

## **SB168**

## **Commercial Fishing Loan Program**

**Sponsor:**

**Senate Labor & Commerce Committee  
by request**

### **Sponsor Statement**

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In 1972, the Legislature declared a new statewide policy under AS 16.10.300, to promote maintenance of commercial fishing gear and vessels by means of long-term, low interest loans implemented through the Commercial Fishing Revolving Loan Fund (CFRLF) and administered by the Division of Investments under the Department of Community and Economic Development.

This policy was reaffirmed by the 1978 Legislature with the creation of the Alaska Commercial Fishing and Agriculture Bank (CFAB). The approach was different, however, as CFAB was established as a private and cooperatively-structured institution in which the state was the initial stockholder. It was intended that CFAB could borrow private funds for re-lending to commercial fishing and agriculture, leveraging the state's capital investment many times over.

With respect to commercial fishing loans, CFAB was granted statutory authorities which were essentially identical to those in the Commercial Fishing Loan Act (AS 16.10.300-16.10.370).

The state's investment was retired (repaid) by CFAB during the 1991-1998 period and CFAB's present ownership (with about \$19.5 million equity) rests solely with its current and former borrowers. Because CFAB is a cooperative, its directors and management are obligated to operate the institution efficiently and for the benefit of its past and present borrower-members (who are also stockholders). The primary benefit is the allocation of "rebates" to borrowers and dividends to stockholders who are no longer borrowers.

Between June 1, 1990 and May 31, 2000, CFAB received \$34.4 million in interest and fee income from its borrowing members. It has returned \$4.6 million to members in cash, and holds \$1.6 million in allocated accounts, which will also be paid in cash to members over the next few years. Effectively, for each \$100.00 collected, \$13.50 has been returned and another \$4.80 is earmarked for return. Interest rates at CFAB and the Commercial Fishing Revolving Loan Fund have been essentially the same during the past 10 years. Any resident fisherman and CFRLF borrower, who could have obtained CFAB financing, has been clearly disadvantaged.

SB168 holds substantial benefits for many resident fishermen and will not result in denial of financing to anyone. It does not affect those elements of the Commercial Fishing Loan Act which are directed toward residents who cannot qualify for conventional financing. However, there is potential over time, for a significant reduction in utilization of the Commercial Fishing Revolving Loan Fund and for incremental transfers to the General Fund. Finally, SB 168 removes direct and subsidized competition by the state and promotes the services of a successfully privatized institution.