

SB 9

Original sponsors: Zharoff, Eliason  
and Jones

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 9 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to financing of fish processors and  
7 agricultural and timber processors and harvesters by  
8 the Commercial Fishing and Agriculture Bank; and  
9 providing for an effective date."

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

11 \* Section 1. FINDINGS. The legislature finds that

12 (1) shore-based fish processing and agricultural and timber  
13 processing and harvesting facilities, regardless of ownership, are an  
14 essential part of the state economy and provide for the development of a  
15 renewable resource tax base vital to many Alaska communities;

16 (2) shore-based fish processing and agricultural and timber  
17 processing and harvesting facilities in the state, regardless of ownership,  
18 significantly contribute to the economic development and stability of  
19 Alaska's communities; and

20 (3) shore-based fish processing and agricultural and timber  
21 processing and harvesting facilities in the state, regardless of ownership,  
22 employ a significant resident work force and contribute substantially to  
23 local community economies through the demand for goods and services.

24 \* Sec. 2. AS 44.81.210 is amended by adding a new subsection to read:

25 (c) Notwithstanding (a)(1) of this section, the bank may make a  
26 variable or fixed rate loan to a shore-based fish processor, a timber  
27 processor or harvester, or an agricultural processor or harvester that  
28 does not meet the resident ownership requirements of (a)(1) of this  
29 section for capital investment or operating capital if a facility of

1       the processor or harvester is located in the state and the majority  
2       interest in the processor or harvester is beneficially owned by resi-  
3       dents of the United States.

4       \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/29/87

Mr. President:

FINANCE Committee considered SB 9

financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR SB 9 (Rev) )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*[Handwritten signatures: Paul G. ...]*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*[Handwritten signature]*  
Chairman signature and recommendation

Committee Backup Attached

A/B

# STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

Revision Date : \_\_\_\_\_

**REQUEST**

Bill/Resolution No. : SB 9  
 Title : Financing of fish processors &  
 agricultural & timber processors & harvestors  
 by the Commercial Fishing & Agriculture Bank.  
 Sponsor : Sen. Zharoff  
 Requestor : Senate Labor & Commerce  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : Department of Commerce & ED  
 BRU : CFAB  
 Components : \_\_\_\_\_

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS :**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :**

CFAB is not a state agency nor subject to the Executive Budget Act (AS 37.07).

Prepared by : Mark K. Johnson, Counsel Phone : 465-3822  
 Division : Senate Labor & Commerce Committee Date : 3-9-87

Approved by Commissioner : \_\_\_\_\_ Date : \_\_\_\_\_  
 Agency : \_\_\_\_\_

Distribution (by Agency preparing fiscal note) :

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



**SENATOR FRED F. ZHAROFF**  
**ALASKA STATE LEGISLATURE**

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill No. 9 -- "An Act relating to financing of fish processors and agricultural and timber processors and harvestors by the Commercial Fishing and Agriculture Bank."

SECTION 1

LEGISLATIVE FINDINGS.

- (1) Fish processing, agricultural and timber facilities, regardless of ownership, are important to Alaska.
- (2) Regardless of ownership, they contribute to Alaska's economy.
- (3) Regardless of ownership, they provide jobs for Alaska residents.

SECTION 2

44.81.210(c): New subsection. Allows CFAB to make loans to businesses engaged in shorebased fish processing, timber processing or harvesting, or agricultural processing and harvesting that are not majority owned by Alaskan residents. CFAB would have access to a broader market in which to make loans. The companies, however, must be majority owned by U.S. residents, not foreign interests.

# State fishing loan bank makes recovery

Anchorage Daily News

By JIM ERICKSON  
Daily News reporter

4/12/87

The Alaska Commercial Fishing and Agriculture Bank, its decks awash in red ink and in danger of being scuttled two years ago, has manned the pumps.

Rebounding from a near-fatal \$10 million loss in 1984, the lending cooperative posted a \$535,780 profit last year, according to figures released Wednesday. The organization's financial picture had brightened enough to justify the April 1 mailing of dividend checks to CFAB's 577 members, most of them Alaska fishermen.

The company made \$114,187 in 1985.

Ed Crane, president of CFAB, attributed the recovery to several factors. The most significant was a 31 percent reduction in overhead compared to the previous year. Operating expenses totaled \$1.9 million last year, the lowest annual outlay in the cooperative's six-year history.

Crane said much of the savings resulted from the closing of four regional offices in late 1985.

Larger fish harvests and higher prices in the Alaska fishing industry had little ef-

fect on CFAB's bottom line last year, Crane said. Interest income from loans, CFAB's main source of income, declined to \$6.1 million in 1986 from \$10.1 million in 1985. Total loans dropped to \$41.1 million last year from \$62.4 million.

"We've shrunk in (loan) volume really more than we're comfortable with," Crane said. Industry growth has been centered in areas that CFAB cannot participate in, such as joint ventures between Alaska fishermen and Outside companies, he said.

The cooperative, which the Alaska Legislature established with a \$32 million capital infusion in 1981, can make loans only to Alaskans or Alaska companies.

"We've had numerous deals, particularly recently, where people have approached us for a loan to refurbish a processing plant, and we had to say no" because the company was not Alaska-based, Crane said. Despite efforts last year and this year to get law changed to allow CFAB to make out-of-state loans, lawmakers have shown little interest, he said.

CFAB is owned by members and by the state.

"The biggest frustration I feel personally is the lack of

flexibility and the orphan-like existence we live."

Commercial banks, which in the past have shown little interest in lending money to fishermen, now are competing on a small scale with CFAB, he said.

Crane said CFAB has "turned around" runaway loan losses and delinquencies that threatened to ruin the organization two years ago.

CFAB's non-earning loans increased slightly last year to \$17 million. But that amount was still far less than the \$32 million in delinquent loans CFAB carried in 1984.

Ten delinquent borrowers accounted for more than \$13 million of CFAB's current delinquencies.

Continuing problems with bad loans mean the organization must charge higher interest rates on new loans, Crane said.

Partly to provide a "rate rebate," CFAB's board of directors decided to pay members a 1986 dividend. The total amount paid was \$214,309, or 40 percent of CFAB's net income last year. The average check was for \$371, although the amounts varied from \$1.16 to \$29,282.

Despite CFAB's return to modest profitability, it remains unclear whether the

cooperative will be able to repay all of the state's \$32 million investment when it comes due at the turn of the century, Crane said.

"Somehow, we've got to get \$32 million in liquidity built in there" in the next 13 years, he said. "I'm skeptical we can do that."

CFAB now has \$17 million in "solid assets," Crane said. Two years ago, if CFAB had been liquidated, "the state would have lost the whole \$32 million."

The cooperative also faces another threat. CFAB borrows money to lend to members from the Spokane Bank for Cooperatives, and has \$5.4 million invested in that organization. The Spokane bank is one of 37 banks in the troubled Farm Credit System, which holds nearly one-third of the nation's farm debt.

If the condition of the system worsens or if proposed federal help does not come, CFAB could have trouble borrowing what it needs for members, and borrowing costs could remain "at a relatively high level," CFAB's annual report states.

CFAB ultimately could suffer a paper loss of \$5.4 million if the system collapses, Crane said.



# UNITED FISHERMEN OF ALASKA

Jack Cadigan  
Executive Director  
907-586-2820  
1-800-478-FISH

## UNITED FISHERMEN OF ALASKA

### RESOLUTION 87-8

WHEREAS the Commercial Fishing and Agriculture Bank (CFAB) was created by the Alaska Legislature for the purposes of providing sources of credit for Alaskan fishing businesses and encouraging the harvesting, processing and marketing of underutilized fish species as well as the technological development necessary to accomplish this; and

WHEREAS CFAB, a private sector lending cooperative, has its cost of doing business shared by all of its member-borrowers by the interest and loan fees they pay; and

WHEREAS the ability of CFAB to have access to the broadest market of potential borrowers within the fishing industry is necessary for it to have the greatest earnings potential, which translates into lower interest rates for its members; and

WHEREAS CFAB is restricted by statute from lending to seafood processors that are not beneficially owned by a majority interest of Alaska residents; and

WHEREAS the majority of long established, financially strong Alaska seafood processors do not meet this criterion; and

WHEREAS this category of seafood processors represents a potential market for CFAB that offers the possibility of lower losses and greater earnings; and

WHEREAS the Alaska seafood industry is in great need of capital investments in modern processing and marketing facilities that will serve to enhance the quality and value of its seafood products; and

WHEREAS all segments of the Alaska seafood industry will benefit from increased investment in the seafood processing industry that will provide more jobs for Alaskan workers and more market opportunities for Alaskan fishermen;

NOW THEREFORE BE IT RESOLVED that the United Fishermen of Alaska requests the Alaska Legislature to consider favorably Senate Bill 9 and House Bill 105, either of which will amend the statutes defining CFAB's lending authority so as to permit it to make loans to corporations

beneficially owned by a majority interest of United States residents engaged in the processing and marketing of seafood products for the purpose of constructing or operating shore-side facilities within Alaska; and

BE IT FURTHER RESOLVED that Senate Bill 8 also be favorably considered as a necessary act to eliminate unnecessary restrictions that prevent CFAB from properly serving the fishermen of Alaska.

*Robert H. Blake*

Robert M. Blake  
President

*2/6/87*

Date

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

3/10/87

DATE TURNED INTO OFFICE \_\_\_\_\_

Mr. President:

RESOURCES \_\_\_\_\_ Committee considered SB 9

financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agriculture Bank.

and recommended:

[x] replace with CS FOR SB9 Resources [ ] same title  
[ ] or adopt \_\_\_\_\_ CS FOR [x] new title

[ ] attached amendment(s) and

[x] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [x] attached or [ ] adopted fiscal note(s)

[ ] new [ ] updated or [x] previous  
[x] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*McElean*  
*Julius Sturgulerkin*  
*J. J. ...*  
*Lynd Jones*

*[Signature]*  
Chairman signature and recommendation

[ ] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 1-22-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: RESOURCES  
FINANCE

\*\*FISCAL NOTE(S) ATTACHED X \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

1/19/87

DATE TURNED INTO OFFICE 3/9/87

Mr. President:

LABOR & COMMERCE

Committee considered SB 9

relating to financing of fish processors and agricultural and timber processors and harvesters by the Commercial Fishing and Agricultural Bank.

and recommended:

[ ] replace with CS \_\_\_\_\_ [ ] same title  
[ ] new title

[ ] attached amendment(s) and

max  
 do pass

[ ] do not pass

[ ] no recommendation

individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted and attached

\*\* Committee  attached or [ ] adopted fiscal note(s)  
 zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Jim Uehling - Do Pass  
Mike [unclear] - Do Pass  
Fabian [unclear]

[unclear signature]

Tim Kelly - Do Pass  
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: SB 9  
Publish Date: \_\_\_\_\_

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: Financing Fish, Agriculture & Timber Processors by CFAB  
Sponsor: Zharoff, Eliason, Jones  
Requestor: Senate Labor & Commerce

Agency Affected: Department of Revenue  
BRU: Treasury  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
<b>OPERATING</b>						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Milt Barker *MB*  
Division: Treasury  
Approved by Commissioner: *[Signature]*  
Agency: Department of Revenue

Phone: 465-2350  
Date: January 26, 1987  
Date: *1/29/87*

- Distribution (by preparer):
- Legislative Finance
  - Legislative Sponsor
  - Requestor
  - Office of Management and Budget
  - Impacted Agency(ies)
  - Senate Secretary

1 IN THE SENATE

BY ZHAROFF, ELIASON  
AND JONES

2

SENATE BILL NO. 9

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act relating to financing of fish processors and

7

agricultural and timber processors and harvesters by

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the Commercial Fishing and Agriculture Bank."

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

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\* Section 1. FINDINGS. The legislature finds that

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1 interest in the processor or harvester is beneficially owned by resi-  
2 dents of the United States.