

HB

252

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/23/93

FURTHER:

DATE TURNED INTO OFFICE: 5-3-93

The Finance Committee considered HOUSE BILL NO. 252

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

and recommends:

- replace with 5 CS HB 252 (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts SFC Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal
<u>SFC/DOVED</u>	<u>5/3/93</u>		<u>641.1</u>

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

Ben Sharp
Tom Kelly
Steve Thier
[Signature]

OTHER RECOMMENDATIONS:

1. [Signature] DO PASS
 Co-Chair: Signature/Recommendation

2. [Signature] -10/25
 Co-Chair: Signature/Recommendation

LETTER OF INTENT for SCSHB 252

Senate Finance Committee

dated May 3, 1993

It is the intent of the Legislature that refinanced loans under the terms of this bill are to be accomplished with as little paperwork and time as is possible.

FISCAL NOTE

Revision Date: 5/3/93 Affected Agency: DC&ED

Title: Refinancing Commerc BRU: Investments

Fishing Loans

Sponsor: Rep. Moses Components:

Requestor: Senate Finance Comp.Ser. No. 0384

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Personal Services	40.1	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies	1.0					
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	41.1	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE	328.0	-1638.0	-1638.0	-1638.0	-1638.0	-1638.0
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FUNDING: (THOUSANDS OF DOLLARS)

General Fund	0.0	0.0	0.0	0.0	0.0	0.0
Federal Fund						
Other	41.1					
TOTAL	41.1	0.0	0.0	0.0	0.0	0.0


POSITIONS:

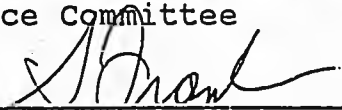
Full-Time	1	0	0	0	0	0
Part-Time						
Temporary						

Est.of FY93 impact: 0.0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Allow 1 Accounting Technician @ \$27.9 plus
benefits @ \$12.2 for total of \$40.1.

Prepared By:  Co-Chair Pearce Date: 5/3/93
Senate Finance Committee Phone: 465-4993

Prepared By:  Co-Chair Frank Date: 5/3/93
Senate Finance Committee Phone: 465-3709

LETTER OF INTENT for SCSHB 252

Senate Finance Committee

dated May 3, 1993

It is the intent of the Legislature that refinanced loans under the terms of this bill are to be accomplished with as little paperwork and time as is possible.

Alaska State Legislature

Representative Carl E. Moses



SESSION:
CAPITOL BUILDING, ROOM 204
JUNEAU, ALASKA 99801-1182
PHONE: (907) 465-4451
FAX: (907) 465-3445

CHAIRMAN
HOUSE RULES COMMITTEE

CHAIRMAN
HOUSE SPECIAL FISHERIES COMMITTEE

INTERIM:
P.O. BOX 109
UNALASKA, ALASKA 99885
PHONE: (907) 581-1234
FAX: (907) 581-2875

MEMBER
FINANCE SUBCOMMITTEES
FISH AND GAME
PUBLIC SAFETY

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 Refinancing of Commercial Fishing Loans
Sponsored by Representative Carl Moses**

Administration contact:

Martin Richard, Director
Division of Investments
Department of Commerce and Economic Development
465-2510

Back-up

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

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

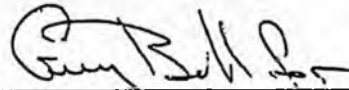
HB 252: "An act amending the Commercial Fishing Loan Act to authorize refinancing of existing loans made under that Act."

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



UNITED FISHERMEN OF ALASKA

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

April 20, 1993

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

Dear Representative Moses:

In regards to House Bill 252 - Refinancing Commercial Fishing Loans, United Fishermen of Alaska overwhelmingly supports this bill. If there is a bill that would have the largest single impact for commercial fishermen this year, this would be the one.

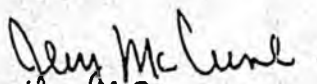
The existing loan fund has always been a solid program. It has paid for itself many times over and has paid \$5 million in surplus alone to the State's General Fund this year. The problem of refinancing these State loans has existed since 1989 and, throughout this time, we have continually tried to have it amended so that the current loanholders could refinance their loans at a lower interest rate. United Fishermen of Alaska feels that commercial fishermen continually pay their portion to the State's General Fund. The Legislature continues to address cutting the budget during this session due to rising costs. Likewise, the commercial fisherman needs relief from expenses from rising costs and HB 252 would allow such relief to the fisherman while continuing to support the Revolving Loan Fund.

Commercial banks have cut way back on fisheries loans due to fluctuations of prices and unstable fisheries throughout the state. Many small fishermen rely on the State's Loan Program because of these cutbacks. State loans are a good investment for the State's future fishermen as it allows many residents the chance to begin a fisheries career who would not have otherwise had the opportunity.

House Bill 252 makes good sense from a business standpoint since every other kind of loan can be refinanced at a lower rate. Currently, fishermen with existing loans are paying a fixed rate of 10.5%, while new applicants for loans pay only eight percent (8%). The commercial fishermen who hold the 10.5% loans are struggling to make ends meet. Allowing them to refinance their loans at eight percent (8%) would give these loanholders and their families better financial stability.

You can make the difference for these Alaskan residents. Please support House Bill 252 and help a lot of State residents from Bristol Bay to Southeastern Alaska refinance their loans!

Sincerely,


Jerry McCune
President

cc: UFA Board of Directors

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



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

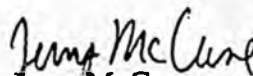
Dear Representative Moses:

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
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United Cook Inlet Drift Association • Western Alaska Cooperative Marketing Association



UNITED FISHERMEN OF ALASKA

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

April 30, 1993

The Honorable Steve Frank and Drue Pearce
Co-Chairs, Senate Finance Committee
and Members of the Committee
The Capitol Building, Room 518
Juneau, Alaska 99801-1182

RE: HB 252 - Refinancing Commercial Fishing Loans

Dear Senators Frank and Pearce and Committee Members:

House Bill 252 has strong support from every member group in United Fishermen of Alaska. We believe the current loan holders should be able to refinance their existing loans to a lower rate. The revolving loans funds is currently loaning money at 8% while the existing old loans are fixed at 10.5%. The refinancing of commercial fishing loans would help Alaska residents as some are really struggling to make ends meet right now.

United Fishermen of Alaska is neutral on CS for House Bill 252 and is allowing the fishing groups in all areas to individually make their own opinion as to whether or not to support it. Although UFA is remaining neutral on CS for House Bill 252, we do have a problem with two sections of this bill if the bill moves out of Senate Finance.

First, UFA is opposed to Section 4(13) Provision for an Executive Board.

Second, Section 5(9) of CS SB 177 Work Draft had a Domestic Salmon Marketing Committee to administer domestic marketing salmon programs. Fishermen want to make sure they are in control of the funds they are going to pay. A Domestic Salmon Marketing Committee would make fishermen feel more comfortable about this bill.

Sincerely,


Jerry McCune
UFA 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
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FISCAL NOTE

BILL NO. HB 252

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: March 25, 1993
Title: Refinancing Commercial Fishing Loans
Sponsor: Representative Moses
Requestor: House Labor and Commerce

Department Affected: Commerce and Economic Development
BRU: Investments
Component: _____
COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	166.5	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	4.0	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	170.5	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE C/F LOAN FUND SOURCE: 1036	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 1036	170.5	0	0	0	0	0
TOTAL	170.5	0	0	0	0	0

POSITIONS:

FULL-TIME	4	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: 3.25.93

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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.

FISCAL NOTE

No. 2

Bill Version: HB 252

(H) Publish Date: 4/21/93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: April 20, 1993

Dept. Affected: Commerce & Economic Development

Title: Refinancing Commercial Fishing Loans

3RU: Investments

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 *RL* Phone: 465-3878
Representative Eileen Maclean, Co-Chair *EM* Phone: 465-4222
 Division: HOUSE FINANCE COMMITTEE Date: 4/20/93

Approved by Commissioner: _____ Date: _____

Agency: _____

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Position Title Accounting Technician I		No. of Positions 1	Range / Step 12A	Barg. Unit CGU
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 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

Position Title Loan Closer I			No. of Positions 2	Range / Step 10A	Sarg. Unit GGU
Time Status Full-Time	Staff Months 12 months		Location Juneau		Election District
TYPE OF EXPENDITURE			AMOUNT		
Salary	24.8	49.6	Justification These positions are needed to process the requisite loan documents to complete the refinance of an existing loan.		
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			

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 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