
From: Jane Pierson
Sent: Monday, March 13, 2017 6:22 PM
To: Helen Phillips
Cc: Elizabeth Bolling
Subject: FW: CFRLF information

Helen,

Can you please distribute this to members regarding answers on the CFRLF for HB 56.

Thanks,

Jane

From: Fowler, Micaela R (CED) [mailto:micaela.fowler@alaska.gov]
Sent: Monday, March 13, 2017 5:52 PM
To: Jane Pierson <Jane.Pierson@akleg.gov>
Cc: Cioni-Haywood, Britteny A (CED) <britteny.cioni-haywood@alaska.gov>; Peterson, Darwin R (GOV) <darwin.peterson@alaska.gov>
Subject: CFRLF information

Hi Jane,

Britteny said you'd requested some additional background after she testified on HB 56 regarding the Commercial Fishing Revolving Loan Fund (CFRLF). Please see below.

The CFRLF was created in 1972 by the passage of the Commercial Fishing Loan Act. The CFRLF was created to promote Alaskan ownership, predominately resident fisheries, and the continued maintenance of commercial fishing gear and vessels by providing long-term low interest loans. The CFRLF has also played a major role in combating "greying of the fleet" by making entry into the fisheries possible for the next generation of Alaskans. These loan funds are used to purchase limited entry permits, vessels, gear, and halibut or sablefish individual fishing quotas. The funds are also used to make upgrades to vessels to improve fuel efficiency and improve the quality of Alaska seafood. As of FY16 there was \$95.2 million in principal balance outstanding on over 1,700 loans, with 225 new applications received and 142 processed by FY16 end, and a delinquency rate of 2.2%. DED expects to see continued growth in new applications, servicing, and modifications. An initiative on the part of fish processors to require refrigeration systems on all boats selling fish to processors will increase the demand for loans to upgrade the resident fleet to improve the quality seafood products, and possibly increase ex-vessel prices for seafood.

Under CFRLF, an individual may obtain multiple loans. Within the CFRLF, an individual could hold multiple loans for a permit, vessel, gear or upgrades. The maximum amount an individual can borrow through the CFRLF is \$400,000. HB56 allows for increased borrowing amounts within four sections of the CFRLF but does not raise the overall maximum amount allowed to be borrowed. The overall maximum amount an individual may borrow remains at \$400,000. Before and after HB56 borrowers can mix and match the types of financing needed within the \$400,000 limit. HB56 will allow for increased diversification in fisheries, which is often needed to be successful in today's market. Since the overall amount is not increasing, the risk to the fund is not increasing.

Under HB56, there is potential for increased loan demand but not beyond the capacity of the fund. The CFRLF is a robust fund. The division constructed the projection below. This projection was constructed with assuming an aggressive increase in loan demand of 21 new loans a year, which is likely high. The projection also takes into account operating expenses and potential loss to the fund. Even with these aggressive assumptions, the fund would still maintain a sufficient balance to continue the program.

Fiscal Year	*Beginning Fund Balance - CF	Principal Outstanding - CF	**New CF Prin Demand-HB56	New Principal Balance - CF	Operating Expense-CF	Loan Revenue and Fees - CF	Loan Disbursements CF	Loss on Loans 0.5% of Debt Due - CF	Fund Balance - CF
	7/1/****				Exp Avg + PS growth		Avg + 2%	Prin Bal*0.5%	
FY18	23,030,963	96,070,559	3,066,000	99,136,559	(3,676,878)	17,013,081	(11,379,353)	(49,568)	21,872,245
FY19	21,872,245	96,262,700	3,066,000	99,328,700	(3,713,647)	17,352,553	(11,402,112)	(49,664)	20,993,374
FY20	20,993,374	96,455,226	3,066,000	99,521,226	(3,750,783)	17,386,641	(11,424,916)	(49,761)	20,088,556
FY21	20,088,556	96,648,136	3,066,000	99,714,136	(3,788,291)	17,420,798	(11,447,766)	(49,857)	19,157,440
FY22	19,157,440	96,841,432	3,066,000	99,907,432	(3,826,174)	17,455,022	(11,470,661)	(49,954)	18,199,672
FY23	18,199,672	97,035,115	3,066,000	100,101,115	(3,864,436)	17,489,316	(11,493,603)	(50,051)	17,214,899
FY24	17,214,899	97,229,185	3,066,000	100,295,185	(3,903,080)	17,523,677	(11,516,590)	(50,148)	16,202,758
FY25	16,202,758	97,423,644	3,066,000	100,489,644	(3,942,111)	17,558,109	(11,539,623)	(50,245)	15,162,888
FY26	15,162,888	97,618,491	3,066,000	100,684,491	(3,981,532)	17,592,606	(11,562,702)	(50,342)	14,094,917
FY27	14,094,917	97,813,728	3,066,000	100,879,728	(4,021,348)	17,627,174	(11,585,828)	(50,440)	12,998,476
Total					\$ (38,468,281)	\$174,418,977	\$ (114,823,153)	\$ (500,029)	

Years one through ten.

**Assumes a high of 21 new loans per year at an average of \$146,000 per loan.

*12/31/16 fund balance plus net projected receipts

Assumes Personal Services actual expenditure increases in the operating appropriations for DED based upon history - 0.01% FY18 DED operating appropriation = \$5,312.8

Average Comm Fish operating expense \$3,676.9

Generally assumes 2% growth in disbursements

Thanks,

Micaela Fowler
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