

**SB**

**251**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/18/94

FURTHER:

DATE TURNED INTO OFFICE: 3-12-94

The Finance Committee considered SENATE BILL NO. 251

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

and recommends:

replace with \_\_\_\_\_ CS SB 251 (FINANCE)  
 or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES**

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

**PREVIOUS FISCAL NOTES**

| Department     | Date          | Zero     | Fiscal |
|----------------|---------------|----------|--------|
| <u>DELETED</u> | <u>2-9-94</u> | <u>0</u> |        |
|                |               |          |        |
|                |               |          |        |
|                |               |          |        |
|                |               |          |        |
|                |               |          |        |

Appropriation No Fiscal Note

**DO PASS:**

[Signature]  
[Signature]  
[Signature]

**OTHER RECOMMENDATIONS:**

[Signature] No Rec  
[Signature] No Recommendation

1. \_\_\_\_\_  
 Co-Chair: Signature/Recommendation

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

**FISCAL NOTE**

**STATE OF ALASKA**  
**1994 LEGISLATIVE SESSION**

No. 1  
 Bill Version: S.B. 251  
 (S) Publish Date: 2-18-94

Revision Date: February 8, 1994  
 Title: An Act Relating to the Commercial Fishing and Fisheries Enhancement Loan Funds  
 Sponsor: Senator Jacko  
 Requestor: Senate 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        |
| <b>TOTAL OPERATING</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

|                             |   |   |   |   |   |   |
|-----------------------------|---|---|---|---|---|---|
| <b>CAPITAL EXPENDITURES</b> | 0 | 0 | 0 | 0 | 0 | 0 |
|-----------------------------|---|---|---|---|---|---|

|                               |   |   |   |   |   |   |
|-------------------------------|---|---|---|---|---|---|
| <b>CHANGE IN REVENUES ( )</b> | 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        |
| <b>TOTAL</b>             | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

Estimate of current year (FY 94) cost: 0

**POSITIONS**

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

Changes in CS SB 251 (L40) have no fiscal impact. This fiscal note is appropriate.  
 2/16/94 APF  
 date Comte Aide (initial)

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: 2/8/94

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

Date: 2-9-94

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3-12-94  
TK 3  
Adopted  
8-LS1512K.2  
Utermohle  
3/11/94

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 251(L&C)

BY SENATOR KELLY

Page 3, following line 23:

Insert a new bill section to read:

\*\* Sec. 2. AS 16.10.310(a) is repealed and reenacted 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 crew member 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; or

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

(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

SENATE FINANCE  
COMMITTEE

Amendment Number: 1

Bill Number: 56251

Sponsor: KELLY

Logged In By: [Signature]

Date: 3/12/94

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."

Renumber the following bill sections accordingly.

Page 5, following line 4:

Insert new bill sections to read:

"\* **Sec. 9.** AS 16.10.310(d) is repealed.

\* **Sec. 10.** Sections 2 and 9 of this Act take effect three years after the effective date of sec. 1 of this Act."

Renumber the following bill section accordingly.

Page 5, line 5:

Delete "This"

Insert "Except for secs. 2 and 9 of this Act, this"

*Add TK  
Amend. #1*

*Fin*  
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: 2/18/94  
Referred: Finance

Sponsor(s): SENATOR JACKO

A BILL

FOR AN ACT ENTITLED

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

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

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

5 (a) The department may

6 (1) make loans to

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

14 (1) for the purchase of entry permits;

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

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

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

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

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

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

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

25 (4) establish amortization plans for repayment of loans, which may  
26 include extensions for poor fishing seasons or for adverse market conditions for  
27 Alaskan products;

28 (5) enter into agreements with private lending institutions, other state  
29 agencies, or agencies of the federal government, to carry out the purposes of  
30 AS 16.10.300 - 16.10.370;

31 (6) enter into agreements with other agencies or organizations to create

1 an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of  
2 the state;

3 (7) allow an assumption of a loan if

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

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

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

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

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

19 (11) refinance debt obligations, not to exceed \$300,000, incurred by  
20 a borrower or borrowers for the purchase of a commercial fishing vessel or gear  
21 if the borrower or borrowers otherwise qualify for a loan under AS 16.10.300 -  
22 16.10.370; the department may collect a refinancing loan origination charge as  
23 provided by regulation.

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

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

1           \$30,000.

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

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

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

10           (c) If the commissioner determines that the fund contains money that is excess  
11           to that needed to carry out the purpose of AS 16.10.300 - 16.10.370, then the  
12           commissioner may use one-half of the money to carry out the purpose of AS 16.10.500  
13           - 16.10.560.

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

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

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

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

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

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

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

5           \* **Sec. 8.** This Act takes effect immediately under AS 01.10.070(c).



Page Two  
Senator Drue Pearce  
February 19, 1994

Although SB 251 does accomplish other objectives my primary intent by expanding the loan program is to protect Alaskan ownership of limited entry permits. I agree with stipulating a one-time loan issuance for paying off IRS debts. However, I do not support capping the loan amount at \$30,000. This does not serve the original purpose of the legislation because many fishermen have tax debts that go beyond.

It is not known at this time the extent of the IRS problem. Fishermen are easy targets because the IRS has direct access to fishermen's financial records through fisheries tickets provided by the Department of Fish and Game. The IRS will continue to audit more Alaskan fishermen.

I feel compelled after hearing the discourse during the Labor and Commerce hearings to offer rationale as to why rural fishermen -- especially village fishermen -- are in arrears to the IRS. It is not as was implied, simply because of purposeful neglect that many fishermen are indebted to the IRS.

The profile of the village fishermen includes someone who has cultural and language differences and for many years relied on the cannery bookkeeper to help manage financial affairs. A majority of village fishermen live a combined subsistence/cash lifestyle and focus on making enough money to support their households for the year.

All commercial fishermen pay self employment taxes which means federal withholdings are not deducted from gross earnings. Thus, voluntary compliance is required. So essentially, fishermen must forecast in advance profit margins and factor a certain portion of profits to pay all debtors -- including the IRS -- regardless of what the season produces.

Page Three  
Senator Drue Pearce  
February 19, 1994

Fishermen are becoming better businessmen. But it is the nature of the industry for unforeseen events such as low returns -- or fish prices being slashed in half to occur. Yet, the family must be fed and debts paid.

I agree there are fishermen who need to establish better financial habits. I have joined fisheries organizations and other interested parties in continuing efforts in this direction. But in the meantime, we must work with fishermen to help them get back on their feet.

In more than one instance I have viewed the unnecessary loss of a limited entry permit for a village fisherman and witnessed the subsequent financial repercussions that impact the entire community. The results can go beyond economic considerations.

Financial management workshops are being presented to as many fishermen as possible by local native corporations; the Commercial Fisheries Entry Commission; Alaska Business Development Center; the Internal Revenue Service. These efforts have been instrumental in increasing awareness.

Not all fishermen will be eligible for a loan from the Commercial Fisheries Revolving Loan Fund. The Division of Investments already has rigorous prequalification requirements in place. Fishermen will have to file past taxes for the previous three years and demonstrate an ability to satisfy loan conditions before a loan will be granted.

I believe an opportunity stands before us to not only create sound public policy and to help save limited entry permits, but to also contribute to resolving the perpetual problem of permits flowing to non-residents.

As has been documented, the immediate future for the fishing industry does not look good. Prices will be hovering around rock bottom which means fishermen carrying a heavy debt load will be struggling even more to get ahead.

Page Four  
Senator Drue Pearce  
February 19, 1994

SB 251 offers those fishermen who are serious about maintaining financial solvency an opportunity to get necessary financing to pay off IRS debts and to upgrade their vessels to improve the quality of their catch.

In closing, SB 251 also establishes the authority to appropriate half of the surplus revenues from the Commercial Fisheries Loan Program to the Fisheries Enhancement Revolving Loan Fund and vice-versa. SB 251 also provides conditions which must be satisfied before a transfer can take place.

SB 251 is supported by the Department of Commerce and has a zero fiscal note. Thank you for considering this request. If you need additional information please contact my staff Bryce Edgmon at 465-4942.

cc: Senate Finance Committee members

SB 251  
Sen. Jacko

## ALASKA BUSINESS DEVELOPMENT CENTER, INC.

3335 Arctic Blvd., Suite 203 • Anchorage, Alaska 99503 • (907) 562-0335 • 1-800-478-3474 (AK only) • FAX (907) 562-6988

To: Senator George Jacko  
From: Gary Selk, President, ABDC, Inc.  
Date: February 28, 1994  
Subject: CS SB251 (Labor & Commerce)

This memo is submitted in support of SB251, particularly as it relates to the proposed changes to the Commercial Fisheries Revolving Loan Fund to allow for one-time financing to pay off IRS obligations that may jeopardize ownership of a limited entry permit. The Alaska Business Development Center, Inc. has been assisting commercial fishermen throughout the State of Alaska since 1978. In recent years, we have witnessed a dramatic increase in rural area fishermen experiencing financial problems with the IRS. The IRS has clearly recognized that limited entry permits are a very marketable asset and when a fisherman has not paid his/her IRS obligations, the permit becomes a prime target in collection efforts.

The loss of a limited entry permit to a rural area fisherman can result in financial repercussions to the fisherman, as well as the entire community, affecting crewmembers, employment of residents, and the purchase of goods & services in the community. It appears there are several reasons for the IRS problems of recent years. The following is a list of some of those reasons:

- \* Native culture and language barriers in the rural area environment.
- \* Lack of understanding of the tax system in general.
- \* Subsistence way of life and its clash with a cash based economy.
- \* Cash lifestyle with a focus on making enough money during the fishing season to support their households until the next fishing season, since it is often the only source of a cash income due to the lack of jobs in the community.
- \* Many fishermen attempt to pay this year's taxes after next year's fishing season. When prices they receive for fish are substantially lower, taking care of household needs, such as food, clothing, fuel and utilities takes precedence over any IRS obligation.

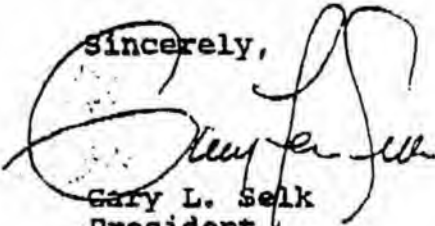
- \* The changing roles of the canneries. Generally, canneries are steering away from providing fishermen with financial assistance between fishing seasons as they have in the past, including funds to pay the IRS.
- \* Involvement of traditional financial institutions are limited and only CFAB and the State Division of Investments are allowed to use limited entry permits as collateral. Furthermore, rural residents often do not have other assets which are as marketable.

Based on the above information and my experience in assisting fishermen for many years, I suggest that the State legislature consider the following:

1. Provide for a one-time loan of up to \$50,000 to assist commercial fishermen in paying off IRS debts.
2. Continue the tradition of the State of Alaska, Division of Investments being the lender of last resort.
3. Fishermen must assume more responsibility in the management of their financial obligations. It is therefore suggested that appropriate training be a condition of loan approvals.

Your support of this legislation is greatly appreciated. Should you have any questions, please give me a call at 562-0335 in Anchorage.

Sincerely,



Gary L. Selk  
President

# STATE OF ALASKA

## COMMERCIAL FISHERIES ENTRY COMMISSION

WALTER J. HICKEL, GOVERNO

8800 GLACIER HWY, #100  
JUNEAU, AK 99801  
(907) 789-8150 Licensing Calls  
(907) 789-8180 Other Business  
(907) 789-8170 FAX

January 25, 1994

Dear Anchorage Daily News Editor:

On Friday, January 21, 1994, you issued a "Jeer" to Senator Jacko for introducing proposed legislation which would authorize existing revolving loan funds of the State's Commercial Fishing Loan Program to be made available to help Alaska fishermen meet federal tax and child support obligations. (The Commercial Fishing Loan Program is a primary source of loans to Alaska fisherman and one of only two lenders authorized by law to take Alaska limited entry permits as collateral.) In your apparent eagerness to attack the messenger, you harshly condemned the message despite the fact that, on the previous day, your paper carried two articles about the crisis in the Alaska salmon industry which cried out for more thoughtful consideration of the issue.

As your paper reported, Alaska salmon fishermen have been struck by forces beyond their control. Your article pointed out that many have lost nearly 75% of their prior earnings due to changed world market conditions. Their earnings may be cut in half again during the coming season with no assurance that prices have hit bottom. At the same time, fishermen's fixed costs remain the same or are rising. These fishermen are having a difficult time paying any of their creditors, including the IRS and child support claimants.

Your paper also correctly reported that 74% (or 827) of the Alaska resident limited entry permit holders, who have filed returns but who have not been able to pay their taxes, individually owe the IRS \$10,000 or less. Clearly, these Alaskans are not tax evaders but, simply, as your paper reported, fishermen facing a crisis.

As self-employed risk takers, Alaska fishermen are similar to self-employed people throughout the rest of the country who have troubles with the IRS in similar proportions. As small businessmen, they labor without the comfort and security of a salary and mandatory tax withholding. What makes Alaska fishermen different is that the IRS has the power to strip them of their limited entry permits and thereby destroy their means of earning a living for all time. This power over already suffering fishermen is a threat to the economic support of Alaskan children, families, villages, and the State as a whole.

The legislative proposal would provide some relief by authorizing loans of already appropriated funds from one of the few lending sources available. These would be secured loans--not grants or give-aways.

- letter to the Editor - CFEC -

Every legislator has at least some constituents caught in this financial crisis. These Alaskans would prefer to work, meet their obligations, and contribute to the Alaska economy. They do not want to be forced to seek welfare. The legislative proposal would help to relieve some of the suffering and to protect Alaskans' necessary access to their traditional fisheries and their means of earning a living.

Your paper has won the print news war. From the security of your salaries and mandatory tax withholding, are you being fair, when you condemn a modest legislative proposal and say:

If paying off tax or child support debts costs [Alaska fishermen] their limited entry permits, that's the price they pay for their own irresponsibility.

If you honestly believe this, you should travel beyond Anchorage more often (or, at least, read more closely your own paper).

Yours Truly,

COMMERCIAL FISHERIES ENTRY COMMISSION

Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Dale G. Anderson, Commissioner

by: 

cc: Members of the Alaska Legislature

FEB 14 1994

**BRISTOL BAY NATIVE ASSOCIATION**  
P. O. Box 310  
Dillingham, AK 99576

(907) 842-5257 FAX: (907) 842-5932  
Toll free: 1-800-478-5257

February 8, 1994

The Honorable George Jacko  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1181

Re: SB 251

Dear Senator Jacko:

In regards to SB 251 that deals with enabling fishermen to obtain financing to payoff their delinquent taxes with IRS, I fully support the legislation.

You know as well as I do that we have a real serious problem with a number of Bristol Bay fishermen who owe money to the IRS. According to Dave Tucker of IRS in Anchorage, he estimates that about 40% of the total 2,284 Alaskan limited entry permit holders who have not filed and owe money to IRS are Bristol Bay salmon permit holders. That calculates to slightly over 900 Bristol Bay permit holders. With a total of 3,099 Bristol Bay permit holders (both setnet and drift), that means about 1/3 of all Bay permit holders owe taxes to IRS.

It's an alarming figure. Without question, this figure is attributed to Alaska's beleaguered salmon industry. Bay fishermen have seen their salmon prices drop from \$2.25 per pound in 1988, to 60 cents per pound last season, and lower salmon prices are anticipated this next season.

An increasing number of fishermen are seeking loan extensions on their current boat and permit loans payments, and a growing number are on the verge of losing their boats and permits.

We feel the court ruling enabling the IRS to seize limited entry permits has resulted in a surge of fishermen selling their permits to pay off their tax debts. We feel most of the permits that are sold end up in the hands of outside nonresident fishermen. If this trend continues, it will erode and take its toll on the economic benefits derived by area communities.


PAGE TWO  
Letter to Senator Jacko  
February 9, 1994

The outmigration of permits from our area has far-reaching implications. Not only do we lose the local job of the limited entry permit holder, but we lose the jobs of at least two (2) crew members. Outside nonresident permit holders who come to Alaska to fish usually bring their own outside crew members.

It's in the best interest of the State of Alaska, Alaska's coastal communities, and the Bristol Bay area, that this legislation be approved this session.

Sincerely yours,

BRISTOL BAY NATIVE ASSOCIATION



Terry Hoefflerle,  
Chief Executive Officer

# ALEUTIANS EAST BOROUGH

---

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

February 24, 1994

FEB 28 1994

Senator George Jacko  
P.O. Box V  
State Capitol  
Juneau, AK 99811

Dear Senator Jacko:

As a lifelong salmon fisherman and Mayor of the Aleutians East Borough I am voicing my support of CS SB 251 (L&C) on the behalf of the Borough residents and its fishermen. The good days of 1988, when a red salmon was worth a barrel of North Slope crude oil, are gone. Salmon that fishermen sold for \$2.50 per pound in 1988 sold for \$.60 per pound in 1993 and is expected to sell for \$.50 per pound this summer. Even though inflation has been low for the last few years, operating costs are still going up while the price being paid to fishermen is going down. One year of low prices is bad. Two years of low prices will force those fishermen who committed to new boats, permits and gear by accruing debt following 1988 out of business. Three years of bad fish prices in a row will force all but a lucky few out of the fisheries. I am aware of a number of local fishermen who are threatened with the loss of their limited entry permits and boats at this time. If something isn't done to help Alaskan fishermen, the transfer of limited entry permits to outside fishermen will increase rapidly. People need to understand that

---

CLERK/PLANNER  
P.O. BOX 349  
SAND POINT, ALASKA 99661  
(907) 383-2699  
(907) 383-3496 FAX

BOROUGH ADMINISTRATOR  
1600 A STREET, SUITE 103  
ANCHORAGE, ALASKA 99501-5146  
(907) 274-7555  
(907) 276-7569 FAX

FINANCE DIRECTOR  
P.O. BOX 49  
KING COVE, ALASKA 99612  
(907) 497-2588  
(907) 497-2386 FAX

every Alaskan fisherman is an independent businessman whether he be a crewmember or a skipper. As such, they do not appear in the unemployment statistic's. If an oil company cuts back, the unemployment figures reflect the loss of those jobs along with the jobs lost by contractors and suppliers. If every fisherman in the state stopped fishing, not one of them would be reflected in the labor statistics.

While CS 251 (L&C) will help to stem the flow of limited entry permits to the outside, I want to stress that I see this bill only as a start. A number of other steps must be taken to restore the health of our fisheries. New markets must be created for our salmon preferably in the lower 48 states; the quality of the salmon must be improved; and urban communities must understand that the fishing industry is important to Alaska.

I encourage you to keep up the good work on this very important issue.

Sincerely,

A handwritten signature in cursive script, appearing to read "Dick Jacobsen".

Dick Jacobsen

Mayor

FEB 07 1994

# Calista Corporation

Office of the Chairman • Box 1508 • Bethel, Alaska 99558 • Phone (907) 543-6557 • Facsimile (907) 543-3068

February 7, 1994

Senator George Jacko  
State Capitol  
Juneau, AK 99801-1182

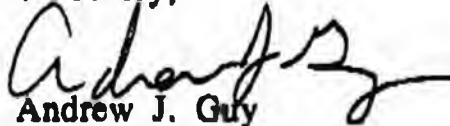
Dear Senator Jacko:

Thank you for providing my office with a copy of your proposed legislation, SB 251. I am writing to express my support for this bill.

Commercial fisheries in the Yukon-Kuskokwim Deltas have been dealt severe blows during the last few years, both in terms of lower salmon prices and fewer openings. In fact, this region was declared as a disaster area by Governor Hickel following last seasons chum salmon failure. Inability to pay debts following our dismal commercial fishing seasons should not be allowed to govern whether or not our limited entry permits stay here.

Again, thank you for advising me of your proposed legislation and please do not hesitate to contact my office on any other matter.

Sincerely,



Andrew J. Guy  
Chairman

*Calista Corporation*

# State should aid salmon industry

2/7/94 EMPIRE

## Falling prices create a crisis

The following editorial appeared recently in the Ketchikan Daily News:

**T**eamwork and diversity, that's what it is all about. The Alaska fishing industry is in a crisis. Salmon prices continue to plummet as worldwide competition increases.

Fishermen can catch all the fish they want, processors can package it, but if there isn't a market for it, the resource doesn't do us much good.

Alaska is being pushed aside in the Japanese market by increased production from other countries. But there is another opportunity here in the United States. If we don't continue building on our domestic marketing program, Alaska will lose that opportunity to foreign companies.

Reports are that Chilean farmed salmon are being sold in Florida for \$1.80 a pound. Alaska needs to move fast to target the basically untouched domestic market.

Chicken, beef and pork are staples in most U.S. households. It's time salmon and other seafood be included in the weekly dinner menus. But the average consumer doesn't know how to fix salmon. We need to educate consumers, and we need to convince traders about the benefit of seafood.

Most of all, we need to diversify.

Salmon can be fixed in a variety of dishes. There has been some experimental work done in Alaska to develop value-added products, such as microwave menus. But there needs to be more work.

Convenience is what will attract U.S. consumers to buy salmon. To expand the marketplace, there has to be cohesiveness and not divisiveness in the industry. There has been some movement by Southeast fishing gear groups to come together. We hope that continues to build. We hope strong relationships are fostered statewide to give strength to the entire industry.

The industry also needs to form a group devoted to developing ways to break into the domestic market.

Other industries have taken such steps and have been successful. Turkey, for instance, is now a year-round food product.

It is encouraging that money for domestic marketing will quadruple this fiscal year from the new 1 percent tax paid by salmon fishermen. About \$4 million will be available for such marketing. That's a start. But more money will be needed to do the job.

The Washington apple industry, for instance, spent approximately \$7 million on a promotion touting its fruit. An "Eat Beef" promotion cost about \$27 million.

But to be successful, it isn't all up to industry. The state needs to support the industry. Our state is fortunate to have such a viable resource. But there needs to be more research and more development.

Our policy makers need to realize that the fishing industry is in a crisis. Some progress is being made, but at a snail's pace. Let's make this industry a priority before we lose the one untapped market we could make successful here in the U.S.A. We can no longer depend on the old ways of relying solely on the Japanese market.

We need to look at new, innovative ideas. For that to happen, the industry and state need to work together. This resource is too precious to waste.

---

## JUNEAU EMPIRE

2/7/94 - Juneau Empire

See LAST Page

# STATE OF ALASKA

## COMMERCIAL FISHERIES ENTRY COMMISSION

WALTER J. HICKEL, GOVERNOR

8800 GLACIER HWY, #109  
JUNEAU, AK 99801  
(907) 789-6150 Licensing Calls  
(907) 789-6160 Other Business  
(907) 789-6170 FAX

January 13, 1994

1~

Re: IRS v. Alaska Limited Entry Permits

Dear [Legislator]2~:

Last year we corresponded with you concerning the IRS and its claims against Alaska limited entry permits. This letter conveys a timely update which should provide a better grasp of the problem. See Attachment A (5 pages of correspondence).

After months of correspondence and meetings, the IRS has now shared with the Entry Commission statistics describing the extent of noncompliance among Alaska limited entry permit holders. See Attachment A (5 of 5). The statistics show that the areas of greatest noncompliance with federal tax obligations are the Rural areas of the State, where access to traditional fisheries is most important to our economy. The IRS has broken out statistics for two types of delinquent taxpayers: (1) those who have failed to file returns (for whom IRS can only estimate the amount owing); and (2) those who have filed but failed to pay taxes owed (for whom the IRS can provide a fairly accurate estimate).

1,111 Alaska permit holders are in the latter group. However, only 4.8% of them owe more than \$50,000 to the IRS. The vast majority (827 or 74%) owe the IRS \$10,000 or less. This majority can be increased to 86% by adding in the additional 130 individuals who owe the IRS up to \$20,000. See Attachment A (5 of 5).

For most fishermen, the loss of an entry permit destroys their means of earning a living. At the same time, with appropriate assistance, most fishermen have a realistic hope of working their way out of trouble. Alaska fishermen currently face problems beyond those of self-employed people throughout the rest of the country (who often face similar tax problems). For the most part, IRS difficulties among Alaska fishermen are a symptom of generally hard times in the Alaska fishing industry which will call for long-term adjustments. Unfortunately, Alaska fishermen are a distinctly attractive target to the IRS because they are easily identified and they hold permits of value.

Preliminarily, we have discussed with Commissioner Paul Fuhs the possibility of a statutory change to make the existing revolving loan funds of the Commercial Fisheries Loan Program available to help Alaska fishermen avoid seizure and forced sale of their entry permits by the IRS.

IRS & CFEC Letters

January 13, 1994

We are also very interested in the professional help that the Alaska Business Development Center and its President Gary Selk have provided fishermen to help them work their way out of their difficulties. We hope that these services can be sustained.

Additionally, there are other initiatives we would be happy to discuss with you. However, be aware that the IRS is now suing the Entry Commission to strike down those elements of State law which it believes may present obstacles to its seizure and forced sale of entry permits.

We hope that this information is helpful. These are issues which we would be happy to discuss further with you and any other interested individuals.

We thank you for your interest.

Sincerely,

**COMMERCIAL FISHERIES ENTRY COMMISSION**

Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Dale G. Anderson, Commissioner

by: 

Enclosure

cc: Commissioner Paul Fuhs  
Clement V. Tillion,  
Special Assistant to the Governor for Fisheries  
Richard Romer,  
Special Staff Assistant to the Governor for Rural Affairs  
Raga Elim, Legislative Liaison, Office of the Governor

**MEMORANDUM****STATE OF ALASKA**

**TO:** Paul Fuhs, Commissioner  
Department of Commerce and  
Economic Development  
MS 0800

**DATE:** January 3, 1994

**FAX NO:** 789-5170

**TELEPHONE NO:** 789-5160

and

**SUBJECT:** IRS vs. Limited Entry  
Permits

Donna Parker  
Fisheries Development Specialist  
Department of Commerce and  
Economic Development  
Division of Economic Development  
MS 0800

**FROM:** ~~Bruce Twomley, Chairman~~  
~~Frank Hornan, Commissioner~~  
~~Dale Anderson, Commissioner~~  
**COMMERCIAL FISHERIES**  
**ENTRY COMMISSION**

Enclosed is a copy of our recent correspondence with Martin Richard, Director, Division of Investments. As the correspondence indicates, we have finally gotten data from the IRS in response to correspondence that we shared with you last summer. See Attachment A (5 of 5).

The data from the IRS highlights the importance of the problem to Alaska permit holders but also suggests that, given the direction of adequate resources, the problem may be more manageable than we have believed in the past. From the data, the vast majority of permit holder in trouble individually owe the IRS only modest sums of money. However, unlike many other self-employed people throughout the country with similar problems, Alaska fishers face structural changes in their industry, the effects of which will not be removed by a general improvement in the economy. In fact, as our correspondence with Martin Richard indicates, the State may wish to consider whether some commercial fisheries loan program funds could be made available to individuals for the purpose of avoiding seizure and forced sale of their entry permits by the IRS.

- 110 - IRS vs. Limited Entry Permits

You should also be aware that a group of volunteer professionals called the Bad Times Group has been conducting workshops around the State to help fishers survive the current crisis. This group has developed a very useful pamphlet Alaska Commercial Fishermen and the IRS (September 1993), which CFEC would be happy to make available to anyone interested.

In turn, one member of the Bad Times Group is Gary Selk, President of the Alaska Business Development Center. The need for the Alaska Business Development Center to remain available to help individual fishers in trouble remains as critical as ever.

Additionally, there are some beginning efforts in Bristol Bay through the Bristol Bay Economic Development Corporation (BBEDC) to reach and help permit holders who may be in trouble.

As a related matter, I have been appointed to an Alaska Federation of Natives (AFN) Task Force to address this issue, and, among other things, the Task Force will be looking at BBEDC's approach to see if it could serve as a model for other areas of the State.

Finally, the IRS is willing to work with the State to explore ways to avoid widespread seizures and forced sales of entry permits. This presents an opportunity. At the same time, be aware that the IRS is currently suing the Entry Commission to strike down those elements of State law which it believes may get in its way [more specifically, Paul, Governor Hickel's SB 449 enacted in 1992 which became AS 16.43.170(g) and (h)].

**Enclosures**

cc: Clement V. Tillion, Special Assistant to the Governor for Fisheries  
Richard Romer, Special Staff Assistant to the Governor for Rural Affairs


**MEMORANDUM****STATE OF ALASKA**

**TO: Martin Richard, Director  
DCED  
Division of Investments  
MS 0802**

**DATE: January 3, 1994**

**FAX NO: 789-6170**

**TELEPHONE NO: 789-6160**

**FROM:  Bruce Twomley, Chairman  
Frank Homan, Commissioner  
Dale Anderson, Commissioner  
COMMERCIAL FISHERIES  
ENTRY COMMISSION**

**SUBJECT: IRS vs. Limited Entry  
Permits**

With this memo is information I promised you by phone describing Alaska limited entry permit holders who are currently in trouble with the IRS.

As we know, the federal tax problems experienced by Alaska fishers are consistent with problems of self-employed individuals throughout the nation. The problems are also symptomatic of broader dislocations affecting the Alaska fishing industry at this time. Nonetheless, because entry permits represent access to Alaskans' traditional fisheries, and because the IRS has the power to take away that access, preserving entry permits in the hands of their holders appears to be a pressing issue at this time—particularly in Rural Alaska, where there are few other sources of cash income.

As we discussed, for a long time, Ed Crane and I have been attempting to get more detailed information from the IRS about the extent of the problem. Finally as the result of some pressure from CFEC and resulting data sharing between CFEC and the IRS, we have a statistical breakdown from the IRS which is helpful in understanding the magnitude and locus of the problem. Attached to this memo (Attachment A, p. 5 of 5) is the statistical information developed by the IRS. We have also included some related correspondence with Dave Tucker, Chief of Enforcement for the IRS in Alaska.

IRS' figures apply only to individuals who hold transferable limited entry permits (those permits subject to forced sale) and break out numbers of permit holders (1) who have failed to file tax returns (for whom the IRS can only estimate the amount owing), and (2) who have filed returns but owe balances to the IRS (where the IRS has a fairly accurate estimate as to the amount owed).

*CFEC - IRS vs Limited Entry Permits*

The IRS and we draw some encouragement from these figures. As you can see, the 82 permit holders who have filed but owe balances to the IRS of \$10,000 or less represent 74% of the total. If you add in the additional 130 who owe up to \$20,000, you have then accounted for 86% of the permit holders owing balances. In contrast, among the tougher cases, only 53 permit holders (or 4.8% of the total) owe more than \$50,000.

These figures show that the largest group of people in trouble owe the IRS only modest sums of money. This group is likely to represent more marginal fishers with limited earnings from their fisheries. This group would not appear to face immediate risk of losing their permits and may well have a realistic hope of working their way out of trouble with appropriate assistance.

Also noteworthy is the fact that the regions listed by the IRS as having the greatest incidence of tax delinquencies among permit holders are predominately rural areas of the State. These are areas where access to commercial fisheries as the primary means of earning cash is critical.

In short, I believe that these figures highlight the importance of the problem but also suggest that, given the direction of adequate resources, the problem may become manageable. In particular, I wanted you to have these figures, because it may be appropriate at this time to consider whether the Commercial Fisheries Loan Program might be modified to make available funds to help at least some of these fishers avoid loss of access to their fisheries. Because of the relatively low amount of taxes owing by the largest identifiable group of permit holders, existing funds could go a long way to address the problem.

The IRS would be willing to work with us to explore any means which would help the IR avoid having to employ its more heavy handed enforcement tools (that is, seizure and forced sale of entry permits). At the same time, our relationship with the IRS is not entirely an easy one. As you know, the IRS is presently suing us to strike down those elements of state law that the IR believes may get in its way.

Please call if you wish to discuss this or if you need any additional information from the Commission.

(Commissioner Fuhs and Donna Parker expressed an interest in the IRS issue last summer so I am sharing this information with them as well.)

Enclosures

cc: Paul Fuhs, Commissioner DCED  
Donna Parker, Fisheries Development Specialist, DCED

# STATE OF ALASKA

COMMERCIAL FISHERIES ENTRY COMMISSION

WALTER J. HICKEL, GOV

5800 GLACIER HWY, #108  
JUNEAU, AK 99801  
(907) 788-6130 Licensing Calls  
(907) 788-6180 Other Business  
(907) 788-6170 FAX

November 9, 1993

Mr. Dave Tucker  
Chief, Collection Division  
Internal Revenue Service  
Department of the Treasury  
P.O. Box 101500  
Anchorage, AK 99510

Re: IRS analysis of tax delinquencies among limited entry permit holders

Dear Mr. Tucker:

We received your figures concerning tax liabilities among Alaska limited entry permit holders yesterday. I know from our conversations that the production of this information demanded considerable time and attention by you and your staff. Thank you.

As you pointed out in our phone discussion last week, the information does not go as far as we had hoped in delineating the problem by geographic areas. You made clear that the information in this form was as far as the IRS would go in satisfying our request. Nonetheless, the information does help to provide a more informed view of the problem than has been available in the past.

I believe that the information will help get the attention of people who may be willing to help address the problem. I plan to distribute the information as we have discussed. Before I do, I will call you with some questions. I want to make sure that I have a clear understanding of this material. From our previous conversation, I understand that the geographic areas listed as having the greatest incidence of tax delinquencies among limited entry permit holders are set forth in alphabetical order rather than in an order that would reflect magnitude of the problem. I also understand that, for nonfilers, the IRS is drawing upon information from the years 1989 through 1991. As to those permit holders who have filed but owe balances to the IRS, I understand that the IRS is drawing from information through July of 1993.

- CFEC - LETTER TO IRS

ATTACHMENT A  
(1 of 5)

Mr. Dave Tucker  
November 9, 1983  
Page 2

Again, thank you. I believe that the information will serve our joint outreach efforts.  
I will call you shortly.

Yours Truly,

A handwritten signature in black ink, appearing to read "Bruce Twanley", written over a horizontal line.

Bruce Twanley, Chairman

ATTACHMENT A  
(2 of 5)

Internal Revenue Service

Department of the Treasury

District  
Director

P.O. Box 101500, Anchorage, Alaska 99510

RECEIVED

NOV 28 1993

CFEC

NOV 3 1993

Bruce Twomley, Commissioner  
State of Alaska  
Commercial Fisheries Entry Commission  
8800 Glacier Highway, #109  
Juneau, AK 99801

Dear Mr. Twomley:

This letter is in response to your request of September 20, 1993, that the Internal Revenue Service provide your agency with data detailing the scope of tax delinquencies among limited entry permit (LEP) holders.

As you know from our ongoing discussions, a dilemma is posed for the Service by your request. We are actively pursuing ways to reduce the incidence to tax delinquencies through improvements to our own education and assistance efforts, and by encouraging involvement of interested third parties. For this reason we would like to meet your request for detailed information. The dilemma results from the extremely restrictive language and intent of IRC 6103 which prohibits disclosure of tax information without specific authorization. In fact, the Internal Revenue Code imposes criminal penalties for breaches of confidentiality.

We have reviewed the data and have determined that in most locales the incidence of tax delinquencies exceeds our disclosure threshold. That is, the specific data is of such magnitude that the confidentiality of individual taxpayers would be breached by disclosure. By definition the locales of the greatest magnitude are the ones in which we have the greatest common interest. Even taxpayers in full compliance could by unfortunate inference have their reputations tarnished.

What we can provide is summary data for both Alaska resident and non Alaska resident limited entry permit holders. In addition, we can list the regions of Alaska with the highest incidence of non filing and non payment problems.

Be assured that all regions share in the overall high volume of tax delinquencies. The IRS will continue to provide service to all Alaskans. We invite the ideas and assistance of all

IRS response to CFEC

ATTACHMENT A  
(3 of 5)

Bruce Twonley

interested parties. We would welcome joint sponsorship of outreach activities, particularly in the seven regions identified. Please contact me at (907) 271-6353 to discuss our plan of action.

Sincerely,



Dave Tucker  
Chief, Collection Division

Enclosure

RECEIVED  
MAY 18 1981  
CFEC

Summary of Tax Delinquencies Among LEP Holders

|                        | IRS<br><u>Non Filers</u> | IRS<br><u>Balance Due*</u> | IRS<br><u>Total</u> | LEP<br><u> Holders</u> | <u>Percent</u> | <u>Amount<br/>Due</u> |
|------------------------|--------------------------|----------------------------|---------------------|------------------------|----------------|-----------------------|
| Alaska Resident        | 1,173<br>(Actual)        | 1,111<br>(Actual)          | 2,284<br>(Actual)   | 8,802                  | 26             | \$13.7M<br>(Actual)   |
| Non Alaska<br>Resident | 333<br>(Estimate)        | 315<br>(Estimate)          | 648<br>(Estimate)   | 2,504                  | 26             | \$3.9M<br>(Estimate)  |
| Total                  | 1,506<br>(Estimate)      | 1,426<br>(Estimate)        | 2,932<br>(Estimate) | 11,306                 | 26             | \$17.6M<br>(Estimate) |

\*\* Estimate Including Non-Filers = \$30M+

\*Breakdown of Alaska Resident Balance Due Taxpayers by Amount Owed

| <u>\$0-10,000</u> | <u>\$10,001-20,000</u> | <u>\$20,001-50,000</u> | <u>\$50,001-100,000</u> | <u>\$100,000+</u> | <u>Total</u> | <u>Bala<br/>Du</u> |
|-------------------|------------------------|------------------------|-------------------------|-------------------|--------------|--------------------|
| 827               | 130                    | 101                    | 32                      | 21                | 1111         | \$13               |

Regions with the Greatest Incidence of Tax Delinquencies Among LEP Holders

| <u>Region</u>                           | <u>Greatest Problem(s)</u> |
|---|----------------------------|
| Bethel                                  | Non Filing/Non Payment     |
| Bristol Bay and Dillingham              | Non Filing/Non Payment     |
| Haines Borough & Skagway-Yakutat-Angoon | Non Filing/Non Payment     |
| Kenai Peninsula Borough                 | Non Payment                |
| Kodiak Island Borough                   | Non Payment                |
| Lake and Peninsula Borough              | Non Payment                |
| Wade Hampton                            | Non Filing                 |

**DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
COMMERCIAL FISHING REVOLVING LOAN FUND  
HISTORICAL SUMMARY  
(Dollars in Thousands)**

AS 16.10.300; enacted in 1972  
3 AAC 80.010 - .090, .900

The Commercial Fishing Revolving Loan Fund consists of two sections Section A and Section B, each with its own particular requirements. The loan program allows for prequalifications for loans to purchase limited entry permits and for assumptions of existing loans. Existing loans may be refinanced at a fixed rate of Prime plus 2%.

Section A loans may only be made to finance the purchase of limited entry permits. Eligibility for Section A: Loans may be made to individual commercial fishermen who have been Alaska residents for the past two years and have been active in the applicable fishery during the past three out of five years.

Section B loans may be made for the repair, restoration or upgrading of existing vessels and gear, and for the purchase of limited entry permits, gear and vessels. Eligibility for Section B: Loans may be made to individuals who have been Alaska residents for the past two years and, due to a lack of training or lack of employment opportunities in the area of residence, do not have occupational opportunities available other than commercial fishing or are economically dependent on commercial fishing for a livelihood.

**Terms:** Maximum loan amount: Section A - \$300.0; Section B - \$100.0  
Maximum loan term - 15 years Interest rate - fixed rate at Prime + 2%

|                                 |                   |                    |
|---------------------------------|-------------------|--------------------|
| Total appropriations to RLF -   | \$60,201.0        |                    |
| Total appropriations from RLF - | <u>(44,234.3)</u> |                    |
| Net of appropriations           | \$15,966.7        | (through 12-31-93) |

Last appropriation to RLF - \$3,710.0 in 1985

Total number of loans committed: 4,160 (through 12-31-93)  
Total dollars committed: \$262,325.6 (through 12-31-93)

Current statistics (as of December 31, 1993):  
Number of loans outstanding: 1,234  
Principal amount outstanding: \$65,269.3

|                       |                     |                          |
|-----------------------|---------------------|--------------------------|
| Delinquency & default | Based on            | Based on                 |
|                       | balance outstanding | no. of loans outstanding |
| % Delinquent          | 27.7%               | 21.2%                    |
| % in default          | 0.7%                | 0.9%                     |

Prepared by: Division of Investments  
Revised January 20, 1994

- COMMERCIAL FISHING LOAN FUND -

**DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT  
FISHERIES ENHANCEMENT REVOLVING LOAN FUND  
HISTORICAL SUMMARY  
(Dollars in Thousands)**

AS 16.10.500; enacted in 1976  
3 AAC 81.010

**Purpose:** Loans are available for planning, construction, and operation of fish hatchery facilities, including preconstruction activities necessary to obtain a permit, construction activities to build the hatchery facility, and the costs to operate the facility.

**Eligibility:** Loans may be made to qualified regional associations or private, nonprofit corporations who have obtained a private, nonprofit hatchery permit from the Alaska Department of Fish and Game (ADF&G). Loans may also be made for planning and preconstruction purposes prior to receipt of a hatchery permit from ADF&G.

**Terms:**

Maximum loan amount: \$10,000.0  
Maximum loan term: 30 years  
Interest rate: fixed rate at Prime +1%

No repayment of the principal is required for an initial period of six to ten years; no interest on the principal shall accrue during that period.

|                               |            |                     |
|-------------------------------|------------|---------------------|
| Total appropriations to RLF - | \$74,725.4 |                     |
| Total appropriations from RLF | ( 3,495.2) |                     |
| Net of appropriations         | \$71,230.2 | ( through 12-31-93) |

Total number of loans committed - 213 (through 12-31-93)

Total dollars committed - \$88,070.4 (through 12-31-93)

**Current statistics (as of December 31, 1993):**

Number of loans outstanding: 177  
Principal amount outstanding: \$75,797.2

| Delinquency and Default | Based on<br>Balance Outstanding | Based on No. of<br>Loans Outstanding |
|-------------------------|---------------------------------|--------------------------------------|
| % Delinquent            | 0.0%                            | 0.0%                                 |
| % in Default            | 0.0%                            | 0.0%                                 |

Prepared by: Division of Investments  
Revised January 20, 1994

- FISHERIES ENHANCEMENT FUND -

**MEMORANDUM  
DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**

**To:** Glenn Reed, Deputy Commissioner  
**From:** Martin J. Richard, Director *MJR*  
**Date:** November 24, 1993  
**Subject:** Assistant to Western Alaska

To aid in the economic recovery of Western Alaska, Bob Richardson, Loan Manager of the Division of Investments Anchorage Lending Branch, traveled to the Yukon/Kuskokwim area from November 15-18, 1993 to meet with area fishers. Mr Richardson was accompanied by Steve Street of the Alaska Business Development Center, Inc. (ABDC), which has a contract with the Division of Economic Development to provide small business assistance.

Mr. Richardson and Mr. Street met with residents of St. Mary's, Emmonak, Mt. Village, Alakanuk and Kotlik. They spoke to approximately 120 people in these villages about the Commercial Fishing loan program and its financial and eligibility requirements. Mr. Street assisted fishers with IRS problems. Mr. Richardson handed out 26 applications to fishers who could potentially qualify for new loans.

The following summarizes existing loans serviced by the Division in the Y/K area:

| <u>AREA</u> | <u>COMMERCIAL FISHING LOANS /</u> |                           | <u>OTHER DCED LOANS</u> |                           |
|-------------|-----------------------------------|---------------------------|-------------------------|---------------------------|
|             | Number of Loans                   | Prln. Balance Outstanding | Number of Loans         | Prln. Balance Outstanding |
| Upper Yukon | 7                                 | \$231.4                   | 189                     | \$4,164.3                 |
| Lower Yukon | 14                                | 109.1                     | 8                       | 149.3                     |
| Kuskokwim   | <u>27</u>                         | <u>509.6</u>              | <u>11</u>               | <u>356.0</u>              |
| TOTAL       | 48                                | \$850.1                   | 208                     | \$4,669.6                 |

Altogether, there are 256 DCED loans in the Y/K area with a total outstanding principal balance of \$5,519.7.

- ▼ -  
 - AYK loan Distribution - *Harold* -  
 - Commissioner -

**Division of Investments**  
**Alaska Department of Commerce and Economic Development**

**Commercial Fishing Revolving Loan Fund**  
**Upper Yukon Area**  
**July 21, 1993**

| Zipcode | Town               | Outstanding<br>Principal | Payment<br>Amount | Number of<br>Loans |
|---------|--------------------|--------------------------|-------------------|--------------------|
| 99558   | Aniak              | 0.00                     | 0.00              | 0                  |
| 99733   | Circle City        | 66,161.84                | 10,154.00         | 1                  |
| 99701   | College            | 0.00                     | 0.00              | 0                  |
| 99701   | Fairbanks          | 60,221.51                | 9,636.00          | 2                  |
| 99740   | Ft. Yukon          | 0.00                     | 0.00              | 0                  |
| 99741   | Galina             | 0.00                     | 0.00              | 0                  |
| 99590   | Grayling           | 0.00                     | 0.00              | 0                  |
| 99602   | Holy Cross         | 0.00                     | 0.00              | 0                  |
| 99746   | Huslia             | 0.00                     | 0.00              | 0                  |
| 99748   | Kaltag             | 0.00                     | 0.00              | 0                  |
| 99754   | Koyukuk            | 0.00                     | 0.00              | 0                  |
| 99756   | Manley Hot Springs | 0.00                     | 0.00              | 0                  |
| 99760   | Nanana             | 0.00                     | 0.00              | 0                  |
| 99705   | North Pole         | 96,211.71                | 17,372.00         | 3                  |
| 99765   | Nulato             | 0.00                     | 0.00              | 0                  |
| 99767   | Rampart            | 0.00                     | 0.00              | 0.00               |
| 99768   | Ruby               | 8,800.00                 | 1,068.00          | 1                  |
| 99714   | Salcha             | 0.00                     | 0.00              | 0                  |
| 99774   | Stevens Village    | 0.00                     | 0.00              | 0                  |
| 99777   | Tanana             | 0.00                     | 0.00              | 0                  |
|         | <b>TOTALS</b>      | <b>231,395.06</b>        | <b>38,230.00</b>  | <b>7</b>           |

Division of Investments  
Alaska Department of Commerce and Economic Development

All Loan Portfolio's Excluding Commercial Fishing  
In The Upper Yukon Area  
July 22, 1993

| Zipcode | Town               | Outstanding<br>Principal | Payment<br>Amount | Number of<br>Loans |
|---------|--------------------|--------------------------|-------------------|--------------------|
| 99558   | Aniak              | 0.00                     | 0.00              | 0                  |
| 99733   | Circle City        | 0.00                     | 0.00              | 0                  |
| 99701   | College            | 0.00                     | 0.00              | 0                  |
| 99701   | Fairbanks          | 3,599,528.61             | 491,326.37        | 151                |
| 99740   | Ft. Yukon          | 48,245.52                | 667.00            | 1                  |
| 99741   | Galina             | 0.00                     | 0.00              | 0                  |
| 99590   | Grayling           | 0.00                     | 0.00              | 0                  |
| 99602   | Holy Cross         | 0.00                     | 0.00              | 0                  |
| 99604   | Hooper Bay         | 0.00                     | 0.00              | 0                  |
| 99746   | Huslia             | 0.00                     | 0.00              | 0                  |
| 99748   | Kallag             | 0.00                     | 0.00              | 0                  |
| 99754   | Koyukuk            | 0.00                     | 0.00              | 0                  |
| 99756   | Manley Hot Springs | 0.00                     | 0.00              | 0                  |
| 99760   | Nanana             | 0.00                     | 0.00              | 0                  |
| 99705   | North Pole         | 496,654.18               | 51,635.01         | 32                 |
| 99765   | Mulato             | 0.00                     | 0.00              | 0                  |
| 99767   | Rainpart           | 0.00                     | 0.00              | 0                  |
| 99768   | Ruby               | 0.00                     | 0.00              | 0                  |
| 99714   | Salcha             | 8,044.91                 | 175.00            | 4                  |
| 99774   | Stevens Village    | 11,778.28                | 108.00            | 1                  |
| 99777   | Tanana             | 0.00                     | 0.00              | 0                  |
|         | <b>TOTALS</b>      | <b>4,164,251.50</b>      | <b>543,911.38</b> | <b>189</b>         |

Division of Investments  
Alaska Department of Commerce and Economic Development

Commercial Fishing Revolving Loan Fund  
Lower Yukon Area  
July 21, 1993

| Zipcode | Town             | Outstanding<br>Principal | Payment<br>Amount | Number of<br>Loans |
|---------|------------------|--------------------------|-------------------|--------------------|
| 99581   | Emmonak          | 0.00                     | 0.00              | 0                  |
| 99632   | Mountain Village | 0.00                     | 0.00              | 0                  |
| 99554   | Alakanuk         | 15,856.58                | 5,258.00          | 3                  |
| 99620   | Kotlik           | 0.00                     | 0.00              | 0                  |
| 99658   | St. Mary's       | 18,845.83                | 9,268.00          | 3                  |
| 99650   | Pilot Station    | 5,782.25                 | 4,403.00          | 2                  |
| 99585   | Marshall         | 0.00                     | 0.00              | 0                  |
| 99662   | Scammon Bay      | 38,469.80                | 10,187.00         | 3                  |
| 99666   | Sheldon Point    | 16,531.53                | 3,492.00          | 1                  |
| 99657   | Russian Mission  | 13,602.82                | 4,694.00          | 2                  |
| 99505   | Fortuna Ledge    | 0.00                     | 0.00              | 0                  |
| 99602   | Holy Cross       | 0.00                     | 0.00              | 0                  |
| 99730   | Central          | 0.00                     | 0.00              | 0                  |
| 99604   | Hooper Bay       | 0.00                     | 0.00              | 0                  |
| 99714   | Salcha           | 0.00                     | 0.00              | 0                  |
|         | TOTAL            | 109,088.81               | 37,302.00         | 14                 |

Division of Investments  
Alaska Department of Commerce and Economic Development

All Loan Portfolio's Excluding Commercial Fishing  
In The Lower Yukon Area  
July 22, 1993

| Zipcode | Town             | Outstanding<br>Principal | Payment<br>Amount | Number of<br>Loans |
|---------|------------------|--------------------------|-------------------|--------------------|
| 99581   | Emmonak          | 0.00                     | 0.00              | 0                  |
| 99632   | Mountain Village | 0.00                     | 0.00              | 0                  |
| 99554   | Alakanuk         | 0.00                     | 0.00              | 0                  |
| 99620   | Kotlik           | 0.00                     | 0.00              | 0                  |
| 99658   | St. Mary's       | 0.00                     | 0.00              | 0                  |
| 99650   | Pilot Station    | 0.00                     | 0.00              | 0                  |
| 99585   | Marshall         | 0.00                     | 0.00              | 0                  |
| 99662   | Scammon Bay      | 0.00                     | 0.00              | 0                  |
| 99666   | Sheldon Point    | 0.00                     | 0.00              | 0                  |
| 99657   | Russian Mission  | 0.00                     | 0.00              | 0                  |
| 99581   | Fortuna Ledge    | 0.00                     | 0.00              | 0                  |
| 99602   | Holy Cross       | 47,451.39                | 477.22            | 1                  |
| 99730   | Central          | 11,215.92                | 508.00            | 1                  |
| 99604   | Hooper Bay       | 82,628.21                | 1,156.64          | 2                  |
| 99714   | Salcha           | 8,044.91                 | 175.00            | 4                  |
|         | TOTAL            | 149,340.43               | 2,316.86          | 8                  |

DIVISION OF INVESTMENTS  
ALASKA DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

BACKGROUND INFORMATION FOR SB 251

The following information is intended to answer questions that have recently come up concerning the impact on the Commercial Fishing and Fisheries Enhancement loan funds if SB 251 were to pass in its present form (CSSB 251(L&C)).

|   |                     |
|---|---------------------|
| Total Outstanding Balance CFRLF   | \$65,580,000        |
| Total Appropriations to CFRLF   | \$60,201,000        |
| Total Appropriations from CFRLF   | \$44,234,300        |
| Net of Appropriations   | \$15,966,700        |
| Last Appropriation to CFRLF   | \$3,710,000 in 1985 |
|   |                     |
| Total Outstanding Balance FERLF   | \$75,628,000        |
| Total Appropriations to FERLF   | \$74,725,400        |
| Total Appropriations from FERLF   | \$3,495,200         |
| Net of Appropriations   | \$71,230,200        |
| Loan Repayments Since FY 89   | \$12,666,300        |
|   |                     |
| General Fund Request as a Result of SB 251  | -0-                 |
| Additional Personnel Required to Administer   | -0-                 |
|   |                     |
| Funds Available for IFQ, IRS, Refrigeration<br>and Refinancing Requests as a Result of<br>SB 251 and SB 132 | \$5,000,000         |
|   |                     |
| Funds Available for Transfer from CFRLF to<br>FERLF if SB 251 and SB 132 Pass                               | -0-                 |

It is likely that loans for Individual Fishery Quota Shares (SB 132), IRS debts, refrigeration and refinancing will use up available funds for FY 95 eliminating the possibility of a transfer.

Criteria borrowers requesting onetime loans to pay IRS obligations will need to meet:

1. demonstrate that a limited entry permit is in danger of foreclosure by the IRS;
2. meet all eligibility requirements;
3. have adequate collateral to secure the loan;
4. demonstrate the ability to make loan repayments;
5. allow disbursement directly to IRS; and
6. not exceed a loan limit of \$30,000.

Prepared by Division of Investments February 22, 1994.

3-2-94  
JFC

RECEIVED

MAY 18 1993

CFEC

Summary of Tax Delinquencies Among LEP Holders

|                        | IRS<br>Non Filers   | IRS<br>Balance Due* | IRS<br>Total        | LEP<br>Holders | Percent | Amount<br>Due            |
|------------------------|---------------------|---------------------|---------------------|----------------|---------|--------------------------|
| Alaska Resident        | 1,173<br>(Actual)   | 1,111<br>(Actual)   | 2,284<br>(Actual)   | 8,802          | 26      | \$13.7M<br>(Actual)      |
| Non Alaska<br>Resident | 333<br>(Estimate)   | 315<br>(Estimate)   | 648<br>(Estimate)   | 2,504          | 26      | \$3.9M<br>(Estimate)     |
| Total                  | 1,506<br>(Estimate) | 1,426<br>(Estimate) | 2,932<br>(Estimate) | 11,306         | 26      | \$17.6M **<br>(Estimate) |

\*\* Estimate Including Non-Filers = \$30M+

\*Breakdown of Alaska Resident Balance Due Taxpayers by Amount Owed

| \$0-10,000 | \$10,001-20,000 | \$20,001-50,000 | \$50,001-100,000 | \$100,000+ | Total | Balance<br>Due |
|------------|-----------------|-----------------|------------------|------------|-------|----------------|
| 827        | 130             | 101             | 32               | 21         | 1111  | \$13.7M        |

Regions with the Greatest Incidence of Tax Delinquencies Among LEP Holders

| Region                                  | Greatest Problem(s)    |
|---|------------------------|
| Bethel                                  | Non Filing/Non Payment |
| Bristol Bay and Dillingham              | Non Filing/Non Payment |
| Haines Borough & Skagway-Yakutat-Angoon | Non Filing/Non Payment |
| Kenai Peninsula Borough                 | Non Payment            |
| Kodiak Island Borough                   | Non Payment            |
| Lake and Peninsula Borough              | Non Payment            |
| Wade Hampton                            | Non Filing             |

ATTACHMENT A  
(5 of 5)

*Distributed by:*  
*Frank Homan JB251*

TO: FAX 907-465-2997

3-1

TO: SENATOR GEORGE JACKO

FROM: JIM BROWN

Box 25, SAND POINT, AK 99661

# 907-383-3966

I WOULD LIKE TO WRITE TO YOU REGARDING  
MY SUPPORT FOR SENATE BILL 251. I HAVE READ  
YOUR MEMORANDUM TO THE FINANCE COMMITTEE AND  
AM A MODEL EXAMPLE. I HAVE BEEN A COMMERCIAL  
FISHERMAN FOR 17 YEARS AND A PERMIT-VESSEL  
OWNER FOR 5 YEARS. DURING THESE 5 YEARS I HAVE  
PAID OFF MY BOAT AND GEAR, AND 1/2 OF MY PERMIT. BUT  
BECAUSE OF THE PRICE DROP AND AN ILLNESS IN  
THE FAMILY, I GOT BURIED UNDER A STACK OF DEBTS.  
I WENT TO CFBAS FOR A LOAN AND WAS TURNED DOWN.  
THERE IS NO WHERE ELSE TO GO, SINCE LIMITED ENTRY  
PERMITS CANNOT BE USED FOR COLLATERAL.

I THINK THE SALMON INDUSTRY WILL BE BETTER IN  
THE FUTURE ONCE NEW MARKETS ~~ARE~~ ESTABLISHED. THIS  
BILL COULD BE A SAVIOR FOR A LOT OF FISHERMEN  
INCLUDING MYSELF. PLEASE PUSH IT THROUGH. I LIVE  
ON THE EDGE OF LOSING IT ALL.

Sincerely,

Jim Brown

SENATE COMMITTEE REPORT

*Imp*

DATE: 1/14/94

FURTHER: FINANCE

Date of 5-Day Notice: 2/3/94  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/16/94

L&C Committee considered SB 251

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

and recommends:

and recommends it be replaced with

replace with \_\_\_\_\_ CS SB 251 (L&C)

or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_

attaches amendment(s) *d a msg of the Cmte up to it back up no*

adopts \_\_\_\_\_ Letter of Intent *new*

further referral to the \_\_\_\_\_

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

do pass

do not pass

no recommendation

individual recommendations

*Phi*

NEW FISCAL NOTES

Department Date Zero Fiscal

| Department              | Date          | Zero                                | Fiscal |
|-------------------------|---------------|-------------------------------------|--------|
| <i>SB &amp; CS</i> DCED | <i>2/8/94</i> | <input checked="" type="checkbox"/> |        |
|                         |               |                                     |        |
|                         |               |                                     |        |
|                         |               |                                     |        |
|                         |               |                                     |        |

PREVIOUS FISCAL NOTES

Department Date Zero Fiscal

| Department | Date | Zero | Fiscal |
|------------|------|------|--------|
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |
|            |      |      |        |

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

~~Chair Signature~~

*Raymond Shaw - No Rec*  
*Alvin King - No Rec*  
~~Tom Kelly~~  
*Judy Sato - No Rec*  
*Tom Kelly - No Rec*

Chair: Signature and Recommendation