

# Sponsor Statement for SB 266

## Fishery Enhancement Loans

**“An act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan.”**

[CSSB 266](#) authorizes the Commissioner of the [Department of Community and Economic Development](#) to refinance loans made by the [Fisheries Enhancement Revolving Loan Fund](#). It also gives the Commissioner the ability to extend the term of the loan when justified and also requires the commissioner to submit a report annually to the legislature summarizing the commissioner’s decisions during the prior calendar year to approve or deny requests to extend loans.

The construction and operational funding provided by the Fisheries Enhancement Revolving Loan program have helped to create an extremely successful statewide salmon rehabilitation program. The hatchery system was established in 1974 to enhance and stabilize Alaska’s Regional salmon stocks. Now, approximately 40% of the entire salmon harvest in Alaska is enhanced fish.

A majority of the loans made under this program carry the maximum allowable interest rate of 9.5%. Alaska Statutes allow for interest rates of 1% over prime, not to exceed 9.5%. New loans, if received today, would be at 6%. Hatcheries would like to take advantage of the lower interests rates to bring down their debt service, just as other business and homeowners are currently doing throughout Alaska and the Nation. Financially sound hatcheries are better able to continue producing salmon for the fishing community, and smaller loan payments make it easier for them to pay back their obligations to the State.

The [last Legislative Audit of private nonprofit hatcheries](#), published in 1997, recommended that the [Division of Investments](#) in the Department of Community and Economic Development seek the authority to restructure hatchery loans. This legislation does just that. The Department is sufficiently staffed to accommodate the few applications necessary to refinance these loans. There is no forgiveness of principal or interest allowed under this legislation, and all payments are made directly to the loan fund.

Senate Bill 266 recognizes the public trust nature of these non-profit entities. This legislation protects the State’s financial interest by guaranteeing sustained production of salmon for the commercial, sport, and personal use fisheries, and assuring continued payments of outstanding debts to the state.