SCOMM

87:20

8-LS1512\J
Utermohle
2/15/94

CS FOR SENATE BILL NO. 251(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR JACKO

A BILL

FOR AN ACT ENTITLED

"An Act relating to the commercial fishing revolving loan fund and the fisheries enhancement revolving loan fund."

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

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

(a) The department may

(1) make loans to

(A) individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods,

(i) for the purchase of entry permits;

(ii) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products; or

(iii) to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual commercial fishermen's entry permits, to the extent allowed under (d) of this section;

(B) an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, [AND] for the construction and purchase of vessels**, or, to the extent allowed under (d) of this section, to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual's entry permits**, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

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

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(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

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan and charge a fee not to exceed $200 for prequalification;

(9) charge and collect the fees established under this subsection;

(10) refinance a debt obligation incurred by a borrower or borrowers under this section if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department shall collect a refinancing loan origination charge of one-half percent of the amount of the debt obligation that has been refinanced when the first refinancing payment is due;

(11) refinance debt obligations, not to exceed $300,000, incurred by a borrower or borrowers for the purchase of a commercial fishing vessel or gear if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 - 16.10.370; the department may collect a refinancing loan origination charge as provided by regulation.

*** Sec. 2.** AS 16.10.310 is amended by adding a new subsection to read:

(d) The department may not make a loan to an individual under (a)(1) of this section to satisfy past due federal tax obligations unless the individual has filed past and current federal tax returns with the federal government and has executed an agreement with the federal government for repayment of past due federal tax obligations. An individual may receive only one loan under (a)(1) of this section to satisfy past due federal tax obligations during the individual's lifetime. A loan made under (a)(1) of this section to satisfy past due federal tax obligations may not exceed

$30,000.

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

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed $300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed $100,000. **The total of balances outstanding on all loans, including debt refinancing under AS 16.10.310(a), made to a borrower under AS 16.10.300 - 16.10.370 may not exceed $300,000.**

* **Sec. 4.** AS 16.10.340 is amended by adding a new subsection to read:

(c) If the commissioner determines that the fund contains money that is excess to that needed to carry out the purpose of AS 16.10.300 - 16.10.370, then the commissioner may use one-half of the money to carry out the purpose of AS 16.10.500 - 16.10.560.

* **Sec. 5.** AS 16.10.505(a) is amended to read:

(a) There is created within the Department of Commerce and Economic Development a revolving fund to be known as the fisheries enhancement revolving loan fund. Except as provided in (b) **and (c)** of this section, the fund shall be used to carry out the purposes of AS 16.10.500 - 16.10.560 and for no other purpose. All principal and interest payments, and money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on loans made under AS 16.10.500 - 16.10.560, shall be paid into the fisheries enhancement revolving loan fund.

* **Sec. 6.** AS 16.10.505 is amended by adding a new subsection to read:

(c) Money in the fund that the commissioner determines to be excess to that needed to carry out the purpose of AS 16.10.500 - 16.10.560 may be used to carry out the purpose of AS 16.10.300 - 16.10.370.

* **Sec. 7.** AS 16.10.520 is amended by adding a new subsection to read:

(f) The commissioner may not make a loan under AS 16.10.500 - 16.10.550 from funds available under AS 16.10.340(c), unless the commissioner determines, in consultation with the appropriate regional planning team established under AS 16.10.375, that the hatchery or other enhancement or rehabilitation activity for

Corr - Commerce already has this - financial already

which the loan is requested will provide a significant contribution to common property fisheries, be operated in a manner beneficial to the public interest, and be managed in a financially viable manner that is reasonably expected to result in repayment of the loan.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. HB 381

Revision Date: February 14, 1994
Title: An Act Relating to the Commercial Fishing and Fisheries Enhancement Loan Funds
Sponsor: Representatives Moses, Olberg, Grussendorf
Requestor: House Labor and Commerce

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

COMPONENT SERIAL NO. 0384

Expenditures/Revenues:

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
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 EXPENDITURES	0	0	0	0	0	0
CHANGE IN REVENUES ( )	0	0	0	0	0	0
FUND SOURCE						
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	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 94) cost: $ 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

ANALYSIS: (Attach a separate page if necessary.)

The Department is confident that they will be able to adequately handle loan requests generated as a result of this legislation with existing staff. This legislation will expand the loan demand for the Commercial Fishing Revolving Loan Fund. We are unable, at this time, to forecast the exact amount of this increase, but estimate it to be several million dollars.

Prepared by: Martin J. Richard
Division: Investments
Phone: (907) 465-2510
Date: 2/15/94

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

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8-LS1527\K.1
Utermohle
2/25/94

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE HUDSON

TO: CSHB 381(L&C)

Page 1, line 14, after "permits;":

Insert "**or**"

Page 2, line 2:

Delete "**; or**"

Insert ";"

Page 2, lines 3 - 6:

Delete all material.

Page 2, line 8:

Delete "[AND]"

Insert "and"

Page 2, lines 9 - 12:

Delete "**, or, to the extent allowed under (d) of this section, to satisfy past due federal tax obligations that may result in the execution upon and involuntary transfer of the individual's entry permits**"

Page 3, line 24, through page 4, line 1:

Delete all material.

Renumber the following bill sections accordingly.

8-LS1527\K
Utermohle
2/25/94

CS FOR HOUSE BILL NO. 381(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES MOSES, Olberg, Grussendorf

A BILL

FOR AN ACT ENTITLED

"An Act relating to the commercial fishing revolving loan fund and the fisheries enhancement revolving loan fund; and providing for an effective date."

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

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

(a) The department may

(1) make loans to

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(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

SB 251

SECTIONS 5 AND 7

These two sections provide the Commissioner of Commerce and Economic Development with discretionary authority to move "excess" funds from the Commercial Fisheries Revolving Loan fund to the Fisherier Enhancement Revolving Loan Fund and vis versa.

The purpose is to allow the Commissioner to make administrative adjustments to assure that loan demand for each account is satisfied. Funds to be transferred must be "in excess" of the needs of the Commercial Fisheries Revolving Loan fund. The Department of Commerce has clearly testified on the record that all of the requirements for Commercial Fisheries Revolving Loan fund must be met before it declares an "excess" available to be transferred.

The department has indicated that this year there will likely be no money left over after these other priorities are addressed. In the future, however, provided that surplus funding is available it could be transferred to the Enhancement Revolving Loan fund.

One possible use of the transferred funds could be to refinance hatchery loans to current interest rates. Refinancing would reduce hatchery operating costs in turn reducing the amount of cost recovery fish necessary to fund hatchery operations. This would benefit the fishermen by allowing more commercial catch.

Also, excess funds available in the Fisheries Enhancement Loan account could be transferred to the Commercial Fisheries Revolving Loan account, benefiting the fishermen.

DIVISION OF INVESTMENTS
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

PROPOSED ORDER OF PRIORITY
FOR THE COMMERCIAL FISHING LOAN PROGRAM

1) Purchase Permit

2) IRS Loan to Protect Permit

3) Vessel Upgrade or Purchase (includes refrigeration)

4) Gear

5) IFQ's

6) Refinance Other Loans

7) Excess Fund Transfer

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To Cheryl Sutton	From Martin Pickard
Co. Dep Mouse	Co. DCED/Investment Fi
Dept.	Phone # 465-2510
Fax # 465-3445	Fax # 465-2103

Prepared By: Division of Investments 3/9/94

DIVISION OF INVESTMENTS
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

PROPOSED ORDER OF PRIORITY
FOR THE COMMERCIAL FISHING LOAN PROGRAM

1) Purchase Permit

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4) Gear

5) IFQ's

6) Refinance Other Loans

7) Excess Fund Transfer

Calculate conservatively
prior to

450 Commercial fishermen in Cordova
10.6 million

Prepared By: Division of Investments 3/9/94

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

P.O. BOX 34159
3032 VINTAGE BLVD.
JUNEAU, ALASKA 99803-4159
PHONE: (907) 465-2510
FAX: (907) 465-2103

March 9, 1994

Mr. Jerry McCune, President
United Fishermen of Alaska
211 4th Street, Suite 112
Juneau, AK 99801

Dear Mr. McCune,

You have inquired about the Division's method of forecasting the cash flow for the Commercial Fishing Revolving Loan Fund. These forecasts consist of two major elements - repayments into the fund and loan disbursements out of the fund.

Repayment estimates begin with a forecasting system built-in to the computerized loan accounting and reporting system that the Division uses which calculates principal and interest repayments based on existing loans. We modify the forecast based on historic trends and current economics within the various fisheries. If, for example, a fishery has experienced a poor season, we adjust the forecast to allow for more requests of payment extensions, resulting in a decrease in annual payments.

In forecasting loan demand, we look for changes in the major fisheries statewide and review the Alaska Department of Fish and Game's forecast of the upcoming years in each fishery. Historical data has shown that after a poor season, there is generally a decline in the number of requests for new loans to purchase permits and vessels.

While over the past five years loan demand has fluctuated from a low of about $8 million to a high of $16 million, we have not been in any danger of running out of funds needed to accomplish the mission of this program.

As new lending areas are added and the Commercial Fishing program is expanded to potentially include lending for Individual Fishing Quotas, IRS liens, refrigeration and refinancing, we will continue to be conservative in our forecasts to assure that those needs will be met. Transfers of excess funds from the loan fund will only be done after these needs have been taken into consideration.

Our forecasts for the loan funds are modified periodically throughout the year based on changing variables. We had previously forecasted approximately $5 million in available funds to be held for new lending areas in FY 95, but preliminary indications as a result of current lending suggest that more funds will be available due to reduced loan demand.

I trust this has answered your questions regarding the Commercial Fishing loan program. You may contact me at 465-2510 or 1-800-478-LOAN if you have further questions.

Cordially,

Martin J. Richard
Director

Alaska State Legislature

Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:
DEPT. OF FISH AND GAME
DEPT. OF PUBLIC SAFETY

SESSION:
CAPITAL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
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716 W. 4TH AVE. #630
ANCHORAGE, AK 99501-2133
PHONE: (907) 258-8167
FAX: (907) 258-8468

Memorandum

Date: March 14, 1994

To: **Representative Eileen MacLean**
Co-Chair, House Finance

Representative Ron Larson
Co-Chair, House Finance

From: **Representative Carl E Moses**
Chair, House Rules Committee

Re: Request for Hearing - HB 381

I would like to request a committee hearing for HB 381 at your earliest convenience. HB 381 adds new elements to the Commercial Fishing Revolving Loan Fund and the Fisheries Enhancement Revolving Loan Fund to assist commercial fishermen with tax and other obligations.

The IRS is currently not receptive to making pay arrangements with fishermen who are in arrears to their federal tax obligations. According to the IRS, 74% of the Alaska resident limited entry permit holders in arrears who have filed federal tax returns owe $10,000 or less. These Alaskans are not tax evaders, but simply fishermen facing a crisis.

HB 381 would provide some relief by authorizing loans of already appropriated funds for secured loans. These would not be grants or give-aways; but, would provide the opportunity for fishermen to meet their debt obligations by keeping the permit in their hands. HB 381 would allow the Department of Commerce and Economic Development to transfer funds that are not needed for current loan demand between the Commercial Fishing Revolving loan fund and the Fisheries Enhancement Revolving Loan Fund.

HB 381 addresses constituent needs of every legislator, as the crisis in the salmon fisheries has affected every area of the state. The bill would provide some small measure of support and help through a secured loan process in these difficult times.

If you have questions, please contact Karen Brand of my staff at 3765 until March 20th, and Cheryl Sutton at 6848 after March 21st.

Alaska State Legislature

Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:
DEPT. OF FISH AND GAME
DEPT. OF PUBLIC SAFETY

SESSION:
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MEMORANDUM

TO: Representative Bill Hudson, Chair
House Labor & Commerce Committee

Representative William K. Williams
Member, House Labor & Commerce Committee

FROM: Representative Carl E. Moses
Chairman, House Special Committee on Fisheries

DATE: February 28, 1994

RE: HB 381

As you know, the Senate version of HB 381 (SB 251) has had two hearings in Senate Labor and Commerce and is now in House Finance where it is scheduled for a hearing tomorrow.

Senate Labor and Commerce adopted a committee substitute which I have attached. At present, I concur with the revision on page 2, lines 9-12 which deletes the child support section. This section also adds a one time stipulation to loans secured to satisfy IRS debt service and caps the amount of each loan at $30,000. I am in agreement with these changes.

I do not support the changes on page 4, Section 4 which would only allow one-half of the monies surplus to projected loan demand under the Commercial Fishing Revolving Loan Fund (CFRLF) to be transferred to the Fisheries Enhancement Revolving Loan Fund (FERLF). One of the major intents of this legislation was to make

available to the commercial fishing industry any monies surplus to loan demand in the CFRLF through the FERLF. The Department of Commerce and Economic Development (DCED) has no intentions of changing their loan forecasting to "short" the CFRLF. If all the surplus monies are not made available for transfer, they will most likely be appropriated to the general fund by request of OMB.

I do not support the changes on page 4, Section 7 which would place an unnecessary burden on DCED. DCED follows the guidelines set by ADF&G of 50% as a viable contribution to the common property fishery for any hatchery program under consideration for receiving loan monies. The percentage of contribution is usually much higher. The Regional Planning Team process is slow and does not examine the same criteria DCED would in making decisions. DCED will be making financial determinations based on sufficient collateral with assurances for repayment. This section only serves to complicate the legislation.

I would appreciate your scheduling HB 381 for a hearing soon.

Attachments

[ ] Ketchikan Office
P.O. Box 9579
Ketchikan, AK. 99901
phone: (907) 225-5156
fax: (907) 225-5258

[✓] Juneau Office
9226 Long Run Dr.
Juneau, AK. 99801
phone: (907) 789-5117
fax: (907) 789-5117

RECEIVED
FEB 23 1994
Ans'd.....

February 22, 1994

Ladd MaCaulay, Director
Douglas Island Pink and Chum, Inc.
2697 Channel Drive
Juneau, Alaska 99801

Dear Ladd,

First, I need to clarify that the purpose of my inquiry was to get a definitive response, not to misinform, as I clearly asked, "Is this indeed the case?". Based on what my Executive Committee considered a reliable source, I was directed to copy the letter accordingly. Given your firm and clear response, I trust the matter is settled.

Your comment regarding calling in the future is a suggestion that I will impress upon my Executive Committee.

Sincerely,

Kate Troll

Kathryn Troll
Executive Director

c.c. Senator Tim Kelly, Chair Labor and Commerce
Representative Bill Hudson, Chair Labor and Commerce
Representative Carl Moses, Chair House Fisheries
Commissioner Paul Fuhs, Dept. of Commerce and Economic Development