

**HB**

**59**

<TARGET><BILL>HB 59</BILL><SUBJECT>HB  
59</SUBJECT><COMM>HFSH27</COMM></TARGET>

## Alaska State Legislature

State Capitol, Room 102  
Juneau, AK 99802  
Phone: 465-2689  
Fax: 465-3472  
Toll Free (800) 665-2689  
Representative\_Paul\_Seaton@legis.state.ak.us



345 W. Sterling Highway  
Suite 102B  
Homer, AK 99603  
Phone: 235-2921  
Fax: 235-4008

### **REPRESENTATIVE Paul Seaton**

District 35

#### **HB 59**

#### **Alaska Manufacture preference**

To be eligible for the rate reduction under HB 59 at least 50% of borrower's purchases with the loan fund have to be manufactured in the State of Alaska. The definition of manufacture is "processing, developing, or making an item into a new item with a distinct character and use."

HB 59 allows the Department of Commerce Community and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50% of the loan is spent on a product produced or manufactured in the State of Alaska. The Commercial Fishing Loan Fund was created by the State of Alaska to aid commercial fishermen in securing new equipment, quota shares and upgrades to their vessels. The Department already allows reductions in interest rates for borrowers who pay on time, make engine and fuel efficiency upgrades or product quality improvements.

HB 59 does not make the rate reduction mandatory because the Department needs to have the discretion to institute it when the market allows. For example, in today's market the interest rates are so low, if the Department were required to issue the interest rate discount it would create a loss for the fund.

HB 59 promotes economic development in Alaska by encouraging Alaska fisherman to purchase equipment manufactured in the State of Alaska when using Commercial Fishing Loan Fund dollars.

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

<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>
---------------------------	------------	--	------------	------------	------------	------------	------------

**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
<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>

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

**POSITIONS**

Full-time	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.

# Alaska State Legislature

State Capitol, Room 102  
Juneau, AK 99802  
Phone: 465-2689  
Fax: 465-3472  
Toll Free (800) 665-2689  
Representative\_Paul\_Seaton@legis.state.ak.us



345 W. Sterling Highway  
Suite 102B  
Homer, AK 99603  
Phone: 235-2921  
Fax: 235-4008

## REPRESENTATIVE Paul Seaton

District 35

### Common Questions on HB 59

*How would the Division of Economic Development determine whether or not a product is manufactured in the state of Alaska?*

The legislation states that in order for a borrower to be eligible for the rate reduction “at least 50 percent of the loan proceeds” need to be spent on a product that is manufactured or produced in the state (p.1, l.8). As long as half of the money borrowed is spent on an Alaskan product, the entire loan is eligible for the rate reduction. The Department would have vendors certify their product under the Made in Alaska and Alaska Product Preference programs (see email from Cathy Jeans).

Mary Ellen, AG for the Department of Commerce, Community and Economic Development, is confident that the language in the bill is clear enough for the Department to administer and that any further definitions can be dealt with in regulations. The language defining Alaska Manufacture in the bill came from the State Procurement statutes, AS 36.30.332 and 338.

*Can you clarify the definition of manufacture?*

HB 59 states “ ‘manufactured or produced’ means processing, developing, or making an item into a new item with a distinct character and use.” (p.1 l.13-14) Merely assembling a product from a kit would not be making a product with a new and distinct purpose. However, taking various parts – pieces of pipe, steel and wire – and making a new distinct product would be considered a product manufactured in Alaska. The Department would require the borrower to prove the product was manufactured in Alaska by presenting a statement from the Alaskan company before they would be eligible.

*Hypothetical borrowing situations:*

Under the Product Quality Program:

A fisherman borrows \$40,000 under the Product Quality Program. They purchase an Alaskan made refrigeration unit for \$30,000 and spend \$10,000 to install it. Seventy-five percent of the loan is spent on an Alaska manufactured product, which makes the entire \$40,000 loan eligible for a rate reduction under HB59.

Under the Engine Efficiency Program:

A fisherman borrows \$20,000 under the Engine Efficiency Program. They purchase an Alaskan made marine electrical generator for \$14,000 and spend \$6,000 to install it. Seventy percent of the loan is spent on an Alaska manufactured product, which makes the entire \$20,000 loan eligible for a rate reduction under HB59.

Staff contact: Katie Koester, 465-2028

*Prepared by the office of Rep. Seaton  
Updated 2-1-2011*

## Katie Koester

---

**From:** Jeans, Cathy (CED) [cathy.jeans@alaska.gov]  
**Sent:** Monday, January 31, 2011 3:06 PM  
**To:** Katie Koester  
**Cc:** Ayers, Wanetta Jo (CED); Andersen, Jim (CED)  
**Subject:** RE: common questions on HB59

**Categories:** Katie

Hi Katie, I met with our director and senior management staff to discuss the first question listed in your "response to questions for house finance" document. The question was: How would the Division of Economic Development determine whether or not a product is manufactured in the state of Alaska? We discussed that an expedient way to deal with the question of Alaskan manufactured products would be to have the vendors certify their products with the Made in Alaska and Alaska Product Preference programs to meet the requirement. It appears that the processes already in place for these programs may mirror the intent of this legislation.

We thought the following definitions for the Made in Alaska and Alaska Product Preference programs and their respective websites would be helpful. Please let us know if you have additional questions. Thank you. Cathy

**Made In Alaska** - <http://www.commerce.state.ak.us/ded/dev/mia/permit.htm>

### **Certification Requirements**

A finished product that is only partially manufactured within the state may be authorized to use the MADE IN ALASKA emblem if:

- the producer demonstrates that no manufacturing facility exists in the state with the capacity or expertise to do the work being accomplished outside the state; the commissioner or MADE IN ALASKA agent will not consider cost alone as a valid justification for using out-of-state manufacturing facilities; and
- the majority of the value-added processes are accomplished in the state.

### **DEFINITIONS**

- (3) "manufactured product" means a product that is built, formed, fabricated, or assembled from a raw or semi-finished material which is changed in character in the final product;
- (4) "product line" means a product or group of products that is manufactured utilizing similar materials and manufacturing processes and producing a finished product that is similar in form, content, and use;
- (5) "value-added process" means a process that changes a raw material or a basic industrial material into a more finished product or alters the function, shape or appearance resulting in a product with increased value.

**Alaska Product Preference** - <http://www.commerce.state.ak.us/ded/dev/prodpref/prodpref.htm>

### **Product Certification**

To be certified as Alaska Product Preference, a product must be made with materials and supplies that are:

1. 25 percent or more and less than 50 percent produced and/or manufactured in state. This is **Class I**, and receives 3% bid preference;
2. 50 percent or more and less than 75 percent produced and/or manufactured in state. This is **Class II**, and receives 5% bid preference;
3. 75 percent or more produced and/or manufactured in state. This is **Class III**, and receives 7% bid preference.

*Please note that the certification in the State's preference programs goes to the products and not to the manufacturer.*

Per AS 36.30.338, the following **definitions** are used:

1. "Alaska product" means a product of which not less than 25 percent of the value, as determined in accordance with regulations adopted under AS 36.30.332(a), has been added by manufacturing or production in the state;
2. "produced or manufactured" means processing, developing, or making an item into a new item with a distinct character and use through the application within the state of materials, labor, skill, or other services;
3. "product" means materials or supplies but *does not include gravel and asphalt* .

[Home](#) [Commercial Fishing](#) [Interest Rates](#) [Workplace Alaska](#)

Search  [find](#)

# Commercial Fishing Loan Fund

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

## Loan Program Goal and Objectives

To provide long-term, low interest loans to promote the development of predominantly resident fisheries, and continued maintenance of commercial fishing vessels and gear for the purpose of improving the quality of Alaska seafood products.

## General Requirements

- Alaska resident for the past 2 years.
- Child support payments must not be past due.
- Provide a copy of each applicant's valid government issued identification at or before loan closing.

## Definition of Resident

- Living in Alaska with the intent to remain indefinitely.
- Primary and permanent home in Alaska.
- Present in Alaska except for brief intervals (generally less than 90 days) except for military service, education or good cause.

## Program Requirements

- Purchases - Loans are available for limited entry permits, quota shares, vessels, or gear purchased less than 12 months prior to the date your application is received.
- Refinancing - Vessels or gear loans made by other lenders more than one year prior to receipt of your application are eligible for financing.
- Collateral - The item being financed (limited entry permit, vessel, etc.) will be the collateral for the loan and, and generally, a priority lien must be obtained.

## Terms and Conditions

- Interest rate is 2% above the Prime Rate, not to exceed 10.5%, not less than 3%.
- Interest rate for Product Quality Improvement and engine fuel efficiency upgrade loans is 2% **below** the Prime Rate, not to exceed 10.5%, not less than 3%.
- Interest rate will be fixed at the time of loan approval.
- Maximum loan term is 15 years.
- Borrower is responsible to pay all direct costs incurred in processing an application including surveys, inspections, appraisals, title insurance, etc.

## Information and Applications

- › [Engine Fuel Efficiency Upgrade](#)
- › [Extension](#)
- › [Limited Entry Permit Purchase](#)
- › [Loan Assumption](#)
- › [Product Quality Improvement](#)
- › [Purchase of Quota Shares](#)
- › [Refinance](#)
- › [Refinance of Vessel or Gear](#)
- › [Tax Obligation](#)
- › [Tender Vessel Product Quality Improvement](#)
- › [Vessel Purchase](#)
- › [Vessel Upgrade or Gear Purchase/Upgrade](#)

The Division of Economic Development, Department of Commerce, Community, and Economic Development complies with Title II of the Americans with Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the Division of Economic Development at (907)465-2510 or TDD (907)465-5437 to make any necessary arrangements.

Toll Free 1-800-478-5626 within Alaska  
 Juneau Office - 3032 Vintage Blvd. Suite 100 - PO Box 34159 - Juneau, AK 99803-4159 - (907)465-2510 - Fax (907)465-2103 - TDD (907)465-4410  
 Anchorage Office - 550 W. 7th Ave. Suite 1930 - Anchorage, AK 99501-3570 - (907)269-8150 - Fax (907)269-8147  
 Having trouble with this site, or just have a general question? [Click here to email the Webmaster](#)

## Quick Links...

- › [Alaska Capstone Avionics Loan Program](#)
- › [Community Quota Entity \(CQE\)](#)
- › [Commercial Fishing](#)
- › [Small Business Economic Development](#)
- › [Rural Development Initiative Fund](#)
- › [Fisheries Enhancement](#)


## Of Interest...

- › [Fisheries Enhancement Revolving Loan Fund Program Overview](#)
- › [Interest Rates](#)
- › [IFQs for Sale](#)
- › [Permits for Sale](#)
- › [Real Estate for Sale](#)
- › [Vessels for Sale](#)
- › [Auto Pay Program](#)
- › ['TEL' Payment Program](#)
- › [Staff Photos](#)
- › [Comments](#)
- › [Related Sites](#)

# Interest Rates

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

## Effective January 01, 2011, the interest rates are:

Fund	Rate	Authority
Alaska Capstone Avionics (Fixed at 4.0%)	4.0%	3 AAC 75.045(c)
Commercial Fishing (Prime + 2%, not to exceed 10.5%, not less than 3%)	5.5%	3 AAC 80.055(k)
Engine Fuel Efficiency Upgrade (Prime - 2%, not to exceed 10.5%, not less than 3%)	3.0%	3 AAC 80.055(k)
Fisheries Enhancement (Prime + 1%, not to exceed 9.5%, not less than 3%)	5.0%	3 AAC 81.055(k)
Product Quality Improvement (Prime - 2%, not to exceed 10.5%, not less than 3%)	3.0%	3 AAC 80.055(k)
Rural Development Initiative Fund (Prime - 1%, not less than 4%)	4.0%	3 AAC 99.865
Small Business Economic Development (Prime - 4%, not less than 4%)	4.0%	Board Delegation
		

These rates stay in effect until changed, which will be no sooner than April 01, 2011, at which time they will be re-evaluated and may change.

## Quick Links...

- › Alaska Capstone Avionics Loan Program
- › Community Quota Entity (CQE)
- › Commercial Fishing
- › Small Business Economic Development
- › Rural Development Initiative Fund
- › Fisheries Enhancement

## Of Interest...

- › Fisheries Enhancement Revolving Loan Fund Program Overview
- › Interest Rates
- › IFQs for Sale
- › Permits for Sale
- › Real Estate for Sale
- › Vessels for Sale
- › Auto Pay Program
- › 'TEL' Payment Program
- › Staff Photos
- › Comments
- › Related Sites

Toll Free 1-800-478-5626 within Alaska  
 Juneau Office - 3032 Vintage Blvd. Suite 100 - PO Box 34159 - Juneau, AK 99803-4159 - (907)465-2510 - Fax (907)465-2103 - TDD (907)465-4410  
 Anchorage Office - 550 W. 7th Ave. Suite 1930 - Anchorage, AK 99501-3570 - (907)269-8150 - Fax (907)269-8147  
 Having trouble with this site, or just have a general question? Click here to email the Webmaster

**DIVISION OF ECONOMIC DEVELOPMENT  
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
STATISTICS FOR LOAN SERVICING**

(Dollars in Thousands)

Effective December 31, 2010

<u>DCCED LOANS</u>	<u>COMM.</u>	<u>FISH. AK CAPSTONE</u>		<u>HIST.</u>	<u>MINING</u>	<u>ALTERN.</u>	<u>TOTAL</u>
	<u>FISH.</u>	<u>ENHANCE</u>	<u>AVIONICS</u>	<u>DIST.</u>		<u>ENERGY</u>	
Number of Loans Outstanding	1,566	174	7	2	0	1	1,750
Principal Amount Outstanding	67,020.1	60,914.5	425.4	51.9	0.0	2.5	128,414.4
Average Loan Amount	42.8	350.1	60.8	26.0	0.0	2.5	73.4
Number of Other Accounts	441	138	0	0	1	3	583
Principal Amount Outstanding	8,223.8	33,378.0	0.0	0.0	381.9	12.2	41,995.9
Total Loans and other Accounts	2007	312	7	2	1	4	2333
Total Principal Amount Outstanding	75,243.9	94,292.5	425.4	51.9	381.9	14.7	170,410.3
Total Average Loan Amount	37.5	302.2	60.8	26.0	381.9	3.7	73.0

**DELINQUENCY AND DEFAULT STATISTICS**

*Statistics Based on Balances Outstanding*

Delinquent	3.0%	0.0%	0.0%	0.0%	0.0%	100.0%	1.3%
Foreclosure	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%

**SERVICED FOR  
OTHER AGENCIES**

	<u>SMALL BUS.</u>	<u>BULK FUEL</u>	<u>ALCOHOL</u>	<u>RURAL DEV</u>	<u>RURAL DEV</u>	<u>TOTAL</u>
	<u>ECON. DEV.</u>	<u>BRIDGE GRANT</u>		<u>RDIF</u>	<u>FISH REVITAL</u>	
Number of Loans Outstanding	57	30	0	27	12	126
Principal Amount Outstanding	5,924.6	1,797.6	0.0	2,880.4	1,061.5	11,664.1
Average Loan Amount	103.9	59.9	0.0	106.7	88.5	92.6
Number of Other Accounts	10	0	0	3	0	13
Principal Amount Outstanding	763.5	0.0	0.0	17.9	0.0	781.4
Total Loans and Other Accounts	67	30	0	30	12	139
Total Principal Amount Outstanding	6,688.1	1,797.6	0.0	2,898.3	1,061.5	12,445.5
Total Average Loan Amount	99.8	59.9	0.0	96.6	88.5	89.5

**DELINQUENCY AND DEFAULT STATISTICS**

*Statistics Based on Balances Outstanding*

Delinquent	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	2.5%
Foreclosure	0.0%	0.0%	0.0%	11.0%	0.0%		3.2%

**Notes:**

Delinquent is defined as 30 days or more past due.

Other Accounts include judgments, deferred interest, accounts receivable, and repossessed property.

**Serviced for other state agencies:**

The Small Business and Economic Development, Rural Development Initiative Fund loan portfolios and the Rural Development Fisheries Revitalization loan programs are serviced for the Alaska Industrial Development and Export Authority.

The Bulk Fuel Bridge Loan Fund (BFBLF) portfolio is serviced for the Department of Commerce, Community, and Economic Development, Division of Community & Regional Affairs

The Alcohol and Drug Abuse (ADA) portfolio is serviced for the Department of Health and Social Services.

Prepared by Division of Economic Development 1/25/2011

**SUMMARY**

Total No. of Loans Outstanding	1,876
Total Principal Amount Outstanding	140,078.5
Total Average Loan Amount	74.7

Total No. of Other Accounts	596
Total Principal Amounts of Other Accounts	42,777.3

**Delinquency and Default Statistics**

*Statistics Based on Balances Outstanding*

Delinquent	1.3%
Foreclosure	0.2%

<b>TOTAL LOANS AND OTHER ACCOUNTS</b>	<b>2,472</b>
<b>TOTAL PRINCIPAL OUTSTANDING</b>	<b>182,855.8</b>

**Division of Economic Development  
Department of Commerce, Community, and Economic Development**

**Product Quality Improvement Loans as of December 31, 2010**

	Section A		Section B		FY TOTALS
	Branch 205 Number of Loans	Branch 205 Amount of New Loans	Branch 215 Number of Loans	Branch 215 Amount of New Loans	
FY 2011	13	1,189,700.00	5	218,270.00	1,407,970.00
FY 2010	11	504,255.00	9	265,196.99	769,451.99
FY 2009	19	1,367,470.00	11	375,449.00	1,742,919.00
FY 2008	9	514,400.00	5	218,000.00	732,400.00
FY 2007	15	1,059,728.00	3	165,000.00	1,224,728.00
FY 2006	17	671,699.00	5	287,774.00	959,473.00
FY 2005	8	412,258.00	4	194,750.00	607,008.00
FY 2004	19	881,302.00	3	48,285.00	929,587.00
FY 2003	13	904,971.00	5	132,802.61	1,037,773.61
FY 2002	7	266,600.00	9	195,138.00	461,738.00
FY 2001	8	370,430.00	2	113,700.00	484,130.00
FY 2000	6	690,420.00	8	181,403.00	871,823.00
FY 1999	7	343,212.00	1	13,200.00	356,412.00
<b>TOTALS</b>	<b>152</b>	<b>9,176,445.00</b>	<b>70</b>	<b>2,408,968.60</b>	<b>11,585,413.60</b>
<b>AVERAGES</b>	<b>12</b>	<b>705,880.38</b>	<b>5</b>	<b>185,305.28</b>	<b>891,185.66</b>

**Engine Efficiency Upgrades as December 31, 2010**

	Section A		Section B		FY TOTALS
	Branch 206 Number of Loans	Branch 206 Amount of New Loans	Branch 219 Number of Loans	Branch 219 Amount of New Loans	
FY 2011	21	1,597,948.00	2	94,790.00	1,692,738.00
FY 2010			18	718,691.00	0.00
FY 2009			30	1,516,213.00	0.00
<b>TOTALS</b>	<b>21</b>	<b>1,597,948.00</b>	<b>50</b>	<b>2,329,694.00</b>	<b>1,692,738.00</b>
<b>AVERAGES</b>	<b>21</b>	<b>1,597,948.00</b>	<b>17</b>	<b>776,564.67</b>	<b>564,246.00</b>



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 7, 2011

Representative Paul Seaton  
House Fisheries Committee  
Alaska State Legislature  
State Capitol, Room 102  
Juneau, AK 99801

RE: HB59 - Commercial Fishing Loan Act

Dear Representative Seaton:

On behalf of the Resource Development Council for Alaska, Inc., (RDC), I am writing in support of HB59 - Commercial Fishing Loan Act.

RDC is a statewide business association comprised of individuals and companies from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. RDC's membership includes Alaska Native Corporations, local communities, organized labor, and industry support firms. RDC's purpose is to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

Throughout the last several years, Alaskans have been struggling with high energy costs. Fuel costs and usage have escalated as fisherman are required to go further out for catch due to impacts from endangered species listings, critical habitat designations, marine protected areas, and fish movement. Opportunities to improve energy efficiency through state loans are important not only for the pocket books of the fisherman who harvest over half of this nation's total catch, but also for the environment—increased efficiency will likely lead to lower costs and ultimately decreased carbon emission. Encouraging such improvements/upgrades to be completed instate, as this bill provides, allows for even more benefits to be felt within Alaska.

We encourage the committee to vote in favor of this bill. Thank you for your consideration.

Sincerely,

Marleanna Hall  
Projects Coordinator

Founded 1975

Executive Director

Jason W. Brune

2010-2011 Executive Committee

Tom Maloney, President

Phil Cochrane, Sr. Vice President

L.F. "Len" Horst, Vice President

Eric Fjelstad, Treasurer

Steve Denton, Secretary

Wendy Lindskoog, Past President

Bob Berto

Patty Bielawski

Pat Carter

Marilyn Crockett

Jeff Foley

Stan Foo

Paul Glavinovich

Wendy King

Stephanie Madsen

Lance Miller

Dale Pittman

Eihan Schutt

Lorna Shaw

John Shively

Tiel Smith

Jeanine St. John

Scott Thorson

Cam Toohey

Directors

Greg Baker

Dave Benton

Allen Bingham

Dan Britton

Dave Carey

Dave Chaput

Steve Connelly

Bob Cox

Allan Dolynny

Paula Easley

Ella Ede

Brad Evans

Joe Everhart

Corri Feige

Carol Fraser

Dan Graham

Chuck Greene

Scott Habberstad

Karl Hanneman

Rick Harris

Paul Henry

Steve Hites

Teresa Imm

Bill Jeffress

Mike Jungreis

Frank Kelty

Kip Knudson

Thomas Krzewinski

John Lau

Linda Leary

Jennifer Loten

Tom Lovas

Andy Mack

John MacKinnon

Mary McDowell

Ron McPheters

James Mery

Denise Michels

Hans Neidig

Lisa Parker

Judy Patrick

Charlie Powers

Ralph Samuels

Keith Sanders

Mary Sattler

Danny Seybert

Ken Sheffield

Keith Silver

John Sturgeon

Dan Sullivan

Michael Terminel

Jan Trigg

John Zager

Ex-Officio Members

Senator Mark Begich

Senator Lisa Murkowski

Congressman Don Young

Governor Sean Parnell

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035

Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

# ALASKA STATE HOUSE OF REPRESENTATIVES



Representative Steve Thompson, Chair  
Alaska State Capitol Room 428  
Juneau, Alaska 99801  
Phone: 907-465-3004  
Fax: 907-465-2070

Meeting Schedule  
Days: Tuesday & Thursday  
Time: 5 to 7pm  
Location: Capitol Room 120  
Email: House\_Fisheries@legis.state.ak.us

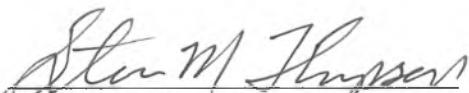
## House Special Committee on Fisheries

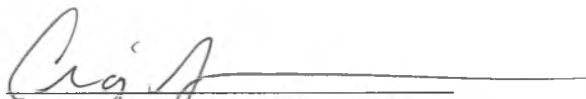
Date: April 6, 2011


Re: Waiver: House Bill 59 – Commercial Fishing Loan Act

---


We the under signed agree to waive HB 59 from the House Special Committee on Fisheries and on to the House Finance Committee. Agreement to waive and signature do not constitute support or opposition to the bill, or obligate the member to a specific vote on the House Floor.

  
Rep. Steve Thompson, Chair

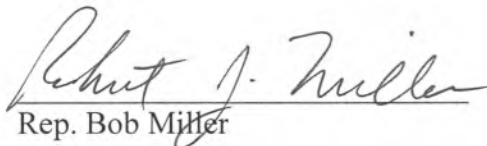
  
Rep. Craig Johnson, Vice-chair

  
Rep. Alan Austerman

  
Rep. Bob Herron

  
Rep. Lance Pruitt

  
Rep. Scott Kawasaki

  
Rep. Bob Miller

Subject: Bill Waiver

HB 59 - Allowing possible 2% reduction of interest rate  
on loans under the Commercial Fishing Loan Act

Sponsor: Rep Seaton

History:

Heard in H Fish 2/8/11

Merged into HB121 (Gov, Creating Comm Charter, Mariculture  
and Micro Loans)

Passed from H Fish as merged HB 121 on 2/25/11

RE for Waiver:

Actions in H Fin removed HB 59 provisions regarding the  
Commercial Fishing Loan Fund - retaining the policy for the  
newly created Loan Funds but abrogating it for the Fund for  
which the sponsor originally introduced the bill.

Therefore, sponsor wants to re-activate original HB 59.

**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: 2/25/11

Referred: Resources, Finance

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:

*HB59 - Comm. Fish*

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

*HB 57 - Comm. Chmky. Fish*

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. *HB59 - Mari*

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).

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

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/5/11

Referred: Rules

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

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (4) allow an assumption of a loan if

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

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

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

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

1 16.10.890;

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

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

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

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

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

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

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

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

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

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

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

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

26 (2) may not have

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

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

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

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

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

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

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

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

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

1 revolving loan fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8                   (4) allow an assumption of a loan if

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 (2) may not have

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

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

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

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

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

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

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

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

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

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

*HB 51 - Mari*

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

1 distinct character and use.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (4) allow an assumption of a loan if

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

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

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

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

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

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

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

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

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

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

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

13 or

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

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

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

20 (2) may not have

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

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

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

27 (b) A loan under AS 44.33.950 - 44.33.990

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

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

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

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

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

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

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

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

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

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

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

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

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

# Alaska State Legislature

State Capitol, Room 102  
Juneau, AK 99802  
Phone: 465-2689  
Fax: 465-3472  
Toll Free (800) 665-2689  
Representative\_Paul\_Seaton@legis.state.ak.us



345 W. Sterling Highway  
Suite 102B  
Homer, AK 99603  
Phone: 235-2921  
Fax: 235-4008

## REPRESENTATIVE Paul Seaton

District 35

### MEMORANDUM

**TO:** Representative Steve Thompson  
Chair, House Special Committee on Fisheries

**FROM:** Representative Paul Seaton *Paul*

**DATE:** February 2, 2011

**RE:** Request for hearing, HB 59

I respectfully request a hearing before the House Special Committee on Fisheries on HB 59, Alaska Manufacture Preference for the Commercial Fishing Loan Fund. In Summary, HB 59 allows the Department of Commerce, Community and Economic Development to reduce a borrower's interest rate up to two percentage points if they purchase an Alaska Manufactured Product with at least 50% of their Commercial Fishing Loan.

Attached please find: HB 59; Sponsor Statement; Commercial Fishing Loan Fund Home Page, Common Questions on HB 59; Loan Servicing Stats as of 12-31-10; and Product Improvement Loans as of 12-31-10.

Invited testimony/available for questions: Cathy Jeans, Division of Economic Development, Department of Commerce, Community and Economic Development.

Please make the teleconference available to Legislative Information offices state wide.  
At this time I do not expect any off-net participation.

Staff contact: Katie Koester: 465-2028