

**HB**

**1 2 1**

<TARGET><BILL>HB 121</BILL><SUBJECT>HB  
121</SUBJECT><COMM>HFIN27</COMM></TARGET>



# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB121(FIN)  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB121-CCED-DED-04-04-11 Dept. Affected \_\_\_\_\_ Fund Transfer \_\_\_\_\_  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Allocation Com Charter Fisheries (RLF)  
 Sponsor Representative Kurt Olson  
 Requester House Finance Committee OMB Component Number 255

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous	9,000.0							
<b>TOTAL OPERATING</b>	<b>9,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	9,000.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>9,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**Why this fiscal note differs from previous version**

This fiscal note increases capitalization from \$3MM to \$9MM based on anticipated size and number of loans.

Prepared by Joe Michel  
 Division House Finance Committee  
 Approved by Rep. Bill Stoltze  
House Finance Committee Co-Chair

Phone 907-465-4958  
 Date/Time 4/4/2011 4:00PM  
 Date 4/4/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB121(FIN)



**Analysis**

Commercial Charter Fisheries Revolving Loan Fund -  
Administered by the Division of Economic Development, this loan fund would be substantially similar to the Commercial Fishing Loan Fund. Initial capitalization would be \$9 million.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB 121 (FSH)  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB121-CCED-DED-03-25-11 Dept. Affected Fund Transfer  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Sponsor \_\_\_\_\_ Rules Committee Allocation Micro-Loan Fund (RLF)  
 Requester \_\_\_\_\_ House Finance OMB Component Number 255

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous	2,500.0							
<b>TOTAL OPERATING</b>	<b>2,500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	2,500.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>2,500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note reduces capitalization to \$2.5 million.

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 3/25/11 6:30 PM  
 Date 3/26/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB121(FSH)

**Analysis**

Alaska Micro-loan Revolving Loan Fund - This loan program would provide short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment and inventory and leasehold improvements. The initial capitalization would be \$2.5 million.

The initial recommended capitalization of \$3.5 million anticipated the possibility of federal funds from the State Small Business Credit Initiative (SSBCI) created by the Small Business Jobs Act of 2010. It has been determined that the Alaska Micro-loan Revolving Loan Fund would not conform to the requirements of the SSBCI.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB 121 (FIN)  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB121-CCED-DED-03-29-11 Dept. Affected DCCED  
 Title Economic Development Loans Appropriation Economic Development  
 Allocation Financing  
 Sponsor Rules Committee  
 Requester House Finance OMB Component Number 2743

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services	55.0		55.0	55.0	55.0	55.0	55.0	55.0
Travel	7.0		7.0	7.0	7.0	7.0	7.0	7.0
Services	13.1		9.4	9.4	9.4	9.4	9.4	9.4
Commodities	0.5		0.5	0.5	0.5	0.5	0.5	0.5
Capital Outlay	2.4		0.0	0.0	0.0	0.0	0.0	0.0
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>78.0</b>	<b>0.0</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1178 Micro-Loan Fund (RLF) (New)	5.3		3.5	3.5	3.5	3.5	3.5	3.5
1178 Com Charter Fisheries Fund RLF (Ne	72.7		68.4	68.4	68.4	68.4	68.4	68.4
Other (please identify)								
<b>TOTAL</b>	<b>78.0</b>	<b>0.0</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>	<b>71.9</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time	1	0	1	1	1	1	1
Part-time							
Temporary							

**Why this fiscal note differs from previous version (if initial version, please note as such)**

This fiscal note reduces operating expenditures and removes language in the Analysis Section to reflect the changes made by the House Finance CS.

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 3/29/11 3:30 PM  
 Date 3/29/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB 121 (FIN)

**Analysis**

Commercial Charter Fisheries Revolving Loan Fund - The cost projections that are provided include existing division staff to conduct outreach trips to promote the loan fund and to prepare the necessary regulations. These operating expenses would be paid by the earnings of the fund, as is the case with other existing division loan funds.

Alaska Micro-loan Revolving Loan Fund - All operating expenses would be paid from earnings of the fund. Projected operating expenses are for personal services for one flexed Loan Closer I/II. The new position would be responsible for intake and set up of initial application, upfront due diligence verifications, data entry to the LOANS.net proprietary tracking and accounting system, production and finalization of security documents, lien recordation and perfection, and disbursement of loan proceeds. There would also be an initial first year set-up for expenses (supplies and equipment) and a projected "per employee" annual contractual services cost, with all of these costs projected through 2017.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB121(FSH)  
 ( ) Publish Date \_\_\_\_\_

Identifier (file name) HB121-CCED-DED-02-15-11 Dept. Affected Fund Transfer  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Allocation Shellfish Mariculture (RLF)  
 Sponsor Rules Committee  
 Requester House Fisheries OMB Component Number 255

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous	3,000.0						
<b>TOTAL OPERATING</b>	<b>3,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES</b>							
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	3,000.0						
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
<b>TOTAL</b>	<b>3,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note fixes a technical error in the operating expenditures column so it can be entered into the new system correctly.

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 2/15/11 9:00 AM  
 Date 2/15/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB121(FSH)

**Analysis**

Shellfish Mariculture Revolving Loan Fund - This loan fund will assist shellfish mariculture businesses in purchasing equipment and seed necessary to develop and grow. Initial capitalization would be \$3 million. There are no anticipated additional operating costs for this loan fund.

**CS FOR HOUSE BILL NO. 121(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:**

**Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act establishing the commercial charter fisheries revolving loan fund, the**  
2 **mariculture revolving loan fund, and the Alaska microloan revolving loan fund and**  
3 **relating to those funds and loans from those funds; and providing for an effective date."**

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

5 **\* Section 1.** AS 16.10 is amended by adding new sections to read:

6 **Article 13. Commercial Charter Fisheries Revolving Loan Fund.**

7 **Sec. 16.10.801. Commercial charter fisheries revolving loan fund.** (a) The  
8 commercial charter fisheries revolving loan fund is created in the Department of  
9 Commerce, Community, and Economic Development to carry out the purposes of  
10 AS 16.10.801 - 16.10.890.

11 (b) The commercial charter fisheries revolving loan fund consists of the  
12 following:

13 (1) money appropriated to, transferred to, or received by gift, grant,  
14 devise, bequest, or donation to the fund;

1 (2) principal and interest payments or other income earned on loans or  
2 investments of the fund;

3 (3) money chargeable to principal or interest that is collected through  
4 liquidation by foreclosure or other process on loans made under AS 16.10.801 -  
5 16.10.890.

6 (c) Money in the fund may be used by the legislature to make appropriations  
7 for costs of administering AS 16.10.801 - 16.10.890.

8 **Sec. 16.10.805. Powers and duties of the department.** The department may

9 (1) make loans to eligible applicants under AS 16.10.801 - 16.10.890

10 (A) for the purchase of charter halibut permits;

11 (B) for the purchase or construction of a charter halibut fishing  
12 vessel;

13 (C) to upgrade existing charter halibut fishing vessels and gear  
14 for the purpose of improving engine fuel efficiency;

15 (D) to refinance debt obligations made by other lenders more  
16 than 12 months before the department received the loan application and  
17 incurred by an applicant for the purchase of charter halibut fishing vessels or  
18 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -  
19 16.10.890; the department may collect a refinancing loan origination charge as  
20 provided by regulation;

21 (2) receive, take, hold, and administer any appropriation, transfer, gift,  
22 grant, bequest, devise, or donation of money for the fund;

23 (3) establish amortization plans for repayment of loans, including  
24 extensions of the terms of loans;

25 (4) allow an assumption of a loan if

26 (A) the applicant meets the requirements established under this  
27 section; and

28 (B) approval of the assumption would be consistent with the  
29 purposes of AS 16.10.801 - 16.10.890;

30 (5) establish the rate of interest for loans consistent with law;

31 (6) charge and collect fees for services provided under AS 16.10.801 -

1 16.10.890;

2 (7) adopt regulations under AS 44.62 necessary to carry out the  
3 provisions of AS 16.10.801 - 16.10.890, including regulations to establish reasonable  
4 fees for services provided; and

5 (8) designate agents and delegate powers as necessary to the agents.

6 **Sec. 16.10.810. Eligibility.** (a) For an applicant to be eligible for a loan under  
7 AS 16.10.801 - 16.10.890, the applicant shall be a resident of the state, as determined  
8 under (c) of this section, and shall

9 (1) qualify for the purchase of a charter halibut permit under applicable  
10 law;

11 (2) qualify as a transferee for a charter halibut permit under applicable  
12 law;

13 (3) purchase or construct a charter halibut fishing vessel; or

14 (4) upgrade an existing charter halibut fishing vessel or gear for the  
15 purpose of improving engine fuel efficiency.

16 (b) In addition to the requirements set out in (a) of this section, the applicant  
17 must provide to the department a document from a state financial institution stating  
18 that

19 (1) the applicant has been denied a loan for the same purpose; or

20 (2) a loan from the financial institution is contingent on the applicant  
21 also receiving a loan from the fund.

22 (c) To meet the residency requirements of (a) of this section, the applicant

23 (1) shall physically reside in this state and maintain a domicile in this  
24 state during the 24 consecutive months preceding the date of application for the  
25 program; and

26 (2) may not have

27 (A) declared or established residency in another state; or

28 (B) received residency or a benefit based on residency from  
29 another state.

30 **Sec. 16.10.815. Limitations on loans.** (a) Except as provided in (b) of this  
31 section, a loan under AS 16.10.801 - 16.10.890

1 (1) may not exceed \$100,000 a year;

2 (2) may not exceed a term of 15 years, except for extensions under  
3 AS 16.10.805;

4 (3) may not bear interest at a rate greater than the prime rate, as  
5 defined in AS 44.88.599, plus two percentage points, but which may not be less than  
6 six percent a year and not more than 10 1/2 percent a year;

7 (4) must be secured by a first priority lien on collateral acceptable to  
8 the commissioner; and

9 (5) may not be made to a person who has a past due child support  
10 obligation established by court order or by the child support services agency under  
11 AS 25.27.160 - 25.27.220 at the time of application.

12 (b) The interest rate for loans for the improvement of engine fuel efficiency  
13 must be two percentage points below the prime rate, as defined in AS 44.88.599, but  
14 may not be less than six percent a year and not more than 10 1/2 percent a year.

15 (c) The total balances outstanding on loans made to a borrower under  
16 AS 16.10.805 may not exceed \$200,000.

17 (d) After the initial interest rate is set under (a) or (b) of this section for a loan  
18 made under AS 16.10.801 - 16.10.890, the department may provide a reduction of the  
19 interest rate of not more than two percent if at least 50 percent of the loan proceeds are  
20 used by the borrower for engine fuel efficiency improvements if the upgrades use  
21 products manufactured or produced in the state. When the department offers a  
22 reduction under this subsection, the department shall provide the reduction to all loan  
23 applicants who meet the criterion described in this subsection. In this subsection,  
24 "manufactured or produced" means processing, developing, or making an item into a  
25 new item with a distinct character and use.

26 **Sec. 16.10.820. Default.** If the borrower defaults on a note, the department  
27 shall notify the borrower of the default and the consequences of default by mailing a  
28 notice to the borrower's most recent address provided to the department by the  
29 borrower or obtained by the department.

30 **Sec. 16.10.825. Special account established.** (a) The foreclosure expense  
31 account is established as a special account within the commercial charter fisheries

1 revolving loan fund.

2 (b) The department may expend money credited to the foreclosure expense  
3 account when necessary to protect the state's security interest in collateral on loans  
4 granted under AS 16.10.815 or to defray expenses incurred during foreclosure  
5 proceedings after an obligor defaults.

6 **Sec. 16.10.830. Disposal of property acquired after default.** The department  
7 shall dispose of property acquired through default of a loan made under AS 16.10.801  
8 - 16.10.890. Disposal must be made in a manner that serves the best interest of the  
9 state and may include the amortization of payments over a period of years.

10 **Sec. 16.10.835. Waiver of confidentiality.** The commissioner may release  
11 information about the borrower's loan to any individual if release of the information  
12 has been authorized by the borrower.

13 **Sec. 16.10.890. Definitions.** In AS 16.10.801 - 16.10.890,

14 (1) "commissioner" means the commissioner of commerce,  
15 community, and economic development;

16 (2) "department" means the Department of Commerce, Community,  
17 and Economic Development.

18 **Article 14. Mariculture Revolving Loan Fund.**

19 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture  
20 revolving loan fund is created within the Department of Commerce, Community, and  
21 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

22 (b) The mariculture revolving loan fund consists of the following:

23 (1) money appropriated to, transferred to, or received by gift, grant,  
24 devise, bequest, or donation to the fund;

25 (2) principal and interest payments or other income earned on loans or  
26 investments of the fund; and

27 (3) money chargeable to principal or interest that is collected through  
28 liquidation by foreclosure or other process on loans made under AS 16.10.900 -  
29 16.10.945.

30 (c) Money in the fund may be used by the legislature to make appropriations  
31 for costs of administering AS 16.10.900 - 16.10.945.

1                   **Sec. 16.10.905. Powers and duties of the department.** The department may

2                   (1) make loans to eligible applicants under AS 16.10.900 - 16.10.945  
3 for the planning, construction, and operation of a mariculture business;

4                   (2) receive, take, hold, and administer any appropriation, transfer, gift,  
5 grant, bequest, devise, or donation of money for the fund;

6                   (3) establish amortization plans for repayment of loans, including  
7 extensions of the terms of loans;

8                   (4) allow an assumption of a loan if

9                                 (A) the applicant meets the requirements established under this  
10 section; and

11                                (B) approval of the assumption would be consistent with the  
12 purposes of AS 16.10.900 - 16.10.945;

13                   (5) establish the rate of interest for loans consistent with law;

14                   (6) charge and collect fees for services provided under AS 16.10.900 -  
15 16.10.945;

16                   (7) adopt regulations under AS 44.62 necessary to carry out the  
17 provisions of AS 16.10.900 - 16.10.945, including regulations to establish reasonable  
18 fees for services provided; and

19                   (8) designate agents and delegate powers as necessary to the agents.

20                   **Sec. 16.10.910. Eligibility.** (a) For an applicant to be eligible for a loan under  
21 AS 16.10.900 - 16.10.945, the applicant shall

22                               (1) be a resident of the state, as determined under (c) of this section;

23                               (2) have a permitted mariculture farm location in this state; and

24                               (3) have experience or training in the mariculture industry.

25                   (b) In addition to the requirements set out in (a) of this section, the applicant

26                               (1) may not be eligible for financing from other recognized  
27 commercial lending institutions; or

28                               (2) shall be able to obtain only a portion of the total loan request from  
29 a recognized commercial lending institution.

30                   (c) To meet the residency requirements of (a) of this section, the applicant

31                               (1) shall physically reside in this state and maintain a domicile in this

1 state during the 24 consecutive months preceding the date of application for the  
2 program; and

3 (2) may not have

4 (A) declared or established residency in another state; or

5 (B) received residency or a benefit based on residency from  
6 another state.

7 **Sec. 16.10.915. Limitations on loans.** (a) Except as provided in (b) and (c) of  
8 this section, a loan under AS 16.10.900 - 16.10.945

9 (1) may not exceed \$100,000 a year;

10 (2) may not exceed a term of 20 years, except for extensions under  
11 AS 16.10.905;

12 (3) may not bear interest at a rate greater than the prime rate, as  
13 defined in AS 44.88.599, plus one percentage point, but which may not be less than  
14 five percent a year and not more than nine percent a year;

15 (4) must be secured by a first priority lien on collateral acceptable to  
16 the department; and

17 (5) may not be made to a person who has a past due child support  
18 obligation established by court order or by the child support services agency under  
19 AS 25.27.160 - 25.27.220 at the time of application.

20 (b) Subsequent loans may be made to the borrower under AS 16.10.910 if the  
21 total of the balances outstanding on the loans received by the borrower does not  
22 exceed \$300,000.

23 (c) A loan under AS 16.10.910 may be made for the purchase of boats or  
24 vessels determined to be integral to the operation of the farm.

25 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may  
26 provide a reduction of the interest rate of not more than two percent if at least 50  
27 percent of the loan proceeds are used by the borrower for purchasing products  
28 manufactured or produced in the state. When the department offers a reduction under  
29 this subsection, the department shall provide the reduction to all loan applicants who  
30 meet the criterion described in this subsection. In this subsection, "manufactured or  
31 produced" means processing, developing, or making an item into a new item with a

1 distinct character and use.

2 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The  
3 department may not require the repayment of principal and interest on a loan made  
4 under AS 16.10.910 during the first six years of the loan. Interest on the principal of a  
5 loan made under AS 16.10.910 may be deferred for a period of not more than the first  
6 six years of the loan.

7 **Sec. 16.10.925. Default.** If the borrower defaults on a note, the department  
8 shall notify the borrower of the default and the consequences of default by mailing a  
9 notice to the borrower's most recent address provided to the department by the  
10 borrower or obtained by the department.

11 **Sec. 16.10.930. Special account established.** (a) The foreclosure expense  
12 account is established as a special account in the mariculture revolving loan fund.

13 (b) The department may expend money credited to the foreclosure expense  
14 account when necessary to protect the state's security interest in collateral on loans  
15 granted under AS 16.10.910 or to defray expenses incurred during foreclosure  
16 proceedings after an obligor defaults.

17 **Sec. 16.10.935. Disposal of property acquired after default.** The department  
18 shall dispose of property acquired through default of a loan made under AS 16.10.900  
19 - 16.10.945. Disposal must be made in a manner that serves the best interest of the  
20 state and may include the amortization of payments over a period of years.

21 **Sec. 16.10.940. Waiver of confidentiality.** The commissioner may release  
22 information about the borrower's loan to any individual if release of the information  
23 has been authorized by the borrower.

24 **Sec. 16.10.945. Definitions.** In AS 16.10.900 - 16.10.945,

25 (1) "commissioner" means the commissioner of commerce,  
26 community, and economic development;

27 (2) "department" means the Department of Commerce, Community,  
28 and Economic Development;

29 (3) "mariculture" means the farming of shellfish and aquatic plants as  
30 defined in AS 16.40.199.

31 \* **Sec. 2.** AS 44.33 is amended by adding new sections to read:

1 **Article 15. Alaska Microloan Revolving Loan Fund.**

2 **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska  
3 microloan revolving loan fund is created in the Department of Commerce,  
4 Community, and Economic Development to carry out the purposes of AS 44.33.950 -  
5 44.33.990.

6 (b) The Alaska microloan revolving loan fund consists of the following:

7 (1) money appropriated to, transferred to, or received by gift, grant,  
8 devise, bequest, or donation to the fund;

9 (2) principal and interest payments or other income earned on loans or  
10 investments of the fund;

11 (3) money chargeable to principal or interest that is collected through  
12 liquidation by foreclosure or other process on loans made under AS 44.33.950 -  
13 44.33.990.

14 (c) Money in the fund may be used by the legislature to make appropriations  
15 for costs of administering AS 44.33.950 - 44.33.990.

16 **Sec. 44.33.955. Powers and duties of the department.** The department may

17 (1) make loans to eligible applicants under AS 44.33.950 - 44.33.990  
18 to be used for working capital, equipment, construction, or other commercial purposes  
19 by a business located in the state;

20 (2) receive, take, hold, and administer any appropriation, transfer, gift,  
21 grant, bequest, devise, or donation of money for the fund;

22 (3) establish amortization plans for repayment of loans, including  
23 extensions of the terms of loans;

24 (4) allow an assumption of a loan if

25 (A) the applicant meets the requirements established under this  
26 section; and

27 (B) approval of the assumption would be consistent with the  
28 purposes of AS 44.33.950 - 44.33.990;

29 (5) establish the rate of interest for loans consistent with law;

30 (6) charge and collect fees for services provided under AS 44.33.950 -  
31 44.33.990;

1 (7) adopt regulations under AS 44.62 necessary to carry out the  
 2 provisions of AS 44.33.950 - 44.33.990, including regulations to establish reasonable  
 3 fees for services provided; and

4 (8) designate agents and delegate powers as necessary to the agents.

5 **Sec. 44.33.960. Eligibility.** (a) For an applicant to be eligible for a loan under  
 6 AS 44.33.950 - 44.33.990, the applicant shall

7 (1) be a resident of the state, as determined under (b) of this section;

8 (2) provide a reasonable amount of money from other nonstate sources  
 9 for use on any project or enterprise for which money from a loan will be used; and

10 (3) if the requested loan amount is \$35,000 or more, provide to the  
 11 department a document from a state financial institution stating that

12 (A) the applicant has been denied a loan for the same purpose;

13 or

14 (B) a loan from the financial institution is contingent on the  
 15 applicant also receiving a loan from the fund.

16 (b) To meet the residency requirements of (a) of this section, the applicant

17 (1) shall physically reside in this state and maintain a domicile in this  
 18 state during the 12 consecutive months preceding the date of application for the  
 19 program; and

20 (2) may not have

21 (A) declared or established residency in another state; or

22 (B) received residency or a benefit based on residency from  
 23 another state.

24 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money  
 25 from the Alaska microloan revolving loan fund to make loans of up to \$35,000 to a  
 26 person or loans of up to \$70,000 to two or more persons.

27 (b) A loan under AS 44.33.950 - 44.33.990

28 (1) may not exceed a term of six years, except for extensions under  
 29 AS 44.33.955;

30 (2) may not bear interest at a rate greater than the prime rate, as  
 31 defined in AS 44.88.599, plus one percentage point but which may not be less than six

1 percent a year and not more than eight percent a year;

2 (3) must be secured by collateral acceptable to the commissioner; and

3 (4) may not be made to a person who has a past due child support  
4 obligation established by court order or by the child support services agency under  
5 AS 25.27.160 - 25.27.220 at the time of application.

6 **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
7 account is established as a special account in the Alaska microloan revolving loan  
8 fund.

9 (b) The department may expend money credited to the foreclosure expense  
10 account when necessary to protect the state's security interest in collateral on loans  
11 granted under AS 44.33.960 or to defray expenses incurred during foreclosure  
12 proceedings after an obligor defaults.

13 **Sec. 44.33.975. Default.** If the borrower defaults on a note, the department  
14 shall notify the borrower of the default and the consequences of default by mailing a  
15 notice to the borrower's most recent address provided to the department by the  
16 borrower or obtained by the department.

17 **Sec. 44.33.980. Disposal of property acquired after default.** The department  
18 shall dispose of property acquired through default of a loan made under AS 44.33.950  
19 - 44.33.990. Disposal must be made in a manner that serves the best interest of the  
20 state and may include the amortization of payments over a period of years.

21 **Sec. 44.33.990. Definitions.** In AS 44.33.950 - 44.33.990,

22 (1) "commissioner" means the commissioner of commerce,  
23 community, and economic development;

24 (2) "department" means the Department of Commerce, Community,  
25 and Economic Development.

26 \* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

*Adopted  
4/4/11*

27-GH1728\X  
Kane  
4/1/11

**CS FOR HOUSE BILL NO. 121(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act establishing the commercial charter fisheries revolving loan fund, the  
2 mariculture revolving loan fund, and the Alaska microloan revolving loan fund and  
3 relating to those funds and loans from those funds; and providing for an effective date."

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

5 \* **Section 1.** AS 16.10 is amended by adding new sections to read:

6 **Article 13. Commercial Charter Fisheries Revolving Loan Fund.**

7 **Sec. 16.10.801. Commercial charter fisheries revolving loan fund.** (a) The  
8 commercial charter fisheries revolving loan fund is created in the Department of  
9 Commerce, Community, and Economic Development to carry out the purposes of  
10 AS 16.10.801 - 16.10.890.

11 (b) The commercial charter fisheries revolving loan fund consists of the  
12 following:

13 (1) money appropriated to, transferred to, or received by gift, grant,  
14 devise, bequest, or donation to the fund;

1 (2) principal and interest payments or other income earned on loans or  
2 investments of the fund;

3 (3) money chargeable to principal or interest that is collected through  
4 liquidation by foreclosure or other process on loans made under AS 16.10.801 -  
5 16.10.890.

6 (c) Money in the fund may be used by the legislature to make appropriations  
7 for costs of administering AS 16.10.801 - 16.10.890.

8 **Sec. 16.10.805. Powers and duties of the department.** The department may

9 (1) make loans to eligible applicants under AS 16.10.801 - 16.10.890

10 (A) for the purchase of charter halibut permits;

11 (B) for the purchase or construction of a charter halibut fishing  
12 vessel;

13 (C) to upgrade existing charter halibut fishing vessels and gear  
14 for the purpose of improving engine fuel efficiency;

15 (D) to refinance debt obligations made by other lenders more  
16 than 12 months before the department received the loan application and  
17 incurred by an applicant for the purchase of charter halibut fishing vessels or  
18 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -  
19 16.10.890; the department may collect a refinancing loan origination charge as  
20 provided by regulation;

21 (2) receive, take, hold, and administer any appropriation, transfer, gift,  
22 grant, bequest, devise, or donation of money for the fund;

23 (3) establish amortization plans for repayment of loans, including  
24 extensions of the terms of loans;

25 (4) allow an assumption of a loan if

26 (A) the applicant meets the requirements established under this  
27 section; and

28 (B) approval of the assumption would be consistent with the  
29 purposes of AS 16.10.801 - 16.10.890;

30 (5) establish the rate of interest for loans consistent with law;

31 (6) charge and collect fees for services provided under AS 16.10.801 -

1 16.10.890;

2 (7) adopt regulations under AS 44.62 necessary to carry out the  
3 provisions of AS 16.10.801 - 16.10.890, including regulations to establish reasonable  
4 fees for services provided; and

5 (8) designate agents and delegate powers as necessary to the agents.

6 **Sec. 16.10.810. Eligibility.** (a) For an applicant to be eligible for a loan under  
7 AS 16.10.801 - 16.10.890, the applicant shall be a resident of the state, as determined  
8 under (c) of this section, and shall

9 (1) qualify for the purchase of a charter halibut permit under applicable  
10 law;

11 (2) qualify as a transferee for a charter halibut permit under applicable  
12 law;

13 (3) purchase or construct a charter halibut fishing vessel; or

14 (4) upgrade an existing charter halibut fishing vessel or gear for the  
15 purpose of improving engine fuel efficiency.

16 (b) In addition to the requirements set out in (a) of this section, the applicant  
17 must provide to the department a document from a state financial institution stating  
18 that

19 (1) the applicant has been denied a loan for the same purpose; or

20 (2) a loan from the financial institution is contingent on the applicant  
21 also receiving a loan from the fund.

22 (c) To meet the residency requirements of (a) of this section, the applicant

23 (1) shall physically reside in this state and maintain a domicile in this  
24 state during the 24 consecutive months preceding the date of application for the  
25 program; and

26 (2) may not have

27 (A) declared or established residency in another state; or

28 (B) received residency or a benefit based on residency from  
29 another state.

30 **Sec. 16.10.815. Limitations on loans.** (a) Except as provided in (b) of this  
31 section, a loan under AS 16.10.801 - 16.10.890

- 1 (1) may not exceed \$100,000 a year;
- 2 (2) may not exceed a term of 15 years, except for extensions under  
3 AS 16.10.805;
- 4 (3) may not bear interest at a rate greater than the prime rate, as  
5 defined in AS 44.88.599, plus two percentage points, but which may not be less than  
6 six percent per year and not more than 10 1/2 percent a year;
- 7 (4) must be secured by a first priority lien on collateral acceptable to  
8 the commissioner; and
- 9 (5) may not be made to a person who has a past due child support  
10 obligation established by court order or by the child support services agency under  
11 AS 25.27.160 - 25.27.220 at the time of application.

12 (b) The interest rate for loans for the improvement of engine fuel efficiency  
13 must be two percentage points below the prime rate, as defined in AS 44.88.599, but  
14 may not be less than six percent a year and not more than 10 1/2 percent a year.

15 (c) The total balances outstanding on loans made to a borrower under  
16 AS 16.10.805 may not exceed \$200,000.

17 (d) After the initial interest rate is set under (a) or (b) of this section for a loan  
18 made under AS 16.10.801 - 16.10.890, the department may provide a reduction of the  
19 interest rate of not more than two percent if at least 50 percent of the loan proceeds are  
20 used by the borrower for engine fuel efficiency improvements if the upgrades use  
21 products manufactured or produced in the state. When the department offers a  
22 reduction under this subsection, the department shall provide the reduction to all loan  
23 applicants who meet the criterion described in this subsection. In this subsection,  
24 "manufactured or produced" means processing, developing, or making an item into a  
25 new item with a distinct character and use.

26 **Sec. 16.10.820. Default.** If the borrower defaults on a note, the department  
27 shall notify the borrower of the default and the consequences of default by mailing a  
28 notice to the borrower's most recent address provided to the department by the  
29 borrower or obtained by the department.

30 **Sec. 16.10.825. Special account established.** (a) The foreclosure expense  
31 account is established as a special account within the commercial charter fisheries

1 revolving loan fund.

2 (b) The department may expend money credited to the foreclosure expense  
3 account when necessary to protect the state's security interest in collateral on loans  
4 granted under AS 16.10.815 or to defray expenses incurred during foreclosure  
5 proceedings after an obligor defaults.

6 **Sec. 16.10.830. Disposal of property acquired after default.** The department  
7 shall dispose of property acquired through default of a loan made under AS 16.10.801  
8 - 16.10.890. Disposal must be made in a manner that serves the best interest of the  
9 state and may include the amortization of payments over a period of years.

10 **Sec. 16.10.835. Waiver of confidentiality.** The commissioner may release  
11 information about the borrower's loan to any individual if release of the information  
12 has been authorized by the borrower.

13 **Sec. 16.10.890. Definitions.** In AS 16.10.801 - 16.10.890,

14 (1) "commissioner" means the commissioner of commerce,  
15 community, and economic development;

16 (2) "department" means the Department of Commerce, Community,  
17 and Economic Development.

#### 18 **Article 14. Mariculture Revolving Loan Fund.**

19 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture  
20 revolving loan fund is created within the Department of Commerce, Community, and  
21 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

22 (b) The mariculture revolving loan fund consists of the following:

23 (1) money appropriated to, transferred to, or received by gift, grant,  
24 devise, bequest, or donation to the fund;

25 (2) principal and interest payments or other income earned on loans or  
26 investments of the fund; and

27 (3) money chargeable to principal or interest that is collected through  
28 liquidation by foreclosure or other process on loans made under AS 16.10.900 -  
29 16.10.945.

30 (c) Money in the fund may be used by the legislature to make appropriations  
31 for costs of administering AS 16.10.900 - 16.10.945.

1                   **Sec. 16.10.905. Powers and duties of the department.** The department may

2                   (1) make loans to eligible applicants under AS 16.10.900 - 16.10.945  
3 for the planning, construction, and operation of a mariculture business;

4                   (2) receive, take, hold, and administer any appropriation, transfer, gift,  
5 grant, bequest, devise, or donation of money for the fund;

6                   (3) establish amortization plans for repayment of loans, including  
7 extensions of the terms of loans;

8                   (4) allow an assumption of a loan if

9                   (A) the applicant meets the requirements established under this  
10 section; and

11                   (B) approval of the assumption would be consistent with the  
12 purposes of AS 16.10.900 - 16.10.945;

13                   (5) establish the rate of interest for loans consistent with law;

14                   (6) charge and collect fees for services provided under AS 16.10.900 -  
15 16.10.945;

16                   (7) adopt regulations under AS 44.62 necessary to carry out the  
17 provisions of AS 16.10.900 - 16.10.945, including regulations to establish reasonable  
18 fees for services provided; and

19                   (8) designate agents and delegate powers as necessary to the agents.

20                   **Sec. 16.10.910. Eligibility.** (a) For an applicant to be eligible for a loan under  
21 AS 16.10.900 - 16.10.945, the applicant shall

22                   (1) be a resident of the state, as determined under (c) of this section;

23                   (2) have a permitted mariculture farm location in this state; and

24                   (3) have experience or training in the mariculture industry.

25                   (b) In addition to the requirements set out in (a) of this section, the applicant

26                   (1) may not be eligible for financing from other recognized  
27 commercial lending institutions; or

28                   (2) shall be able to obtain only a portion of the total loan request from  
29 a recognized commercial lending institution.

30                   (c) To meet the residency requirements of (a) of this section, the applicant

31                   (1) shall physically reside in this state and maintain a domicile in this

1 state during the 24 consecutive months preceding the date of application for the  
2 program; and

3 (2) may not have

4 (A) declared or established residency in another state; or

5 (B) received residency or a benefit based on residency from  
6 another state.

7 **Sec. 16.10.915. Limitations on loans.** (a) Except as provided in (b) and (c) of  
8 this section, a loan under AS 16.10.900 - 16.10.945

9 (1) may not exceed \$100,000 a year;

10 (2) may not exceed a term of 20 years, except for extensions under  
11 AS 16.10.905;

12 (3) may not bear interest at a rate greater than the prime rate, as  
13 defined in AS 44.88.599, plus one percentage point, but which may not be less than  
14 five percent a year and not more than nine percent a year;

15 (4) must be secured by a first priority lien on collateral acceptable to  
16 the department; and

17 (5) may not be made to a person who has a past due child support  
18 obligation established by court order or by the child support services agency under  
19 AS 25.27.160 - 25.27.220 at the time of application.

20 (b) Subsequent loans may be made to the borrower under AS 16.10.910 if the  
21 total of the balances outstanding on the loans received by the borrower does not  
22 exceed \$300,000.

23 (c) A loan under AS 16.10.910 may be made for the purchase of boats or  
24 vessels determined to be integral to the operation of the farm.

25 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may  
26 provide a reduction of the interest rate of not more than two percent if at least 50  
27 percent of the loan proceeds are used by the borrower for purchasing products  
28 manufactured or produced in the state. When the department offers a reduction under  
29 this subsection, the department shall provide the reduction to all loan applicants who  
30 meet the criterion described in this subsection. In this subsection, "manufactured or  
31 produced" means processing, developing, or making an item into a new item with a

1 distinct character and use.

2 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The  
3 department may not require the repayment of principal and interest on a loan made  
4 under AS 16.10.910 during the first six years of the loan. Interest on the principal of a  
5 loan made under AS 16.10.910 may be deferred for a period of not more than the first  
6 six years of the loan.

7 **Sec. 16.10.925. Default.** If the borrower defaults on a note, the department  
8 shall notify the borrower of the default and the consequences of default by mailing a  
9 notice to the borrower's most recent address provided to the department by the  
10 borrower or obtained by the department.

11 **Sec. 16.10.930. Special account established.** (a) The foreclosure expense  
12 account is established as a special account in the mariculture revolving loan fund.

13 (b) The department may expend money credited to the foreclosure expense  
14 account when necessary to protect the state's security interest in collateral on loans  
15 granted under AS 16.10.910 or to defray expenses incurred during foreclosure  
16 proceedings after an obligor defaults.

17 **Sec. 16.10.935. Disposal of property acquired after default.** The department  
18 shall dispose of property acquired through default of a loan made under AS 16.10.900  
19 - 16.10.945. Disposal must be made in a manner that serves the best interest of the  
20 state and may include the amortization of payments over a period of years.

21 **Sec. 16.10.940. Waiver of confidentiality.** The commissioner may release  
22 information about the borrower's loan to any individual if release of the information  
23 has been authorized by the borrower.

24 **Sec. 16.10.945. Definitions.** In AS 16.10.900 - 16.10.945,

25 (1) "commissioner" means the commissioner of commerce,  
26 community, and economic development;

27 (2) "department" means the Department of Commerce, Community,  
28 and Economic Development;

29 (3) "mariculture" means the farming of shellfish and aquatic plants as  
30 defined in AS 16.40.199.

31 \* **Sec. 2.** AS 44.33 is amended by adding new sections to read:

1                   **Article 15. Alaska Microloan Revolving Loan Fund.**

2                   **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska  
3 microloan revolving loan fund is created in the Department of Commerce,  
4 Community, and Economic Development to carry out the purposes of AS 44.33.950 -  
5 44.33.990.

6                   (b) The Alaska microloan revolving loan fund consists of the following:

7                               (1) money appropriated to, transferred to, or received by gift, grant,  
8 devise, bequest, or donation to the fund;

9                               (2) principal and interest payments or other income earned on loans or  
10 investments of the fund;

11                              (3) money chargeable to principal or interest that is collected through  
12 liquidation by foreclosure or other process on loans made under AS 44.33.950 -  
13 44.33.990.

14                   (c) Money in the fund may be used by the legislature to make appropriations  
15 for costs of administering AS 44.33.950 - 44.33.990.

16                   **Sec. 44.33.955. Powers and duties of the department.** The department may

17                              (1) make loans to eligible applicants under AS 44.33.950 - 44.33.990  
18 to be used for working capital, equipment, construction, or other commercial purposes  
19 by a business located in the state;

20                              (2) receive, take, hold, and administer any appropriation, transfer, gift,  
21 grant, bequest, devise, or donation of money for the fund;

22                              (3) establish amortization plans for repayment of loans, including  
23 extensions of the terms of loans;

24                              (4) allow an assumption of a loan if

25                                      (A) the applicant meets the requirements established under this  
26 section; and

27                                      (B) approval of the assumption would be consistent with the  
28 purposes of AS 44.33.950 - 44.33.990;

29                              (5) establish the rate of interest for loans consistent with law;

30                              (6) charge and collect fees for services provided under AS 44.33.950 -  
31 44.33.990;

1 (7) adopt regulations under AS 44.62 necessary to carry out the  
2 provisions of AS 44.33.950 - 44.33.990, including regulations to establish reasonable  
3 fees for services provided; and

4 (8) designate agents and delegate powers as necessary to the agents.

5 **Sec. 44.33.960. Eligibility.** (a) For an applicant to be eligible for a loan under  
6 AS 44.33.950 - 44.33.990, the applicant shall

7 (1) be a resident of the state, as determined under (b) of this section;

8 (2) provide a reasonable amount of money from other nonstate sources  
9 for use on any project or enterprise for which money from a loan will be used; and

10 (3) if the requested loan amount is \$35,000 or more, provide to the  
11 department a document from a state financial institution stating that

12 (A) the applicant has been denied a loan for the same purpose;

13 or

14 (B) a loan from the financial institution is contingent on the  
15 applicant also receiving a loan from the fund.

16 (b) To meet the residency requirements of (a) of this section, the applicant

17 (1) shall physically reside in this state and maintain a domicile in this  
18 state during the 12 consecutive months preceding the date of application for the  
19 program; and

20 (2) may not have

21 (A) declared or established residency in another state; or

22 (B) received residency or a benefit based on residency from  
23 another state.

24 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money  
25 from the Alaska microloan revolving loan fund to make loans of up to \$35,000 to a  
26 person or loans of up to \$70,000 to two or more persons.

27 (b) A loan under AS 44.33.950 - 44.33.990

28 (1) may not exceed a term of six years, except for extensions under  
29 AS 44.33.955;

30 (2) may not bear interest at a rate greater than the prime rate, as  
31 defined in AS 44.88.599, plus one percentage point but which may not be less than six

1 percent a year and not more than eight percent a year;

2 (3) must be secured by collateral acceptable to the commissioner; and

3 (4) may not be made to a person who has a past due child support  
4 obligation established by court order or by the child support services agency under  
5 AS 25.27.160 - 25.27.220 at the time of application.

6 **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
7 account is established as a special account in the Alaska microloan revolving loan  
8 fund.

9 (b) The department may expend money credited to the foreclosure expense  
10 account when necessary to protect the state's security interest in collateral on loans  
11 granted under AS 44.33.960 or to defray expenses incurred during foreclosure  
12 proceedings after an obligor defaults.

13 **Sec. 44.33.975. Default.** If the borrower defaults on a note, the department  
14 shall notify the borrower of the default and the consequences of default by mailing a  
15 notice to the borrower's most recent address provided to the department by the  
16 borrower or obtained by the department.

17 **Sec. 44.33.980. Disposal of property acquired after default.** The department  
18 shall dispose of property acquired through default of a loan made under AS 44.33.950  
19 - 44.33.990. Disposal must be made in a manner that serves the best interest of the  
20 state and may include the amortization of payments over a period of years.

21 **Sec. 44.33.990. Definitions.** In AS 44.33.950 - 44.33.990,

22 (1) "commissioner" means the commissioner of commerce,  
23 community, and economic development;

24 (2) "department" means the Department of Commerce, Community,  
25 and Economic Development.

26 \* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSHB121(FSH)  
 () Publish Date \_\_\_\_\_

Identifier (file name) HB121-CCED-DED-03-25-11 Dept. Affected \_\_\_\_\_ Fund Transfer \_\_\_\_\_  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Sponsor Rules Committee Allocation Com Charter Fisheries (RLF)  
 Requester House Finance OMB Component Number 255

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous	3,000.0							
<b>TOTAL OPERATING</b>	<b>3,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	3,000.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>3,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimate of any current year (FY2011) cost**

**POSITIONS**

Full-time							
Part-time							
Temporary							

*Amended by FIN to increase to 29M*

**Why this fiscal note differs from previous version**

This fiscal note reduces capitalization from \_\_\_\_\_ as such \_\_\_\_\_ on of funding source.

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 3/25/11 6:50 PM  
 Date 3/26/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB121(FSH)

**Analysis**

Commercial Charter Fisheries Revolving Loan Fund - Administered by the Division of Economic Development, this loan fund would be substantially similar to the Commercial Fishing Loan Fund. Initial capitalization would be \$3 million.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 2  
 Bill Version CSHB 121(FSH)  
 (H) Publish Date 2/25/11

Identifier (file name) HB121-CCED-DED-02-03-11 Dept. Affected DCCED  
 Title Economic Development Loans Appropriation Economic Development  
 Allocation Economic Development  
 Sponsor Rules Committee  
 Requester House Fisheries OMB Component Number 801

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services	124.8		124.8	124.8	124.8	124.8	124.8	124.8
Travel	10.0		10.0	10.0	10.0	10.0	10.0	10.0
Services	28.4		28.4	28.4	28.4	28.4	28.4	28.4
Commodities	1.0		1.0	1.0	1.0	1.0	1.0	1.0
Capital Outlay	4.8		0.5	0.5	0.5	0.5	0.5	0.5
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>169.0</b>	<b>0.0</b>	<b>164.7</b>	<b>164.7</b>	<b>164.7</b>	<b>164.7</b>	<b>164.7</b>	<b>164.7</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1178 Micro-Loan Fund (RLF) (New)	84.5							
1178 Com Charter Fisheries Fund RLF (N	84.5							
Other (please identify)								
<b>TOTAL</b>	<b>169.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time	2.0		2	2	2	2	2	2
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 2/8/11 8:30 AM  
 Date 2/8/2011

FISCAL NOTE #2

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB 121(FSH)

**Analysis**

Commercial Charter Fisheries Revolving Loan Fund - Operating expenses would be paid by the earnings of the fund, as is the case with other existing division loan funds. The cost projections that are provided include personal services for an Accounting Technician I position, with initial first year set-up expenses (supplies and equipment, a projected "per employee" annual contractual services cost with all of these costs projected through 2017. In addition to these expenses, existing division staff would conduct several outreach trips to promote the loan fund and prepare the necessary regulations.

Alaska Micro-loan Revolving Loan Fund - All operating expenses would be paid from earnings of the fund. Projected operating expenses are: personal services for one flexed Loan Closer I/II, with initial first year set-up expenses (supplies and equipment), a projected "per employee" annual contractual services cost, with all of these costs projected through 2017. In addition to these expenses, existing division staff would conduct several outreach trips to promote the loan fund and prepare the necessary regulations.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 3  
 Bill Version CSHB 121(FSH)  
 (H) Publish Date 2/25/11

Identifier (file name) HB121-CCED-DED-02-03-11 Dept. Affected Fund Transfer  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Sponsor Rules Committee Allocation Micro-Loan Fund (RLF)  
 Requester House Fisheries OMB Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF		3,500.0						
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>		<b>3,500.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Replaced

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 2/3/11 1:45 PM  
 Date 2/4/2011

FISCAL NOTE #3

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB 121(FSH)

**Analysis**

Alaska Micro-loan Revolving Loan Fund - This loan program would provide short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment and inventory and leasehold improvements. The initial capitalization would be \$3.5 million.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 4  
 Bill Version CSHB 121(FSH)  
 (H) Publish Date 2/25/11

Identifier (file name) HB121-CCED-DED-02-03-11 Dept. Affected Fund Transfer  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Allocation Com Charter Fisheries (RLF)  
 Sponsor Rules Committee  
 Requester House Fisheries OMB Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	5,000.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>5,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 2/8/11 8:35 AM  
 Date 2/8/2011

FISCAL NOTE #4

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB 121(FSH)

**Analysis**

Commercial Charter Fisheries Revolving Loan Fund - Administered by the Division of Economic Development, this loan fund would be substantially similar to the Commercial Fishing Loan Fund. Initial capitalization would be \$5 million.

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 5  
 Bill Version CSHB 121(FSH)  
 (H) Publish Date 2/25/11

Identifier (file name) HB121-CCED-DED-02-03-11 Dept. Affected Fund Transfer  
 Title Economic Development Loans Appropriation Op Sys DGF Transfers  
 Allocation Shellfish Mariculture (RLF)  
 Sponsor Rules Committee  
 Requester House Fisheries OMB Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>								
---------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	3,000.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
<b>TOTAL</b>	<b>3,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Prepared by Wanetta Ayers, Division Director  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 269-4048  
 Date/Time 2/8/11 8:30 AM  
 Date 2/8/2011

FISCAL NOTE #5

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSHB 121(FSH)

**Analysis**

Shellfish Mariculture Revolving Loan Fund - This loan fund will assist shellfish mariculture businesses in purchasing equipment and seed necessary to develop and grow. Initial capitalization would be \$3 million. There are no anticipated additional operating costs for this loan fund.

Alaska State Legislature  
HOUSE FINANCE COMMITTEE

Agenda  
1:30 PM

Monday, April 4, 2011

HB 142-PRESUMPTION AGIA PROJECT IS UNECONOMICAL

*Bills Previously Heard or Scheduled*

HB 121 LOAN FUNDS:CHARTERS/MARICULTURE/  
MICROLOAN

STATE CAPITOL  
PO Box 110001  
Juneau, Alaska 99811-0001  
907-465-3500  
fax: 907-465-3532



550 West 7th Avenue #1700  
Anchorage, Alaska 99501  
907-269-7450  
fax 907-269-7463  
[www.Gov.Alaska.Gov](http://www.Gov.Alaska.Gov)  
[Governor@Alaska.Gov](mailto:Governor@Alaska.Gov)

Governor Sean Parnell  
STATE OF ALASKA

January 21, 2011

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska microloan revolving loan fund, the mariculture revolving loan fund, and the commercial charter fisheries revolving loan fund, and relating to those funds.

This bill would create the Alaska microloan revolving loan fund, the mariculture revolving loan fund, and the commercial charter fisheries revolving loan fund, within the Department of Commerce, Community, and Economic Development. Structured as revolving loan funds, all earnings and loan payments would be retained by the funds for future loans. All operating expenses would also be paid from earnings of the fund.

This legislation will promote economic development in Alaska by helping small businesses access critical capital. The Alaska Microloans are modeled after a program currently operated through the federal Small Business Administration (SBA) and available in almost every other state to provide small, short term loans to small businesses. This federal program, however, is currently unavailable in Alaska because an intermediary lender is required. To date no lenders meeting the SBA's qualifications have been identified in Alaska.

A critical sector of Alaska's coastal economy is mariculture. Currently, access to start-up capital by Alaska's mariculturists is extremely limited because of the time needed for crop development and market readiness. Due to the unique cash flow characteristics inherent in the industry, access to capital with flexible terms is essential. This legislation will promote economic development, allow the industry to expand, and successfully compete in world seafood markets.

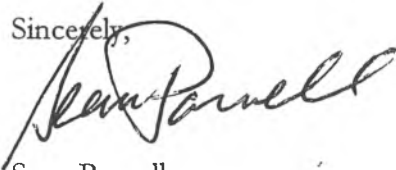
On January 5, 2010, the North Pacific Fisheries Management Council published a final rule implementing a halibut charter fisheries limited entry program. Based on past fishing history, it is expected that 40 percent of those applying for the permit, will be

The Honorable Mike Chenault  
January 21, 2011  
Page 2

denied under NOAA's restrictions, escalating permit prices. In an effort to make financing available to Alaskans for the purchase of halibut charter permits, a new loan fund has been developed that is similar to the highly successful commercial fishing revolving loan fund (AS 16.10.340). This will ensure those valuable permits remain in Alaskans' hands.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink, appearing to read "Sean Parnell". The signature is written in a cursive style with a large, stylized initial "S".

Sean Parnell  
Governor

Enclosure



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

*Sean Parnell, Governor*  
*Susan K. Bell, Commissioner*

Office of the Commissioner

## CS for House Bill 121

### Sectional Analysis

**Section 1.** Amends AS 16.10.320 by adding a new subsection:

This section would allow the Department of Commerce, Community, and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of the loan is spent on a product produced or manufactured in the State of Alaska.

**Section 2.** Amends AS 16.10 by adding new sections:

16.10.801 – Commercial charter fisheries revolving loan fund

This section creates a revolving loan fund for commercial charter fisheries within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or received by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

16.10.805 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the commercial charter fisheries loan fund.

16.10.810 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a commercial fisheries loan. Some of the requirements the applicant must meet are being a resident of the state; qualify for the purchase of a charter halibut permit; purchase, construct, or upgrade an existing charter halibut fishing vessel; and must not be eligible for financing or only able to obtain a portion of the total loan from a recognized commercial lending institution.

16.10.815 – Limitations on loans

This section outlines the limits on the commercial fisheries loans. Some of the limitations are that the loan may not exceed \$100,000; may not exceed a term of 15 years; may not be made to a person who has past due child support obligations.

16.10.820 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

16.10.825 – Special account established

This section establishes a special account within the commercial charter fisheries revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

16.10.830 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

P.O. Box 110800, Juneau, Alaska 99811-0800  
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437  
Email: [questions@alaska.gov](mailto:questions@alaska.gov) Website: <http://www.commerce.alaska.gov/>

16.10.835 – Waiver of confidentiality

This section states that the commissioner of Commerce, Community and Economic Development may release information about the borrower's loan if the borrower has given authorization to do so.

16.10.890 – Definitions

This section defines commissioner and department to be from Commerce, Community and Economic Development.

16.10.900 – Mariculture revolving loan fund

This section creates a mariculture revolving loan fund within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or received by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

16.10.905 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the mariculture revolving loan fund.

16.10.910 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a mariculture revolving loan. Some of the requirements the applicant must meet are being a resident of the state; have a permitted mariculture farm location in the state; have one year of experience/training in the mariculture industry; and must not be eligible for financing or only able to obtain a portion of the total loan from a recognized commercial lending institution.

16.10.915 – Limitations on loans

This section outlines the limits on the mariculture revolving loans. Some of the limitations are that the loan may not exceed \$100,000; may not exceed a term of 20 years; and may not be made to a person who has past due child support obligations.

16.10.920 – Repayment of principal and interest on loans

This section states that the department may not require the repayment of the principal on the loan for six years from the date the loan is made.

16.10.925 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

16.10.930 – Special account established

This section establishes a special account within the mariculture revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

16.10.935 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

16.10.940 – Waiver of confidentiality

This section states that the commissioner of Commerce, Community and Economic Development may release information about the borrower's loan if the borrower has given authorization to do so.

16.10.945 – Definitions

This section defines commissioner and department to be from Commerce, Community and Economic Development and also defined mariculture as the farming of shellfish, echinoderms, seaweeds, and algae.

**Section 3.** Amends AS 44.33 by adding new sections:

44.33.950 – Alaska microloan revolving loan fund

This section creates a microloan revolving loan fund within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or receive by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

44.33.955 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the microloan revolving loan fund.

44.33.960 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a microloan revolving loan. The requirements the applicant must meet are being a resident of the state and provide a reasonable amount of money from other non-state sources for use on any project the loan money will be used.

44.33.965 – Limitations on loans

This section outlines the limits on the microloan revolving loans. The department may use money from this fund to make loans of up to \$35,000 to a person, or loans of up to \$70,000 to two or more persons. The loans may not exceed a term of six years and may not be made to a person who has past due child support obligations.

44.33.970 – Special account established

This section establishes a special account within the Alaska microloan revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

44.33.975 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

44.33.980 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

44.33.990 – Definitions

This section defines commissioner and department to be Commerce, Community and Economic Development.

**Section 4.** Amends the Uncodified law of the State of Alaska

Adds a new section that state the Department of Commerce, Community and Economic Development may adopt regulations to implement this Act

**Section 5.** Effective date clause

Immediate effective date

*Prepared by: Crystal Koeneman  
Department: CCED  
Phone: 465.2503  
e-mail: [crystal.koeneman@alaska.gov](mailto:crystal.koeneman@alaska.gov)*



STATE OF ALASKA  
DEPARTMENT OF  
**COMMERCE**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

Office of the Commissioner

*Sean Parnell, Governor*  
*Susan K. Bell, Commissioner*

February 16, 2011

Representative Bill Stoltze, Co-Chair  
House Finance Committee  
State Capitol, Room 515  
Juneau, Alaska 99801

Representative Bill Thomas, Co-Chair  
House Finance Committee  
State Capitol, Room 505  
Juneau, Alaska 99801

Re: House Bill 121 – Loan Funds: Charter/Mariculture/Microloan

Dear Representatives Stoltze and Thomas,

Please accept this request for your consideration to schedule House Bill 121 before the House Finance Committee (pending referral) at your earliest convenience.

This bill would create the Alaska microloan revolving loan program, the mariculture revolving loan fund, and the commercial charter fisheries revolving loan fund, within the Department of Commerce, Community, and Economic Development. The programs would be set up as revolving loan funds so that all earnings and loan payments would be retained by the funds for future loans. All operating expenses would also be paid from earnings of the fund. This bill also allows the Department of Commerce, Community, and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of the loan is spent on a product produced or manufactured in the State of Alaska.

This legislation will promote economic development in Alaska by helping small businesses access critically needed capital, a new loan program has been developed that is modeled after a program currently operated through the federal Small Business Administration (SBA) and available in every other state. The SBA program, known as the Microloan Program, provides small, short-term loans to small businesses. This federal program, however, is not currently available in Alaska because an intermediary lender is required and to date no lenders meeting the SBA's qualifications have been identified in Alaska.

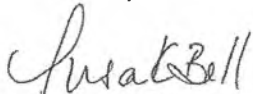
This legislation will promote economic development by providing Alaska's mariculture industry with critically needed access to capital allowing the industry to expand and successfully compete in world seafood markets. Currently access to start-up capital by Alaska's mariculturists is very limited due to the time needed for crop development and market readiness. It has been determined that due to the unique cash flow characteristics inherent in the industry access to capital with flexible terms is essential.

P.O. Box 110800, Juneau, Alaska 99811-0800  
Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437  
Email: [questions@alaska.gov](mailto:questions@alaska.gov) Website: <http://www.commerce.alaska.gov/>

Additionally, on January 5, 2010 the North Pacific Fisheries Management Council published a final rule implementing a halibut charter fisheries limited entry program. It is expected that 40% of those captains applying for the permit based on past fishing history will be denied under NOAA's restrictions. This has resulted in escalating permit prices while quota has been reduced making it difficult for those to remain in business. In an effort to make financing available to Alaskans for the purchase of halibut charter permits, while helping to ensure those valuable permits remain in Alaskan's hands, a new loan fund has been developed that is similar to the highly successful commercial fishing revolving loan fund (AS 16.10.340).

If you have any questions regarding this bill, please feel free to contact Curtis Thayer, Deputy Commissioner of Commerce, Community and Economic Development at 296-8100, or Wanetta Ayers, Director of Division of Economic Development at 269-4903.

Sincerely,



Susan K. Bell  
Commissioner

**PACIFIC COAST SHELLFISH GROWERS ASSOCIATION  
SHELLFISH PRODUCTION ON THE WEST COAST**

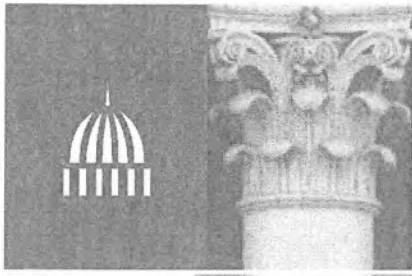
		<b>Oysters</b>	<b>Clams</b>	<b>Mussels</b>	<b>Geoduck</b>	<b>All Shellfish Larvae and Seed</b>	<b>Total</b>
		<b><u>Current*</u></b>	<b><u>Current*</u></b>	<b><u>Current*</u></b>	<b><u>Current*</u></b>		<b><u>Current</u></b>
Washington	<i>Pounds</i>	61,000,000	9,520,000	2,750,000	1,650,000		<b>74,920,000</b>
	<i>Sales</i>	\$ 57,750,000	\$19,550,000	\$3,162,500	\$20,100,00	\$7,000,000	<b>107,562,500</b>
California	<i>Pounds</i>	9,270,995	741,463	315,000			<b>10,327,458</b>
	<i>Sales</i>	\$ 12,361,326	\$830,000	\$945,000		\$2,300,000	<b>16,436,326</b>
Oregon	<i>Pounds</i>	2,379,988					<b>2,379,988</b>
	<i>Sales</i>	\$ 2,253,135				\$750,000	<b>3,003,135</b>
Alaska	<i>Pounds</i>	206,709	7,839	1,988			<b>216,536</b>
	<i>Sales</i>	\$ 441,781	\$24,841	\$6,610		\$126,000	<b>599,232</b>
<b>Total</b>	<i>Pounds</i>	<b>72,857,692</b>	<b>10,269,302</b>	<b>3,066,988</b>	<b>1,650,000</b>		<b>87,843,982</b>
<b>Total</b>	<i>Sales</i>	<b>\$ 72,806,242</b>	<b>\$ 20,404,841</b>	<b>\$ 4,114,110</b>	<b>\$20,100,000</b>		<b>\$ 117,425,193</b>

*\*All pounds converted to live weight/in the shell*

*Compiled by the Pacific Coast Shellfish Growers Association.*

*All production data represents most recent info available:*

Sources of information: Alaska Dept of Fish and Game, (2009)  
Oregon Dept of Agriculture (2009)  
Powell, Seiler and Co, Certified Public Accountants for Willapa (2008)  
Shellfish companies in California (2008) and Washington (2008, 2009)  
*Thanks to Jim Gibbons and Ted Kuiper for assistance in compiling data*



National Conference of State Legislatures

# LEGISBRIEF

BRIEFING PAPERS ON THE IMPORTANT ISSUES OF THE DAY

JANUARY 2006

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## Revolving Loan Funds for Small Business Development

*By Ian Pulsipher*

*Revolving loan fund programs can be particularly important to inner-city and rural areas.*

*Entrepreneurs who seek loans may face stringent income, asset and collateral requirements.*

*RLF programs provide financing of \$35,000 or less for small companies.*

*RLFs are supported by both federal and state governments.*

Revolving loan fund (RLF) programs are designed to contribute to the economic development of communities and states by supporting the start-up and expansion of small businesses that are not served by traditional lending sources. These funds provide loans to small business owners—often low- to middle-income entrepreneurs located in distressed urban or rural communities—at fixed rates and terms more favorable to businesses than those offered in commercial lending markets. Once the program is under way, the original capital base is designed to be replenished by the principal payments, interest and fee payments of previous loan recipients. This money is then to be lent back for further investment into entrepreneurial activity. Programs can be particularly important to inner-city and rural areas that may be underserved by commercial lending institutions.

**Gap Financing.** RLF programs are often described as providing “gap financing” for small businesses. Entrepreneurs served by these loans may be unable to secure capital from banks or commercial lenders because of stringent income, asset and collateral requirements. The programs allow greater weight to be given to the potential success of small businesses and their ability to repay in the future rather than to current financial conditions. RLFs are not meant to be permanent substitutes for commercial lenders but, rather, to serve as an alternative source of financing for small businesses until they are able to fund their capital needs from traditional sources.

RLF programs are also described as the middle section of the “lending continuum” because they provide financing between microenterprise borrowing—designed for companies of five or fewer employees with financing needs of less than \$35,000—and purely commercial borrowing that they cannot yet receive. Before small businesses have matured to the point of full commercial borrowing, RLF financing often is used as a supplement to funds that can be obtained from traditional lenders.

**Census of Federally Funded RLF Activity.** RLFs receive support from both federal and state governments. The Corporation for Enterprise Development conducted a survey of federal involvement in the industry in 1997 that provides insights into both the role of federal government support for the program and the effects of these programs in the development of small businesses.

The study examined financial support provided to 603 RLFs from six different federal agencies. Major findings from the study include the verification of a general occurrence of growth in the overall number of these loan funds in the industry and expansion in the scope of the programs’ missions and focus. The study also produces important findings regarding performance. On average, it took a loan of only \$5,338 to save or create one job, and default rates were only slightly higher than those from private sector banks.

National Conference  
of State Legislatures

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*submitted by sponsor*

## State Action

At least 19 states operate RLF financing programs for small business development, in some cases supported by federal community development block grant funds. Of these states, nine directly operate RLF programs, and 10 provide funds to such programs operated by organizations other than state governments.

Nevada and North Dakota directly fund and operate state RLF programs, both of which target rural entrepreneurs. Both also maintain a strong focus on job creation. The loan amount in North Dakota's program—up to \$300,000—is directly proportional to the number of jobs to be created. Nevada's program focuses on employment for low- to middle-income residents. Participating firms are required to document that they have provided opportunities to obtain newly created jobs first to applicants from this group.

Other state programs—such as those in Maine and Ohio—involve funding RLFs operated by other organizations. In Maine, funding from the state allows regional development organizations to provide up to \$200,000 to businesses of up to 50 employees. The program, designed to create good jobs in the state with RLF capital subordinate to that from other lending sources, is for small business creation in either urban or rural areas. Ohio's Economic Development Program, run by the Office of Housing and Community Partnership, provides funding to local governments to provide gap financing for small businesses in their communities. With the exception of loans for public infrastructure projects, loan repayments go back to the local RLF to be redistributed as small business loans.

**Benefits and Challenges.** The U.S. Small Business Administration reports that small businesses provide approximately 75 percent of the net new jobs added to the economy and employ 50.1 percent of the private workforce. Thus, the anticipated contribution that RLFs can make to the overall economic development of communities and states is visible in the role that small businesses play in the U.S. economy, especially in employment. RLF programs are designed to increase the positive effects of small business activity by helping to create and expand more small businesses.

Challenges to RLF success, however, are inherent in their design. The conciliatory terms of loans—especially repayment—may not allow sufficient operational income compared to operational costs. Easier access to credit also might shelter firms from appropriate competition or allow them to undertake growth strategies that will be unsustainable under future commercial borrowing.

## Selected References

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- U.S. Department of Agriculture. *Are Revolving Loan Funds a Better Way to Finance Rural Development?* Washington, D.C.: USDA, 1996.
- U.S. Small Business Administration, Office of Advocacy. *2003 State Small Business Profiles*. Washington, D.C.: U.S. Small Business Administration, 2003.

## Contact for More Information

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*Some state RLF financing programs are supported by federal community development block grant funds.*

*Small businesses provide approximately 75 percent of net new jobs and employ 50.1 percent of the private workforce.*

# Shellfish Economy Treasures of the Tidelands

## Shellfish Commerce .....

The Pacific Northwest has a bounty of natural riches that have long fueled economic trade and growth in the region. While Washington's economy boasts diversity, the value of the state's natural resource industries remain significant and indispensable. Their contribution to the base economy makes a compelling case for stewardship, innovation and sustainability to ensure broad and far-reaching returns from these natural assets for generations to come.

The commercial shellfish industry is one of these resource-based businesses that anchors the economies of many rural western Washington communities. The sale of products to buyers around the world brings in new money that provides employment and an enhanced tax base as revenues circulate and re-circulate through the communities. Recreational shellfish harvesting is structurally different from the commercial industry, yet generates comparable economic benefits.

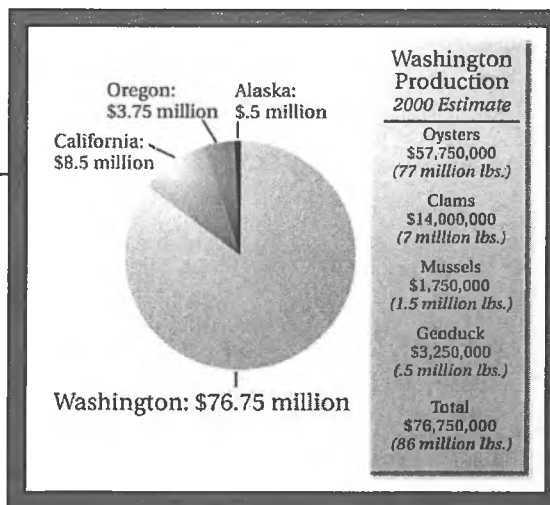
Commercial and recreational shellfish production is big business in the coastal areas of western Washington where the shorelines are still healthy enough to support productive harvests. For instance, the commercial shellfish industry is the second largest private-sector employer in both Mason and Pacific counties, supporting more than 1,200 jobs and an estimated total annual payroll that exceeds \$27 million. Another example is the coastal razor clam fishery, which generates an estimated \$7 million annually in commercial sales and injects an additional \$12 million annually into local economies from the sport fishery. In short, shellfish harvesting provides a strong and steady employment base and possesses two highly coveted economic attributes—sustainability and potential for growth.

## World-Class Foods .....

Washington is the leading producer of farmed bivalve shellfish in the United States, generating an estimated \$77 million in sales and accounting for 86 percent of the West Coast's production in the year 2000.

Washington growers sell a variety of live and processed products that include Pacific, Kumamoto, Tasmanian, Eastern, European flat and Olympia oysters; Manila, littleneck, razor and geoduck clams; and blue and Mediterranean mussels. Pacific oysters, Manila clams and blue mussels are the leading commercial species in their respective categories. Puget Sound accounts for most of the clam and mussel sales while Willapa Bay leads in oyster sales.

The commercial harvest of geoduck is a unique story and an increasingly lucrative component of the state's molluscan shellfish industry. Starting with the discovery of enormous populations of geoduck in Puget Sound in the 1950s and the first commercial harvests in 1970, the portly clam has emerged as the Microsoft of the shellfish industry. Wholesale prices typically range between \$5 and \$10 per pound, and restaurant prices can run as high as \$100 per pound in prime Asian markets. The total biomass of Puget



Pacific Coast Shellfish Growers Association

### Estimated West Coast production of farmed oysters, clams, mussels and geoduck, 2000

Sound's geoduck population is estimated at 674 million pounds, of which approximately 163 million pounds is available for commercial harvest to depths of 70 feet. The estimated, harvestable biomass is significant because the annual harvest limit of 2.7 percent, set by the Washington State Department of Natural Resources, is pegged to this value. The harvest of wild geoduck is now complemented by significant investments and advances in intertidal geoduck aquaculture by Washington shellfish growers. One farming approach involves hand planting nursery seed in mesh-covered tubes to protect the ducks until they are mature enough to burrow more deeply into the sediments and avoid predators.

*submitted by sponsor*

## Fascinating Facts

- Washington is the leading producer of farmed bivalve shellfish in the U.S.
- The state's production of farmed oysters, mussels, clams and geoduck generates approximately \$77 million in sales annually.
- Commercial shellfish production is the second largest private-sector employer in Pacific and Mason counties.
- Oakland Bay in Mason County yields more than three million pounds of clams annually.
- The annual value of the coastal razor clam fishery is estimated at \$12 million recreationally and another \$7 million commercially.
- Puget Sound's commercial geoduck fishery represents the most valuable clam fishery on the west coast of North America.
- The total biomass of Puget Sound's geoduck population is estimated at 674 million pounds, approximately a quarter of which is considered available for commercial harvest.

## Economic Prospects

In purely economic terms, shellfish harvesting faces a rosy future in Washington. The state's coastal areas are attractive destinations for residents and tourists alike, highly prized for beachcombing, recreational harvesting and other activities that generate needed revenues for local communities. On the commercial front, with ongoing improvements in hatchery methods and other aquaculture techniques, the shellfish industry is poised for significant growth, ready to capitalize on swelling worldwide demand for high quality seafoods.

But things are not that simple. A number of factors influence shoreline uses. For shellfish harvesting, the most significant limiting factor is the condition of the shoreline environment and the availability of clean, unpolluted marine water.

Water quality can be affected by pollution from human activities and other sources as well as naturally occurring harmful algal blooms, mainly paralytic shellfish poison (PSP) and domoic acid (also known as amnesic shellfish poison or ASP). Harvest restrictions caused by these problems take away sales, jobs, recreational opportunities and harvest rights. Shellfish closures caused by harmful algal blooms need to run their course before shellfish can be harvested. In 1991, the closure of coastal crab and razor clam fisheries caused by high levels of domoic acid cost an estimated \$15 to \$20 million.

The economic and environmental harm caused by pollution, mainly fecal pollution, can be even more devastating and long lasting because of the difficulty in finding and fixing the potential pollution sources. Large stretches of the state's shorelines have been rendered



Photo courtesy Taylor Shellfish Farms


Farmed geoduck beds in Samish Bay, Skagit County

unsuitable for shellfish harvesting because adjacent shorelines and watersheds have been developed with marinas, homes, roads, shopping centers and other urban land uses. Many of these areas cannot be recovered for shellfish harvesting, but some areas can be restored, and those that remain open and suitable for harvesting need to be preserved. In 1999, the Washington State Department of Natural Resources estimated that 22 percent of the state's surveyed geoduck biomass was unharvestable because of pollution.

The economic value of healthy shorelines isn't limited to growing and harvesting shellfish, but instead is defined by a broader set of measures that includes long-term property values and other financial and quality-of-life measures. People want to visit and live in places where shoreline waters are safe to use and the seafoods they nurture are safe to eat. Clean water for shellfish harvesting brings together the complementary interests of good business, strong communities and a healthy environment.

## Sources

Olympic Region Harmful Algal Blooms (ORHAB) Partnership, undated, ORHAB newsletter. Washington Department of Natural Resources, 2000, *Puget Sound Commercial Geoduck Fishery Management Plan* and 2002, *The Geoduck Program: Managing a Valuable Natural Resource for all Washington Citizens*. People for Puget Sound, 1996, *Shellfish and the Sound Economy*. Economic Development Council of Mason County, 2002, *Mason County Shellfish Industry Update*. Pacific Coast Shellfish Growers Association website at [www.pcsga.org](http://www.pcsga.org). R. Horner, 1998, *Harmful Algal Blooms in Puget Sound: General Perspective*.

  
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February 4, 2011

**Representative Steve Thompson, chair  
House Special Committee on Fisheries  
Room 428 State Capitol  
Juneau, AK 99801**

**Dear Representative Thompson:**

Governor Sean Parnell's legislation to establish a mariculture revolving loan program (HB 121) will help provide a needed boost to one of the most promising small business opportunities in economically distressed communities from the Panhandle to Kodiak. The Alaskan Shellfish Grower's Association (ASGA) urges you to hear the legislation as soon as possible and pass it on to the Resources with unanimous "do pass" recommendations.

The loan fund is patterned after the state's salmon hatchery loan program, a key component of what might be the most successful economic development initiatives by the State of Alaska. The long-term loans allowed private nonprofit hatcheries to cover construction and front-end operating costs while they undertook cooperative planning efforts with ADF&G and built cost recovery programs to repay the loans. The result is one of the most successful salmon enhancement programs in the world and huge economic contributions to the economies of coastal communities from Kodiak to Ketchikan.

Those Gulf of Alaska communities certainly need an economic boost now as outmigration of residents is startling. Consider the population projections by state economists for two census areas in the region: (1) Prince of Wales had 6,995 residents in 1996, but may drop to 3,894 in 2030, or a 56.6 percent decrease; and (2) Skagway-Hoonah-Angoon, 3,823-1,945, 62.2 percent decrease.

A broad coalition of community leaders, Native organizations, university, state and federal officials have identified shellfish farming as one of the top economic development opportunities in efforts to rebuild the economy of the Tongass National Forest. Overcoming high front-end costs and a long lag in revenues has been identified as the biggest obstacle to development of more shellfish farms.

HB 121 tackles that issue head-on with terms of up to 20 years and the ability to avoid interest accrual up to the first six years of a loan. The kind of terms provide the farmer with the ability of getting the farming operation going and build sales revenues before interest begins accruing and have to be made. To create a business with enough sales revenues to support a living wage, cover operating expenses, pay state lease and permit fees, and meet loan payments, a new oyster farmer might have to invest \$150,000 in

capital and forego salary for 3-4 years. Another \$10,000 will be spent paying tidelands lease fees and meeting DEC harvesting and processing requirements before revenues begin flowing.

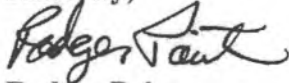
It takes 3-4 years to move a crop of oysters through a farm and geoduck clams might take 8 years. Once yearly crops begin rotating through the farm a steady income flow is created.

Numerous new shellfish farms are developing in Southeast as two unique mariculture "incubator" projects produce their first crop of "graduates." Five new farmers recently completed Naukati's "Weekend Warrior" program and Sealaska has created joint ventures in Kake and Yakutat that are supporting eight shellfish farming apprentices in four new small businesses. The loan fund would be a tremendous help to these new small business operators.

Governor Parnell's legislation is the best solution to the major roadblock to creation of an industry composed of independent small businesses located in rural Alaska. That's why the legislation also is supported by the Southeast Conference (a unique coalition of communities and businesses) and the Southeast Shellfish Mariculture Coalition (Sealaska, Yak-Tat Kwaan, Organized Village of Kake, Shaan-Seet, Organized Village of Kasaan, Alaska Oyster Cooperative, OceansAlaska and ASGA).

I'd be pleased to provide any additional information you may require. Thank you for considering our request.

Sincerely,



**Rodger Painter**  
**ASGA President**

c.c.                      Representative Craig Johnson  
                             Representative Alan Austerman  
                             Representative Bob Herron  
                             Representative Lance Pruitt  
                             Representative Scott Kawasaki  
                             Representative Bob Miller

# TACO-LOCO



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Fax: 907-561-1717

February 9, 2011

Governor Sean Parnell  
P.O. Box 110001  
Juneau, AK 99811

Subject: House Bill 121 and Senate Bill 67

Governor Parnell,

I would like to extend my support for Governor Parnell's legislation, House Bill 121 and Senate Bill 67.

As a small business owner I strongly feel these two bills for the Microloan program would be of great value to small businesses in Alaska. With today's business climate it is extremely difficult to secure loans with reasonable interest rates or terms.

Due to the high cost of operating a small business in Alaska, small businesses often struggle to purchase and install equipment while meeting payroll and other expenses. The Microloan program would help alleviate some of the cost, by allowing the business to use the microloan program to buy equipment or raw materials and use the business capital to pay labor and expenses instead of trying to cover all the cost, thus over extending a business. Most banks will not loan on new or used equipment without a large down payment and also charge very high interest rates. I can personally attest to not being able to secure a loan for our business because of the recession. I was seeking a loan to purchase equipment and the loan officer informed me that "because of the current economic climate the interest rate would have to be 12 percent and the bank would need 35 percent down"; even though I had the capital to cover the loan, and I had just paid a loan off early with the same bank.

Given the fact that most Alaskans have a distinct disadvantage when starting up a business or operating an existing business in Alaska, I strongly feel a Microloan program would be beneficial to all small businesses in Alaska and I encourage the House and Senate to pass these two bills.

Sincerely,

A handwritten signature in cursive script, appearing to read "Adam Galindo".

Adam Galindo  
President



**Southwest Alaska Municipal Conference**

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Alaska Peninsula  
Aleutian Chain  
Bristol Bay  
Kodiak Island  
Pribilof Islands

February 8, 2011

Dear Governor Parnell,

This letter is written in support of SB 67 and HB 121, two bills aimed at creating a micro revolving loan fund for the State of Alaska. Access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska, and many rural Alaskans do not have access to this type of capital.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, service providers, and a host of other small business startups and entrepreneurs.

Alaska is one of only four states in the nation that do not have a microloan program and this bill would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports it. This is especially true in the more remote and rural regions of Alaska, where traditional financial institutions may not be familiar with local economic conditions and are sometimes more reluctant to invest.

Our organization believes SB 67 and HB 121 are valuable bills with great potential. I hope it can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,

SOUTHWEST ALASKA MUNICIPAL CONFERENCE

A handwritten signature in black ink, appearing to read "Andy Van", with a long horizontal flourish extending to the right.

Executive Director

***Economic development and advocacy for Southwest Alaska***

Economic Development District (EDD) and Alaska Regional Development Organization  
(ARDOR)