

HB

105

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAY 10 2003
SENATE FINANCE COMMITTEE

DATE: 5/2/03

FURTHER:

DATE TURNED
IN TO OFFICE: 10 May 2003

Finance Committee considered CS FOR HOUSE BILL NO. 105(FIN)

HB 105 COMMERCIAL FISHING LOANS

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED	3/10/03		✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i> Ben Stevens			✓	
COCHAIR: <i>[Signature]</i> Lyda Green				✓
COCHAIR: <i>[Signature]</i> Cory Withed				✓

FISCAL NOTE

REPORTED OUT

MAY 10 2003

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: SENATE FINANCE
Bill Version: HB 105 COMMITTEE
(H) Publish Date: 3/12/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title: Commercial Fishing Loans BRU: Investments (122)
Sponsor: Representative Stevens Component: Investments
Requester: House Special Committee on Fisheries Component No.: 383

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (21608)	(30.2)	(13.4)	(13.4)	(13.4)	(13.4)	(13.4)
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Please see analysis continuation.

Prepared by: Greg Winegar, Director Phone 907-465-2625
Division: Investments Date/Time 3/10/03 3:00 PM
Approved by: Edgar Blatchford, Commissioner Date 3/10/2003
Agency: Department of Community & Economic Development

FISCAL NOTE #1

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB 105

ANALYSIS CONTINUATION

This legislation allows Alaska harvesters to refinance existing Commercial Fishing Revolving Loan Fund (CFRLF) loans. Current law requires the Division to charge a one-half percent fee to refinance.

Section 1 of HB 105 removes the one-half percent refinancing fee and that will result in a reduction of income to the CFRLF. Interest rates are currently at record lows and as a result, the Division anticipates that the majority of borrowers eligible to refinance will do so prior to the effective date of this legislation. We expect approximately 180 refinancing applications in FY 04 and then approximately 80 applications per year thereafter. This will result in a reduction to the fund in FY 04 of \$30,150 and a reduction of \$13,400 each year thereafter through FY 09. These reductions were calculated as follows:

180 loans x \$33,500 (average loan size) = \$6,030,000 x .005 = \$30,150

80 loans x \$33,500 = \$2,680,000 x .005 = \$13,400

These calculations are based on interest rates remaining relatively flat or increasing gradually through FY 09.

Joint Legislative Salmon Industry Task Force

Legislative Members

Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Sculzi, Alternate



Public Members

Sue Aspelund
Sam Cotten
Duncan Fields
Don Gilles
John Lowrance
Robin Samuelson
Gary Slaven
Stephanie Madsen, Alternate
Chris Moss, Alternate

SPONSOR STATEMENT

House Bill 105

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

House Bill 105 will reenact a provision that was in effect in fiscal years 1995-1997 and 2001-2003. This provision allowed fishermen to obtain secured loans for Internal Revenue Service (IRS) debt retirement. It would add another option to the commercial fishing revolving loan portfolio.

The long-term crisis facing the Alaska salmon industry due to dramatic increases in world salmon production, coupled with the equally dramatic reductions in salmon prices, makes this provision all the more important. If Alaska fishermen are forced out of the water because creditors take their limited entry fishing privileges, everyone in Alaska loses.

The genesis of the original provision was prompted by actions of the IRS to seize limited entry permits that were in federal tax arrears. The IRS, through electronic means, was able to match fish tickets with their filing data base and they moved rapidly to seize limited entry permits whose holders were in arrears. This posed a significant problem for the state's and holders' interests.

The Division of Investments, Department of Community and Economic Development, in conjunction with the IRS, developed a very successful program called the "Tax Obligation Loan Program." The Tax Obligation Loan Program aimed at assisting commercial fishermen with their tax debt to the IRS. The success of this program can be measured. In FY 95-97, the Division of Investments issued 287 tax obligation loans. The program was established and in FY 2001-2003, 20 tax obligation loans were issued. This demonstrates the effectiveness of the program. The total number of loans issued in FY 1995-1997 and FY 2001-2003 is 307 and the average tax obligation loan is \$21,095.

If this measure were adopted, the Department of Community and Economic Development believes the number of applicants would be much smaller than in previous years. This prediction is due largely to the successes of the Tax Obligation Loan Program. In the past seven years, the program expanded from assisting 7 communities in 1996, to 56 communities in 2002.

Permit holders seeking a loan under the provision in House Bill 105 must have been a state resident for a continuous period of two years preceding application and a resident at the time of application. In addition, applicants must be current on their federal tax filings and have an agreement with the IRS for payment of past due taxes. Applicants must also have had a crewmember or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years. They must have actively participated in the fishery during that period of time; not have occupational opportunities available other than commercial fishing because of lack of training or employment opportunities in the area where they live; or, be economically dependent on commercial fishing for a livelihood with commercial fishing having been a traditional way of life.

Another element of this measure is that it eliminates the one-half percent refinancing fee for debt refinanced by borrowers with state loans. These borrowers must meet the qualifications of the Division of Investments. This change was incorporated as a small means to assist fishermen who may want to take advantage of lower interest rates. The job of the Joint Legislative Salmon Industry Task Force is to seek means to alleviate, to the extent possible, some of the stresses affecting the commercial salmon industry. This change would provide some assistance.

The final provision of the measure is the elimination of the word "promptly" as it applies to the advertising and sale of repossessed permits. This provides some flexibility to the Department of Community and Economic Development and may prevent their having to sell a permit at a low price.

The Joint Legislative Salmon Industry Task Force seeks your support for this measure.

Joint Legislative Salmon Industry Task Force

Legislative Members

Senator Ben Stevens, Chair
Representative Gary Stevens, Vice-Chair
Senator Kim Elton
Representative Bill Williams
Senator Alan Austerman, Alternate
Representative Drew Scalzi, Alternate



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SECTIONAL ANALYSIS

House Bill 105

"An Act relating to loans to satisfy past due federal tax obligations of commercial fishermen and to the commercial fishing loan program."

Intent

To make available through the state's commercial fishing revolving loan fund the option of securing a loan to satisfy past due federal taxes; to eliminate the loan refinancing origination charge; and, to provide some latitude to the Division of Investments on the time frame for advertising and selling foreclosed permits.

Sectional Analysis

Section 1.

- Amends AS 16.10.310 to add an option to the commercial fishing revolving loan portfolio to satisfy past due federal tax obligations and delineates the requirements that must be met to receive a "tax" loan. *(Page 2, lines 27-31 - Page 3, lines 1-12)*
 1. The fisherman must be a state resident at the time of application and must also have been a state resident for a continuous period of two years immediately preceding the loan application date. *(Page 2, lines 27-30)*
 2. Applicants must be current on all their federal tax filings. *(Page 2, lines 30-31)*
 3. Applicants must have an agreement with the federal government for repayment of past due taxes. *(Page 2, line 31 - Page 3, line 1)*

- Applicants must:
 1. Have had a crewmember or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years; *and (Page 3, lines 2-5)*
 2. Have actively participated in the fishery during that period of time; *or (Page 3, lines 5-6)*
 3. Does not have occupational opportunities available other than commercial fishing because of lack of training or other employment opportunities; *or (Page 3, lines 7-9)*
 4. Is economically dependent on commercial fishing and commercial fishing has been a traditional way of life. *(Page 3, lines 10-12)*

- Eliminates the one-half percent loan refinance charge. *(Page 4, lines 8-11)*

Section 2.

- Amends AS 16.10.320(d) to allow a borrower to obtain a secured loan not to exceed \$30,000 to satisfy past due tax obligations and describes this loans relationship to other loans the borrower may have under this program. *(Page 4, lines 22-25)*

Section 3.

- Amends AS 16.10.337(b) by removing the word "promptly" to allow the Division of Investments more flexibility on advertising and selling foreclosed permits. *(Page 4, line 31)*
- This change could provide the Division of Investments the ability to secure a better price on repossessed permits. This would assist the borrower and the state.
- Ensures payments on child support liens if proceeds are distributed from the sale of a foreclosed permit. *(Page 5, line 3)*

Alaska State House of Representatives
Twenty-Third Legislature
First Session

RCS# 267
Item 8

5-01-03
11:07:11

CSHB 105 (FIN)
Third Reading
Final Passage

Yeas:	37	Anderson, Berkowitz, Chenault, Cissna, Coghill, Crawford, Croft, Dahlstrom, Fate, Foster, Gara, Gruenberg, Guttenberg, Harris, Hawker, Heinze, Holm, Joule, Kapsner, Kerttula, Kohring, Kookesh, Kott, Lynn, Masek, McGuire, Meyer, Morgan, Moses, Ogg, Samuels, Seaton, Stoltze, Weyhrauch, Whitaker, Williams, Wolf
Nays:	0	
Excused:	2	Gatto, Wilson
Absent:	1	Rokeberg

SENATE FINANCE COMMITTEE

SIGN-IN

HB 105-COMMERCIAL FISHING LOANS

NAME: Kelley Sharp Subject/Bill No: HB 105
Co./Dept./Title: Division of Investments Phone: 465-2510
Address: PO Box 34159 Juneau AK Zip: 99803
Do you wish to testify? Yes No Respond To Questions

NAME: BRUCE TWOMLEY Subject/Bill No: HB 105
Co./Dept./Title: COMM. FISH. ENTRY COMMISSION Phone: 790-6942
(LIMITED ENTRY)
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____
Do you wish to testify? Yes No Respond To Questions