

**HB**

**1 2 1**

<TARGET><BILL>HB 121</BILL><SUBJECT>HB  
121</SUBJECT><COMM>HFSH27</COMM></TARGET>

27-GH1728\I  
Kane  
2/16/11

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES**

**Offered:**

**Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to loans made to commercial fishermen under the Commercial Fishing**  
2 **Loan Act for product quality improvements and energy efficiency upgrades;**  
3 **establishing the commercial charter fisheries revolving loan fund, the mariculture**  
4 **revolving loan fund, and the Alaska microloan revolving loan fund and relating to those**  
5 **funds and loans from those funds; and providing for an effective date."**

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

7 **\* Section 1.** AS 16.10.320 is amended by adding a new subsection to read:

8       *(l)* For a new loan under AS 16.10.300 - 16.10.370, made on or after the  
9 effective date of this Act, the department may provide a reduction of the interest rate  
10 of not more than two percent if at least 50 percent of the loan proceeds are used by the  
11 borrower for product quality improvements or energy efficiency upgrades if the  
12 improvements or upgrades use products manufactured or produced in the state. When  
13 the department offers a reduction under this subsection, the department shall provide

1 the reduction to all loan applicants who meet the criterion described in this subsection.  
2 In this subsection, "manufactured or produced" means processing, developing, or  
3 making an item into a new item with a distinct character and use.

4 \* **Sec. 2.** AS 16.10 is amended by adding new sections to read:

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

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

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

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

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

16 (3) money chargeable to principal or interest that is collected through  
17 liquidation by foreclosure or other process on loans made under AS 16.10.801 -  
18 16.10.890.

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

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

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

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

24 (B) for the purchase or construction of a charter halibut fishing  
25 vessel;

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

28 (D) to refinance debt obligations made by other lenders more  
29 than 12 months before the department received the loan application and  
30 incurred by an applicant for the purchase of charter halibut fishing vessels or  
31 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -

1 16.10.890; the department may collect a refinancing loan origination charge as  
2 provided by regulation;

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

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

7 (4) allow an assumption of a loan if

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

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

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

13 (6) charge and collect fees for services provided under AS 16.10.801 -  
14 16.10.890;

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

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

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

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

24 (2) qualify as a transferee for a charter halibut permit under applicable  
25 law;

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

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

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

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

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

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

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

7 (2) may not have

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

9 (B) received residency or a benefit based on residency from  
10 another state.

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

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

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

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

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

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

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

27 (c) The total balances outstanding on loans made to a borrower under  
28 AS 16.10.805 may not exceed \$300,000.

29 (d) After the initial interest rate is set under (a) or (b) of this section for a loan  
30 made under AS 16.10.801 - 16.10.890, the department may provide a reduction of the  
31 interest rate of not more than two percent if at least 50 percent of the loan proceeds are

1 used by the borrower for engine fuel efficiency improvements if the upgrades use  
2 products manufactured or produced in the state. When the department offers a  
3 reduction under this subsection, the department shall provide the reduction to all loan  
4 applicants who meet the criterion described in this subsection. In this subsection,  
5 "manufactured or produced" means processing, developing, or making an item into a  
6 new item with a distinct character and use.

7 **Sec. 16.10.820. 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. 16.10.825. Special account established.** (a) The foreclosure expense  
12 account is established as a special account within the commercial charter fisheries  
13 revolving loan fund.

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

18 **Sec. 16.10.830. Disposal of property acquired after default.** The department  
19 shall dispose of property acquired through default of a loan made under AS 16.10.801  
20 - 16.10.890. Disposal must be made in a manner that serves the best interest of the  
21 state and may include the amortization of payments over a period of years.

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

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

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

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

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

31 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture

1 revolving loan fund is created within the Department of Commerce, Community, and  
2 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

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

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

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

8 (3) money chargeable to principal or interest that is collected through  
9 liquidation by foreclosure or other process on loans made under AS 16.10.900 -  
10 16.10.945.

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

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

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

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

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

20 (4) allow an assumption of a loan if

21 (A) the applicant meets the requirements established under this  
22 section; and

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

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

26 (6) charge and collect fees for services provided under AS 16.10.900 -  
27 16.10.945;

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

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

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

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

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

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

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

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

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

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

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

15                   (2) may not have

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

17                           (B) received residency or a benefit based on residency from  
18 another state.

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

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

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

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

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

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

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

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

6 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may  
7 provide a reduction of the interest rate of not more than two percent if at least 50  
8 percent of the loan proceeds are used by the borrower for purchasing products  
9 manufactured or produced in the state. When the department offers a reduction under  
10 this subsection, the department shall provide the reduction to all loan applicants who  
11 meet the criterion described in this subsection. In this subsection, "manufactured or  
12 produced" means processing, developing, or making an item into a new item with a  
13 distinct character and use.

14 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The  
15 department may not require the repayment of principal <sup>or int.</sup> on a loan made under  
16 AS 16.10.910 during the first six years of the loan. Interest on the principal of a loan  
17 made under AS 16.10.910 does ~~not~~ accrue during the first six years of the loan.

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

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

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

28 **Sec. 16.10.935. Disposal of property acquired after default.** The department  
29 shall dispose of property acquired through default of a loan made under AS 16.10.900  
30 - 16.10.945. Disposal must be made in a manner that serves the best interest of the  
31 state and may include the amortization of payments over a period of years.

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

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

5                   (1) "commissioner" means the commissioner of commerce,  
6 community, and economic development;

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

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

11 \* **Sec. 3.** AS 44.33 is amended by adding new sections to read:

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

13           **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska  
14 microloan revolving loan fund is created in the Department of Commerce,  
15 Community, and Economic Development to carry out the purposes of AS 44.33.950 -  
16 44.33.990.

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

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

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

22                           (3) money chargeable to principal or interest that is collected through  
23 liquidation by foreclosure or other process on loans made under AS 44.33.950 -  
24 44.33.990.

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

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

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

31                           (2) receive, take, hold, and administer any appropriation, transfer, gift,

1 grant, bequest, devise, or donation of money for the fund;

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

4 (4) allow an assumption of a loan if

5 (A) the applicant meets the requirements established under this  
6 section; and

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

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

10 (6) charge and collect fees for services provided under AS 44.33.950 -  
11 44.33.990;

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

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

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

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

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

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

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

24 or

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

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

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

31 (2) may not have

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

2 (B) received residency or a benefit based on residency from  
3 another state.

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

7 (b) A loan under AS 44.33.950 - 44.33.990

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

10 (2) may not bear interest at a rate greater than the prime rate, as  
11 defined in AS 44.88.599, plus one percentage point but which may not be less than six  
12 percent a year and not more than eight percent a year;

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

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

17 **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
18 account is established as a special account in the Alaska microloan revolving loan  
19 fund.

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

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

28 **Sec. 44.33.980. Disposal of property acquired after default.** The department  
29 shall dispose of property acquired through default of a loan made under AS 44.33.950  
30 - 44.33.990. Disposal must be made in a manner that serves the best interest of the  
31 state and may include the amortization of payments over a period of years.

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

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

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

\* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE THOMPSON

TO: CSHB 121(FSH), Draft Version "I"

1 Page 8, line 15, following "principal":

2 Insert "and interest"

3

4 Page 8, line 17:

5 Delete "does not accrue during"

6 Insert "may be deferred for a period of not more than"

# FISCAL NOTE

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

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

Identifier (file name) HB059-CCED-DED-02-04-11 Dept. Affected DCCED  
 Title Commerical Fishing Act Appropriation Economic Development  
 Allocation Economic Development  
 Sponsor Representative Seaton  
 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	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
Miscellaneous (Fund Capitalization)								
<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>	<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>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Alaska Small Business RLF Program	0.0		0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</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	0.0		0	0	0	0	0	0
Part-time								
Temporary								

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

Prepared by Cathy Jeans, Acting Operations Manager  
 Division Economic Development  
 Approved by Susan K. Bell, Commissioner  
Commerce, Community and Economic Development

Phone 465-2728  
 Date/Time 2/5/11 6:00 PM  
 Date 2/5/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**Analysis**

This legislation would amend the Commercial Fishing Revolving Loan Fund to allow the Department of Commerce, Community and Economic Development (DCCED) to provide an interest rate reduction to applicants obtaining loans for the purpose of energy efficiency upgrades or product quality improvements that are manufactured in Alaska.

DCCED does not anticipate a significant fiscal impact over the next six years as a result of this legislation.

# FISCAL NOTE

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

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

Identifier (file name) HB121-CCED-DED-02-03-11  
 Title Economic Development Loans Dept. Affected Fund Transfer  
 Sponsor \_\_\_\_\_ Appropriation Op Sys DGF Transfers  
 Requester Rules Committee Allocation Micro-Loan Fund (RLF)  
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>								
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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	3,500.0							
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>	<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 2/3/11 1:45 PM  
 Date 2/4/2011

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**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 \_\_\_\_\_  
 Bill Version \_\_\_\_\_  
 () Publish Date \_\_\_\_\_

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

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**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.

# FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

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

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

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**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 \_\_\_\_\_  
Bill Version \_\_\_\_\_  
( ) Publish Date \_\_\_\_\_

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 (F)	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
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

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. \_\_\_\_\_

**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.

# 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.

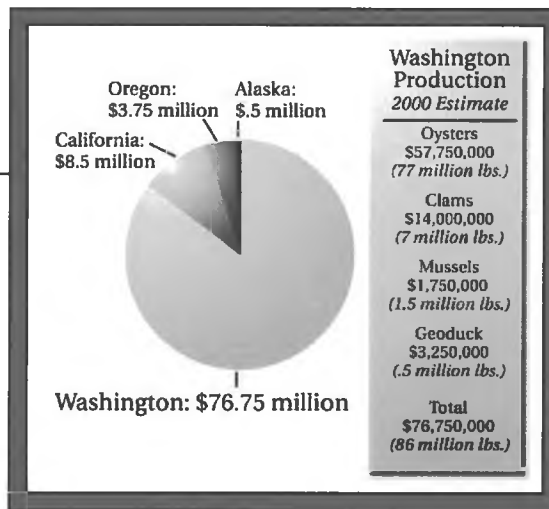
Commercial and recreational shellfish production is big business in the coastal areas of western Washington where the shorelines are still healthy enough to support productive harvests. For instance, the commercial shellfish industry is the second largest private-sector employer in both Mason and Pacific 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.

## 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*.



PUGET SOUND  
ACTION TEAM

[www.psat.wa.gov](http://www.psat.wa.gov)

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**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	\$20,100,000	\$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*



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

Office of the Commissioner

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

January 26, 2011

Representative Steve Thompson, Chair  
House Fisheries Committee  
State Capitol, Rm 428  
Juneau, Alaska 99801

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

Dear Representative Thompson,

Please accept this request for your consideration to schedule HB 121 before the House Fisheries Committee 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.

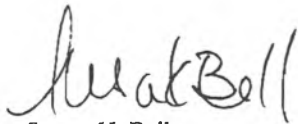
This legislation will promote economic development in Alaska by helping small businesses access critically needed capital, a new loan program has been developed that is modeled after a program currently operated through the federal Small Business Administration (SBA) and available in every other state. 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.

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,

A handwritten signature in cursive script that reads "Susan K. Bell". The signature is written in dark ink and is positioned above the printed name and title.

Susan K. Bell  
Commissioner



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

Office of the Commissioner

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

## House Bill 121

### Sectional Analysis

**Section 1.** 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.

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.

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

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 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.

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.

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 Commerce, Community and Economic Development.

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

Adds a new section that states 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)*



**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.

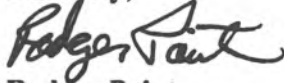
It takes 3-4 years to move a crop of oysters through a farm and geoduck clams might take 8 years. Once yearly crops begin rotating through the farm a steady income flow is created.

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



**Southwest Alaska Municipal Conference**

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 888.356.1206 www.swamc.org

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

Executive Director

# HOUSE COMMITTEE REPORT

(7)  
 Date Referred to Committee: January 24, 2011 FURTHER REFERRALS: Resources  
Finance  
 Date of Committee Action: 2/24/11  
 The HOUSE SPECIAL COMMITTEE ON FISHERIES considered: HB 121

**HOUSE BILL NO. 121**  
 "An Act establishing the commercial charter fisheries revolving loan fund, the mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

### HB 121-LOAN FUNDS:CHARTERS/MARICULTURE/MICROLOAN

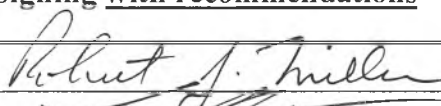
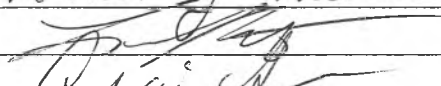
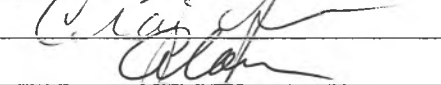
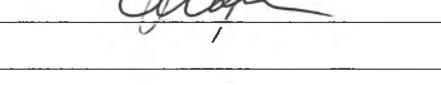
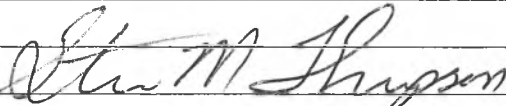
Recommends it be replaced with  HCS or  CS for HB 121 (FSH)  
 For Senate Bills with new title:  Technical Title  New Title: HCR  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

- List of Abbrev for Depts.:
- ADM
  - CED
  - COR
  - CRT
  - EED
  - DEC
  - DFG
  - GOV
  - DHS
  - LWF
  - LAW
  - LEG
  - MVA
  - DNR
  - DPS
  - REV
  - DOT
  - UA

<u>NEW FISCAL NOTES</u>				
*FN# is assigned by Chief Clerk's Office				
*FN#	List by Dept(s):	Fiscal	Indet.	Zero
	CED	✓		
	CED	✓		
	CED	✓		
	CED	✓		

<u>PREVIOUS FISCAL NOTES</u>				
FN#	List by Dept(s):	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	MILLER	X			
	PRUITT	X			
	JOHNSON			X	
	AUSTERMAN	X			
Chair: 	THOMPSON	X			
Chair:					

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered:

Referred:

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to loans made to commercial fishermen under the Commercial Fishing**  
2 **Loan Act for product quality improvements and energy efficiency upgrades;**  
3 **establishing the commercial charter fisheries revolving loan fund, the mariculture**  
4 **revolving loan fund, and the Alaska microloan revolving loan fund and relating to those**  
5 **funds and loans from those funds; and providing for an effective date."**

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

7 **\* Section 1.** AS 16.10.320 is amended by adding a new subsection to read:

8 (D) For a new loan under AS 16.10.300 - 16.10.370, made on or after the  
9 effective date of this Act, the department may provide a reduction of the interest rate  
10 of not more than two percent if at least 50 percent of the loan proceeds are used by the  
11 borrower for product quality improvements or energy efficiency upgrades if the  
12 improvements or upgrades use products manufactured or produced in the state. When  
13 the department offers a reduction under this subsection, the department shall provide

1 the reduction to all loan applicants who meet the criterion described in this subsection.  
 2 In this subsection, "manufactured or produced" means processing, developing, or  
 3 making an item into a new item with a distinct character and use.

4 \* **Sec. 2.** AS 16.10 is amended by adding new sections to read:

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

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

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

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

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

16 (3) money chargeable to principal or interest that is collected through  
 17 liquidation by foreclosure or other process on loans made under AS 16.10.801 -  
 18 16.10.890.

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

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

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

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

24 (B) for the purchase or construction of a charter halibut fishing  
 25 vessel;

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

28 (D) to refinance debt obligations made by other lenders more  
 29 than 12 months before the department received the loan application and  
 30 incurred by an applicant for the purchase of charter halibut fishing vessels or  
 31 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -

1 16.10.890; the department may collect a refinancing loan origination charge as  
2 provided by regulation;

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

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

7 (4) allow an assumption of a loan if

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

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

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

13 (6) charge and collect fees for services provided under AS 16.10.801 -  
14 16.10.890;

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

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

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

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

24 (2) qualify as a transferee for a charter halibut permit under applicable  
25 law;

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

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

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

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

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

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

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

7 (2) may not have

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

9 (B) received residency or a benefit based on residency from  
10 another state.

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

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

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

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

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

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

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

27 (c) The total balances outstanding on loans made to a borrower under  
28 AS 16.10.805 may not exceed \$300,000.

29 (d) After the initial interest rate is set under (a) or (b) of this section for a loan  
30 made under AS 16.10.801 - 16.10.890, the department may provide a reduction of the  
31 interest rate of not more than two percent if at least 50 percent of the loan proceeds are

1 used by the borrower for engine fuel efficiency improvements if the upgrades use  
 2 products manufactured or produced in the state. When the department offers a  
 3 reduction under this subsection, the department shall provide the reduction to all loan  
 4 applicants who meet the criterion described in this subsection. In this subsection,  
 5 "manufactured or produced" means processing, developing, or making an item into a  
 6 new item with a distinct character and use.

7 **Sec. 16.10.820. 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. 16.10.825. Special account established.** (a) The foreclosure expense  
 12 account is established as a special account within the commercial charter fisheries  
 13 revolving loan fund.

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

18 **Sec. 16.10.830. Disposal of property acquired after default.** The department  
 19 shall dispose of property acquired through default of a loan made under AS 16.10.801  
 20 - 16.10.890. Disposal must be made in a manner that serves the best interest of the  
 21 state and may include the amortization of payments over a period of years.

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

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

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

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

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

31 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture

1 revolving loan fund is created within the Department of Commerce, Community, and  
2 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

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

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

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

8 (3) money chargeable to principal or interest that is collected through  
9 liquidation by foreclosure or other process on loans made under AS 16.10.900 -  
10 16.10.945.

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

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

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

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

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

20 (4) allow an assumption of a loan if

21 (A) the applicant meets the requirements established under this  
22 section; and

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

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

26 (6) charge and collect fees for services provided under AS 16.10.900 -  
27 16.10.945;

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

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

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

- 3                   (1) be a resident of the state, as determined under (c) of this section;  
4                   (2) have a permitted mariculture farm location in this state; and  
5                   (3) have experience or training in the mariculture industry.

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

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

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

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

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

15                   (2) may not have

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

17                           (B) received residency or a benefit based on residency from  
18 another state.

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

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

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

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

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

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

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

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

6 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may  
7 provide a reduction of the interest rate of not more than two percent if at least 50  
8 percent of the loan proceeds are used by the borrower for purchasing products  
9 manufactured or produced in the state. When the department offers a reduction under  
10 this subsection, the department shall provide the reduction to all loan applicants who  
11 meet the criterion described in this subsection. In this subsection, "manufactured or  
12 produced" means processing, developing, or making an item into a new item with a  
13 distinct character and use.

14 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The  
15 department may not require the repayment of principal and interest on a loan made  
16 under AS 16.10.910 during the first six years of the loan. Interest on the principal of a  
17 loan made under AS 16.10.910 may be deferred for a period of not more than the first  
18 six years of the loan.

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

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

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

29 **Sec. 16.10.935. Disposal of property acquired after default.** The department  
30 shall dispose of property acquired through default of a loan made under AS 16.10.900  
31 - 16.10.945. Disposal must be made in a manner that serves the best interest of the

1 state and may include the amortization of payments over a period of years.

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

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

6 (1) "commissioner" means the commissioner of commerce,  
7 community, and economic development;

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

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

12 \* **Sec. 3.** AS 44.33 is amended by adding new sections to read:

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

14 **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska  
15 microloan revolving loan fund is created in the Department of Commerce,  
16 Community, and Economic Development to carry out the purposes of AS 44.33.950 -  
17 44.33.990.

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

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

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

23 (3) money chargeable to principal or interest that is collected through  
24 liquidation by foreclosure or other process on loans made under AS 44.33.950 -  
25 44.33.990.

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

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

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

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

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

5 (4) allow an assumption of a loan if

6 (A) the applicant meets the requirements established under this  
7 section; and

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

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

11 (6) charge and collect fees for services provided under AS 44.33.950 -  
12 44.33.990;

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

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

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

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

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

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

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

25 or

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

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

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

1 (2) may not have

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

3 (B) received residency or a benefit based on residency from  
4 another state.

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

8 (b) A loan under AS 44.33.950 - 44.33.990

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

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

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

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

18 **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
19 account is established as a special account in the Alaska microloan revolving loan  
20 fund.

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

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

29 **Sec. 44.33.980. Disposal of property acquired after default.** The department  
30 shall dispose of property acquired through default of a loan made under AS 44.33.950  
31 - 44.33.990. Disposal must be made in a manner that serves the best interest of the

1 state and may include the amortization of payments over a period of years.

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

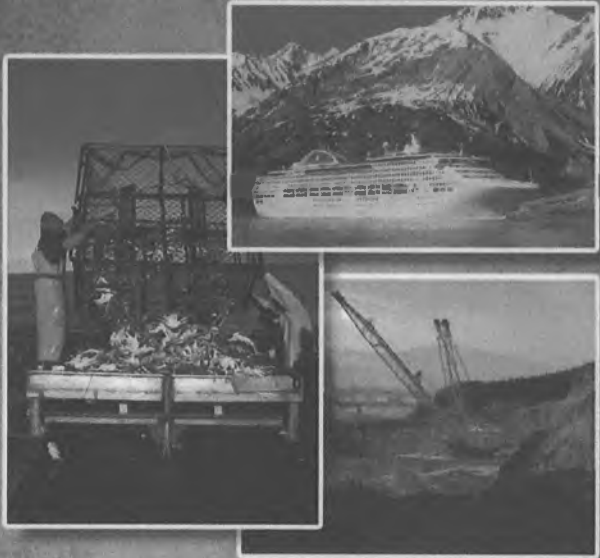
3 (1) "commissioner" means the commissioner of commerce,  
4 community, and economic development;

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

7 \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).

ALASKA  
DEPARTMENT OF  
COMMERCE  
COMMUNITY  
AND ECONOMIC  
DEVELOPMENT

DIVISION OF  
ECONOMIC  
DEVELOPMENT



PROMOTING  
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# HB 121

COMMERCIAL CHARTER FISHERIES  
REVOLVING LOAN FUND

MARICULTURE  
REVOLVING LOAN FUND

ALASKA MICROLOAN  
REVOLVING LOAN FUND

HOUSE FISHERIES  
COMMITTEE

TUESDAY, FEBRUARY 8, 2011

# HB 121 – REVOLVING LOAN FUNDS

- A Suite of Three Revolving Loan Funds

	Commercial Charter Fisheries	Mariculture	Microloans
Capitalization	\$5,000.0	\$3,000.0	\$3,500.0
Loan Limit	\$100.0	\$100.0	\$35.0/\$70.0
Term	15 years	20 years	6 years
Interest	may not exceed Prime + 2	may not exceed Prime + 1	may not exceed Prime + 1
Floor/Ceiling	3 – 10.5%	5 – 9 %	6 – 8%
		Delayed Repayment & Accrual	

# HB 121 – REVOLVING LOAN FUNDS

## Background

- All three funds are set up as revolving loan funds
- All earnings, loan repayments and fees would be retained by the fund for future loans.
- All operating expenses would also be paid from earnings of the fund

# HB 121 – REVOLVING LOAN FUNDS

## Background

### Input from:

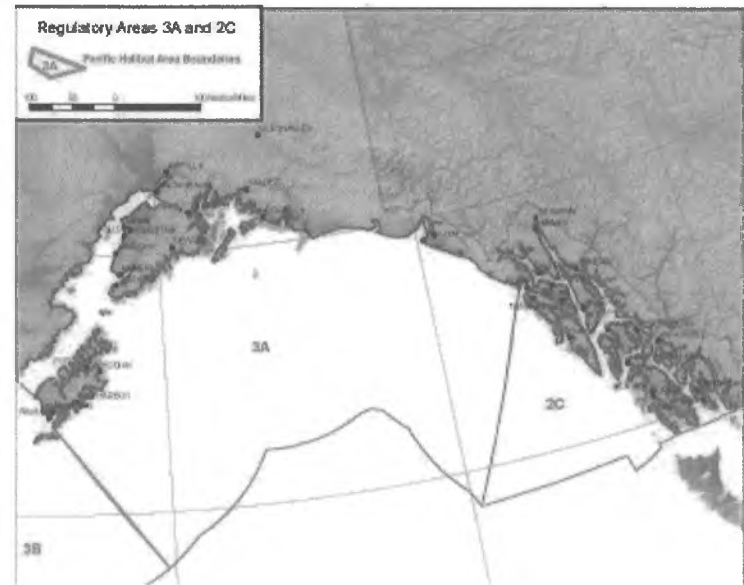
- ADEPT/Legacy Working Groups
- Non-Governmental Organizations and Trade Associations
- Commissioner's Economic Advisors Council
- ARDORs
- CDQs
- ANCSA Corporations

# HB 121 – REVOLVING LOAN FUNDS

- Commercial Charter Fisheries Revolving Loan Fund

## Current Halibut Charter Activity

Effective February 1, 2011 all vessel operators in Areas 2C and 3A with charter anglers onboard catching and retaining Pacific halibut must have an original, valid Charter Halibut Permit (CHP).



Based on log books NOAA estimates 532 Eligible Permitees; some 800 applications were received.

Permit prices are still being established in the marketplace. Current asking prices range from \$40,000 to over \$100,000 depending on the number of fishermen the permit allows.

# HB 121 – REVOLVING LOAN FUNDS

- Commercial Charter Fisheries Revolving Loan Fund
  - Provide access to capital for Alaskan-owned Charters
  - Repatriate permits to Alaska
  - Increase economic benefits from this sector

By offering a loan program to Alaska residents, business owners will have greater access to capital when purchasing permits over non-residents. This in turn should allow Alaska business owners to repatriate more permits than otherwise using traditional financing. Additionally, with Alaska's year-round residents owning permits, Alaska's economy will realize more of the benefits associated with the sport/charter industry. Resident's contribution to the local economy will be greater than non-resident permit holders as they circulate funds in the economy year round.

# HB 121 – REVOLVING LOAN FUNDS

- Commercial Charter Fisheries Revolving Loan Fund

## Loan Fund Features

	Commercial Charter Fisheries
Capitalization	\$5,000.0
Loan Limit	\$100.0
Term	15 years
Interest	may not exceed Prime + 2
Floor/Ceiling	3 – 10.5%

# HB 121 – REVOLVING LOAN FUNDS

- Mariculture Revolving Loan Fund

## Current Mariculture Activity

- 67 permitted farms
- 25 producing farms
  - Ten farms in Southeast Alaska
  - 15 farms in Southcentral Alaska

# HB 121 – REVOLVING LOAN FUNDS

- Mariculture Revolving Loan Fund

## Current Mariculture Activity

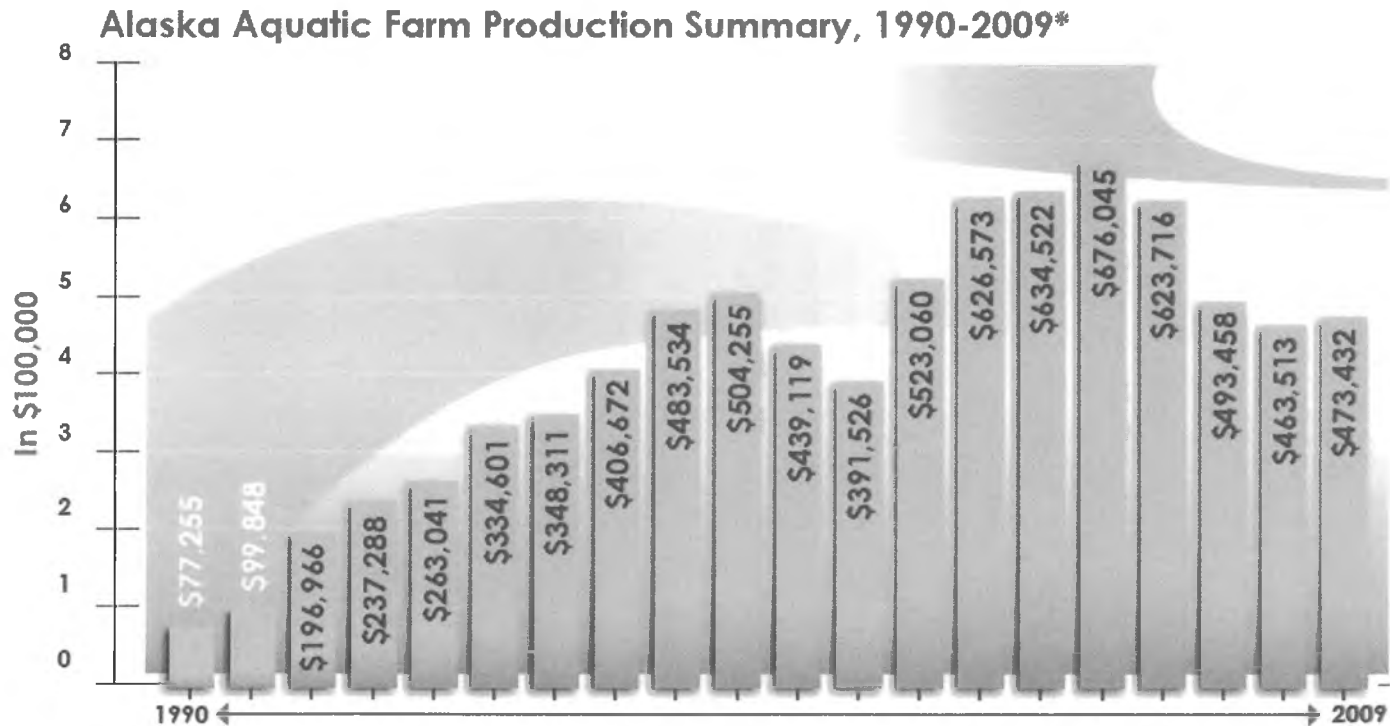
### Regulated By

- Department of Fish & Game
  - Commercial Fisheries Division/Mariculture Program
- Department of Natural Resources
  - Aquatic Farm Lease Program
- Department of Environmental Conservation
  - Food Safety and Sanitation Program/Shellfish Section
- Alaska Coastal Management Program

# HB 121 – REVOLVING LOAN FUNDS

- Mariculture Revolving Loan Fund

## Current Mariculture Activity



\*Numbers generated from the Mariculture Information Database.  
Production was taken directly from the Aquatic Farm Operation Permit Annual Reports.  
Production numbers listed here do not include hatchery or flupsy (nursery) sales.

Prepared by the Department of Commerce, Community and Economic Development

# HB 121 – REVOLVING LOAN FUNDS

- Mariculture Revolving Loan Fund

## Current Mariculture Activity

### Training Resources

Alaska Sea Grant/Marine Advisory Program  
Mariculture research education and extension  
NOAA Mariculture Initiative

### Collaborative Research

Alaska Shellfish Growers Association  
EDA grant to write best management practices  
for the industry

# HB 121 – REVOLVING LOAN FUNDS

- Mariculture Revolving Loan Fund

## Loan Fund Features

	Mariculture
Capitalization	\$3,000.0
Loan Limit	\$100.0
Term	20 years
Interest	may not exceed Prime + 1
Floor/Ceiling	5 – 9 %
	Delayed Repayment & Accrual

# HB 121 – REVOLVING LOAN FUNDS

- Alaska Microloan Revolving Loan Fund

26th Legislature (2009-2010)

**Bill History/Action for 26 Legislature**

**BILL: HB 412 SHORT TITLE: MICROLOAN REVOLVING FUND**

04/13/10 - PASSED Y40

# HB 121 – REVOLVING LOAN FUNDS

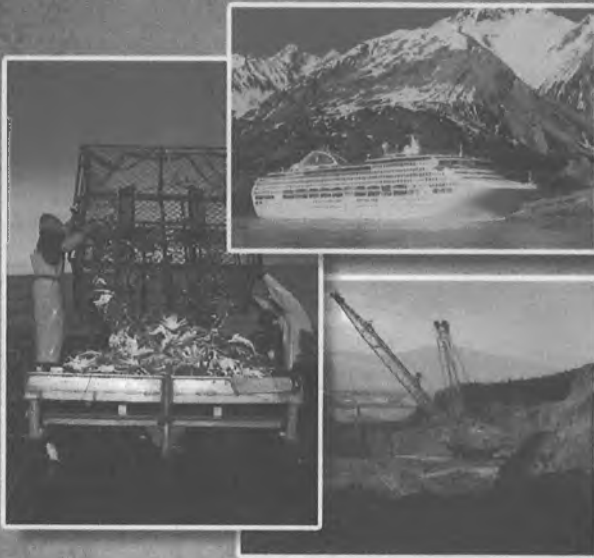
- Alaska Microloan Revolving Loan Fund

## Loan Fund Features

	Microloans
Capitalization	\$3,500.0
Loan Limit	\$35.0/\$70.0
Term	6 years
Interest	Prime + 1
Floor/Ceiling	6 – 8%

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COMMERCE  
COMMUNITY  
AND ECONOMIC  
DEVELOPMENT

DIVISION OF  
ECONOMIC  
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# HB 121

## COMMERCIAL CHARTER FISHERIES REVOLVING LOAN FUND

## MARICULTURE REVOLVING LOAN FUND

## ALASKA MICROLOAN REVOLVING LOAN FUND

## HOUSE FISHERIES COMMITTEE

TUESDAY, FEBRUARY 8, 2011

WANETTA AYERS, DIRECTOR  
DIVISION OF ECONOMIC DEVELOPMENT  
(907) 269-4048

WANETTA.AYERS@ALASKA.GOV

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

February 14, 2011

**SUBJECT:** Transition section of CSHB 121(FSH)  
(Work Order 27-GH1728\B)

**TO:** Representative Steve Thompson  
Chair of the House Special Committee on Fisheries  
Attn: Jomo Stewart

**FROM:** Brian J. Kane *BJK*  
Legislative Counsel

I have drafted the CS for HB 121 as you requested, but I have made one additional change that I would like to call to your attention.

I have deleted section 4 from the bill, a transition section that stated that the department could adopt regulations to implement this Act. The department already has the authority to adopt regulations to implement the statutory sections in the bill, as that power is expressly given to the department in each section. Occasionally, you may see a scenario where a bill has some sections that do not take effect until a later set date, but the regulations are allowed to be adopted immediately. That is not the case here, as the transition section and the rest of the bill have the same effective date. Thus, there is no reason to have this transition section relating to regulations.

If I may be of further assistance, please advise.

BJK:ljw  
11-103.ljw

Enclosure

27-GH1728\B  
Kane  
2/14/11

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES**

**Offered:  
Referred:**

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

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to loans made to commercial fishermen under the Commercial Fishing**  
2 **Loan Act for product quality improvements and energy efficiency upgrades;**  
3 **establishing the commercial charter fisheries revolving loan fund, the mariculture**  
4 **revolving loan fund, and the Alaska microloan revolving loan fund and relating to those**  
5 **funds and loans from those funds; and providing for an effective date."**

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

7 **\* Section 1.** AS 16.10.320 is amended by adding a new subsection to read:

8 (l) For a new loan under AS 16.10.300 - 16.10.370, made on or after the  
9 effective date of this Act, the department may provide a reduction of the interest rate  
10 of not more than two percent if at least 50 percent of the loan proceeds are used by the  
11 borrower for product quality improvements or energy efficiency upgrades if the  
12 improvements or upgrades use products manufactured or produced in the state. When  
13 the department offers a reduction under this subsection, the department shall provide

1 the reduction to all loan applicants who meet the criterion described in this subsection.  
2 In this subsection, "manufactured or produced" means processing, developing, or  
3 making an item into a new item with a distinct character and use.

4 \* **Sec. 2.** AS 16.10 is amended by adding new sections to read:

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

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

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

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

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

16 (3) money chargeable to principal or interest that is collected through  
17 liquidation by foreclosure or other process on loans made under AS 16.10.801 -  
18 16.10.890.

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

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

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

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

24 (B) for the purchase or construction of a charter halibut fishing  
25 vessel;

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

28 (D) to refinance debt obligations made by other lenders more  
29 than 12 months before the department received the loan application and  
30 incurred by an applicant for the purchase of charter halibut fishing vessels or  
31 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -

1 16.10.890; the department may collect a refinancing loan origination charge as  
2 provided by regulation;

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

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

7 (4) allow an assumption of a loan if

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

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

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

13 (6) charge and collect fees for services provided under AS 16.10.801 -  
14 16.10.890;

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

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

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

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

24 (2) qualify as a transferee for a charter halibut permit under applicable  
25 law;

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

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

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

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

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

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

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

7 (2) may not have

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

9 (B) received residency or a benefit based on residency from  
10 another state.

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

13 (1) may not exceed \$100,000; *per year*

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

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

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

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

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

27 (c) The total balances outstanding on loans made to a borrower under  
28 AS 16.10.805 may not exceed \$300,000.

29 (d) After the initial interest rate is set under (a) or (b) of this section for a loan  
30 made under AS 16.10.801 - 16.10.890, the department may provide a reduction of the  
31 interest rate of not more than two percent if at least 50 percent of the loan proceeds are

1 used by the borrower for engine fuel efficiency improvements if the upgrades use  
2 products manufactured or produced in the state. When the department offers a  
3 reduction under this subsection, the department shall provide the reduction to all loan  
4 applicants who meet the criterion described in this subsection. In this subsection,  
5 "manufactured or produced" means processing, developing, or making an item into a  
6 new item with a distinct character and use.

7 **Sec. 16.10.820. 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. 16.10.825. Special account established.** (a) The foreclosure expense  
12 account is established as a special account within the commercial charter fisheries  
13 revolving loan fund.

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

18 **Sec. 16.10.830. Disposal of property acquired after default.** The department  
19 shall dispose of property acquired through default of a loan made under AS 16.10.801  
20 - 16.10.890. Disposal must be made in a manner that serves the best interest of the  
21 state and may include the amortization of payments over a period of years.

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

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

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

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

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

31 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture

1 revolving loan fund is created within the Department of Commerce, Community, and  
2 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

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

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

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

8 (3) money chargeable to principal or interest that is collected through  
9 liquidation by foreclosure or other process on loans made under AS 16.10.900 -  
10 16.10.945.

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

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

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

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

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

20 (4) allow an assumption of a loan if

21 (A) the applicant meets the requirements established under this  
22 section; and

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

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

26 (6) charge and collect fees for services provided under AS 16.10.900 -  
27 16.10.945;

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

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

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

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

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

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

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

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

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

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

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

15                   (2) may not have

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

17                                   (B) received residency or a benefit based on residency from

18 another state.

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

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

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

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

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

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

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

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

6 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may  
7 provide a reduction of the interest rate of not more than two percent if at least 50  
8 percent of the loan proceeds are used by the borrower for purchasing products  
9 manufactured or produced in the state. When the department offers a reduction under  
10 this subsection, the department shall provide the reduction to all loan applicants who  
11 meet the criterion described in this subsection. In this subsection, "manufactured or  
12 produced" means processing, developing, or making an item into a new item with a  
13 distinct character and use.

14 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The  
15 department may not require the repayment of principal on a loan made under  
16 AS 16.10.910 during the first six years of the loan. Interest on the principal of a loan  
17 made under AS 16.10.910 does not accrue during the first six years of the loan.

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

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

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

28 **Sec. 16.10.935. Disposal of property acquired after default.** The department  
29 shall dispose of property acquired through default of a loan made under AS 16.10.900  
30 - 16.10.945. Disposal must be made in a manner that serves the best interest of the  
31 state and may include the amortization of payments over a period of years.

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

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

5                   (1) "commissioner" means the commissioner of commerce,  
6 community, and economic development;

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

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

11 \* **Sec. 3.** AS 44.33 is amended by adding new sections to read:

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

13           **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska  
14 microloan revolving loan fund is created in the Department of Commerce,  
15 Community, and Economic Development to carry out the purposes of AS 44.33.950 -  
16 44.33.990.

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

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

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

22                           (3) money chargeable to principal or interest that is collected through  
23 liquidation by foreclosure or other process on loans made under AS 44.33.950 -  
24 44.33.990.

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

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

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

31                   (2) receive, take, hold, and administer any appropriation, transfer, gift,

1 grant, bequest, devise, or donation of money for the fund;

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

4 (4) allow an assumption of a loan if

5 (A) the applicant meets the requirements established under this  
6 section; and

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

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

10 (6) charge and collect fees for services provided under AS 44.33.950 -  
11 44.33.990;

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

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

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

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

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

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

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

24 or

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

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

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

31 (2) may not have

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

2 (B) received residency or a benefit based on residency from  
3 another state.

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

7 (b) A loan under AS 44.33.950 - 44.33.990

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

10 (2) may not bear interest at a rate greater than the prime rate, as  
11 defined in AS 44.88.599, plus one percentage point but which may not be less than six  
12 percent a year and not more than eight percent a year;

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

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

17 **Sec. 44.33.970. Special account established.** (a) The foreclosure expense  
18 account is established as a special account in the Alaska microloan revolving loan  
19 fund.

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

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

28 **Sec. 44.33.980. Disposal of property acquired after default.** The department  
29 shall dispose of property acquired through default of a loan made under AS 44.33.950  
30 - 44.33.990. Disposal must be made in a manner that serves the best interest of the  
31 state and may include the amortization of payments over a period of years.

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

2                   (1) "commissioner" means the commissioner of commerce,  
3                   community, and economic development;

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

6                   \* **Sec. 4.** This Act takes effect immediately under AS 01.10.070(c).



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

Office of the Commissioner

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

January 26, 2011

Representative Steve Thompson, Chair  
House Fisheries Committee  
State Capitol, Rm 428  
Juneau, Alaska 99801

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

Dear Representative Thompson,

Please accept this request for your consideration to schedule HB 121 before the House Fisheries Committee 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 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.

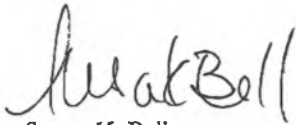
This legislation will promote economic development by providing Alaska's mariculture industry with critically needed access to capital allowing the industry to expand and successfully compete in world seafood markets. Currently access to start-up capital by Alaska's mariculturists is very limited due 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.

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).

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/>

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,

A handwritten signature in cursive script that reads "Susan K. Bell". The signature is written in dark ink and is positioned above the printed name.

Susan K. Bell  
Commissioner



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

Office of the Commissioner

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

## House Bill 121

### Sectional Analysis

**Section 1.** 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.

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.

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

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 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.

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 state 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.

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 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

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STATE OF ALASKA  
Department of Commerce, Community,  
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