

SCOMM

87:21

Alaska State Legislature

WHILE IN SESSION:
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DISTRICT 10



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JUDICIARY COMMITTEE
RESOURCES COMMITTEE
INTERNATIONAL TRADE & TOURISM
COMMITTEE
ECONOMIC TASK FORCE

Representative Joe Green

Sponsor Statement

HB 424

An act relating to the Commercial Fisheries Loan Program

HB 424 is an attempt to allow commercial fishermen more flexibility in structuring loans for their vessels, gear, and permits.

Problem: A fisherman who meets the requirements of law can receive a loan under (AS16.10.310 (a)(1)(A)) to **buy an entry permit**. The amount of these "A" loans may not exceed \$300,000.

Further, a fisherman who meets the requirements of law can receive a loan for **"repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction of vessels (AS16.10.310 (a)(1)(B))**. The amount of these "B" loans may not exceed \$100,000 (AS 16.10.320(d)).

However, under AS 16.10.320 (i) if a fisherman receives an "A" loan for an entry permit, he or she is NOT eligible for a "B" loan for a boat, permit, or gear. So, if a fisherman first gets a loan for a permit, he or she cannot get a loan for a boat or gear. Yet, if a fisherman first gets a "B" loan for a boat or gear, he or she MAY receive an "A" loan for a permit.

Solution: HB 424 corrects this problem by repealing the restriction in 320 (i), so if you are eligible for one loan, you are also eligible for the other. Also, the maximum amount of the loan is unified at the \$300,000 level. Under the present law a fisherman could get a \$100,000 loan for a boat, and then get a \$300,000 loan for a permit, for a total of \$400,000.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSIONBILL NO. HB 424Revision Date: February 7, 1994Title: Fishery Loan ProgramDepartment Affected: Commerce and Economic DevelopmentBRU: Investments

Component: _____

Sponsor: Representative GreenRequestor: House Special Committee on FisheriesCOMPONENT 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
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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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 will handle requests generated as a result of this legislation with existing staff.

Prepared by: Martin J. RichardDivision: InvestmentsPhone: (907) 465-2510Date: 2/7/94Approved by Commissioner: Paul FuhsAgency: Commerce and Economic Development

Date: _____

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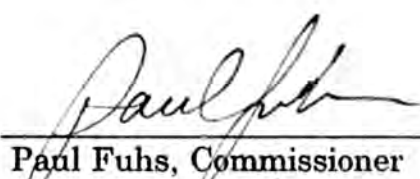
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HB 424 "An Act amending the Commercial Fishing Loan Act to increase the maximum amount of certain authorized loans and to remove certain barriers to eligibility for subsequent loans by borrowers who have previously obtained loans under the loan program."

HB 424 increases the loan limit under AS 16.10.310(a)(1)(B) from \$100,000 to \$300,000. The bill also stipulates that if two or more fishers apply jointly, the maximum amount granted may not exceed \$100,000 multiplied by the number of qualified fishers that apply for the loan. In addition, the bill repeals AS 16.10.320(i) which says that borrowers receiving a loan under Section A (AS 16.19.310(a)(1)(A)) may not subsequently receive a loan under Section B (AS 16.10.310(a)(1)(B)).

Passage of this legislation will result in a significant expansion of Section B of the Commercial Fishing loan program. Section B allows applicants that have no other sources of financing to obtain loans to purchase vessels, gear and limited entry permits. Historically, the program has been utilized extensively by rural applicants. Many of the loans are for small dollar amounts and in accordance with Section 16.10.315 at least 10% are for amounts less than \$35,000. Increasing the loan limits will change the makeup of this portfolio. The average loan size will probably increase as will the number of applicants requesting vessel financing.

In summary, the demand for loans under Section B could be significantly increased as a result of the passage of this legislation.


Paul Fuhs, Commissioner

Date: 2/8/94

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

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February 8, 1994

The Honorable Carl Moses
House of Representatives
State Capitol
Juneau, Alaska 99801-1182

Attention: Cheryl Sutton

Dear Representative Moses:

We have reviewed HB 424 and determined that its passage would result in a significant expansion of Section B of the Commercial Fishing loan program. Section B allows applicants that have no other sources of financing to obtain loans to purchase vessels, gear and limited entry permits. Historically, the program has been utilized extensively by rural applicants. Many of the loans are for small dollar amounts and, in accordance with AS 16.10.315, at least 10% are for amounts less than \$35,000. Increasing the loan limits will change the makeup of this portfolio. The average loan size will probably increase as will the number of applicants requesting vessel financing. In short, loan demand for Section B loans would increase.

As you are aware, there are several other pieces of legislation in process that will also increase demand on the Commercial Fishing loan fund. SB 132, which has passed the Senate and is currently in House Finance, would allow the Department to make loans to purchase Individual Fisheries Quota Shares. There has been a tremendous amount of interest in this bill and we are anticipating a significant increase in loan demand if this legislation passes.

Two other bills that could increase loan demand are SB 251 and HB 381. These are companion bills that would allow the Department to make loans to upgrade vessels to improve product quality, to satisfy past due federal tax or child support obligations and to refinance loans used to purchase commercial fishing vessels or gear.

If HB 424 passes along with this other pending legislation, the Department's ability to meet loan demand will be limited.

Sincerely,



Martin J. Richard
Director

DIVISION OF LEGAL SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

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FAX (907) 465-2029
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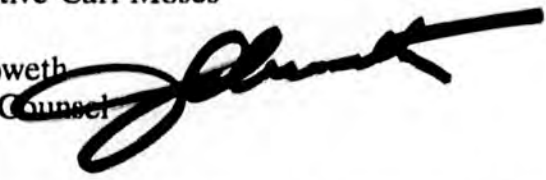
130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 11, 1994

SUBJECT: House Bill 424 -- Sectional analysis (Work Order No. 8-LS-1263\J)

TO: Representative Carl Moses

FROM: Jack Chenoweth
Legislative Counsel 

Current law establishes two general categories of loans available under the Commercial Fishing Loan Act (AS 16.10.300 - 16.10.370.) Under AS 16.10.310(a)-(1)(A), loans may be made 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, for the purchase of entry permits;

Under AS 16.10.310(a)(1)(B), loans may be made to

(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, 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;

Current law limits the outstanding balance of loans to the "(A)" eligible fishermen to \$300,000, and limits the outstanding balance of loans to the "(B)" eligible fishermen to \$100,000.

Bill section 1 of House Bill 424 amends AS 16.10.320(d), the section setting limits on amounts of loans, by eliminating the \$100,000 cap on loans to "(B)" eligible fishermen and setting the limit on the outstanding balances of the loans under both categories at \$300,000.

*

AS 16.10.320(e) addresses joint loans, that is, loans to two or more individual commercial fishermen. The limit on loans made jointly to "(B)" eligible fishermen is \$100,000 multiplied by the number of qualified fishermen applying for the loan. That limitation is expressed by a cross-reference back to "the amount specified in (d) of this section." The amount specified in (d) of this section for "(B)" eligible fishermen is being increased by the amendment made in the bill's section 1. The bill sponsor did not want to allow that increase to apply to loans made jointly to "(B)" eligible fishermen. The change made in bill section 2 merely substitutes the dollar figure of the current statute--\$100,000--for the reference to "the amount specified in (d) of this section" in order to maintain the current limitation on these joint loans.

*

I would offer this observation: You asked me to specifically address the limitations on loans under "(A)" and "(B)." If your question is whether the change proposed in this bill affects the total limitation on loans to one borrower under categories "(A)" and "(B)," I think the answer is "yes." If it is now possible for one borrower to obtain a \$300,000 loan under "(A)" and a separate and additional \$100,000 loan under "(B)," it is more likely than not that the proposed change in the wording to "total of balances outstanding on loans made to a borrower under AS 16.10.320(a)(1)," eliminating the distinction between "(A)" and "(B)," would be read as a ceiling on all borrowing under the program, a total limitation of \$300,000.

JBC:lmb
94-046.lmb

ALASKA STATE LEGISLATURE
HOUSE BILL NO. 424

HISTORY IN THE HOUSE

1994 2/2	Read first time and referred to: <u>FSH L&C STA FIN</u> _____ RPT _____ CS() _____ New Title _____ DP _____ DNP _____ NR _____ AM _____ FN _____ OFN _____ Previous FN _____ RPT _____ CS() _____ New Title _____ DP _____ DNP _____ NR _____ AM _____ FN _____ OFN _____ Previous FN _____ RPT _____ CS() _____ New Title _____ DP _____ DNP _____ NR _____ AM _____ FN _____ OFN _____ Previous FN Read second time CS() Adopted Amended Advanced Read third time Return to second for specific amendment <table><tr><td>PASSED</td><td>EFD Same _____ or</td></tr><tr><td>Yeas</td><td>Yeas</td></tr><tr><td>Nays</td><td>Nays</td></tr><tr><td>Excused</td><td>Excused</td></tr><tr><td>Absent</td><td>Absent</td></tr></table> _____ Intent adopted Reconsideration Reconsideration not taken up <table><tr><td>PASSED ON RECON.</td><td>EFD Same _____ or</td></tr><tr><td>Yeas</td><td>Yeas</td></tr><tr><td>Nays</td><td>Nays</td></tr><tr><td>Excused</td><td>Excused</td></tr><tr><td>Absent</td><td>Absent</td></tr></table> _____ Intent adopted Reported correctly engrossed Signed by Speaker, to the Senate _____ Chief Clerk of the House	PASSED	EFD Same _____ or	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent	PASSED ON RECON.	EFD Same _____ or	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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HISTORY IN THE SENATE

19	Read first time and referred to: _____ RPT() CS _____ DP _____ NR _____ DNP _____ AM _____ New Title _____ Same Title _____ Previous FN _____ FN _____ OFN _____ To _____ _____ RPT() CS _____ DP _____ NR _____ DNP _____ AM _____ New Title _____ Same Title _____ Previous FN _____ FN _____ OFN _____ To _____ _____ RPT() CS _____ DP _____ NR _____ DNP _____ AM _____ New Title _____ Same Title _____ Previous FN _____ FN _____ OFN _____ To _____ _____ Rules Calendar() CS _____ AM _____ Other _____ New Title _____ Same Title _____ Previous FN _____ FN _____ OFN _____ Read second time _____ CS Adopted () _____ New Title _____ Amended _____ Advanced Read third time _____ Letter of Intent adopted _____ Return to second for specific amendment <table><tr><td>PASSED</td><td>EFD Same _____ or</td></tr><tr><td>Yeas</td><td>Yeas</td></tr><tr><td>Nays</td><td>Nays</td></tr><tr><td>Excused</td><td>Excused</td></tr><tr><td>Absent</td><td>Absent</td></tr></table> Reconsideration Reconsideration not taken up <table><tr><td>PASSED</td><td>EFD Same _____ or</td></tr><tr><td>Yeas</td><td>Yeas</td></tr><tr><td>Nays</td><td>Nays</td></tr><tr><td>Excused</td><td>Excused</td></tr><tr><td>Absent</td><td>Absent</td></tr></table> Reported correctly engrossed Signed by President, to the House _____ Secretary of the Senate	PASSED	EFD Same _____ or	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent	PASSED	EFD Same _____ or	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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HOUSE-SENATE HISTORY Continued

19

Received from the Senate

 Concur in Senate amendment
 Y____ N____ E____ A____
 _____ Efd same or Y____ N____ E____ A____
 Failed to concur Senate amendment, ask Senate recede
 Y____ N____ E____ A____
 Senate failed to \ receded from amendment
 Y____ N____ E____ A____
 CC appointed by House _____ Chair

 CC appointed by Senate _____ Chair

 (H) Granted Limited Powers of Free Conference
 (S) Granted Limited Powers of Free Conference

19

(H) Adopted CC Rpt _____
 Y____ N____ E____ A____
 _____ Efd same or Y____ N____ E____ A____
 (S) Adopted CC Rpt _____
 Y____ N____ E____ A____
 _____ Efd same or Y____ N____ E____ A____
 To enrolling
 Reported enrolled and sent to Governor
 _____ By Governor
 Chapter Number _____
 Filed with Lieutenant Governor