

**HB**

**304**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 304(RES)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title: Commercial Fishing Loan Program RDU: Investments (122)  
Component: Investments  
Sponsor: Coghill  
Requester: Finance Component No.: 383

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 1036)</b>	<b>0.0</b>	<b>(21.8)</b>	<b>(42.9)</b>	<b>(63.2)</b>	<b>(82.5)</b>	<b>(100.9)</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 9.6% delinquency rate were used in the calculation.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given point in time from \$630,000 to \$400,000. The department estimates that this would result in one less loan per year totaling \$68,213. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation.

Prepared by: Greg Winegar, Director Phone: (907) 465-2510  
Division: Investments Date/Time: 4/19/06 10:13 AM  
Approved by: William C. Noll, Commissioner Date: 4/19/2006  
Agency: Commerce, Community, and Economic Development

# REPORTED OUT OF FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

HFC 4/20/06

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSHB 304(RES)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title: Commercial Fishing Loan Program RDU: Investments (122)  
Component: Investments  
Sponsor: Coghill  
Requester: Finance Component No.: 383

### Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( 1036)</b>	<b>0.0</b>	<b>(21.8)</b>	<b>(42.9)</b>	<b>(63.2)</b>	<b>(82.5)</b>	<b>(100.9)</b>
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### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of a 1y current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

### POSITIONS

Full-time						
Part-time						
Temporary						

### ANALYSIS: (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 3.6% delinquency rate were used in the calculation.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given point in time from \$630,000 to \$400,000. The department estimates that this would result in one less loan per year totaling \$68,213. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation.

Prepared by: Greg Winegar, Director Phone: (907) 465-2510  
Division: Investments Date/Time: 4/19/06 10:13 AM  
Approved by: William C. Noll, Commissioner Date: 4/19/2006  
Agency: Commerce, Community, and Economic Development

# HOUSE FINANCE COMMITTEE ROLL CALL

*Pass*

DATE: \_\_\_\_\_

Amendment:   #1  

MEMBER

Favor

Oppose

JOULE	—		
KELLY		✓	
KERTTULA			✓
MOSES			✓
STOLTZE	—		
WEYHRAUCH	—		
FOSTER		✓	
HAWKER	—		
HOLM		✓	
CHENAULT		✓	
MEYER		✓	

adjusted

24-LS0523\S

AMENDMENT# 1

OFFERED IN THE HOUSE FINANCE BY REPRESENTATIVE KELLY

TO: CSHB 304(RES)

- 1 Page 5, line 1:
- 2 Delete line 1 and insert:
- 3 (2) may not bear interest exceeding the prime rate plus two percentage point S
- 4 [10 ½ PERCENT]; for the purposes of this paragraph, "prime rate" has the
- 5 meaning given in AS 44.88.599;

*AS 44.88.590(2) "prime rate" means the lowest United States money center prime rate of interest that is published in the Wall Street Journal.*

When the cap was put in place CFRLF was unable to refinance other lenders loans. Keeping the cap in place increases CFRLF's competitive factor and makes them the preferred lender instead of lender of last resort.

The was put their when CFRLF did not price loans to prime rate. They now use prime rate plus.

The state can not cap the interest rate that it pays on the bonds it sells to finance itself so why cap the interest for loans it makes?

# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 304(FSH)  
(H) Publish Date: 3/24/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title: Commercial Fishing Loan Program RDU: Investments (122)  
Component: Investments  
Sponsor: Coghill  
Requester: House Fisheries Component No.: 383

**Expenditures/Revenues**

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (1036)</b>	<b>0.0</b>	<b>(33.0)</b>	<b>(64.0)</b>	<b>(95.4)</b>	<b>(124.6)</b>	<b>(152.4)</b>
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would make several changes to the Commercial Fishing Revolving Loan Fund (CFRLF). Two of the changes would result in fewer loans being made that would reduce the amount of interest earned by the fund. Section 1 of the bill would reduce the amount of vessel and gear refinancing allowed from \$300,000 to \$200,000. The department estimates that this would result in one fewer loan each year totaling \$200,000. A 9% interest rate and a 9.6% delinquency rate were used in the calculation of lost interest earnings.

Section 3 of the bill would reduce the total amount that a borrower could have in outstanding loans at any given time from \$630,000 to \$335,000. The department estimates that this would result in three fewer loans per year totaling \$204,639. A 9% interest rate and a 9.6% delinquency rate was also used in this calculation of lost interest earnings.

Prepared by: Greg Winegar, Director Phone: (907) 465-2510  
Division: Investments Date/Time: 3/21/06 4:39 PM  
Approved by: William C. Noll, Commissioner Date: 3/21/2006  
Agency: Department of Commerce, Community, and Economic Development

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## House Bill 304 Commercial Fishing Loan Program

### SPONSOR STATEMENT

This bill is a product of my philosophical belief that government should not compete with the private sector. I want to make sure that any loan program the State administers is the source of last resort.

This bill would require someone applying for a loan through the Commercial Fishing Revolving Loan Fund (CFRLF) for repair, restoration, or upgrading of vessels and gear, for the purchase of entry permits and gear, and for construction and purchase of vessels to be ineligible for financing from other recognized commercial lending institutions. While the division currently utilizes this practice I want it codify it to make it a permanent statutory requirement.

HB 304 reduces the amount of loans for refinancing a debt to \$200,000 per person, down from \$300,000. It increases the loan limit for past due federal tax obligations to \$35,000. And it limits all loans, including purchase of entry permits and gear, vessel purchases, repair of existing vessels, and federal tax debt for one person to \$400,000. The bill reduces security of a loan from 90% to 80% of the appraised value of the collateral. The House Resources Committee amended my bill to eliminate a prime rate plus 2% interest rate and reimplemented the existing ceiling of 10.5%. I would like to revisit this issue and determine what policy the legislature wants to implement when loaning money.

This bill has been a work in progress. I have been working with the department diligently for the last year to clarify and tighten requirements in the Commercial Fishing Revolving Loan Program.

# ALASKA STATE HOUSE OF REPRESENTATIVES



## Contact:

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State Capitol  
Room 204

## REPRESENTATIVE JOHN COGHILL

### HB 304 Commercial Fishing Loan Program

#### SECTIONAL

**Section 1.** Provides another qualification, that being the person is not eligible for financing from other recognized commercial lending institutions, for an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels if the individual has been a state resident for a continuous two years immediately preceding the date of the application.

This section adds a requirement that the applicant is not eligible for financing from another source that is a state financial institution, federally chartered financial institution, or the Commercial Fishing and Agricultural Bank.

It also eliminates one category of applicants for a loan to pay federal tax obligations. With the change the applicant must show lack training or lack of employment opportunities in the area other than commercial fishing or is economically dependent on commercial fishing as a livelihood and commercial fishing has been a traditional way of life.

It reduces the refinance obligation limit from \$300,000 to \$200,000.

**Section 2.** The bill originally changed the prime rate from a fixed 10.5 % interest rate to a sliding "prime rate plus two percentage points". However, House Resources amended it back to the 10.5% ceiling. Prime rate in AS 44.88.599 is defined as "the lowest United States money center prime rate of interest that is published in the Wall Street Journal.

It reduces the percent of appraised value of the collateral that can be loaned to secure a loan from 90% to 80% of the appraised value of the collateral.

**Section 3.** This section increases the amount of the total balance of federal tax loans from \$30,000 to \$35,000.

Excluding the purchase of fishing quotas by community quota entities, the total outstanding loans for a borrower may not exceed \$400,000.

**Section 4.** AS 16.10.315 is repealed. This provision required to department to allocate at least 10 percent of the money appropriated annually for loans of \$35,000 or less made for

repair, restoration, or upgrading of existing vessels and gear, for purchase of entry permits and gear, and for construction and purchase of vessels.

**Section 5.** Effective date of July 1, 2006.

**ALASKA DIVISION OF INVESTMENTS**  
 Department of Commerce, Community, & Economic Development

*Commercial Fishing Revolving Loan Fund*  
*Historical Summary*  
 (Dollars in Thousands)

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

<i>Purpose</i>	<i>Eligibility</i>
<b>SECTION A: \$300,000 Maximum</b>	
Purchase limited entry permits; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Possesses a crewmember or commercial fishing license or a permit for the year immediately preceding date of application, and any other two of the past five years, and, has been actively participating in the fishery during those periods.
<b>SECTION B: \$100,000 Maximum</b>	
Purchase limited entry permits, vessels or gear; repair, restore or upgrade existing vessels or gear; upgrade existing vessels and gear to improve the quality of Alaska seafood.	Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
<b>SECTION C: \$300,000 Maximum</b>	
Purchase quota shares for the halibut or sablefish fisheries.	For any two of the past five years, possessed a crewmember or commercial fishing license or a permit and actively participated in a fishery for which the license or permit was issued; Qualifies as a transferee for quota shares, and; Is not eligible for financing from other commercial lenders.
<b>SECTION D: \$30,000 Maximum</b>	
Provide loans to satisfy past due federal tax obligations.	Has had a crewmember or commercial fishing license or a permit for the year immediately preceding the date of application and at least two of the past five years, and has actively participated in the fishery during those periods; Because of lack of training or lack of employment opportunities in the area of residence, does not have occupational opportunities available other than commercial fishing, or; Is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska.
<b>SECTION E: \$2,000,000 Maximum</b>	
Provide loans to qualified Community Quota Entity (CQE) communities for the purchase of Quota Shares	CQE is certified by NMFS and is eligible to hold Quota shares. CQE is in good standing with the state and federal government. CQE is not eligible for financing from other recognized commercial lending institutions.
<b>SECTION II: \$300,000 Maximum</b>	
Refinance debts incurred by a borrower to purchase a commercial fishing vessel or gear.	Qualifies for a loan under section A, B, or C.

**Terms:** Interest rate: Fixed rate at Prime plus 2%, not to exceed 10.5%. (Product quality improvement is Prime rate minus 2%)  
 Maximum loan term: 15 years

*Statistics as of June 30, 2005*

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	<u>(87,313.5)</u>		
Net of appropriations:	<u><u>(27,112.5)</u></u>		
Total number of loans committed:	6,152	Number of accounts outstanding:	2,580
Total dollars committed:	382,104.9	Principal amount outstanding:	86,190.0

ALASKA DIVISION OF INVESTMENTS  
Department of Commerce, Community, & Economic Development

*Commercial Fishing Revolving Loan Fund*  
*Statistical Summary*  
*(Dollars in Thousands)*

AS 16.10.300 -.370; enacted in 1972

3 AAC 80.010 -.900

*Statistics as of June 30, 2005*

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	<u>-89,168.4</u>		
Net of appropriations:	<u><u>-28,967.4</u></u>		
Total number of loans committed:	6,159	Number of accounts outstanding:	2,580
Total dollars committed:	382,558.7	Principal amount outstanding:	86,190.0