

CSHB 177(FIN) COMMERCIAL FISHING --- LOANS

The Commercial Fishing Revolving Loan Fund (CFRLF)

- There are six programs within the CFRLF. CSHB 177(FIN) affects just Sections A & B:
 - Section A
 - Loans up to \$300K for
 - Limited Entry Permits
 - **Product Quality Improvement**
 - **Engine Fuel Efficiency**
 - Section B
 - Loans up to \$200K for Entry Permits
 - Loans up to \$100K for
 - New Vessel Purchase
 - Vessel and Gear Upgrades—including **Product Quality Improvement and Engine Fuel Efficiency**
- Section C—Up to \$300K for the purchase of Fishing Quota Shares
- Section D—Up to \$35K to satisfy past due federal Tax Obligations
- Section E—Up to \$1 Million for each eligible community, to purchase Quota Shares
- Section F—Up to \$300K for Tender Vessel Product Quality Improvement Upgrades

Total amount of loans from all programs to a borrower may not exceed \$400K

The Bill

CSHB 177(FIN) 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).

- **Product Quality Improvement and Engine Fuel Efficiency** loans **boost the competitiveness** of Alaskan-owned fishing operations.
 - Upgrading vessels and gear to **enhance product quality** can dramatically increase the value of one's catch.
 - Repowering a vessel with **fuel efficient propulsion and generator engines** can save a business tens of thousands of dollars each year.
- CSHB 177(FIN) will once again allow the department to offer such loans at **two percent below the prime rate—with a floor of three percent**—in order to encourage more Alaskans to improve the **efficiency and profitability** of their businesses.
- CSHB 177(FIN) also makes technical fixes to ensure that income earned on investments of the Community Quota Entity Revolving Loan Fund **revolves back into the fund**.

Loan Eligibility for Sections A & B

- **Section A**

- Must have been a **state resident** for a continuous period of two years immediately preceding date of application.
- Must have possessed a commercial fishing license or permit for the year preceding the loan application and for any two years of the past five years.
- Also, must have participated in those fisheries during those periods.
- Must not be past due on any child support obligations.

- **Section B**

- Must have been a **state resident** for a continuous period of two years immediately preceding date of application.
- **Must be ineligible for financing through a commercial bank or through the Commercial Fishing and Agriculture Bank (CFAB).**
- Must lack employment opportunities other than commercial fishing in area of residence, or must be economically dependent on commercial fishing as a livelihood and as a traditional way of life.
- Must not be past due on any child support obligations.

Product Quality Improvement and Engine Fuel Efficiency Loan Interest Rates

- **From Section 3 of CSHB 177(FIN):**
 - “...may not bear interest exceeding the prime rate, as defined by AS 44.88.599, minus two percentage points, or at a rate exceeding 10 ½ percent, and may not bear interest at a rate of less than three percent.”
- The “floor” of three percent protects the fund by making sure that at times with the prime rate is very low, such as currently, the fund will still make a profit from the loan.

Interest Rates

PROGRAM	CURRENT INTEREST RATE	RATE UNDER HB 177
Entry Permits, Vessel and Gear Purchase and other Section A, B, C, D & F Loans	5.25%	5.25%
Community Quota Entity Loans—Section E	5.25%	5.25%
Engine Fuel Efficiency Upgrade Loans—Section A & B	4.25%	3%
Product Quality Improvement Loans—Section A	4.25%	3%

Technical Fix: The Community Quota Entity Revolving Loan Fund

- Section 4 of HB 177 establishes that **income earned on investments** of the Community Quota Entity Revolving Loan Fund **rolls 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 are used to pay for its programs' administrative costs).

Small Business Economic Development

- CSHB 177(FIN) encourages development of **predominately resident** fisheries by incentivizing more Alaskans to make substantial investments in the **efficiency and profitability** of their businesses.
- The bill will give the Division of Economic Development better tools to improve the vitality of **Alaska-owned businesses** and strengthen one of the state's **cornerstone industries**.