

2018 Session Operating Budget Amendment

Offered In: The House Finance Committee
To: HB 285/HB 286
Offered By: Representative Seaton

Agency: Health & Social Services
Appropriation: Public Assistance
Allocation: ATAP

Transaction Details

Title: Funding to Satisfy Federal Maintenance of Effort Requirements (FY19-FY20)
Section: Language
Type: MultiYr

Line Items

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	3,000.0
Miscellaneous:	0.0
	<hr/> 3,000.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding

1223 CharterRLF	3,000.0
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Explanation

See 30-GH2564O.31

In FY18 the Department of Health and Social Services has requested a supplemental of \$2 million to satisfy federal maintenance of effort requirements and avoid federal penalties

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that would also impact the FY19 budget.

Given the current FY18 problem, this amendment adds \$3 million of one-time funds that may only be used to satisfy MOE requirements in FY19 and FY20.

The fund source is the Commercial Charter Fisheries Revolving Loan Fund. The fund has nearly \$5 million in cash, only one \$28.1 loan is outstanding, the loan to asset ratio is an extremely low 1%, and projected loan demand is just \$45.0 per year. The remaining net cash available for loans (assuming H DFG 18 is also adopted) would be approximately \$787.0 with a very low loan to asset ratio of 17%.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 286(FIN), Draft Version "O"

Page 56, line 20:

Delete "sec. 19(t)"

Insert "sec. 20(t)"

Page 56, following line 23:

Insert a new bill section to read:

"* Sec. 12. DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The sum of \$3,000,000 is appropriated from the commercial charter fisheries revolving loan fund (AS 16.10.801) to the Department of Health and Social Services, public assistance, Alaska temporary assistance program, to satisfy the maintenance of effort requirement for the fiscal years ending June 30, 2019, and June 30, 2020."

Renumber the following bill sections accordingly.

Page 75, line 4:

Delete "17(c) and (d), 19, 20, and 21(a) - (d)"

Insert "18(c) and (d), 20, 21, and 22(a) - (d)"

Page 75, line 6:

Delete "21(e)"

Insert "22(e)"

Page 75, line 19:

1 Delete "Sections 19(*l*) and 27"

2 Insert "Sections 20(*l*) and 28"

3

4 Page 75, line 20:

5 Delete "sec. 29"

6 Insert "sec. 30"

Department of Commerce, Community, and Economic Development
Investments Revolving Loan Fund Analysis

Commercial Charter Fisheries Revolving Loan Fund (CCFRLF) Fund-1223

Program Summary: The CCFRLF was passed by the Legislature in 2012 and regulations for the fund were effective October 2012, under AS 16.10.801-890. This legislation established the public policy goal of increasing ownership of Charter Halibut Permits by Alaskans that may not be able to get financing elsewhere, and facilitating growth of Alaskan ownership of Charter Halibut Permits under the new limited entry permit system instituted by the National Marine Fisheries Service (NMFS). This new program may take some time to develop as the NMFS permit program matures.

At the end of FY2017 there was 1 outstanding loan totaling \$28.1, 1 new loan application received, \$0 new loans made, and the average loan amount was \$28.1.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Loans Outstanding	\$28,050	\$62,100	\$105,151	\$142,014	\$172,690
Cash with Treasury	\$5,046,861	\$4,994,750	\$4,933,639	\$4,878,715	\$4,829,978
Projected Principal Repayment	\$1,950	\$1,950	\$8,137	\$14,324	\$20,511
Projected Interest & Fees Repayment	\$1,139	\$1,139	\$1,139	\$1,139	\$1,139
Projected Loan Demand	\$36,000	\$45,000	\$45,000	\$45,000	\$45,000
Operating Appropriation	\$19,200	\$19,200	\$19,200	\$19,200	\$19,200
Foreclosure Reserve	\$0	\$0	\$0	\$0	\$0
Net Cash Available to Lend	\$4,994,750	\$4,933,639	\$4,878,715	\$4,829,978	\$4,787,428
Total Assets	\$5,074,911	\$5,056,850	\$5,038,789	\$5,020,729	\$5,002,668
Liquidity Ratio	1%	1%	2%	3%	3%

Cash with Treasury: The cash with treasury represented in FY2018 is the amount of cash at the end of FY2017. Cash Available to Lend plus Foreclosure Reserve constitutes Cash with Treasury the following year.

Repayments: FY2018 is based on FY2017 payments. FY2019 through FY2022 is based on average over life of the fund and includes projected loans. Repayments are separated into the Principal and Interest and Fees components of loan repayments.

Loan Demand: FY2018 is based on demand from FY2017. FY2019 through FY2022 is based on average over life of the fund.

Foreclosure Reserve: The CCFRLF reserve rate is a static \$100,000. This reserve adjustment is currently based on the age of the fund and the high amount of liquidity. However, this reserve will be adjusted as more loans are granted.

Total Assets: Loans Outstanding plus Cash with Treasury.

Liquidity Ratio: The ratio is the percentage of cash to outstanding loans, and is a measure of how loaned out the fund is. Once a fund reaches 80% loaned out, DED monitors incoming loan demand to ensure the fund is not over extended and remains solvent.