

**ACT 70**

**H.B. NO. 2377-76**

**A Bill for an Act Relating to Fishing Vessel Loan Programs.**

*Be It Enacted by the Legislature of the State of Hawaii:*

**SECTION 1.** Part II of chapter 189, Hawaii Revised Statutes, is amended to read:

**“PART II. LARGE FISHING VESSEL PURCHASE,  
CONSTRUCTION, RENOVATION, MAINTENANCE,  
AND REPAIR LOAN PROGRAM**

**Sec. 189-21 Definitions.** As used in this part:

- (1) “Director” means the director of planning and economic development.
- (2) “National Marine Fisheries Service” means the Financial Assistance Division, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, United States Department of Commerce.
- (3) “SBA” means the Federal Small Business Administration.
- (4) “Large fishing vessel” means any vessel five net tons and over designed to be used in the Hawaii commercial fisheries for catching fish, processing, or transporting fish loaded on the high seas that derives at least fifty-one per cent of that vessel’s gross annual income from commercial (as opposed to recreational) operations, or any vessel outfitted for such activity.
- (5) “Department” means the department of planning and economic development.

**Sec. 189-22 Hawaii large fishing vessel purchase, construction, renovation, maintenance, and repair loan program.** There is hereby created the Hawaii large fishing vessel purchase, construction, renovation, maintenance, and repair loan program which shall be administered by the director in accordance with the spirit and intent of this part.

**Sec. 189-23 Hawaii large fishing vessel purchase, construction, renovation, maintenance, and repair loan revolving fund.** There is established the Hawaii large fishing vessel purchase, construction, renovation, maintenance, and repair loan revolving fund into which shall be deposited all moneys received as repayment of loans and interest payments as provided for in this part.

**Sec. 189-24 Functions, powers, and duties of director.** In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the director shall:

- (1) Prescribe the qualifications for eligibility of applicants for loans and, in so doing, be guided by requirements as set forth in Public Law 88-498.
- (2) Establish preferences and priorities in determining eligibility for loans.
- (3) Establish the conditions, consistent with the purposes of this part, for the granting of the loan.
- (4) Provide for inspection, at reasonable hours, of the vessel, books, and records of an individual or enterprise who has applied for or has been granted a loan and to require the submission of progress and final reports.
- (5) Adopt rules and regulations under chapter 91 to carry out this part.

**Sec. 189-25 Loans, terms, and restrictions.** The department may make loans to individuals or businesses for the financing of the purchase, construction, renovation, maintenance, or repair of vessels. The loans may be made in conjunction with loans made by other financial institutions including the

Financial Assistance Division of the National Marine Fisheries Service and the SBA. Where the loans made by the department are secured, such security may be subordinated to the loans made by other financial institutions, when subordination is required in order to obtain loans from the institutions. The necessity for and the extent of security required in any loan shall be determined by the director.

The foregoing powers shall be subject, however, to the following restrictions and limitations:

- (1) No loan of state funds shall exceed eighty per cent of the cost of purchase, construction, renovation, maintenance, or repair of a vessel.
- (2) No loan for renovation, maintenance, or repair of a fishing vessel shall exceed \$50,000 nor for a term exceeding ten years.
- (3) No loan for purchase or construction of a fishing vessel shall be made for a term exceeding twenty years.
- (4) Each loan shall bear simple interest at the rate of seven and one-half per cent a year.
- (5) The commencement date for the repayment of the first installment on the principal of each loan may be deferred by the director, but in no event shall such initial payment be deferred in excess of two years.
- (6) In the event the State repossesses any vessel financed under this program, the repossessed vessel shall not be resold to the individual to whom the loan has been made, or to anyone with a financial interest in the vessel.

**Sec. 189-26 Reports.** The department shall make an annual report for the period ending December 31 to the governor, the president of the senate, and the speaker of the house of representatives, on the progress made under this part. The report shall be submitted not later than February 1 immediately following the calendar year period covered by the report.”

SECTION 2. Part IV of chapter 189, Hawaii Revised Statutes, is amended to read:

#### “PART IV. HAWAII SMALL FISHING VESSEL LOAN PROGRAM

**Sec. 189-41 Findings and purpose.** The purpose of this part is to insure the continued orderly development of Hawaii’s small commercial fishing vessel fleet by providing financial assistance for the maintenance and repair of small commercial fishing vessels in order to increase productivity in traditional state fishing grounds and to foster development of new fishing grounds by Hawaii’s small commercial fishing vessels. The legislature finds that: (1) the several financial assistance programs available to Hawaii’s commercial fishermen are primarily for new vessel construction with national agency program emphasis on large fishing vessels; (2) that the large majority of Hawaii’s commercial fishing vessels are small vessels (under 5 net tons, i.e., under 31 feet long) whose owners often do not have the financial resources of the larger vessels; (3) there is no financial program specializing in providing financial assistance for the maintenance and repair of smaller commercial fishing vessels; (4) that the nature of commercial fishing is noted for occasional poor years when reduced landings

adversely affect the economic resources of commercial fishermen, especially those with the smaller vessels; (5) that the recently released report "Hawaii and the Sea—1974" calls for further development of measures to strengthen Hawaii's commercial fishing fleet, for example, by expanding the present Hawaii Fisheries New Vessel Construction Loan Program (Act 193, Session Laws of Hawaii 1965, as amended by Act 28, Session Laws of Hawaii 1968); (6) that the Hawaii Fisheries New Vessel Construction Loan Program does not include maintenance and repair of small commercial fishing vessels; (7) that the creation of a maintenance and repair loan program would help fulfill the intent of "Hawaii and the Sea—1974"; (8) that some usually efficient commercial fishermen, due to the above reasons, are unable to upgrade their vessels in order to take advantage of new fishing gear and technology, and; (9) that the State of Hawaii should make every effort to strengthen its small commercial fishing, vessel fleet.

**Sec. 189-42 Definitions.** As used in this part:

- (1) "Director" means the director of planning and economic development.
- (2) "Small fishing vessel" means any vessel under five net tons designed to be used in catching fish, processing, or transporting fish loaded on the high seas that derives at least fifty-one percent of that vessel's gross annual income from commercial (as opposed to recreational) operations, or any vessel outfitted for such activity.
- (3) "Department" means the department of planning and economic development.
- (4) "SBA" means the Federal Small Business Administration.
- (5) "National Marine Fisheries Service" means Financial Assistance Division, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, United States Department of Commerce.

**Sec. 189-43 Hawaii small fishing vessel purchase, construction, renovation, maintenance, and repair loan program; revolving fund.** (a) There is created the Hawaii small fishing vessel purchase, construction, renovation, maintenance, and repair loan program, which shall be administered by the director in accordance with the spirit and intent of this part.

(b) There is established the Hawaii small fishing vessel purchase, construction, renovation, maintenance, and repair loan revolving fund into which shall be paid all moneys received as repayment of loans and interest payments as provided in this part.

**Sec. 189-44 Functions, powers, and duties of the director.** In performance of, and with respect to, the functions, powers, and duties vested in him by this part, the director shall:

- (1) Prescribe the qualifications for eligibility of applicants for loans.
- (2) Establish preferences and priorities in determining eligibility for loans.
- (3) Establish the conditions, consistent with the purposes of this part, for the granting of the loan.
- (4) Provide for inspection, at reasonable hours, of the vessel, records and books of an individual or enterprise who has applied for or has been granted a loan and to require the submission of periodic reports.

(5) Adopt rules and regulations under chapter 91 to carry out this part.

**Sec. 189-45 Loans, terms, and restrictions.** The department may make loans to individuals or businesses for the financing of expenses incurred in the purchase, construction, renovation, maintenance, and repair of small fishing vessels. The loans may be made in conjunction with loans made by other financial institutions including the Small Business Administration or loans guaranteed by the National Marine Fisheries Service. Where the loans made by the department are secured, such security may be subordinated to the loans made by other financial institutions, when such subordination is required in order to obtain loans from such institutions. The necessity for and the extent of security required in any loan shall be determined by the director.

The foregoing powers shall be subject, however, to the following restrictions and limitations:

- (1) No loan shall exceed \$50,000.
- (2) No loan shall be made for a term exceeding ten years.
- (3) Each loan shall bear simple interest at the rate of seven and one-half per cent a year.
- (4) The commencement date for the repayment of the first installment on the principal of each loan may be deferred by the director, but in no event shall such initial payment be deferred in excess of two years.

**Sec. 189-46 Reports.** The department shall make a report for the period ending December 31 of each year to the governor, the president of the senate, and the speaker of the house of representatives, on the progress made under this part. The report shall be submitted not later than February 1 immediately following the period covered by the report.”

SECTION 3. Statutory material to be repealed is bracketed. New material is underscored. In printing this Act, the revisor of statutes need not include the brackets, the bracketed material, or the underscoring.\*

SECTION 4. This Act shall take effect upon its approval.

(Approved May 10, 1976.)

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\*Edited accordingly.