the construction of a fishing vessel or
19 the purchase of an existing fishing vessel. Loans granted under this
20 subsection

21 (1) may not exceed the amount specified in (d) of this
22 section multiplied by the number of qualified commercial fishermen
23 applying for the loan;

24 (2) may not exceed a term of 15 years, except for exten-
25 sions granted under AS 16.10.310(a)(4);

26 (3) shall be secured by a first priority lien and appropri-
27 ate security agreement;

28 (4) may not bear interest exceeding 10-1/2 percent; and

29 (5) may not exceed 90 percent of the appraised value of the

1 collateral used to secure the loan.

2 * Sec. 5. AS 16.10.335 is amended to read:

3 Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor
4 defaults upon a note for which a limited entry permit has been pledged
5 as security under AS 16.10.333 or [UNDER AS] 16.10.338, the commis-
6 sioner shall provide the debtor, by both [REGISTERED OR] certified and
7 first class mail sent to the debtor's last known address on file with
8 the commissioner, with a notice of default that [WHICH] includes

9 (1) a description of the security given for the note in-
10 cluding the number assigned to the pledged permit by the commission;

11 (2) the date upon which the default occurred;

12 (3) the amount of arrearages as of the date of the notice,
13 the total amount remaining on the note less unearned interest, and the
14 amount of daily interest;

15 (4) a statement that the debtor may, within 15 days after
16 [OF] the postmark date of the notice, request a hearing to submit
17 evidence showing the debtor has not defaulted;

18 (5) a statement that the note may be reinstated if brought
19 current within 60 days after [FROM] the postmark date of the notice;

20 (6) a statement that the note may be paid in full less
21 unearned interest within 120 days after [FROM] the postmark date of
22 the notice;

23 (7) the place where reinstatement or payment in full may be
24 made; and

25 (8) a notice in at least 10-point bold type stating:
26 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE
27 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT
28 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

29 (b) In each case of a limited entry permit being pledged as

1 security under AS 16.10.333 or 16.10.338, the debtor shall maintain on
2 file with the department an address where notice of default is to be
3 sent, if necessary, and where that notice will be timely received by
4 the debtor.

5 (c) Upon presentation of evidence of mailing in accordance with
6 (a) of this section, the receipt of the notice of default by the
7 debtor will be presumed for all purposes. This presumption is re-
8 buttable by presentation of evidence sufficient to demonstrate lack of
9 receipt of notice through no fault of the debtor. Upon presentation
10 of evidence sufficient to prove lack of receipt of notice through no
11 fault of the debtor, the notice is a nullity.

12 (d) Upon good cause shown, the commissioner may waive any of the
13 time limits in (a) of this section, if the department receives from
14 the debtor or the debtor's representative a request for the waiver
15 before the expiration of the time limit for which the waiver is
16 sought.

17 (e) Except as otherwise provided in (c) and (d) of this section,
18 upon [UPON] the debtor's failure to satisfy the note within the time
19 specified in (a)(6) of this section, the debtor's interest in the
20 permit is terminated by operation of law without further notice. Any
21 entry permit cards issued to the debtor under the permit shall be
22 cancelled immediately upon receipt by the commission of a certificate
23 of termination containing a copy of the notice required by (e) of this
24 section issued by the commissioner.

25 * Sec. 6. AS 16.10 is amended by adding a new section to read:

26 Sec. 16.10.336. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR
27 FORECLOSURE. The department shall dispose of property acquired
28 through default or foreclosure of a loan made under AS 16.10.300 -
29 16.10.370. Disposal shall be made in a manner that serves the best

1 interests of the state and may include the amortization of payments
2 over a period of years, but may not be by lease.

3 * Sec. 7. AS 44.81.210(a) is amended by adding a new paragraph to read:

4 (23) make a loan to a person, regardless of residency, if
5 the board of directors of the bank determines that the loan is neces-
6 sary to preserve the value of property held by the bank as security
7 for a loan that was made under (a)(1) of this section and that is in
8 default.

9 * Sec. 8. This Act takes effect immediately in accordance with AS 01.-
10 10.070(c).

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

CSSB
496
(L&C)

TOTAL = \$274.2
\$395.0 Revenue

recruitment for all job classes in which
positions be open to recruitment at least
similar to the State's recruiting practice
change is that collective bargaining
national recruiting for all job classes.
of applications under these conditions
use thereafter is expected to be 1000.

ent and Examining Section staff
determination of meeting minimum
Rating of Training and Experience
of eight minutes. Prior to 1983,
T&E. Therefore average processing
as (eight minutes for minimum
for T&E). In 1983, all written
information was not on hand were eliminated.
Average processing time is now 14.4
minutes and eight minutes x .8 for
it allows for greater individual

love, the examining staff must
respond in response to appeals.

advance for paid vacations and
1631 productive hours per year. This
and 489 hours on appeals and other
can process 4758 applications.

Personnel Technicians I) will be needed to
there are only eight positions in the
task.

clerical support operations - log in,
test scoring, data entry, letter
ing. Currently and historically 2.1
each examiner. A total of 4.2
needed. The fractional position will
on.

and published. In addition,
national job classes annually will be
AD. An additional Personnel
staff this function. \$33,000 in
also be needed.

REQUEST

Bill/Resolution No.: CSSB 496
Title: An Act relating to the
CF loan fund
Sponsor:
Requestor:
Date of Request:

FISCAL DETAIL

Agency Affected: Commerce & Economic
Program Category Affected: Economic Development
BRU, Program or Subprogram(s) Affected:
Accounting & Collections BRU
UP BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES		61.6	64.7	67.9	71.3	74.9
200 TRAVEL		.0	.0	.0	.0	.0
300 CONTRACTUAL		7.0	7.3	8.6	11.2	14.7
400 SUPPLIES		1.2	1.4	1.6	1.8	2.0
500 EQUIPMENT		7.8	.0	.0	.0	.0
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		77.6	73.4	78.1	84.3	96.6

CAPITAL	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89

REVENUE	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
		395.0	445.0	495.0	545.0	595.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
		77.6	73.4	78.1	84.3	96.6
FEDERAL FUNDS						
OTHER						
TOTAL		77.6	73.4	78.1	84.3	96.6

POSITIONS:

FULL-TIME	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
		2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Funds: earnings from CF loan fund.

ANALYSIS: Attach a separate page for analysis

Prepared By: Margaret I. Hamlev, Director
Division: Accounting & Collections
Phone: 465-2555
Date: 4-19-84

Approved by Commissioner: Richard A. Luon
Agency: Commerce and Economic Development
Date: 3/21/84

CSSB
496
(L&C)

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

EXPENDITURE ANALYSIS

It is absolutely essential that this fiscal note remain intact if the portion of CSSB 496 relating to assumptions becomes law, due to the impact that will have upon our workload. (It would be impossible to administer this statute without these minimal additional resources.)

Because of the complexity of commercial fishing loans relative to the other 11 loan programs this division administers, allowing assumptions will impact our records management workload dramatically. Currently, C.F. filing is three times heavier than that for our other loan programs. (This division manages loan files for all three regional Division of Investments' offices, as well as our own division.) One additional records position, who will also be required to assist with increased phone calls and increased insurance workload, is the absolute minimum the division will require in the Daily Operations Section.

One Accounting Technician II is also requested, as an absolute minimum, in the Customer Service/Subsidiary Ledger Section. This position is needed in order to respond to requests for C.F. account information generated by Division of Investments (relating to assumptions), as well as to correctly process C.F. assumptions within the subsidiary accounting system. Approximately 10% of this position's time will be spent processing refinancing of repossessed collateral through the subsidiary system.

REVENUE ANALYSIS

Assumes an estimated 600 applicants and 400 approvals of assumptions per year, with an average assumed balance of \$67,500:

- a. Nonrefundable application fee $\$125 \times 600 = \$75,000/\text{year}$
- b. Assumption fee (one-time) of 1% of the assumed balance
 $-\$67,500 \times .01 \times 400 = \$270,000/\text{year}$

Assumes 50% recovery of losses on commercial fishing loans due to ability to finance and reamortize repossessed vessels and other collateral.

- a. Example: Loss of \$590.7 in FY '84
 $\$590,700 \times .50 = \$295,350$
 Reamortized over 10 years at 10.5% (est.) = $\$49,105/\text{year}$ for 10 years.
- b. Using this example, this analysis assumes an increase in cash flow of \$50,000 per year in loss recovery.

LEGISLATIVE SESSION
NOTE

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

CSSB
496
(L&C)

Fiscal note remain intact if the provisions becomes law, due to the load. (It would be impossible to minimal additional resources.)

all fishing loans relative to the administers, allowing assumptions workload dramatically. Currently, in that for our other loan programs, all three regional Division own division.) One additional required to assist with increased workload, is the absolute minimum Operations Section.

requested, as an absolute minimum, per Section. This position is for C.F. account information relating to assumptions), as well as within the subsidiary accounting position's time will be spent pro-lateral through the subsidiary

4 400 approvals of assumptions
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REQUEST	FISCAL DETAIL
Bill/Resolution No.: CSSB 496 (L&C)	Agency Affected: Commerce & Economic
Title: An Act relating to Commercial Fishing Loans	Program Category Affected: Development
Sponsor: Senate Labor & Commerce	BKU, Program or Subprogram(s) Affected: Investments
Requestor: Labor & Commerce Committee	
Date of Request:	

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		157.8	157.8	157.8	157.8	157.8
200 TRAVEL		7.9	7.9	7.9	7.9	7.9
300 CONTRACTUAL		12.3	12.0	12.0	12.0	12.0
400 SUPPLIES		1.2	1.2	1.2	1.2	1.2
500 EQUIPMENT		17.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
900 MISCELLANEOUS						
TOTAL OPERATING		196.6	178.9	178.9	178.9	178.9
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		196.6	178.9	178.9	178.9	178.9
FEDERAL FUNDS						
OTHER						
TOTAL		196.6	178.9	178.9	178.9	178.9

POSITIONS:

FULL-TIME		4.0	4.0	4.0	4.0	4.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate cost analysis

Prepared By: Paul R. Arnoldt, Director Phone: 455-2510
Division: Investments Date: 3/29/84

Approved by Commissioner: Richard A. Lyon Date: _____
Agency: Commerce and Economic Development

CSSB
469
(L&C)

Analysis:

100 Line

Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. One time expenses would be incurred for equipment.

Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.

300 Line \$.3

Approval of this measure would require modification and reprinting of the existing loan application packet.

TOTAL = \$274.2
\$395.0 Revenue

AL SUPPLEMENT

4/2/84

4/2/84

SENATE JOURNAL SUPPLEMENT

No. 69

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

CSSB
496
(L&C)

recruitment for all job classes in which
ions be open to recruitment at least
milar to the State's recruiting practice
eight minutes. Prior to 1983,
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staff this function. \$33,600 in
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REQUEST

Bill/Resolution No.: CSSB 496

Title: An Act relating to the

CF loan fund

Sponsor:

Requestor:

Date of Request:

FISCAL DETAIL

Agency Affected: Commerce & Economic

Program Category Affected:

Economic Development

BRU, Program or Subprogram(s) Affected:

Accounting & Collections BRU

DP BRU

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
100 PERSONAL SERVICES		61.6	64.7	67.9	71.3	74.9
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FUNDING: (Thousands of Dollars)

FUNDING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
GENERAL FUND		77.6	73.4	78.1	84.3	96.6
FEDERAL FUNDS						
OTHER						
TOTAL		77.6	73.4	78.1	84.3	96.6

POSITIONS:

POSITIONS	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
FULL-TIME		2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

General Funds: earnings from CF loan fund.

ANALYSIS: Attach a separate page for analysis

Prepared By: Margaret I. Hamlev, Director

Division: Accounting & Collections

Phone: 465-2555

Date: 4-11-84

Approved by Commissioner: Richard A. Lyon

Agency: Commerce and Economic Development

Date: 3/21/84

CSSB STATE OF ALASKA 1984 LEGISLATIVE SESSION
496 FISCAL NOTE
(L&C)

EXPENDITURE ANALYSIS

It is absolutely essential that this fiscal note remain intact if the portion of CSSB 496 relating to assumptions becomes law, due to the impact that will have upon our workload. (It would be impossible to administer this statute without these minimal additional resources.)

Because of the complexity of commercial fishing loans relative to the other 11 loan programs this division administers, allowing assumptions will impact our records management workload dramatically. Currently, C.F. filing is three times heavier than that for our other loan programs. (This division manages loan files for all three regional Division of Investments' offices, as well as our own division.) One additional records position, who will also be required to assist with increased phone calls, increased insurance workload, is the absolute minimum the division will require in the Daily Operations Section.

One Accounting Technician II is also requested, as an absolute minimum, in the Customer Service/Subsidiary Ledger Section. This position is needed in order to respond to requests for C.F. account information generated by Division of Investments (relating to assumptions), as well as to correctly process C.F. assumptions within the subsidiary accounting system. Approximately 10% of this position's time will be spent processing refinancing of repossessed collateral through the subsidiary system.

REVENUE ANALYSIS

Assumes an estimated 600 applicants and 400 approvals of assumptions per year, with an average assumed balance of \$67,500:

- a. Nonrefundable application fee $\$125 \times 600 = \$75,000/\text{year}$
- b. Assumption fee (one-time) of 1% of the assumed balance
 $-\$67,500 \times .01 \times 400 = \$270,000/\text{year}$

Assumes 50% recovery of losses on commercial fishing loans due to ability to finance and reamortize repossessed vessels and other collateral.

- a. Example: Loss of \$590.7 in FY '84
 $\$590,700 \times .50 = \$295,350$
 Reamortized over 10 years at 10.5% (est.) = \$49,105/year for 10 years.
- b. Using this example, this analysis assumes an increase in cash flow of \$50,000 per year in loss recovery.

LEGISLATIVE SESSION
NOTE

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

CSSB
496
(L&C)

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REQUEST

Bill/Resolution No.: CSSB 496 (L&C)
Title: An Act relating to Commercial
Fishing Loans
Sponsor: Senate Labor & Commerce
Requestor: Labor & Commerce Committee
Date of Request:

FISCAL DETAIL

Agency Affected: Commerce & Economic
Program Category Affected: Development
ORU, Program or Subprogram(s) Affected: Investments

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		157.8	157.8	157.8	157.8	157.8
200 TRAVEL		7.9	7.9	7.9	7.9	7.9
300 CONTRACTUAL		12.3	12.0	12.0	12.0	12.0
400 SUPPLIES		1.2	1.2	1.2	1.2	1.2
500 EQUIPMENT		17.4				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING		196.6	178.9	178.9	178.9	178.9

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND		196.6	178.9	178.9	178.9	178.9
FEDERAL FUNDS						
OTHER						
TOTAL		196.6	178.9	178.9	178.9	178.9

POSITIONS:

FULL-TIME		4.0	4.0	4.0	4.0	4.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Paul B. Arnoldt, Director
Division: Investments

Phone: 465-2510
Date: 3/29/84

Approved by Commissioner: Richard A. Lyon
Agency: Commerce and Economic Development

Date:

CSSB
469
(L&C)

Analysis:

100 Line

Processing of an additional 600 applications for assumptions and approval of 400 of those applications per year will create a marked increase in the workload of the division's Anchorage and Juneau regional offices. Two additional loan examiners and two loan closers would be required to handle the increased load and would be spread between the two regional offices. One time expenses would be incurred for equipment.

Consideration of these applications would also require significantly more meetings of the department's loan committees. This fiscal note assumes that this additional burden would be absorbed.

300 Line \$.3

Approval of this measure would require modification and reprinting of the existing loan application packet.

Offered: 4/2/84
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 496 (L&C)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

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

7

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

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state residents for a continuous period of two years immediately

14

preceding the date of application for a loan under AS 16.10.300 -

15

16.10.370 and have had a crewmember or commercial fishing license

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under AS 16.05.480 or a permit under AS 16.43 for the year imme-

17

diately preceding the date of application and any other two of

18

the past five years, and who actively participated in the fishery

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during those periods, for the purchase of entry permits;

20

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

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continuous period of two years immediately preceding the date of

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application for a loan under AS 16.10.300 - 16.10.370, who (i)

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because of lack of training or lack of employment opportunities

24

in the area of residence does not have occupational opportunities

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available other than commercial fishing; or (ii) is economically

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dependent on commercial fishing for a livelihood and for whom

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commercial fishing has been a traditional way of life for the

28

individual in Alaska; [,] for the repair, restoration or upgrad-

29

ing of existing vessels and gear, for the purchase of entry

1 permits and gear, and for the construction and purchase of ves-
2 sels;

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

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

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

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

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

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

26 (7) allow an assumption of a loan if the applicant has been
27 a state resident for a continuous period of two years immediately
28 preceding the date of the request for an assumption.

29 * Sec. 2. AS 16.10.320(a) is amended to read:

- 1 (a) A loan under AS 16.10.310 - 16.10.370
2 (1) may not exceed a term of 15 years, except for exten-
3 sions granted under AS 16.10.310(a)(4);
4 (2) may not bear interest exceeding 10-1/2 percent;
5 (3) shall be secured by a first priority lien and appropri-
6 ate security agreement; and
7 (4) may not exceed 90 percent of the appraised value of the
8 collateral used to secure the loan, except that a loan granted under
9 AS 16.10.333 for the purchase of an Alaska limited entry permit may
10 not exceed an amount determined in accordance with (f) or (h) of this
11 section.

12 * Sec. 3. AS 16.10.320(d) is amended to read:

13 (d) The total of balances outstanding on loans [LOANS] made to a
14 borrower under AS 16.10.310(a)(1)(A) may not exceed [A TOTAL OF]
15 \$300,000. Loans made to a borrower under AS 16.10.310(a)(1)(B) or (C)
16 may not exceed a total of \$100,000. A loan to an associate of the
17 borrower is considered to be a loan to the borrower. For the purposes
18 of this section, "associate of the borrower" means

19 (1) a corporation or other organization of which the
20 borrower is an officer, director or partner, or is, directly or
21 indirectly, the beneficial owner of 10 percent or more of any class of
22 equity securities;

23 (2) a person who is, directly or indirectly, the beneficial
24 owner of 10 percent or more of any class of equity securities of the
25 borrower;

26 (3) a trust or other estate in which the borrower has a
27 substantial beneficial interest or as to which the borrower serves as
28 trustee or in a similar fiduciary capacity.

29 * Sec. 4. AS 16.10.320(e) is amended to read:

1 (e) Two or more individual commercial fishermen who each satisfy
2 the requirements specified in AS 16.10.310(a)(1)(B) may jointly obtain
3 a commercial fishing loan for the construction of a fishing vessel or
4 the purchase of an existing fishing vessel. Loans granted under this
5 subsection

6 (1) may not exceed the amount specified in (d) of this
7 section multiplied by the number of qualified commercial fishermen
8 applying for the loan;

9 (2) may not exceed a term of 15 years, except for exten-
10 sions granted under AS 16.10.310(a)(4);

11 (3) shall be secured by a first priority lien and appropri-
12 ate security agreement;

13 (4) may not bear interest exceeding 10-1/2 percent; and

14 (5) may not exceed 90 percent of the appraised value of the
15 collateral used to secure the loan.

16 * Sec. 5. AS 16.10.335 is amended to read:

17 Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor
18 defaults upon a note for which a limited entry permit has been pledged
19 as security under AS 16.10.333 or [UNDER AS] 16.10.338, the commis-
20 sioner shall provide the debtor, by both [REGISTERED OR] certified and
21 first class mail sent to the debtor's last known address on file with
22 the commissioner, with a notice of default that [WHICH] includes

23 (1) a description of the security given for the note in-
24 cluding the number assigned to the pledged permit by the commission;

25 (2) the date upon which the default occurred;

26 (3) the amount of arrearages as of the date of the notice,
27 the total amount remaining on the note less unearned interest, and the
28 amount of daily interest;

29 (4) a statement that the debtor may, within 15 days after

1 [OF] the postmark date of the notice, request a hearing to submit
2 evidence showing the debtor has not defaulted;

3 (5) a statement that the note may be reinstated if brought
4 current within 60 days after [FROM] the postmark date of the notice;

5 (6) a statement that the note may be paid in full less
6 unearned interest within 120 days after [FROM] the postmark date of
7 the notice;

8 (7) the place where reinstatement or payment in full may be
9 made; and

10 (8) a notice in at least 10-point bold type stating:
11 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE
12 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT
13 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

14 (b) In each case of a limited entry permit being pledged as
15 security under AS 16.10.333 or 16.10.338, the debtor shall maintain on
16 file with the department an address where notice of default is to be
17 sent, if necessary, and where that notice will be timely received by
18 the debtor.

19 (c) Upon presentation of evidence of mailing in accordance with
20 (a) of this section, the receipt of the notice of default by the
21 debtor will be presumed for all purposes. This presumption is re-
22 buttable by presentation of evidence sufficient to demonstrate lack of
23 receipt of notice through no fault of the debtor. Upon presentation
24 of evidence sufficient to prove lack of receipt of notice through no
25 fault of the debtor, the notice is a nullity.

26 (d) Upon good cause shown, the commissioner may waive any of the
27 time limits in (a) of this section, if the department receives from
28 the debtor or the debtor's representative a request for the waiver
29 before the expiration of the time limit for which the waiver is

1 sought.

2 (e) Except as otherwise provided in (c) and (d) of this section,
3 upon [UPON] the debtor's failure to satisfy the note within the time
4 specified in (a)(6) of this section, the debtor's interest in the
5 permit is terminated by operation of law without further notice. Any
6 entry permit cards issued to the debtor under the permit shall be
7 cancelled immediately upon receipt by the commission of a certificate
8 of termination containing a copy of the notice required by (a) of this
9 section issued by the commissioner.

10 * Sec. 6. AS 16.10 is amended by adding a new section to read:

11 Sec. 16.10.336. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR
12 FORECLOSURE. The department shall dispose of property acquired
13 through default or foreclosure of a loan made under AS 16.10.300 -
14 16.10.370. Disposal shall be made in a manner that serves the best
15 interests of the state and may include the amortization of payments
16 over a period of years, but may not be by lease.

17 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
18 10.070(c).

Introduced: 2/14/84
Referred: Labor and Commerce
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 496

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 16.10.335 is amended to read:

10 Sec. 16.10.335. DEFAULT AND FORECLOSURE. (a) If the debtor
11 defaults upon a note for which a limited entry permit has been pledged
12 as security under AS 16.10.333 or under AS 16.10.338, the commissioner
13 shall provide the debtor, by both [REGISTERED OR] certified and first
14 class mail sent to the debtor's last known address on file with the
15 commissioner, with a notice of default which includes

16 (1) a description of the security given for the note in-
17 cluding the number assigned to the pledged permit by the commission;

18 (2) the date upon which the default occurred;

19 (3) the amount of arrearages as of the date of the notice,
20 the total amount remaining on the note less unearned interest, and the
21 amount of daily interest;

22 (4) a statement that the debtor may, within 15 days after
23 [OF] the postmark date of the notice, request a hearing at which he
24 may submit evidence showing he has not defaulted;

25 (5) a statement that the note may be reinstated if brought
26 current within 60 days after [FROM] the postmark date of the notice;

27 (6) a statement that the note may be paid in full less
28 unearned interest within 120 days after [FROM] the postmark date of
29 the notice;

1 (7) the place where reinstatement or payment in full may be
2 made; and

3 (8) a notice in at least 10-point bold type stating:
4 "IMPORTANT: YOUR FAILURE TO REINSTATE OR PAY THIS NOTE IN FULL BY THE
5 DATE SPECIFIED WILL RESULT IN A FORFEITURE OF ALL RIGHTS TO THE PERMIT
6 AND THE POSSIBILITY OF LEGAL ACTION BEING INSTITUTED AGAINST YOU."

7 (b) In each case of a limited entry permit being pledged as
8 security under AS 16.10.333 or under AS 16.10.338, the debtor shall
9 maintain on file with the department an address where notice of de-
10 fault is to be sent, if necessary, and where that notice will be
11 timely received by the debtor.

12 (c) Upon evidence of mailing in accordance with (a) of this
13 section, the receipt of the notice of default by the debtor will be
14 presumed for all purposes. This presumption is rebuttable by presen-
15 tation of evidence sufficient to demonstrate lack of receipt of notice
16 through no fault of the debtor. Upon presentation of evidence suffi-
17 cient to prove lack of receipt of notice through no fault of the
18 debtor, the notice is considered a nullity.

19 (d) Upon good cause shown, the commissioner may waive any of the
20 time limits required by (a) of this section, if the department re-
21 ceives from the debtor or the debtor's representative a request for
22 the waiver before the expiration of the time limit for which the
23 waiver is sought.

24 (e) Except as otherwise provided in (c) and (d) of this section,
25 upon [UPON] the debtor's failure to satisfy the note within the time
26 specified in (a)(6) of this section, the debtor's interest in the
27 permit is terminated by operation of law without further notice. Any
28 entry permit cards issued to the debtor under the permit shall be
29 cancelled immediately upon receipt by the commission of a certificate

1 of termination containing a copy of the notice required by (a) of this
2 section issued by the commissioner.

3 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
4 10.070(c).