



## Sectional Summary

### CSHB 177 (FSH) Commercial Fishing Loans

CSHB 177 (FSH) restores the division of Economic Development's ability to offer incentivizing interest rates for important loan programs within the Commercial Fishing Revolving Loan Fund (CFRLF). The legislation also provides technical fixes for the Community Quota Entity (CQE) Revolving Loan Fund.

**Section 1** amends AS 16.10.320(a) to allow the department to make loans from the Commercial Fishing Revolving Loan Fund at interest rates not exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. New language in this section also stipulates that the department cannot make loans that bear interest at a rate that is less than the prime rate minus three percentage points or at a rate that is less than 3 percent a year.

**Section 2** deletes language from AS 16.10.320(j) that pertains to the revolving status of the Community Quota Entity Revolving Loan Fund. This language is no longer necessary because the bill introduces more complete language addressing the CQE Fund's revolving status in Section 6.

**Section 3** amends AS 16.10.320(l) to specify certain terms for Community Quota Entity program loans. Loans may not bear interest exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. Also, this section states that loans may not bear interest at a rate that is less than the costs of funds to the state or at a rate that is less than three percent.

**Section 4** amends AS 16.10.320(m) to make this subsection apply only to AS 16.10.320(l), which refers to the Community Quota Entity loan program. Subsection (m) defines "cost of funds," which plays a part in loan terms in the CQE loan program.

**Section 5** amends AS 16.10.320 to add a new subsection that sets allowable interest rates for Section A and Section B loans for Product Quality Improvement and Engine Fuel Efficiency. Interest rates for these loans cannot exceed the prime rate minus two percent. However, they cannot be lower than three percent. Nor can the rates exceed 10 ½ percent.

**Section 6** adds a new subsection to AS 16.10.345 that describes what the Community Quota Entity Revolving Loan Fund consists of and also ensures that it is a fully revolving fund. In particular, this language establishes that income earned on investments of the fund roll back into the fund—a feature that is absent in current statute. This section also allows monies in the fund to be used for administering the CQE loan program (in the same way that CFRLF earnings can be used to pay for its programs' administrative costs).

**Section 7** gives the legislation an immediate effective date.

*Prepared by the office of Representative Bryce Edgmon.*