

SB 92

SENATE FINANCE COMMITTEE REPORT

DATE: 5/3/91

FURTHER:

DATE TURNED INTO OFFICE: 5-13-91

The Finance Committee considered SENATE BILL NO. 92

"An Act relating to the lending authority and loans of the Commercial Fishing and Agriculture Bank; and providing for an effective date."

and recommended:

<input type="checkbox"/>	replace with _____	CS	<u>SB 92 (FIN)</u>	<input type="checkbox"/>	same title
<input type="checkbox"/>	or adopt _____	CS	_____	<input checked="" type="checkbox"/>	new title
<input type="checkbox"/>	attached amendment(s)			<input type="checkbox"/>	technical title change (HB only)
<input type="checkbox"/>	_____		letter of intent adopted		

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):
Dept/Date:
 fiscal note(s) _____

APPROVES PREVIOUS:
Dept/Date:
 fiscal note(s) _____

zero fiscal note(s) _____
DFG 3-13-91

zero fiscal note(s) _____
DCED 3-26-91

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Cal Sedame
[Signature]
[Signature]
[Signature]

1. [Signature] 2. [Signature]
Co-Chairs: Signatures and Recommendations

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 1

Version: SB 92

(s) Publish Date: 3/27/91

Revision Date: _____ Department Affecter
 Title: An Act relating to the lending authority and loans of CFAB BRU: Banking, Securities & Corporations
 Sponsor: Sen. Zharoff Component: Banking & Securities
 Requestor: _____ COMPONENT SERIAL NO.

1	2	3	3
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities & Corporations Date: 3/26/91
 Approved by Commissioner: Glenn A. Olds
 Agency: Department of Commerce & Economic Development Date: 3-26-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SB 92

3-26-91
3 (110)
P.S.
F.A.

Revision Date: 3/13/91 Department Affected: Fish and Game
 Title: Loans Secured by Limited Entry Permits BRU: Commercial Fisheries
 Component: Commercial Fisheries
 Sponsor: Sen. Zharoff
 Requestor: Governor COMPONENT SERIAL NO.

	4	5	9
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

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	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Bob Clasby Phone: 465-4210
 Division: Commercial Fisheries Date: 3/13/90
 Approved by Commissioner: RON SCHMIDT
 Agency: ADF&G Date: 3/25/91

Distribution (by preparer): Let Changes in CSSB 92 (FW) Director, OMB, & Impacted Agency(ies).

CS FOR SENATE BILL NO. 92 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS ZHAROFF, Sturgulewski, Hoffman

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the lending authority and loans of the Commercial Fishing and
2 Agriculture Bank and to the use of limited entry permits as security for those loans; and
3 providing for an effective date."

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

5 * Section 1. AS 16.43.150(g) is amended to read:

6 (g) Except as provided in AS 16.10.333 - 16.10.337, AS 44.81.210, 44.81.225, and
7 44.81.230 - 44.81.250, an entry permit may not be

8 (1) pledged, mortgaged, leased, or encumbered in any way;

9 (2) transferred with any retained right of repossession or foreclosure, or on any
10 condition requiring a subsequent transfer; or

11 (3) attached, distrained, or sold on execution of judgment or under any other
12 process or order of any court.

13 * Sec. 2. AS 44.81 is amended by adding a new section to read:

14 Sec. 44.81.225. SMALL LOANS. (a) To facilitate the development of commercial

1 fisheries in geographic areas in which factors such as geographic considerations, uncertainties of
2 communication, or limited demands do not encourage normal lending activities, the bank may
3 make small loans to qualified borrowers who are not members of the bank.

4 (b) The provisions of this chapter apply to loans authorized by this section except that

5 (1) the borrower is not required to be a member of the bank at the time the loan
6 is approved; and

7 (2) the principal amount of the portion of the loan made by the bank may not
8 exceed \$25,000.

9 (c) The total amount of money that may be loaned under this section may not exceed
10 eight percent of the total capital of the bank.

11 (d) To service loans made under this section, the bank may contract or make other
12 arrangements with a public agency or with a legal entity that the bank determines to be
13 responsible and competent to administer the loan.

14 * Sec. 3. AS 44.81.230(a) is amended to read:

15 (a) A loan under AS 44.81.210(a)(20) or 44.81.225 for the purchase of a limited entry
16 permit may be made only upon certification by the commission that the fisherman is a person
17 who qualifies as a transferee for the permit under AS 16.43 and the regulations adopted by the
18 commission.

19 * Sec. 4. AS 44.81.230(b) is amended to read:

20 (b) Upon approval by the bank, a [THE] permit [TO BE PURCHASED] may be pledged
21 as security for a loan made under (a) of this section, AS 44.81.225, or 44.81.235 [,] if

22 (1) the certificate for the pledged permit lists the bank as the legal owner of the
23 permit;

24 (2) the certificate for the pledged permit lists the debtor as the equitable owner
25 of the permit;

26 (3) all annual permit cards issued under the pledged permit list the name of the
27 debtor;

28 (4) all obligations and responsibilities of a permit owner are assumed by the
29 debtor;

30 (5) co-signers or other sureties for performance under the note are not vested with
31 any rights in the pledged permit and their obligation is limited to satisfaction of the note and

1 payment of costs directly incurred by the bank in administering the loan.

2 * Sec. 5. AS 44.81.230(f) is amended to read:

3 (f) In anticipation of possible foreclosure on an entry permit under AS 44.81.250, the
4 debtor may nominate a person to assume a note for a loan made [GIVEN] under
5 AS 44.81.210(a)(20), 44.81.225, or 44.81.235. If the person nominated qualifies under (a) of this
6 section at the time of the foreclosure, the person may assume all rights and liabilities of the
7 debtor in the event the bank forecloses on the entry permit.

8 * Sec. 6. AS 44.81.250(d) is amended to read:

9 (d) Nothing in this section affects the right of the bank to institute legal action for a
10 deficiency resulting from a default on a note for a loan made [GIVEN] under
11 AS 44.81.210(a)(20), 44.81.225, [OR] 44.81.230, or 44.81.235. In addition to any deficiency,
12 the debtor is liable for the costs of administering the note and for costs and attorney fees.

13 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).



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

MEMORANDUM

TO: Senator Pat Pourchot
Co-Chairman
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: May 2, 1991

RE: Senate Bill 92 - "An Act relating to the lending authority and loans of the Commercial Fishing and Agriculture Bank; and providing for an effective date."

As we discussed on the phone earlier today, I wish to request that the Senate Finance Committee waive its referral for Senate Bill 92.

SB 92 allows the Alaska Commercial Fishing and Agriculture Bank -- which was established by the legislature in 1978 as a cooperative lending institution in order to provide a source of financing for Alaska's seafood and agriculture industries -- to establish a new small loans program to serve rural fishermen engaged in low cost fisheries.

The bill carries a zero fiscal note. After being initially capitalized by the state, CFAB now operates on its own funds and those of its borrowers.

The Senate Resources Committee and the Senate Labor and Commerce Committee previously examined the public policy aspects of the legislation. SB 92 moved out of the Senate Labor and Commerce Committee on March 25 with three "do pass" recommendations. It moved out of the Senate Resources Committee on May 1 with four "do pass" recommendations and one "no recommendation".

The waiver of the Senate Finance referral would, of course, hasten SB 92's opportunity to be voted on by the full Senate this year.

Attached are copies of the bill, the sectional analysis, and the fiscal notes.

If SB 92 cannot be waived, I request that the Senate Finance Committee entertain an amendment to SB 92. The proposed

amendment would correct a technical problem by including a reference to the section created by the bill into the limited entry statutes, specifically AS 16.43.150(g). Attached are copies of memos from the Commercial Fisheries Entry Commission that explain the problem and copy of the amendment as incorporated into a CSSB 92 work draft.

If you have any questions or require further information, please call me.



SENATOR FRED F. ZHAROFF

ALASKA STATE LEGISLATURE

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DURING SESSION:


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DISTRICT N

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

MEMORANDUM

TO: Senator Pat Pourchot
Co-Chairman
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: May 8, 1991

RE: Senate Bill 92 - "An Act relating to the lending authority and loans of the Commercial Fishing and Agriculture Bank; and providing for an effective date."

SB 92 would allow the Alaska Commercial Fishing and Agriculture Bank to develop a small loan program specifically targeted at rural commercial fishermen.

CFAB is a cooperative lending institution that was created by the Alaska Legislature in 1978 to serve Alaska's commercial fishing and agriculture industries. In recently evaluating CFAB's effectiveness, the officers concluded the institution was not doing as good a job as it could in Western Alaska and the Arctic-Yukon-Kuskokwim area. The commercial fishermen in these regions generally are engaged in relatively low income fisheries in which a relatively small capital investment is required for participation.

Financing for these fisheries operations, in general, has been difficult to obtain because of the regions' remoteness (all business must be transacted by phone or mail), language difficulties, less exposure to financial systems and institutions, the fishermen's lack of alternate income, and the annual fluctuations in salmon returns and income.

To serve these people, CFAB plans to start a program for small loans of less than \$25,000. CFAB envisions establishing relationships with rural businesses and agencies (village corporations, Native associations, etc.) for originating and servicing these small loans.

CFAB could set up the program for small loans without legislation. The program is included in the bill so the legislature will have a full understanding of what is being proposed. The operative change CFAB requires in statute to go

forward with its plans is in (b)(1) of Section 1, an exemption from CFAB's membership requirement.

As a cooperative, CFAB requires its borrowers to become members/owners. This involves the purchase of capital stock, extensive documentation, and a recordkeeping/communication burden. The administrative requirements are complicated and costly for both CFAB and its borrowers, and an impediment to small loans.

Through SB 92, CFAB is requesting the legislature to make the small loans program more feasible -- both for CFAB and the borrowers -- by granting a membership exemption under the limited circumstances proposed in the bill.

SB 92 also makes clarifying changes in CFAB's existing statute by confirming that using permits for collateral, nominating another person to assume a note, and instituting legal action to recover deficiencies applies to CFAB loans for fishing-related needs as well as loans for the purchase of entry permits.

A memorandum sent to you on May 2 discussed an amendment that needs to be made to SB 92.

SB 92 moved out of the Senate Labor and Commerce Committee on March 27 with three "do pass" recommendations. It moved out of the Senate Resources Committee on May 3 with four "do pass" recommendations and one "no recommendation". The bill has a zero fiscal note.

The following backup information is attached:

1. Sectional analysis.
2. Position paper and zero fiscal note from the Department of Commerce and Economic Development.
3. Zero fiscal note from the Department of Fish and Game.
4. Letter of support from the Community Enterprise Development Corporation of Alaska.
5. CFAB's 1990 annual report.
6. CFAB statutes.



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 92

"An Act relating to the lending authority and loans of the Commercial Fishing and Agriculture Bank; and providing for an effective date."

SECTION 1

Adds a new section to statutes, AS 44.81.225, authorizing the Alaska Commercial Fishing and Agriculture Bank (CFAB) to make small loans to qualified borrowers who are not bank members.

- (a) Explains the reason for the program.
- (b) (1) Allows the small loan borrower to be exempt from the CFAB membership requirement.
- (b) (2) Limits the amount that may be loaned to each borrower under this program to no more than \$25,000.
- (c) Limits the total amount of money that may be used for small loans to no more than eight percent of CFAB's total capital. CFAB's capital is presently about \$37 million, so the amount available for small loans at the present time would not exceed \$2,960,000.
- (d) Allows CFAB to contract with a public agency or legal entity to service small loans.

SECTION 2

Amends 44.81.230(a) to include a reference to 41.81.225. 44.81.230(a) is an existing requirement for the Commercial Fisheries Entry Commission to certify that a fisherman who borrows for the purchase of a limited entry permit qualifies as a permit transferee under the limited entry statutes and regulations.

SECTION 3

Amends 44.81.230(b) -- which lists the requirements for pledging an entry permit as collateral for a loan -- to include a reference to 44.81.225. Also, by including a reference to 44.81.235, confirms that a permit lien can apply to loans made for fishing-related needs other than the purchase of limited entry permits.

SECTION 4

Amends 44.81.230(f) -- which allows a loan debtor to avoid foreclosure on an entry permit by nominating another person to assume the note -- to include a reference to 44.81.225. Also, by including a reference to 44.81.235, confirms that this method of avoiding foreclosure is applicable to CFAB loans for other fishing-related needs.

SECTION 5

Amends 44.81.250(d) -- which allows CFAB to institute legal action to recover deficiencies -- to include a reference to 44.81.225, thereby extending this section to cover the small loans program. Also, by including a reference to 44.81.235, confirms this section applies to loans for other fishing-related needs.

SECTION 6

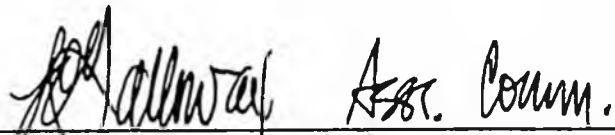
Immediate effective date.

SB 92: "An Act relating to the lending authority and loans of the Commercial Fishing and Agriculture Bank; and providing for an effective date."

The department encourages the intent to foster further development of our commercial fisheries industry, especially geographic areas which may discourage normal lending sources. It is our understanding that this type of development activity is the foundation upon which CFAB was built.

We do question, but are not opposed to, the exemption provisions of membership to be qualified for a loan. One of the fundamental elements in the well-being of any cooperative is the support of its members and, in turn, the coop's membership service. It may be in the best interest of not only the success of CFAB but fisheries development to expand membership rather than dilute it.

The department encourages passage of SB 92.



Glenn A. Olds, Commissioner
Date: 3-24-91

4

March 22, 1991

RECEIVED MAR 24 1991

Senator Fred Zharoff
Post Office Box V
Juneau, Alaska 99811

Dear Senator Zharoff,

For the Community Enterprise Development Corporation of Alaska and its members, I wish to voice our support for Senate Bill No. 92. This Bill, if passed, would allow the Alaska Commercial Fishing & Agriculture Bank to make \$25,000 commercial fishing loans.

Please allow me to tell you something about Community Enterprise Development Corporation of Alaska (CEDC). CEDC, formed by the Federal Government in 1968, is a non-profit organization designed to promote economic development in rural Alaska. We have 168 rural organizations who are members of CEDC, and the geographic areas which our members come from range from Sitka to Barrow.

One of the programs which we have, and is perhaps the most visible one in rural Alaska is our EDA Boat Loan Program. CEDC inherited this program from the Alaska Native Foundation in 1983. It is now the most creditable Federal Loan Program in rural Alaska. This program gives Western Alaska Fishermen, who otherwise could not qualify for a commercial bank loan, alternative financing for their boats. Since 1983, ninety four fishermen received financing worth \$1,123,973 for boats and gear from CEDC.

Our program has, and will continue to have a positive economic impact in Western Alaska. However, we do have restrictions with this program, and this is why we support Senate Bill No.92.

Our loan fund is small, and on an average we can only make 10 new boat loans per year. We cannot make loans outside of Western Alaska. Also, because we can not take fishing permits as collateral, we do not make permit loans. Within our service area the average fishing permit is worth from \$12,000-\$25,000.



CEDC

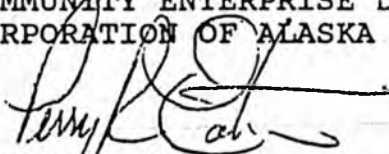
Community Enterprise Development Corporation of Alaska
1577 'C' Street Plaza, Suite 304/Anchorage, Alaska 99501, 907-274-5400

Based on the number of inquiries that we get from fishermen outside of our service area. And due to limitations in our program. We can see there is adequate need for small fishing boats, and fishing permit financing in and outside of our service area.

CEDC and CFAB share a common interest with commercial fishermen. We both would like to see fishermen meet their goal of self-sufficiency. If this bill passes, this goal will be more attainable for the small boat fishermen.

Sincerely,

COMMUNITY ENTERPRISE DEVELOPMENT
CORPORATION OF ALASKA



Perry R. Eaton
President & CEO

**THE FOLLOWING DOCUMENT HAS NOT
BEEN FILMED BUT IS AVAILABLE IN THE
ORIGINAL FILE.**

PLEASE MICROFILM TOP PAGE ONLY



Alaska Commercial Fishing and Agriculture Bank

1990 Annual Report

Table of Contents

Executive Message	2
Report of Independent Accountants	5
Balance Sheets	6
Statements of Net Proceeds	7
Statements of Changes in Capital and Patronage	8
Statements of Cash Flows	10
Notes to Financial Statements	12
Board of Directors and Staff	15

For more information contact:

Alaska Commercial Fishing and
Agriculture Bank
2550 Denali Street, Suite 1201
Anchorage, Alaska 99503
(907) 276-2007 or (800) 544-2228