



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

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

DIVISION OF ECONOMIC DEVELOPMENT
Investments

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April 5, 2018

The Honorable Anna MacKinnon, Co-Chair
Senate Finance Committee
Alaska State Capitol
Juneau, Alaska 99801

Dear Senator MacKinnon:

Thank you for the opportunity to comment on HB76 yesterday. As requested, I am following up with information on the state of the Mariculture Revolving Loan Fund, and to add clarification on testimony.

1) Condition of the fund.

The Mariculture Revolving Loan Fund was passed by the Legislature in 2012, under AS 16.10.900-945, and began operations in October 2012. This legislation established the public policy goal of providing loans for the development of Alaskan-owned mariculture operations and diversification of economic opportunities in Alaska's coastal communities. The current statistics for the fund as of March 31, 2018 are as follows:

Loans:

Since the inception of the program Division of Economic Development has received twelve loan applications and approved seven totaling \$598,000. Currently, there are six loans outstanding totaling \$597,000.

Delinquency:

Since the inception of the program, there has been no delinquency and no default under the program. The outstanding loans are still in the six year initial period and will not have payments due until after April 1, 2020.

Fund capitalization:

The Mariculture Revolving Loan Fund was capitalized in 2012 with \$5 million. Currently, there is \$4,222,175 available to lend.

2) Clarification of Section 13 amending AS 16.10.920.

Under the existing statute, mariculture farmers do not have payments due for up to six years of the loan, but interest accrues during this time and is deferred until payments start.

In the amended statutes, the deferment for the first six years of the loan is extended to the newly created hatchery loans. Statute is clarified to provide that farmers cannot have longer than six year deferments. Language is also added allowing the newly created hatchery loans to have payments deferred for up to 11 years.

Additional new language is provided that creates a mechanism for interest to not accrue on hatchery loans for a period of between six and 11 years. The language states that “the department may provide that interest on the principle...may not accrue during a period of *not less than* six years and not more than 11 years...” The department reads this to mean that there is discretion on whether to write a loan with a non-accrual clause for the initial period of the loan. However, the language prevents the department from selecting a timeframe of less than the initial period if such a clause is written.

3) Reason for the deferral or moratorium on payments.

The moratorium on payments and interest accrual was added to the Fisheries Enhancement Revolving Loan Fund for salmon hatcheries in 1977. It had become clear that it may take six to ten years, depending on the salmon species propagated, before a hatchery might expect viable fish returns that could be sold to cover operating costs and debt service.

Mariculture in Alaska is a nascent industry that is still developing. The methodology employed here is similar to Fisheries Enhancement, and intended to allow these entities the time to develop biological and economic stability. Below are estimated growing times for commonly propagated species:

Oysters	2-5 years
Mussels	18-24 months
Geoduck	8-10 years
Kelp/Seaweed	5-7 months

4) Clarification of Section 10 amending AS 16.10.915(c)

This section amends the statute to include authority for hatcheries to purchase vessels. The vessel referred to in this statute would be required to be a work vessel that is necessary for operations. The determination on the necessity of the vessel would be made during the loan underwriting process.

5) Additional information on loan amortization, interest rates, and the amounts of existing loans.

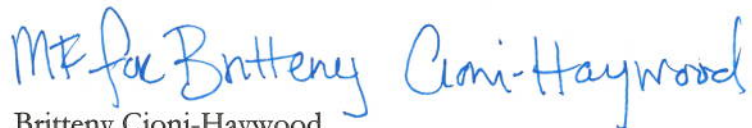
Mariculture loans have a maximum term of 20 years. The first six years there is a moratorium on payments and accrued interest is deferred on an annual basis to a non-interest bearing account. After the sixth year the loan begins repayment on a 14 year amortization and the interest that was previously deferred is paid back in 14 equal installments that are due in addition to the regular loan payment.

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All Six loans currently in the fund have a fixed interest rate of 5.00%. Five of the six loans are for \$100,000 and the sixth loan is \$98,000. The average loan amount is \$99,500.

I hope this answers your questions, please feel free to contact me if there is additional information I can provide.

Sincerely,

A handwritten signature in blue ink that reads "MR for Brittney Cioni-Haywood". The signature is written in a cursive, flowing style.

Brittney Cioni-Haywood
Director

CC: Liz Harpold, Legislative Assistant
Micaela Fowler, Legislative Liaison