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252

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 13, 1993

FURTHER REFERRALS:

Date of Committee Action: 4/20/93

The FINANCE Committee considered:

HB 252

HOUSE BILL NO. 252

REFINANCING COMMERCIAL FISHING LOANS

"An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

RECOMMENDATIONS:

be replaced with HB 252 [] the same title

[] have attached amendments(s)

[] do pass

[] do not pass

[] no recommendations

[] individual recommendations

[] additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

[] fiscal impact DCED

[] fiscal note(s) _____

[] zero fiscal note _____

[] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Ronald J. Larson</i> Larson	X	<i>EP McLean</i> Maclean		<input checked="" type="checkbox"/>	
<i>Ben Grussendorf</i> Grussendorf	X	<i>Mark Hanley</i> Hanley		<input checked="" type="checkbox"/>	
<i>Larry Hoffman</i> Hoffman	<input checked="" type="checkbox"/>	<i>Terry Martin</i> Martin			<input checked="" type="checkbox"/>
<i>Richard Foster</i> FOSTER	X	<i>Seah Parnell</i> Parnell		<input checked="" type="checkbox"/>	
		<i>Mike Navarre</i> NAVARRE		<input checked="" type="checkbox"/>	
		<i>Fay Brown</i> BROWN		<input checked="" type="checkbox"/>	
		<i>Gene Theriault</i> Theriault		<input checked="" type="checkbox"/>	

Ronald J. Larson *EP McLean*
 COCHAIRMAN'S SIGNATURE
 Larson Maclean

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CS HB 252 (FIN)

Revision Date: April 20, 1993

Dept. Affected: Commerce & Economic Development

Title: Refinancing Commercial

BRU: Investments

Fishing Loans

Component: _____

Sponsor: Representative Moses

Requestor: HOUSE FINANCE COMMITTEE

COMPONENT SERIAL NO. 0384

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	83.0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	2.0	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	85.0	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE FUND SOURCE:	328.0	[1,638]	[1,638.]	[1,638]	[1,638]	[1,638]
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	85.0	0	0	0	0	0
TOTAL	85.0	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	2	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Representative Ron Larson, Co-Chair *R.L.* Phone: 465-3878
Representative Eileen MacLean, Co-Chair *E.M.* Phone: 465-4922
 Division: HOUSE FINANCE COMMITTEE Date: 4/20/93

Approved by Commissioner: _____ Date: _____
 Agency: _____

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Back-up

Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

SESSION:
CAPITOL BUILDING, ROOM 204
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SPONSOR STATEMENT FOR

HB 252

REFINANCING OF COMMERCIAL FISHING LOANS

I have introduced House Bill 252 to give the Department of Commerce the authority to refinance existing commercial fishing loans. Most of the 1,200 commercial fishermen who now have state loans are paying 10.5% in interest rates. Regulations provide for new fixed rate loans at 2% above the bank prime rate. Since the current bank prime rate is 6%, current commercial fishing loans are now at 8% rates. However, the Department of Commerce has no mechanism to allow for current loans to be refinanced to take advantage of the lower interest rates that are currently available.

Commercial fishermen have been faced these past few years with low prices and unpredictable fish returns. Following the disastrous 1991 salmon season, the Department of Commerce approved loan extensions for nearly half of the existing loans. More than 3000 fishermen are reportedly in arrears this year to the Internal Revenue Service for back taxes. The commercial fishing industry is obviously in bad shape. Allowing fishermen to refinance their loans and reduce their monthly payments is one obvious way the legislature can help the industry out. Although there is a cost for such a refinancing program, there is sufficient cash flow in the revolving loan fund to accommodate it. Additionally, fishermen would have an easier time making their payments if their loans were at lower interest rates.

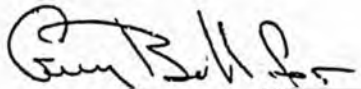
HB 252: "An act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

This legislation would allow the Department to refinance existing loans in the Commercial Fishing Revolving Loan Fund to take advantage of lower interest rates currently available. Almost all loans, more than 1,200, currently on the books were made at 10.5%. 3 AAC 80.055(k) provides for new fixed rate loans at 2% above the bank prime rate. The current bank prime rate is 6%, making the commercial fishing loan rate 8%.

A loan refinance is accomplished by originating a new loan under currently available terms and paying off the existing loan debt. Fees generated will be in excess of the administrative costs estimated for the program.

The reduction of 2.5% in interest on the existing loans will result in more than a million and a half dollars of reduced cash flow into the Commercial Fishing Revolving Loan Fund. This may limit the ability to meet loan demand in future years.

The Department is neutral on this legislation. This will result in a general benefit to all fishers with existing loans in the program, but may result in funds not being available in the future to those for which the program was designed to assist.



Paul Fuhs, Commissioner

Date: 3-25-93

FISCAL NOTE

BILL NO. HB 252

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: March 25, 1993
Title: Refinancing Commercial Fishing Loans

Department Affected: Commerce and Economic Development
BRU: Investments
Component: _____

Sponsor: Representative Moses
Requestor: House Labor and Commerce

COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	<u>166,583.0</u>	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	<u>4,020</u>	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	<u>170,585.0</u>	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE C/F LOAN FUND SOURCE: <u>1036</u>	328.0	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]	[1,638.0]
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN <u>1036</u>	<u>170,585.0</u>	0	0	0	0	0
TOTAL	<u>170,585.0</u>	0	0	0	0	0

POSITIONS:

FULL-TIME	<u>42</u>	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)
See attached.

Prepared by: Martin J. Richard
Division: Investments

Phone: 465-2510
Date: _____

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 3 27 93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 252

ANALYSIS: (continued)

This fiscal note assumes that this legislation will be effective in FY94. It will impact approximately 1,200 existing loans in the Commercial Fishing Loan Program. The refinance of an existing loan is accomplished by originating a new loan and paying off the existing debt.

Personal Services

Loan Examiner II - This position will coordinate the refinance program and be responsible for reviewing financial data and approving the origination of the new loan.

Loan Closer I - These two positions will process the requisite loan documentation for the loan and the collateral securing the loan.

Accounting Tech. I - This position will prepare the necessary accounting documentation to pay off the existing loan to be refinanced.

Supplies

This cost is for general office supplies needed by the above noted staff.

Revenue Fund Source

In FY94 \$328.0 will be earned through loan origination fees of 1/2% of the loan amount. The impact to the Commercial Fishing Revolving Loan Fund of this reduction from 10.5% loans to the currently available 8% loans is approximately \$1,638.0 per year. This is a reduction in cashflow to the Fund as a result of less interest being paid in each subsequent year.

Position Title Accounting Technician I		No. of Positions 1	Range / Step 12A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months	Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT		
Salary		27.9		
Benefits		12.2		
Premium Pay				
Other				
Total Personal Services		40.1		
Travel				
Contractual				
Commodities		1.0		
Equipment				
Other				
Total Cost		41.1		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007			
CIP Receipts	1061			
Other	C/F Loan 1036	41.1		
Justification This position is needed to process the requisite loan documents to complete the refinancing of an existing loan.				

**Request For
New Position**

AGENCY Commerce and Economic Development
 BRU Investments
 COMPONENT _____

FY 94

Page 1 of 1
 Revised Date: March 25, 1993

Position Title Loan Closer I		No. of Positions 2	Range / Step 10A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months	Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT		
Salary	24.8	49.6		
Benefits	11.3	22.6		
Premium Pay				
Other				
Total Personal Services	36.1	72.2		
Travel				
Contractual				
Commodities		2.0		
Equipment				
Other				
Total Cost		74.2		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007			
CIP Receipts	1061			
Other C/F Loan	1036	74.2		
Justification These positions are needed to process the requisite loan documents to complete the refinance of an existing loan.				

Request For New Position

AGENCY Commerce and Economic Development
 BRU Investments
 COMPONENT _____

FY 94

Position Title Loan Examiner II		No. of Positions 1	Range / Step 17A	Barg. Unit GGU
Time Status Full-Time	Staff Months 12 months	Location Juneau		Election District
TYPE OF EXPENDITURE		AMOUNT		
Salary		39.0		
Benefits		15.2		
Premium Pay				
Other				
Total Personal Services		54.2		
Travel				
Contractual				
Commodities		1.0		
Equipment				
Other				
Total Cost		55.2		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007			
CIP Receipts	1061			
Other	C/F Loan 1036	55.2		
Justification This position is needed to process the requisite loan documents to complete the refinance of an existing loan.				

**Request For
New Position**

AGENCY Commerce and Economic Development
 BRU Investments
 COMPONENT _____

FY 94

Page 1 of 1
 Revised Date: March 25, 1993

Area K Seiners Association
P.O. Box 2399 Kodiak, Alaska 99615
Phone 907/486-4686 FAX 907/486-7655



April 5, 1993

Representative Carl Moses
Capitol
Juneau, AK 99801-1182

Dear Representative Moses:

I write to you representing the 100 members of the Area K Seiners Association and would like to thank you for introducing HB 252.

In January and February, I contacted the Commissioner's office requesting their support in this matter and brought it to the United Fishermen of Alaska table. I wasn't terribly pleased with the response I received from Martin Richard of DCED, but support from the fishing community has been unanimous!

The fishermen of Alaska involved with the Commercial Fishing Loan program need this bill badly. Many of us borrowed money based on the steady markets of the 80's. So much has changed that access to lower interest rates is paramount to our economic survival!

Mr. Richard of DCED says it will reduce the amount of money available to the loan fund and that the cost to the state of refinancing these loans will be high - \$1.6 million. This may be true, but without the ability to refinance, what will be the cost to the state of the many defaults on these loans?

The ability to refinance will also be consistent with the state policy concerning home loans. In fact, the refinancing program with AHFC is a speed form with no new paperwork required.

We fully support HB 252 and again, we thank you for your support in a time of great difficulty for many of the state's commercial fishermen.

Sincerely,

Bruce Schactler,
Board Member



MAR 29 1993
UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

March 25, 1993

The Honorable Carl Moses
House of Representatives
The Capitol Building, Room 204
Juneau, Alaska 99801-1182

Dear Representative Moses:

United Fishermen of Alaska sincerely appreciates your introducing HB 252 "An Act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act." This bill would exempt a great many fishermen.

As you know, there are some fisheries and fishermen who are currently having a real rough time financially. This bill would benefit many families in the state of Alaska who are struggling for existence right now.

Once again, thank you. If UFA can be of any assistance to you, please do not hesitate to call.

Sincerely,


Jerry McCune
President

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

MAR 22 1993

P.O. BOX 34159
3032 VINTAGE BLVD.
JUNEAU, ALASKA 99803-4159
PHONE: (907) 790-2693
FAX: (907) 790-2781

March 18, 1993

The Honorable Carl Moses
Alaska House of Representatives
State Capital, Room 204
Juneau, AK 99801-1182

Dear Representative Moses:

As requested by Molly McCammon from your staff, we have done some analysis of the costs involved in amending the Commercial Fishing loan program to include refinancing of existing loans. The majority of loans in our portfolio were made at 10.5%, resulting in an annual return of interest to the fund of approximately \$6,879,000. If refinancing were allowed, the interest rate on these loans would be reduced to 8% resulting in a reduction of \$1,638,000 in interest payments to the fund each year. In addition, there would be an administrative cost involved in refinancing approximately 1,200 loans. Even with a streamlined program, there would be a cost of, at least, \$210,000 in the first year. It should be noted that under current regulations a commitment fee paid by the borrower at closing would offset this expense by providing approximately \$328,000 to the loan fund.

Refinancing existing loans, if allowed, would reduce the interest paid by the borrowers. It would also, however, substantially reduce the cash flow into the loan fund, potentially jeopardizing the "revolving" nature of the fund, which has not had an infusion of General Fund dollars since 1985. Reduced payments into the fund may lessen our ability to meet the needs of those fishers who need loans to finance permit and vessel purchases.

Please contact me at 465-2510 if you have any further questions.

Cordially,



Martin J. Richard
Director

cc: Paul Fuhs, Commissioner
Department of Commerce and Economic Development