

整理

121

<TARGET><BILL>HB 121</BILL><SUBJECT>HB
121</SUBJECT><COMM>SFIN27</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/11

FURTHER:
DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 121(RLS)

HB 121 LOAN FUNDS:CHARTERS/MARICULTURE/MICROLOAN

"An Act establishing the commercial charter fisheries revolving loan fund, the mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

and recommends:

- be replaced with SCS CSHB121 (FIN) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s) _____ Letter of Intent
- adopt _____ Committee
- further referral to _____ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
SRN/CED	X			
SFIN/CED	X			
SFIN/CED	X			
SFIN/CED	X			
SFIN/CED	X			
SFIN/CED	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:		PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
		Thomas	<input checked="" type="checkbox"/>			
		Kegan	<input checked="" type="checkbox"/>			
		O'Sullivan		<input checked="" type="checkbox"/>		
		Thomas	<input checked="" type="checkbox"/>			
CO-CHAIR:		Hoffman	<input checked="" type="checkbox"/>			
CO-CHAIR:		Stedman	<input checked="" type="checkbox"/>			

FISCAL NOTE

STATE OF ALASKA cost # codes
2012 LEGISLATIVE SESSION

Bill Version
Fiscal Note Number
Publish Date

SCS CSHB 121(FIN)

Identifier (file name) SCS CSHB 121(FIN):DCCED-DED-04-09-12

Title Loan Funds: Charters/Manufacture/Microloan

Dept. Affected
Appropriation Allocation

Fund Transfer
Op Sys DGF Transfers
Com Charter Fisheries (RLF)

Sponsor _____
Requester _____
Rules Committee
Senate Finance

OMB Component Number

Expenditures/Revenues

(Thousands of Dollars)

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

	FY13		Included in Governor's FY13 Request	Out-Year Cost Estimates				
	FY13 Appropriation Requested	FY13 Request		FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FUND SOURCE	(Thousands of Dollars)							
1002 Federal Receipts								
1003 GF Match								
1004 GF	5,000.0							
1005 GF/Prgm (DGF)								
1037 GF/MH (UGF)								
1178 temp code (UGF)								
TOTAL	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS	Full-time	Part-time	Temporary	CHANGE IN REVENUES
				0.0
				0.0
				0.0
				0.0
				0.0
				0.0

Estimated SUPPLEMENTAL (FY12) operating costs _____ 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)
Capitalizes the Commercial Charter Fisheries Revolving Loan Fund at 5,000.0, the original amount requested by the Administration.

Prepared by Darwin Peterson
Division Senate Finance Committee
Approved by Senator Hoffman, Co-Chair
Senator Stedman, Co-Chair

Phone 907-465-3873
Date/Time 4/9/12 6:16pm
Date 4/9/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SCS CSHB 121(FIN)

Analysis



FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

cost # codes

Bill Version
Fiscal Note Number
Publish Date

SCS CSHB121(FIN)

Identifier (file name) SCS CSHB121(FIN) -DCCED-DED-04-09-12

Title Loan Funds: Charter/Manufacture/Microloan

Dept. Affected
Appropriation
Allocation

Fund Transfer
Op Sys DGF Transfers
Manufacture (RLF)

Sponsor _____
Requester _____
Rules Committee
Senate Finance Committee

OMB Component Number _____

Expenditures/Revenues

(Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY14	FY15	FY16	FY17	FY18	
OPERATING EXPENDITURES	FY13	FY13						
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous	5,000.0							
TOTAL OPERATING	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)							
1002	Federal Receipts								
1003	GF Match								
1004	GF	5,000.0							
1005	GF/Prgm (DGF)								
1037	GF/MH (UGF)								
1178	temp code (UGF)								
	TOTAL	5,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS	Full-time	Part-time	Temporary	CHANGE IN REVENUES
				0.0
				0.0
				0.0
				0.0
				0.0
				0.0
				0.0
				0.0

Estimated SUPPLEMENTAL (FY12) operating costs _____ 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)
This fiscal note reflects the increase in the appropriation amount from \$3,000.0 to \$5,000.0

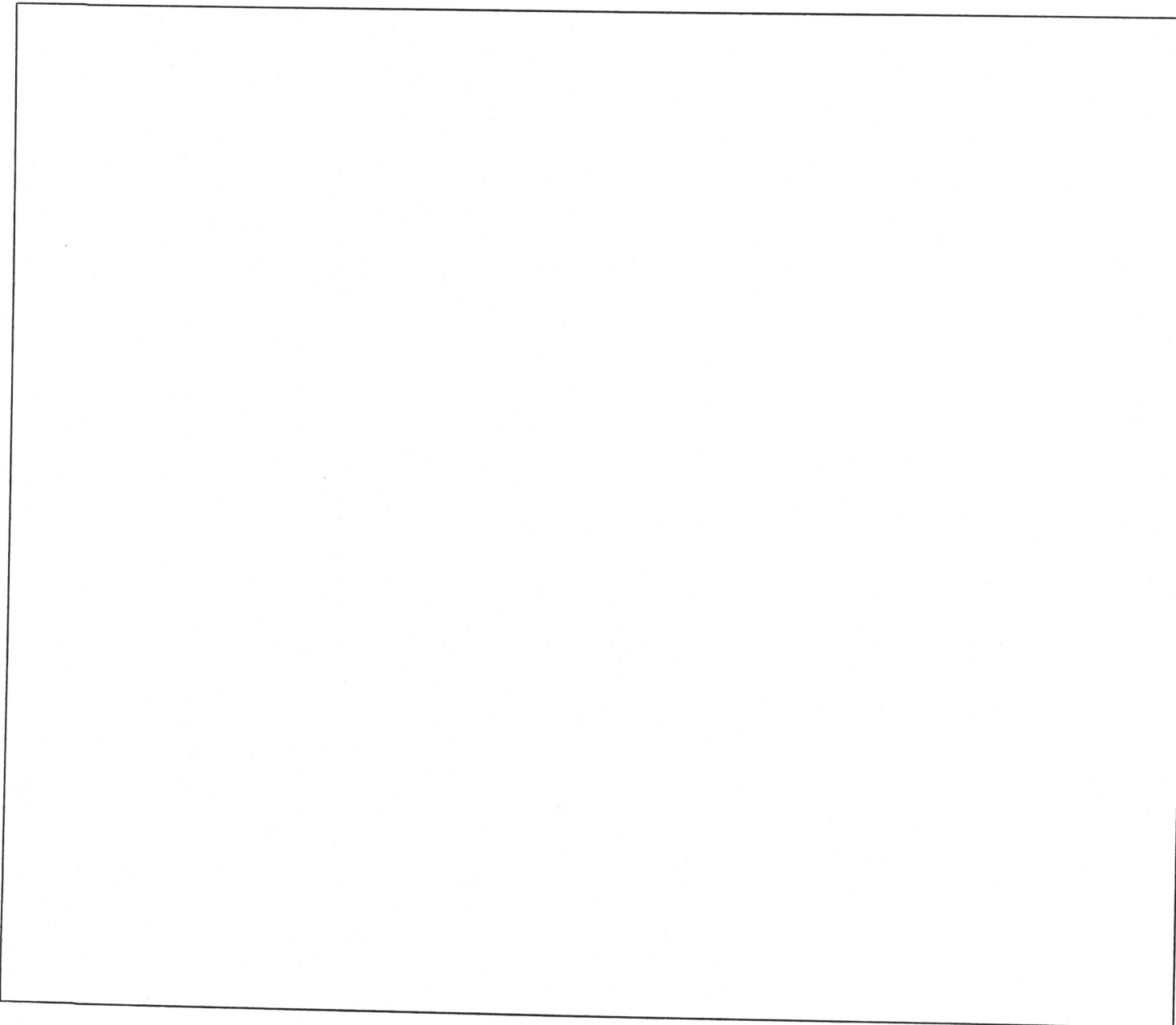
Prepared by Darwin Peterson Phone 907-465-3873
 Division Senate Finance Committee Date/Time 4/9/12 6:21pm
 Approved by Senator Hoffman, Co-Chair Date 4/9/2012
Senator Siedman, Co-Chair

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SCS CSHB121(FIN)

Analysis



FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version
Fiscal Note Number
() Publish Date

SCS CSHB 121(FIN)

Identifier (file name) HB 121-Fund Transfers COERLF/DCCED
 Title LOAN FUNDS: _____ Dept. Affected _____ Fund Transfers _____
 SPONSOR CHARTERS/MARICULTURE/MICROLOAN/COERLF _____ Appropriation _____ OPSys DGF Transfers (non-add)
 Requester Rules by Request of the Governor _____ Allocation _____ Community Quota Entry RLF _____
 Senate Finance _____ OMB Component Number _____

Expenditures/Revenues

(Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous	10,000.0						
TOTAL OPERATING	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0
FUND SOURCE	(Thousands of Dollars)						
1002 Federal Receipts							
1003 GF Match							
1004 GF	10,000.0						
1005 GF/Prgm (DGF)							
1037 GF/MH (UGF)							
1178 temp code (UGF)							
TOTAL	10,000.0	0.0	0.0	0.0	0.0	0.0	0.0
POSITIONS							
Full-time							
Part-time							
Temporary							
CHANGE IN REVENUES							

Estimated SUPPLEMENTAL (FY12) operating costs
 (discuss reasons and fund source(s) in analysis section)

_____ (separate supplemental appropriation required)

Estimated CAPITAL (FY13) costs
 (discuss reasons and fund source(s) in analysis section)

_____ (separate capital appropriation required)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note capitalizes the Community Quota Entry Revolving Loan Fund which is to be managed by the Department of Commerce, Community and Economic Development. All earnings and loan payments would be retained by the fund for future loans. All operating expenses would be paid from earnings of the fund. Separate fiscal notes are attached to this bill to capitalize the Alaska Microloan Revolving Loan Fund, the Mariculture Revolving Loan Fund, and the Commercial Charter Fisheries Revolving Loan Fund.

Prepared by Darwin Peterson Phone 907-465-3873
 Division Senate Finance Committee Date/Time 4/10/12 8:00 AM
 Approved by Senator Hoffman, Co-Chair Date 4/10/2012
 Senator Stedman, Co-Chair

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. SCS CSHB 121(FIN)

Analysis

The Community Quota Entry RLF will be set up as a revolving loan fund with all principal and interest loan repayments, fees, and investment earnings returned and retained by the fund to ensure growth that would provide for future lending and administrative expenses. Based on capitalization, CQE Revolving Loan Fund (RLF) is anticipated to be the third largest fund in the DED portfolio. Initial capitalization will be \$45 million.

The fund will serve a borrower population of 42 eligible CQE organizations. CQE RLF will most closely parallel the Fisheries Enhancement fund. Based on many years of experience in this lending area, the Division bases its projections on each loan taking a full month to process. A substantial level of advance work and due diligence will be required for each loan, and the ongoing servicing, given the specialized features of the fund.

These loans will be to newly formed non profits rather than to individuals. In addition, the halibut and sablefish fisheries are federal fisheries managed through an international treaty. And, although the Division finances quota for the open access fishery under the Commercial Fisheries program, the CQE program is managed under the Restricted Access Management program and this structure is likely to introduce additional complexity to the lending and servicing process.

STATE OF ALASKA
2012 LEGISLATIVE SESSION

FISCAL NOTE

Identifier (file name) HB121-DCCED-DED-12-14-11
Title Loan Funds: Charters/Mariculture/Microloan

Bill Version
Fiscal Note Number
() Publish Date

CSHB 121 (RLS)

Sponsor _____ Rules by Request of the Governor
Requester _____ Senate Finance Committee
Note: Amounts do not include inflation unless otherwise noted below.

Dept. Affected _____ OMB Component Number 383
Appropriation _____ Fund Transfer
Allocation _____ Op Sys DGF Transfers
Micro-Loan Fund (RLF) _____

OPERATING EXPENDITURES	FY13 Appropriation Requested FY13	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY14	FY15	FY16	FY17	FY18	
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	2,500.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	FY13	FY14	FY15	FY16	FY17	FY18
1002 Federal Receipts	2,500.0					
1003 GF Match		0.0				
1004 GF			0.0			
1005 GF/Prgm (DGF)				0.0		
1037 GF/MH (UGF)					0.0	
1178 temp code (UGF)						0.0
TOTAL	2,500.0	0.0	0.0	0.0	0.0	0.0

POSITIONS	Full-time	Part-time	Temporary
CHANGE IN REVENUES			
Estimated SUPPLEMENTAL (FY12) operating costs <i>(discuss reasons and fund source(s) in analysis section)</i>			
Estimated CAPITAL (FY13) costs <i>(discuss reasons and fund source(s) in analysis section)</i>			
TOTAL	2,500.0	0.0	0.0

Why this fiscal note differs from previous version (if initial version, please note as such):
 Updated to comply with 2012 format and standards. _____ 0.0 (separate capital appropriation required);
 _____ 0.0 (separate supplemental appropriation required);

Prepared by
Division
Approved by

Wanetta Ayers, Division Director
Economic Development
Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 907-269-4048
Date/Time 12/14/11 5:16 PM
Date 1/11/2012

(Revised 1/12/2011, CMB)

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 121 (RLS)

Analysis

HB 121 would create the Alaska Microloan Revolving Loan Fund, the Mariculture Revolving Loan Fund, and the Commercial Charter Fisheries Revolving Loan Fund within the Department of Commerce, Community, and Economic Development. The programs would be set up as revolving loan funds so that all earnings and loan payments would be retained by the funds for future loans. All operating expenses would also be paid from earnings of the fund.

This fiscal note details the capitalization amount for the Alaska Micro-loan Revolving Loan Fund. This loan program would provide short term, low interest loans to Alaska small businesses to be used for typical business purposes such as working capital, purchasing machinery, equipment and inventory and leasehold improvements. The initial capitalization would be \$2.5 million.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version
Fiscal Note Number
() Publish Date

CSHB 121 (RLS)

Identifier (file name) HB121-DCCED-DED-12-14-11
Title Loan Funds: Charters/Mariculture/Microloan

Dept. Affected
Appropriation Allocation

DCCED

Investments
Investments

Sponsor _____ Rules by Request of the Governor
Requester _____ Senate Finance

OMB Component Number 383

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY14	FY15	FY16	FY17	FY18	
Personal Services	61.3		67.0	67.0	67.0	67.0	67.0	
Travel	7.0		7.0	7.0	7.0	7.0	7.0	
Services	12.0		10.0	10.0	10.0	10.0	10.0	
Commodities	5.0		0.0	0.0	0.0	0.0	0.0	
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	85.3	0.0	84.0	84.0	84.0	84.0	84.0	

FUND SOURCE	(Thousands of Dollars)							
1002 Federal Receipts								
1003 GF Match								
1004 GF	85.3							
1178 temp code (UGF)			84.0		84.0		84.0	84.0
1178 temp code (UGF)								84.0
1178 temp code (UGF)								
TOTAL	85.3	0.0	84.0	84.0	84.0	84.0	84.0	84.0

POSITIONS	Full-time	Part-time	Temporary					
CHANGE IN REVENUES	1			1	1	1	1	1

Estimated SUPPLEMENTAL (FY12) operating costs
(discuss reasons and fund source(s) in analysis section) _____ 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY13) costs
(discuss reasons and fund source(s) in analysis section) _____ 0.0 (separate capital appropriation required)

Why this fiscal note differs from previous version (if initial version, please note as such)
Updated in compliance with new form for 2012, for FY13 costs, and to correct the fund source allocation.

Prepared by _____
Division _____
Approved by _____

Wanetta Ayers, Division Director
Economic Development
Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 269-4048
Date/Time 1/23/12 1:00 PM
Date 1/23/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 121 (RLS)

Analysis

HB 121 would create the Alaska Microloan Revolving Loan Fund, the Mariculture Revolving Loan Fund, and the Commercial Charter Fisheries Revolving Loan Fund within the Department of Commerce, Community, and Economic Development. The programs would be set up as revolving loan funds so that all earnings and loan payments would be retained by the funds for future loans. All operating expenses would also be paid from earnings of the fund.

This fiscal note details the operations funds needed to administer the funds.

Commercial Charter Fisheries Revolving Loan Fund – The cost projections that are provided include existing division staff to conduct outreach trips to promote the loan fund and to prepare the necessary regulations. These operating expenses would be paid by the earnings of the fund, as is the case with other existing division loan funds. The cost projections that are provided include travel for existing division staff to conduct several outreach trips to promote the fund. For FY14-18, \$3.5 of the \$84.0 costs in this fiscal note are expenses related to the Commercial Charter Fisheries Revolving Loan Fund.

Mariculture Revolving Loan Fund – No additional operating expenses are required to implement this loan fund.

Alaska Microloan Revolving Loan Fund – All operating expenses would be paid from earnings of the fund. Projected operating expenses are for personal services for a Loan Closer I for one year of training and flexing to a Loan Closer II in succeeding years. The new position would be responsible for intake and set up of initial application, upfront due diligence verifications, data entry to the LOANS.net proprietary tracking and accounting system, production and finalization of security documents, lien recording and perfection, and disbursement of loan proceeds. There would also be one-time set-up for expenses (supplies and equipment) and annual contractual support services cost. In addition, existing division staff would conduct several outreach trips to promote the fund and prepare the necessary regulations. For FY14-18, \$80.5 of the 84.0 costs in this fiscal note are expenses related to the Alaska Microloan Revolving Loan Fund.



Fairbanks

Economic Development Corporation

301 Cushman St., Suite 301, Fairbanks, AK 99701

March 20, 2012

Re: HB 121

To: Senate Finance Committee,
Co-chair: Senator Hoffman
Co-chair: Senator Stedman
Members: Senator Olson
Senator Egan
Senator Thomas
Senator Ellis
Senator McGuire

As federal spending continues to decline and as Alaska's oil resources deplete, now, more than ever, Alaska needs to strive to diversify its economy. We need to focus on creating job and economic opportunities not only for ourselves, but for the generations of Alaskans who will follow us. In the past 20 years 80% of the jobs created in the United States have been from small businesses. Alaska need to be proactive in helping small business succeeds.

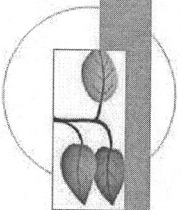
HB 121, Article 15, the Alaska Microloan Revolving Loan Fund, would be very beneficial in helping small business owners in Alaska. Microloans are a common practice in economic development, especially in new business start-ups. HB 121 creates an opportunity for emerging Alaskan business to have access to working capital and financing for expansion.

The Fairbanks Economic Development Corporation asks for your support of HB 121 in its entirety, and in particular to leave intact Article 15.

Thank you,

~~Jim Dodson~~
President & CEO
Fairbanks Economic Development Corporation

Cc: Wanetta Ayers, Division Director, Commerce, Community & Economic Development



ALASKA PROJECT SOLUTIONS, INC.
1049 WEST 5TH AVENUE, SUITE 104
ANCHORAGE, AK 99501
PH. 907.334.9212 FAX 907.334.9716

Grant Writing · Project Coaching · Project Management
Helping Grantees Achieve Success

Senator Bert Stedman
AK State Capitol, Room #516
Juneau, AK 99801

March 18, 2012

RE: Support for HB121 Microloan Revolving Loan Fund

Dear Senator Stedman:

My company, Alaska Project Solutions, Inc., has provided technical assistance for grants management to Tribes, non-profits, and municipalities across Alaska for the past 20 years. In addition, I have worked for the past seven years to fully develop two additional business concepts and most recently, have had significant success towards these efforts. As a small business owner and entrepreneur, I see the value in HB121's Microloan Revolving Loan Fund, and I would like to express my support for its approval.

In an effort to help you understand why I am in support of HB121's Microloan Program, I would like to provide you with several scenarios that my companies have experienced during our efforts to expand, provide quality services, and develop innovative solutions for Alaskans.. These scenarios include my three companies, which provide technologies and services in the energy and grants management industries; my companies are Alaska Project Solutions Inc.; projectKEEPERS LLC; and IllumiTek LLC.

1. **Alaska Project Solutions, Inc.:** As a grant writer, project coach, and trainer for grants management, we find that our rural clients often have a difficult time 'turning around' payment for services on time. We have never had a 'non-payment' problem, but there are many challenges, including inclement weather and subsistence seasons that can interrupt normal business operations for rural Alaskan agencies. These delays often hinder our small business cash flow, making it difficult to keep staff paid and also preventing us from hiring much needed help to expand our services.

As a business owner, I could easily see how a Microloan program could have provided a financial bridge for the company to progress forward through these situations. Instead, I find myself often working up to 16 hours per day to meet the needs of service contracts – minus the needed support staff.

2. **ProjectKEEPERS LLC:** After many years of working with rural Tribal agencies, I became keenly aware of the challenges that face many Tribal Administrators in managing Federal and State grants – while also juggling the many hats they must wear as leaders in their communities. Besides communication gaps, these administrators must also work to fulfill the requirements of their grant agreements and train, often entry-level, project managers to implement their projects.

In 2007, our company received a \$100,000 National Science Foundation Small Business Innovative Research (SBIR) grant, and \$40,000 from UAA. The purpose of these grants was to conduct a feasibility study for cross-cultural approaches to project management, with an end goal to develop a tool that would not only help staff manage their grants using a much more simplified approach, but also teach them project management principles that could help them with career advancement. To date, the only thing on the market for grants management was 'spreadsheets', which were and continue to be complex and training intensive. This was not going to work for our clients, and what we had in mind *would* work. Our main goal was to 'help grantees succeed'.

This is already a long story, but I will try to keep it brief. I have maintained excellent credit my entire life, and my company has done the same. However, once the SBIR project was completed, we were ready to develop a prototype for the online tool for grants and project management. With the prototype, we hoped to approach investors who would see the value – once they saw the simplicity – and the approach- of the system. However, we were unable to gain a loan, credit line, or any type of funding to build the prototype. For seven long years, I spoke to everyone I could to help me move forward with this concept. Banks, lenders who boast 'alternative, hard to fund' loans, or even innovative funding, all had their boundaries when it came to lending money for software development.

In January of this year, we had a major breakthrough; we approached one of our clients with the concept, and they were very interested in taking a look at the system. This Alaska Native 8(a) graduate did not even hesitate to see the opportunity of the online service for Tribes, non-profits, schools, and many, many more people who manage projects every day. We are now full-swing in the development process, and expect that we will launch the system later this spring.

The interest we already have in the product is amazing (as we had hoped and believed it would be), but I can't help thinking how a program such as HB121 could have helped us move ahead years ago. We anticipate that not only will the service create jobs for our company, but it will help retain jobs in rural Alaska, when administrators have a tool to successfully manage their projects. (If you would like to take a look at our website, which now is live and provides a quick look at the beginning of the system, please feel free to visit www.projectKEEPERS.com).

3. **IllumiTek, LLC:** As an entrepreneur, I have considered many options for running a business that could be successful. In our grants world, we have seen many grant opportunities come and go in the energy industry. Particularly, there are billions available in the Tribal arena for energy projects. In 2005, I had 'an idea' for a lighting technology that could 'shake up' how we have been using lighting for 'ever', and started another new company, *IllumiTek, LLC*. After meeting with the National Science Foundation in Washington D.C., I was referred to the University of Alaska Fairbanks' Advanced Materials Group, to confer with some of the top research scientists in the United States in their field of nanotechnology. They concluded that the concept I had presented was viable, and that a prototype should be developed for further testing.

Much like the project management prototype, I began to look for funding that would provide the University with needed support for their scientists to participate in the project. However, once again, we could not obtain funding because, once again, typical and non-typical lenders had boundaries that did not allow for 'research loans'. We were spinning the same wheel, but did not give up; our team at UAF maintained that this was a credible concept, and that we should continue in our efforts.

Just recently, we found an opportunity with the Alaska Energy Authority's *Emerging Energy Technology Fund* (AEA-EETF) grant program, and have submitted the first round application for consideration. This is a rare opportunity, because grants for 'for-profit' businesses are not as easy to find as they are for non-profits or other entities. We are hopeful that this will be our first break-through in gaining the funding needed to develop this lighting technology prototype, and UAF has expressed their continued commitment to this project – even after all these years!

If this award is made, our project will be the first R&D collaboration effort between University of Alaska Fairbanks (UAF) and a local commercial venture in solid state device technology and nanotechnology areas. The project will encourage teaming between an entrepreneurial business (*IllumiTek, LLC*), the Department of Defense, the University of Alaska campuses, and other research institutes. The gains from this new technology, especially for the State of Alaska, would follow in the form of technical prowess to compete in the national technology arena for programs, projects and entrepreneurial activity.

Once again, I can only imagine that having access to a Microloan fund could have helped to bridge our 'time gap' for this project. Everyone knows that time is the enemy of every inventor, because the prize goes to whoever gets to market first. Had funding been available for us, this technology may have been developed many years ago. Now, we are only hopeful for a successful funding award from AEA, and that our product *will* make it to market soon.

I appreciate the time you have taken to read each of these scenarios, and hope that they have provided you with insight into the challenges of a real small business here in Alaska! More so, I appreciate your commitment to our great State of Alaska and to the development *and success* of small businesses and entrepreneurs.

Please support HB121, which for many small businesses, may be the financial lifeline we need for our 'next steps', and could make the difference so many of us hope for. Thank you for help in establishing an Alaska Microloan Revolving Loan Fund under House Bill No. 121 (RLS).

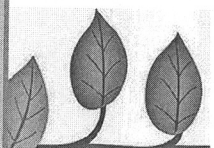
Sincerely,



President, Alaska Project Solutions, Inc.

CEO, projectKEEPERS LLC

CEO, IllumiTek LLC





STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner

MEMORANDUM

TO: Senator Stedman, Co-Chair
Senator Hoffman, Co-Chair
Senate Finance Committee

DATE: January 30, 2012

FROM: Susan K. Bell, Commissioner
Department of Commerce, Community
and Economic Development

RE: HB 121 - Loan Funds:
Charter/Maquiculture/Microloan

Senators Stedman and Hoffman,

We have provided responses to questions raised during the recent hearing on HB 121. Please contact me if you have any further questions.

1. **Capitalization:**

The requested capitalization for each fund was arrived at based on an assessment of the likely pool of borrowers for the fund, the history of similar funds managed by the department, the characteristics of the business type and eligible financing purposes, input from the banking community, and other market factors at the time of the initial request.

- Commercial Charter Fisheries RLF - The department considered the potential size of the permit market, the range of pricing for the permits, and similar experience with lending for Limited Entry Permits and Individual Fishing Quota. During last session, there was significant uncertainty in the market due to the new licensing requirements and decisions pending with NOAA and other regulatory agencies. The department's initial projections were based on an average loan amount of \$85,0 with initial loan demand averaging 20 - 25 loans per year. The House Finance Committee increased the capitalization to \$9MM based on the committee's concern that escalating permit prices and the size of the market would necessitate the higher amount.
 - Alaska Microloan RFL - This fund closely parallels the microloan program administered by the Small Business Administration (SBA). Alaska is one of a handful of states that does not participate in the program because there is no participating intermediary lender. Given restrictions in the credit market, we assumed that the average loan would be \$35,0 with loan demand of 20 - 25 loans per year. The department reviewed similar loan funds and determined that \$2.5MM would be sufficient capitalization.
 - Maquiculture RLF - Currently, there are 27 commercially producing farms and another 47 permitted farms in the state. Additional farmers are training through programs such as the Haan Aami maquiculture program, the Naukai Weekend Warriors program, and other training offered through the Marine Advisory Program. The initial capitalization request of \$3MM was based on discussions with farmers, the University, seed producers, and shellfish cooperatives and associations. The department assumed an average loan of \$100,0 with loan demand averaging 6 - 8 loans per year.
2. **Interest Rates:**
- Commercial Charter Fisheries Revolving Loan Fund Floor - Prime + 2%. Floor/Ceiling 6 - 10.5%
 - Maquiculture Revolving Loan Fund - Prime + 1%. Floor/Ceiling 5 - 9%
 - Microloan Revolving Loan Fund - Prime + 1%. Floor/Ceiling 6 - 8%

The department practices the industry standard of using the prime rate as a base index for calculating the interest rate for loans. The margin above or below the prime rate is arrived at by analyzing factors such as the public

purpose served by the program, legislative input, private lender input, similar government programs, and communication with the target constituency to be served by the program. The floor for Mariculture was set at 5% to help establish this new, promising industry.

3. Delinquency Rates:

- The department tracks delinquency and default rates for each loan fund and the combined portfolio of funds. Based on FY 11 performance, the combined delinquency rate for all loan funds was 1.2 percent and the combined default rate was 0.2 percent. A breakdown of delinquency and default rates by loan funds is provided below:

Delinquency and Default Rates by Fund As of June 30, 2011	# Active Loans	Default Loans	Delinquent	Restructured
Commercial Fishing RLF	1,631	11	25	41
Fisheries Enhancement RLF	174	0	3	40
Small Business & Economic Development	39	0	1	0
Rural Development Initiative Fund	59	1	1	1

4. PSP Testing:

- DEC reports that they have accounted for the permitted farms, therefore they do not anticipate a need for additional funding for PSP testing based on the passage of this legislation.

5. Commissioner versus Department:

- Having the Commissioner determine what is acceptable for secured collateral is boilerplate language across most state revolving loan programs. However, Department of Law has suggested changing this from Commissioner to the department, as it does not require an implied delegation of authority by the Commissioner. We are supportive of making all references in the bill consistent.

ALASKA STATE LEGISLATURE



50 Front St. Suite #203
Ketchikan, Alaska 99901

Phone: 225-9675
Fax: 225-8546

LEGISLATIVE INFORMATION OFFICE

WRITTEN TESTIMONY

NAME: David Mitchell
ADDRESS: 3921 Bag Park Rd
Ketchikan, AK
PHONE: 907.235.7900
EMAIL: dauidmitchel@oceansalaska.org
BILL # or SUBJECT: HB 121
COMMITTEE: Senate Finance

As the General Manager for Oceans Alaska, we are very supportive of HB 121, specifically the Maniculture loan program. It is essential to address one of the main barriers to new entrants in the mariculture industry - capital finance. This is especially true of this industry because the State controls the waters and farmers they cannot loan against their lease. Add to that the challenge of waiting 3 years before a revenue stream.

Oceans Alaska is addressing the other critical needs of the industry that were identified by an industry-wide advisory group. ~~we are~~ One is seed security, which we begin this spring in partnership with Sealaska. The second is a host of ~~fish~~ research needs identified by the industry to help them expand. These include partnerships with SARDIA and UAF Sea Grant. And most pertinent to this bill is Oceans Alaska's training program, which is working with the State Dept of Labor and Workforce Dev. This ties into the ~~bill~~ HB 121's requirement that of eligibility requirements for applicants. Oceans Alaska believes the financing opportunity presented by HB 121 combined with Oceans Alaska's training program will provide entrepreneurs with a real opportunity at beginning a successful business.

Testimony Regarding HB 121

My name is Mike Round and I am a Board member of the *OceansAlaska* Marine Science Center. My testimony today is in favor of HB 121 and more specifically regarding Article 14, the Mariculture Revolving Loan Fund.

OceansAlaska is presently completing on site preparations for installing a floating mariculture research and training facility at 8900 South Tongass Highway in Ketchikan, Alaska. With the installation of this facility *OceansAlaska* will commence vocational training and education programs for aspiring shellfish growers.

We have committed the use of this facility towards helping Alaska residents establish year-round jobs in coastal Alaska. *OceansAlaska* believes that by creating opportunities for good paying jobs, we can establish a vibrant and productive mariculture industry that will help reverse the trend of declining populations in coastal communities.

It is estimated that it will take \$120,000 to begin an oyster operation with 300,000 seed oysters. In the first year of operation an owner could probably maintain his "day job" and work his oyster farm on the weekends, but in year two and three he will need someone on site to work his crop. After the third year, the owner will have a marketable product and experience revenue flow. So from the start of an oyster farm to first revenue stream is about three years.

Alaskans wishing to establish their own shellfish farms will need capital. The six-year initial period when interest on the principal does not accrue would be vital for farmers working towards their first saleable crop. *OceansAlaska* applauds the foresight of the drafters of this bill, since it allows a shellfish farmer time to establish his production before any payment of principal or interest is due. Affordable capital from a lender who understands the industry will provide a means for private buy-in to establish a strong, sustainable Alaska mariculture industry.

With 8,000 miles of coastline, New Zealand has a mariculture industry worth hundreds of millions of dollars. Southeast Alaska alone has over 15,000 miles of coastline and some of the most pristine coastal environment on the planet. Alaska needs this industry; Alaskans need these jobs; please support this industry by passing this bill pass.

Thank you for your time.

Submitted by



Michael Round
OceansAlaska Board Member
Ketchikan

www.oceansalaska.org

CSHB 121 (RLS)

COMMERCIAL CHARTER FISHERIES REVOLVING LOAN FUND

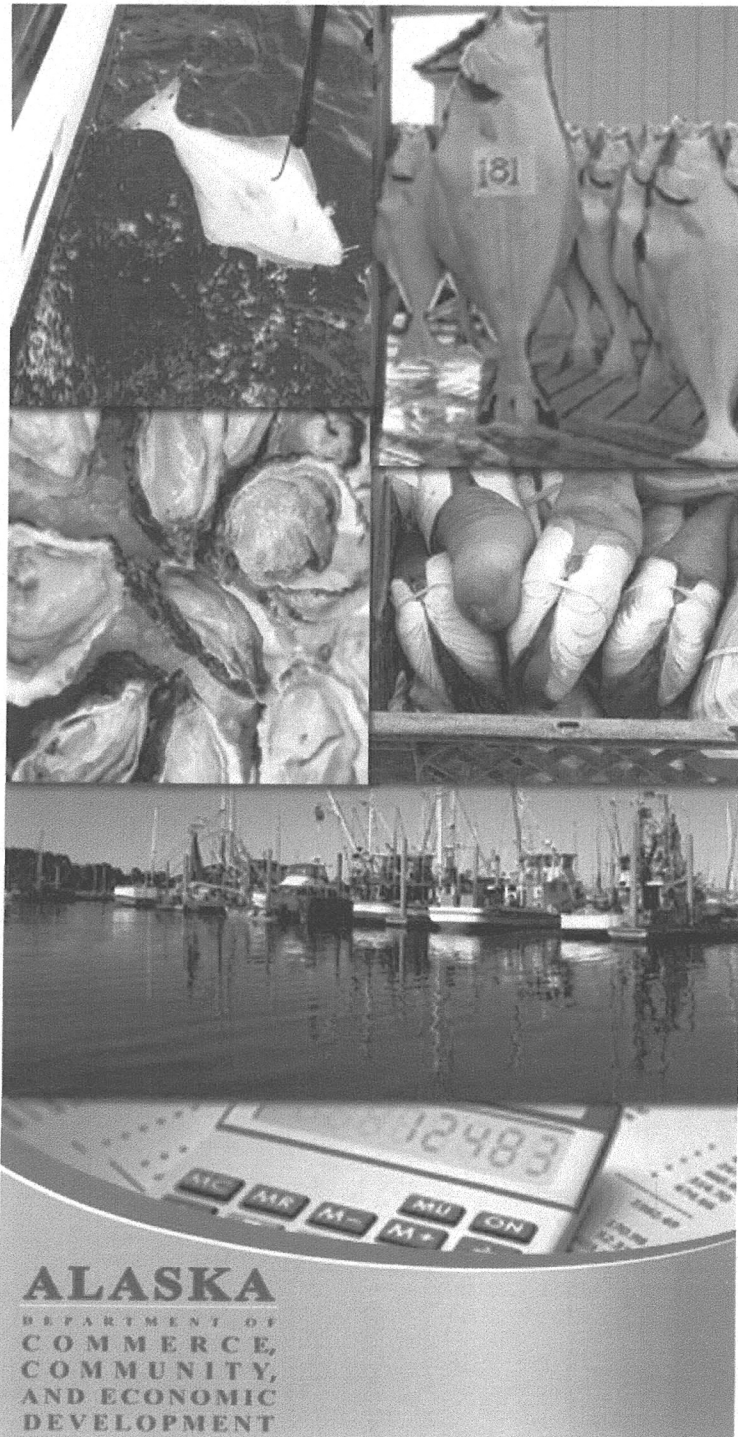
MARICULTURE REVOLVING LOAN FUND

ALASKA MICROLOAN REVOLVING LOAN FUND

PRESENTATION FOR:

SENATE FINANCE COMMITTEE

JANUARY 25, 2012



HB 121 – REVOLVING LOAN FUNDS

- A Suite of Three Revolving Loan Funds

	Commercial Charter Fisheries	Mariculture	Microloans
Capitalization	\$9,000.0	\$2,500.0	\$3,000.0
Loan Limit	\$100.0	\$100.0	\$35.0/\$70.0
Term	15 years	20 years	6 years
Interest	may not exceed Prime + 2	may not exceed Prime + 1	may not exceed Prime + 1
Floor/Ceiling	6– 10.5%	5 – 9 %	6 – 8%
		Delayed Repayment & Accrual	

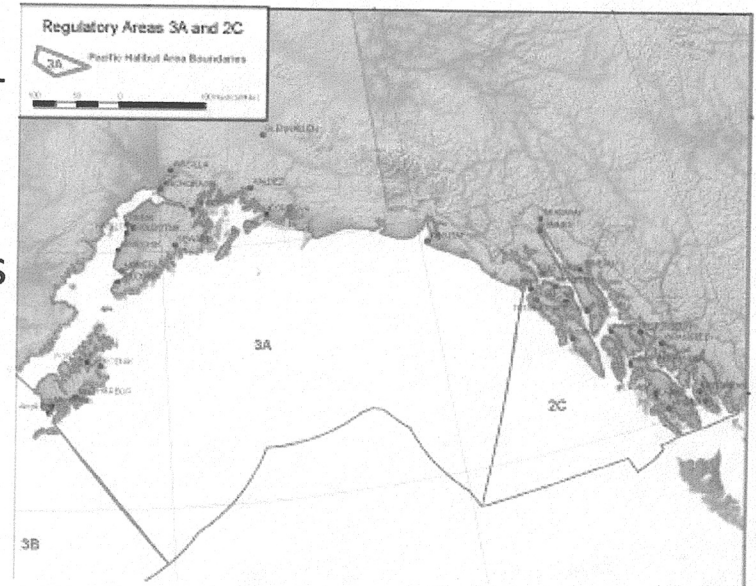
HB 121 – REVOLVING LOAN FUNDS

Commercial Charter Fisheries Revolving Loan Fund

- Provide access to capital for Alaskan-Owned Charters
- Repatriate permits to Alaska
- Increase economic benefits from this sector

Current Activity:

NOAA took 1,088 applications, issuing 90 percent permanent and only 10 percent as interim (Alaska residents received 92 out of 111)



For the first four months of 2011, average permit prices for Area 2C permits were nearly \$35,000 and Area 3A permits were nearly \$59,000.

HB 121 – REVOLVING LOAN FUNDS

Mariculture Revolving Loan Fund

- Mariculture industry has significant potential for year-round job creation in rural and coastal areas of the state.
- Relatively new industry and require 5-7 years to see return on investment
- Wild harvest exceeds cultivated harvest. Based on current levels, with greater investment, farmed shellfish will exceed the market value of wild caught shellfish (excluding crab) within 10-15 years.
- Industry could generate \$20-\$30 million in annual product sales.

Current activity:

- 74 permitted farms
- 27 producing farms
 - 12 farms in Southeast Alaska
 - 15 farms in Southcentral Alaska

HB 121 – REVOLVING LOAN FUNDS

Alaska Microloan Revolving Loan Fund

- Improves economic development to seed start-up businesses
- Provides access to working capital, inventory expansion, etc.
- Provides financing for expansion
- Modeled after SBA program
- Alaska one of few remaining states without a microloan program

Bill History:

- 26th Legislature (2009-2010)

Bill History/Action for 26 Legislature

- HB 412 **SHORT TITLE: MICROLOAN REVOLVING FUND**
- 04/13/10 - PASSED Y40



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Office of the Commissioner

Sean Parnell, Governor
Susan K. Bell,
Commissioner

CSHB 121 (RLS)
"An Act establishing revolving loans"

Explanation of Changes

Page 3, Line 17

Inserted language that the applicant shall provide to the Department a document from a state financial institute that states they have been denied a loan or that a loan is contingent on the applicant receiving a loan from the Alaska Microloan Revolving Loan Fund.

Page 3, Line 19

Inserted language relating to the turnaround provision that says the applicant has to have been denied a loan for the same purpose, or that a loan from the financial institution is contingent on the applicant also receiving a loan from the fund.

Page 4, Line 6

Increased the floor of the interest rate from three to six.

Page 4, Line 8

Inserted language when securing a first priority lien on collateral the commissioner may include collateral other than a charter halibut permit.

Page 4, Line 14

Increased the floor of the interest rate from three to six.

Page 4, Line 16

Reduced the total balance of outstanding loans from \$300,000 to \$200,000

Prepared by: *Crystal Koennan*
Department: *CIED*
Phone: *465-2303*
e-mail: *crystal.koennan@alaska.gov*



STATE OF ALASKA
DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Sean Parnell, Governor
Susan K. Bell, Commissioner

Office of the Commissioner

CS House Bill 121 (RLS)

Sectional Analysis

Section 1. Amends AS 16.10 by adding new sections:

16.10.801 – Commercial charter fisheries revolving loan fund

This section creates a revolving loan fund for commercial charter fisheries within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or received by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

16.10.805 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the commercial charter fisheries loan fund.

16.10.810 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a commercial fisheries loan. Some of the requirements the applicant must meet are being a resident of the state; qualify for the purchase of a charter halibut permit; purchase, construct, or upgrade an existing charter halibut fishing vessel; and must not be eligible for financing or only able to obtain a portion of the total loan from a recognized commercial lending institution.

16.10.815 – Limitations on loans

This section outlines the limits on the commercial fisheries loans. Some of the limitations are that the loan may not exceed \$100,000; may not exceed a term of 15 years; must be secured by a first priority lien on collateral, which may include collateral other than a charter halibut permit.

16.10.820 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

16.10.825 – Special account established

This section establishes a special account within the commercial charter fisheries revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

16.10.830 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

16.10.835 – Waiver of confidentiality

This section states that the commissioner of Commerce, Community and Economic Development may release information about the borrower's loan if the borrower has given authorization to do so.

P.O. Box 110800, Juneau, Alaska 99811-0800

Telephone: (907) 465-2500 Fax: (907) 465-5442 Text Telephone: (907) 465-5437

Email: questions@alaska.gov Website: <http://www.commerce.alaska.gov/>

27-GH1728\T

Page 1

April 12, 2011

16.10.890 – Definitions

This section defines commissioner and department to be from Commerce, Community and Economic Development.

Section 2. Amends AS 16.10 by adding new sections:

16.10.900 – Mariculture revolving loan fund

This section creates a mariculture revolving loan fund within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or receive by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

16.10.905 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the mariculture revolving loan fund.

16.10.910 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a mariculture revolving loan. Some of the requirements the applicant must meet are being a resident of the state; have a permitted mariculture farm location in the state; have one year of experience/training in the mariculture industry; and must not be eligible for financing or only able to obtain a portion of the total loan from a recognized commercial lending institution.

16.10.915 – Limitations on loans

This section outlines the limits on the mariculture revolving loans. Some of the limitations are that the loan may not exceed \$100,000; may not exceed a term of 20 years; and may not be made to a person who has past due child support obligations.

16.10.920 – Repayment of principal and interest on loans

This section state that the department may not require the repayment of the principal on the loan for six years from the date the loan is made.

16.10.925 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

16.10.930 – Special account established

This section establishes a special account within the mariculture revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

16.10.935 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

16.10.940 – Waiver of confidentiality

This section states that the commissioner of Commerce, Community and Economic Development may release information about the borrower's loan if the borrower has given authorization to do so.

16.10.945 – Definitions

This section defines commissioner and department to be from Commerce, Community and Economic Development and also defined mariculture as the farming of shellfish, echinoderms, seaweeds, and algae.

Section 3. Amends AS 44.33 by adding new sections:

44.33.950 – Alaska microloan revolving loan fund

This section creates a microloan revolving loan fund within the department of Commerce, Community and Economic Development. The loan fund consists of money that has been appropriated, transferred, or receive by gift/donation to the fund; principal and interest earned on investment of the fund; money that has been collected through foreclosure; or appropriations from the legislature.

44.33.955 – Powers and duties of the department

This section outlines the powers and duties of the Department of Commerce, Community and Economic Development as it pertains to the microloan revolving loan fund.

44.33.960 – Eligibility

This section outlines the eligibility requirement for an applicant to receive a microloan revolving loan. The requirements the applicant must meet are being a resident of the state and provide a reasonable amount of money from other non-state sources for use on any project the loan money will be used.

44.33.965 – Limitations on loans

This section outlines the limits on the microloan revolving loans. The department may use money from this fund to make loans of up to \$35,000 to a person, or loans of up to \$70,000 to two or more persons. The loans may not exceed a term of six years and may not be made to a person who has past due child support obligations.

44.33.970 – Special account established

This section establishes a special account within the Alaska microloan revolving loan fund a foreclosure expense account in which the department may spend money credited to this account when necessary to protect the state's security interest in collateral on loans or foreclosure proceedings.

44.33.975 – Default

This section states that if the borrower defaults upon a note the department shall notify the borrower about the default and consequences by mailing a notice to the borrower's most recent address.

44.33.980 – Disposal of property acquired after default

This section states that the department shall dispose of property acquired from the default on a loan in a manner that best serves the interest of the state.

16.10.940 – Waiver of confidentiality

This section states that the commissioner of Commerce, Community and Economic Development may release information about the borrower's loan if the borrower has given authorization to do so.

16.10.945 – Definitions

This section defines commissioner and department to be Commerce, Community and Economic Development.

Section 4. Amends the Uncodified law of the State of Alaska

Adds a new section that state the Department of Commerce, Community and Economic Development may adopt regulations to implement this Act

Section 5. Effective date clause

Immediate effective date

Prepared by: *Crystal Koennan*
Department: *CCEID*
Phone: *465.2503*
e-mail: *crystal.koennan@alaska.gov*

Alaska Bankers Association

P. O. Box 241489 • Anchorage, Alaska 99524-1489 • Ph. 907-261-3525 • Fax 907-562-1758

April 6, 2011

Susan Bell, Commissioner
Department of Community and Economic Development
PO Box 110800
Juneau, Alaska 99811-0800

Dear Commissioner Bell,

The Alaska Bankers Association would like to express its support for House Bill 121 as amended in the House Finance Committee. We sincerely appreciate your time and patience in resolving the several issues we had with this legislation.

Alaska Banks are actively engaged in making loans to the small business community. While recent headlines across the nation have spoke to banks *not* making loans, at no time during the last two plus years have any of Alaska's community banks stopped lending in any of their portfolios.

To give you a sense of recent loan volumes, we have compiled year-end results from several of our members. The following data represents the 2009 and 2010 new business loans under \$100,000 made by First National Bank, Northrim Bank and Alaska Pacific Bank. Note that this data represents loan volumes from three of our nine member banks.

New Business Loans under \$100K	2009	2010
No. of New Business Loans	1,060	1,035
Amount of New Business Loans	\$34,146,278	\$37,796,775

All banks, not just in Alaska, have excess liquidity and are looking forward to increased loan demand. The industry is sitting on up to 20 percent of its collective balance sheet in cash, so there is a strong motivation to make loans. If a viable business proposal walks into any of our Alaskan institutions, the proposal is going to receive a fair review. We want to make the loan just as bad as the applicant wants to borrow.

Again, thank you for working with the Alaska Bankers Association to craft a committee substitute that works for all of us.

Sincerely,



Joe Beedle

President, Alaska Bankers Association



Southwest Alaska Municipal Conference

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 888.356.1206 www.swamc.org

Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

February 8, 2011

Dear Governor Parnell,

This letter is written in support of SB 67 and HB 121, two bills aimed at creating a micro revolving loan fund for the State of Alaska. Access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska, and many rural Alaskans do not have access to this type of capital.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, service providers, and a host of other small business startups and entrepreneurs.

Alaska is one of only four states in the nation that do not have a microloan program and this bill would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports it. This is especially true in the more remote and rural regions of Alaska, where traditional financial institutions may not be familiar with local economic conditions and are sometimes more reluctant to invest.

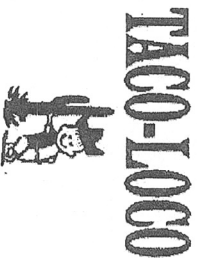
Our organization believes SB 67 and HB 121 are valuable bills with great potential. I hope it can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,
SOUTHWEST ALASKA MUNICIPAL CONFERENCE

A handwritten signature in black ink, appearing to read "Andy Van", is written over a horizontal line.

Executive Director

Economic development and advocacy for Southwest Alaska
Economic Development District (EDD) and Alaska Regional Development Organization
(ARDOR)



600 W. International Airport Road
Anchorage, AK 99518
Tel: 907-561-1648
Fax: 907-561-1717

February 9, 2011

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811

Subject: House Bill 121 and Senate Bill 67

Governor Parnell,

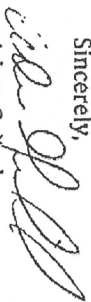
I would like to extend my support for Governor Parnell's legislation, House Bill 121 and Senate Bill 67.

As a small business owner I strongly feel these two bills for the Microloan program would be of great value to small businesses in Alaska. With today's business climate it is extremely difficult to secure loans with reasonable interest rates or terms.

Due to the high cost of operating a small business in Alaska, small businesses often struggle to purchase and install equipment while meeting payroll and other expenses. The Microloan program would help alleviate some of the cost, by allowing the business to use the microloan program to buy equipment or raw materials and use the business capital to pay labor and expenses instead of trying to cover all the cost, thus over extending a business. Most banks will not loan on new or used equipment without a large down payment and also charge very high interest rates. I can personally attest to not being able to secure a loan for our business because of the recession. I was seeking a loan to purchase equipment and the loan officer informed me that "because of the current economic climate the interest rate would have to be 12 percent and the bank would need 35 percent down", even though I had the capital to cover the loan, and I had just paid a loan off early with the same bank.

Given the fact that most Alaskans have a distinct disadvantage when starting up a business or operating an existing business in Alaska, I strongly feel a Microloan program would be beneficial to all small businesses in Alaska and I encourage the House and Senate to pass these two bills.

Sincerely,



Adam Galindo
President



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

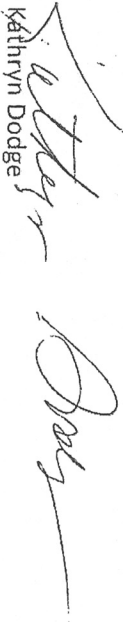
Email mayor@co.fairbanks.ak.us

February 24, 2011

Dear Governor Parnell,

We appreciate your continued interest in developing jobs and opportunity in Alaska. The recent legislation submitted by your office, House Bill 118 and 121, creating an Alaska microloan revolving loan fund and a tax credit for qualified research and development expenditures are good examples of your continued efforts. Here at the Fairbanks North Star Borough Economic Development Division we recognize the need for this legislation and offer our support as you move this legislation forward.

Thank you,



Kathryn Dodge

Fairbanks North Star Borough Economic Development



OceansAlaska MARINE SCIENCE CENTER

February 14, 2011

Governor Sean Parnell
Alaska State Capital Building
P.O. Box 110001
Juneau, AK 99811-0001

Re: Support of HB 121/SB 67

The legislation to promote mariculture through a State loan program is fully supported by OceansAlaska. OceansAlaska supports mariculture to create an economically viable, environmentally feasible way to provide jobs to coastal communities throughout Alaska. OceansAlaska is developing a Mariculture Research, Development and Training Facility that will provide a geoduck nursery, education and training, applied research and technology development to benefit new and existing entrepreneurs in the industry. This bill will work in conjunction with our efforts at getting more entrants into the industry and expanding existing farmers' operations. The success of this loan program and OceansAlaska can expand mariculture industry throughout Alaska.

The kind of terms provide the farmer with the ability of getting the farming operation going and build sales revenues before interest begins accruing and have to be made. The loan program in the bill is crafted in a manner that will allow for increased profitability and financial viability of individual farms. Success of the mariculture industry in coastal Alaska will not only benefit the individual farmers, but also the many businesses that it will sustain, and help reverse the trend of population loss in coastal communities.

Alaska has the potential to develop a major shellfish aquaculture industry that provides the seafood market with safe, premium quality, and sustainable farmed oysters, geoducks and other products. OceansAlaska has worked with the mariculture industry in producing strategic planning for Alaska, and one of the highlighted barriers to entry is lack of capital for mariculture activities. This bill helps address this issue of financing for mariculture farms, and OceansAlaska enthusiastically supports the Mariculture Loan program.

Sincerely,

David Mitchell
General Manager
OceansAlaska

Treasures of the Tidelands

Shellfish Commerce

The Pacific Northwest has a bounty of natural riches that have long fueled economic trade and growth in the region. While Washington's economy boasts diversity, the value of the state's natural resource industries remain significant and indispensable. Their contribution to the base economy makes a compelling case for stewardship, innovation and sustainability to ensure broad and far-reaching returns from these natural assets for generations to come.

The commercial shellfish industry is one of these resource-based businesses that anchors the economies of many rural western Washington communities. The sale of products to buyers around the world brings in new money that provides employment and an enhanced tax base as revenues circulate and re-circulate through the communities. Recreational shellfish harvesting is structurally different from the commercial industry, yet generates comparable economic benefits.

World-Class Foods

Washington is the leading producer of farmed bivalve shellfish in the United States, generating an estimated \$77 million in sales and accounting for 86 percent of the West Coast's production in the year 2000.

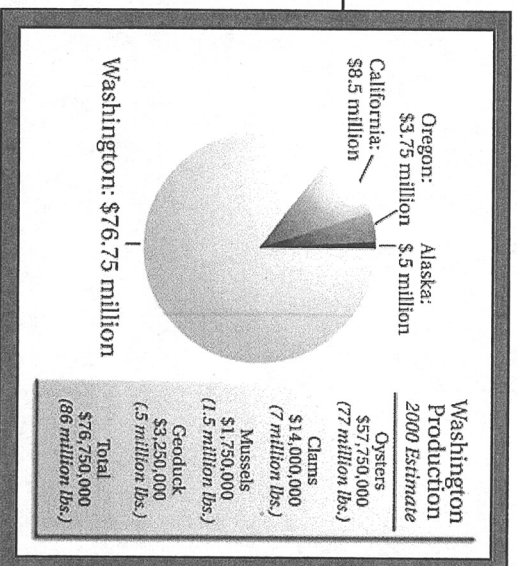
Washington growers sell a variety of live and processed products that include Pacific, Kumamoto, Tasmanian, Eastern, European flat and Olympia oysters; Manila, littleneck, razor and geoduck clams; and blue and Mediterranean mussels. Pacific oysters, Manila clams and blue mussels are the leading commercial species in their respective categories. Puget Sound accounts for most of the clam and mussel sales while Willapa Bay leads in oyster sales.

The commercial harvest of geoduck is a unique story and an increasingly lucrative component of the state's molluscan shellfish industry. Starting with the discovery of enormous populations of geoduck in Puget Sound in the 1950s and the first commercial harvests in 1970, the portly clam has emerged as the Microsoft of the shellfish industry. Wholesale prices typically range between \$5 and \$10 per pound, and restaurant prices can run as high as \$100 per pound in prime Asian markets. The total biomass of Puget

Commercial and recreational shellfish production is big business in the coastal areas of western

Washington where the shorelines are still healthy enough to support productive harvests. For instance, the commercial shellfish industry is the second largest private-sector employer in both Mason and Pacific counties, supporting more than 1,200 jobs and an estimated total annual payroll that exceeds \$27 million.

Another example is the coastal razor clam fishery, which generates an estimated \$7 million annually in commercial sales and injects an additional \$12 million annually into local economies from the sport fishery. In short, shellfish harvesting provides a strong and steady employment base and possesses two highly coveted economic attributes—sustainability and potential for growth.



Pacific Coast Shellfish Growers Association

Estimated West Coast production of farmed oysters, clams, mussels and geoduck, 2000

Sound's geoduck population is estimated at 674 million pounds, of which approximately 163 million pounds is available for commercial harvest to depths of 70 feet. The estimated, harvestable biomass is significant because the annual harvest limit of 2.7 percent, set by the Washington State Department of Natural Resources, is pegged to this value. The harvest of wild geoduck is now complemented by significant investments and advances in intertidal geoduck aquaculture by Washington shellfish growers. One farming approach involves hand planting nursery seed in mesh-covered tubes to protect the ducks until they are mature enough to burrow more deeply into the sediments and avoid predators.

Fascinating Facts

- Washington is the leading producer of farmed bivalve shellfish in the U.S.
- The state's production of farmed oysters, mussels, clams and geoduck generates approximately \$77 million in sales annually.
- Commercial shellfish production is the second largest private-sector employer in Pacific and Mason counties.
- Oakland Bay in Mason County yields more than three million pounds of clams annually.
- The annual value of the coastal razor clam fishery is estimated at \$12 million recreationally and another \$7 million commercially.
- Puget Sound's commercial geoduck fishery represents the most valuable clam fishery on the west coast of North America.
- The total biomass of Puget Sound's geoduck population is estimated at 674 million pounds, approximately a quarter of which is considered available for commercial harvest.

Economic Prospects

In purely economic terms, shellfish harvesting faces a rosy future in Washington. The state's coastal areas are attractive destinations for residents and tourists alike, highly prized for beachcombing, recreational harvesting and other activities that generate needed revenues for local communities. On the commercial front, with ongoing improvements in hatchery methods and other aquaculture techniques, the shellfish industry is poised for significant growth, ready to capitalize on swelling worldwide demand for high quality seafoods.

But things are not that simple. A number of factors influence shoreline uses. For shellfish harvesting, the most significant limiting factor is the condition of the shoreline environment and the availability of clean, unpolluted marine water.

Water quality can be affected by pollution from human activities and other sources as well as naturally occurring harmful algal blooms, mainly paralytic shellfish poison (PSP) and domoic acid (also known as amnesic shellfish poison or ASP). Harvest restrictions caused by these problems take away sales, jobs, recreational opportunities and harvest rights. Shellfish closures caused by harmful algal blooms need to run their course before shellfish can be harvested. In 1991, the closure of coastal crab and razor clam fisheries caused by high levels of domoic acid cost an estimated \$15 to \$20 million.

The economic and environmental harm caused by pollution, mainly fecal pollution, can be even more devastating and long lasting because of the difficulty in finding and fixing the potential pollution sources. Large stretches of the state's shorelines have been rendered

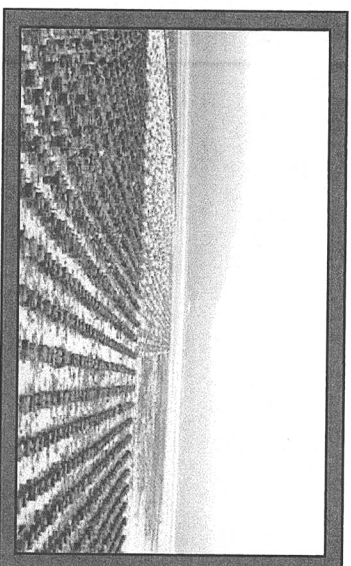


Photo courtesy Taylor Shellfish Farms
Farmed geoduck beds in Sanish Bay, Skagit County

unsuitable for shellfish harvesting because adjacent shorelines and watersheds have been developed with marinas, homes, roads, shopping centers and other urban land uses. Many of these areas cannot be recovered for shellfish harvesting, but some areas can be restored, and those that remain open and suitable for harvesting need to be preserved. In 1999, the Washington State Department of Natural Resources estimated that 22 percent of the state's surveyed geoduck biomass was unharvestable because of pollution.

The economic value of healthy shorelines isn't limited to growing and harvesting shellfish, but instead is defined by a broader set of measures that includes long-term property values and other financial and quality-of-life measures. People want to visit and live in places where shoreline waters are safe to use and the seafoods they nurture are safe to eat. Clean water for shellfish harvesting brings together the complementary interests of good business, strong communities and a healthy environment.

Sources

Olympic Region Harmful Algal Blooms (ORHAB) Partnership, undated, ORHAB newsletter. Washington Department of Natural Resources, 2000, *Puget Sound Commercial Geoduck Fishery Management Plan and 2002, The Geoduck Program: Managing a Valuable Natural Resource for all Washington Citizens*. People for Puget Sound, 1996, *Shellfish and the Sound Economy*. Economic Development Council of Mason County, 2002, *Mason County Shellfish Industry Update*. Pacific Coast Shellfish Growers Association website at www.pcsga.org. R. Horner, 1998, *Harmful Algal Blooms in Puget Sound: General Perspective*.



**PUGET SOUND
 ACTION TEAM**

www.psat.wa.gov

If you would like copies of this document in an alternative format, please call (800) 54-SOUND or for TDD, call (800) 833-6398.



January 23, 2012

Senator Bert Stedman, co-chair
Senate Finance Committee
State Capitol, Suite 516
Juneau, AK 99801

Dear Senator Stedman:

Legislation currently residing in the Senate Finance Committee (House Bill 121) will help provide a needed boost to one of the most promising small business opportunities in economically distressed communities from the Panhandle to Kodiak. The Alaskan Shellfish Grower's Association (ASGA) urges you to hear the legislation as soon as possible and pass it on with strong recommendations for approval by the full Senate.

The mariculture revolving loan fund, contained in the legislation introduced by Gov. Sean Parnell, is patterned after the state's salmon hatchery loan program, a key component of what might be the most successful economic development initiatives by the State of Alaska. State loan officials adapted that successful model to address the biggest hurdle faced by shellfish farmers: high front-end costs at a time when the business is generating no revenues.

HB 121 tackles that issue head-on with terms of up to 20 years and the ability to postpone principal payments for up to the first six years of a loan. These terms provide the farmer with the opportunity to get the farming operations going and build sales revenues before significant loan payments have to be made.

To create a business with enough sales revenues to support a living wage, cover operating expenses, pay state lease and permit fees, and meet loan payments, a new oyster farmer might have to invest \$150,000 in capital and forego salary for 3-4 years. Another \$10,000 will be spent paying tidelands lease fees and meeting DEC harvesting and processing requirements before revenues begin flowing.

It takes 4-5 years to move a crop of oysters through a farming operation and geoduck clams might take 8-9 years. Once annual crops begin rotating through the farm a steady income flow is created.

Numerous new oyster farms are in the start-up process in Southeast Alaska, and there will be many to follow over the next five years. Native corporations and tribal governments working with apprentice oyster farmers in Yakutat, Angoon, Hoonah and Kake, and another Native oyster farm is developing in Kasaan. The Weekend Warrior project is gearing up to handle five new oyster farming apprentices in Naukatli and a half dozen other farms are under development in other areas of Southeast.

The loan fund is vital to the emergence of these new small business operators,

Rodger Painter, president
rodgerpainter@hotmail.com

P.O. Box 20704 Juneau, AK 99802-0704
Cell: 907-957-0704

since no private lenders are willing to invest in businesses which can't generate revenues for the first 3-9 years of operation. USDA's Farm Service Agency offers operating loans to experienced shellfish farmers, but doesn't make loans for start-up expenses.

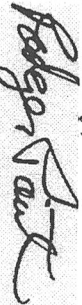
The proposed loan fund could help launch or expand a couple dozen new small business in economically distressed rural coastal communities, and when the money is repaid additional loans can be made. The Division of Investments has an excellent record in administering existing state loans and has a remarkably low default rate.

The maticulture revolving loan fund could be viewed as an excellent investment for the State of Alaska at a time when it has huge revenue surpluses. The \$3 million capitalizing the fund will be earning 5% interest while it creates new jobs and business opportunities for Alaskans. The legislature has the prerogative to reallocate the loan funds should the state encounter financial difficulties in the future.

The committee might even consider increasing the capitalization to \$5 million to help stimulate the development of more small businesses while setting aside revenues in another "rainy day" account.

I'd be pleased to provide the committee with any information you may require. I look forward to testifying in support of HB 121. Thank you for considering our request.

Sincerely,



Rodger Painter

c.c. Senator Lyman Hoffman, co-chair

Senator Donald Olson

Senator Dennis Egan

Senator Joe Thomas

Senator Johnny Ellis

Senator Lesil McGuire

Darwin Peterson, committee staff

Wanetta Ayers, DCCED



February 4, 2011

Representative Steve Thompson, chair
House Special Committee on Fisheries
Room 428 State Capitol
Juneau, AK 99801

Dear Representative Thompson:

Governor Sean Parnell's legislation to establish a mariculture revolving loan program (HB 121) will help provide a needed boost to one of the most promising small business opportunities in economically distressed communities from the Panhandle to Kodiak. The Alaskan Shellfish Grower's Association (ASGA) urges you to hear the legislation as soon as possible and pass it on to the Resources with unanimous "do pass" recommendations.

The loan fund is patterned after the state's salmon hatchery loan program, a key component of what might be the most successful economic development initiatives by the State of Alaska. The long-term loans allowed private nonprofit hatcheries to cover construction and front-end operating costs while they undertook cooperative planning efforts with ADF&G and built cost recovery programs to repay the loans. The result is one of the most successful salmon enhancement programs in the world and huge economic contributions to the economies of coastal communities from Kodiak to Ketchikan.

Those Gulf of Alaska communities certainly need an economic boost now as outmigration of residents is startling. Consider the population projections by state economists for two census areas in the region: (1) Prince of Wales had 6,995 residents in 1996, but may drop to 3,894 in 2030, or a 56.6 percent decrease; and (2) Skagway-Hoonah-Angoon, 3,823-1,945, 62.2 percent decrease.

A broad coalition of community leaders, Native organizations, university, state and federal officials have identified shellfish farming as one of the top economic development opportunities in efforts to rebuild the economy of the Tongass National Forest. Overcoming high front-end costs and a long lag in revenues has been identified as the biggest obstacle to development of more shellfish farms.

HB 121 tackles that issue head-on with terms of up to 20 years and the ability to avoid interest accrual up to the first six years of a loan. The kind of terms provide the farmer with the ability of getting the farming operation going and build sales revenues before interest begins accruing and have to be made. To create a business with enough sales revenues to support a living wage, cover operating expenses, pay state lease and permit fees, and meet loan payments, a new oyster farmer might have to invest \$150,000 in

capital and forego salary for 3-4 years. Another \$10,000 will be spent paying tidelands lease fees and meeting DEC harvesting and processing requirements before revenues begin flowing.

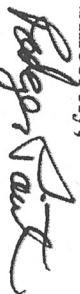
It takes 3-4 years to move a crop of oysters through a farm and geoduck clams might take 8 years. Once yearly crops begin rotating through the farm a steady income flow is created.

Numerous new shellfish farms are developing in Southeast as two unique mariculture "incubator" projects produce their first crop of "graduates." Five new farmers recently completed Naukati's "Weekend Warrior" program and Sealaska has created joint ventures in Kake and Yakutat that are supporting eight shellfish farming apprentices in four new small businesses. The loan fund would be a tremendous help to these new small business operators.

Governor Parnell's legislation is the best solution to the major roadblock to creation of an industry composed of independent small businesses located in rural Alaska. That's why the legislation also is supported by the Southeast Conference (a unique coalition of communities and businesses) and the Southeast Shellfish Mariculture Coalition (Sealaska, Yak-Tat Kwaan, Organized Village of Kake, Shaan-Seet, Organized Village of Kasaan, Alaska Oyster Cooperative, OceansAlaska and ASGA).

I'd be pleased to provide any additional information you may require. Thank you for considering our request.

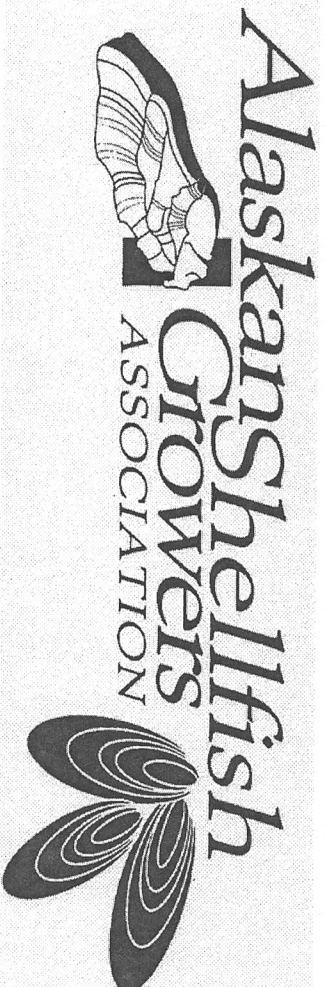
Sincerely,



Rodger Painter
ASGA President

c.c.

Representative Craig Johnson
Representative Alan Austerman
Representative Bob Herron
Representative Lance Pruitt
Representative Scott Kawasaki
Representative Bob Miller



Why the Mariculture Loan Fund Needs Long Terms and Interest Deferrals

The mariculture revolving loan fund contained in HB 121 and SB 67 provides delays of accrual of interest on loans and terms of up to 20 years. These provisions are critical if the loan fund is to succeed in helping spur the creation of sustainable jobs in economically distressed coastal communities.

Starting any new small business in rural Alaska is not easy. High operating expenses, difficult and costly logistics, shallow labor pool, lack of investment capital, weather and other factors combine to create difficult challenges for even the most skilled business operator.

When the business has to invest \$150,000 or more in equipment and infrastructure, negotiate reams of red tape from three different agencies, and cover three to six years of operating expenses before its first sale (depending on species being farmed), the challenges can be overwhelming, particularly for an owner/operator who has to forego a salary through the revenue-less period.

Here's the bare minimum of expenses a new oyster farmer leasing three acres with a caretaker floathome must cover before a modest flow of product begins:

Equipment and Infrastructure \$125,000-200,000

Processing facility, caretaker floathouse, rafts, trays, service vessel or raft, sorter/tumbler, boom arm, generators, pump, skiff/motor

Fees/Regulatory Compliance Costs \$11,400

DNR lease fees per year \$1,575 x 4 years = \$6,300

DNR security bond = \$2,500

DEC water quality tests = \$500

DEC water quality certification compliance = \$1,000

Lease application fees = \$100

Public notice for application = \$1,000

Operating Costs
Spat (seed oysters) $\$35/1,000 \times 400,000 \times 4 \text{ yrs} = \$56,000$
Fuel $\$150/\text{month} \times 48 \text{ months} = \$7,200$
Groceries $\$350/\text{month} \times 48 = \$16,800$
Product packaging (boxes, liners, gel ice etc) = $\$2,000$

\$82,000

Labor

\$75,600

By year two some seasonal help will be required.

By year three the farmer would need full-time help.

$\$120/\text{day} \times 30 = \$3,600$

$\$120 \times 200 = \$24,000 \times 3 = \$72,000$

While a farm might be able to make its first sales after as little as 2-3 years, it takes 4-5 years to move a full crop of oysters through an Alaska oyster farm. Since a farm should plant a new crop of spat each year, revenues should be relatively steady beyond that point. However, the owner/operator will need to start drawing a salary by then.

There are a number of strategies that can reduce these expenses, the most notable is by operating within a cooperative where a number of farmers can share infrastructure and equipment. Most notable would be processing facilities and caretaker floathomes, and equipments such as tumbler/sorters, boom arms, and generators. In addition, co-ops can receive volume discounts and reduced freight rates by purchasing materials, fuel and equipment in bulk.

If the farm is located close enough to the owner/operator's home, a caretaker floathome would not be needed, and many rural residents already have vessels. And, as many small business operators have found, it helps to have a working spouse who can cover living expenses.

After viewing these expenses, one might wonder why anyone would choose to start such a business. For many residents of rural coastal communities there are very few options than don't involve joining the outmigration of neighbors from their failing villages.

Shellfish farming also fits the lifestyles of rural coastal communities and provides the opportunities to create environmentally friendly businesses that can still be here 200 years from now. Making it past the enormous start-up costs is the key. Governor Parnell's proposed loan programs can make the difference for these new small businesses.



Mariculture Loan Fund (HB 121): An Economic Development Tool

Here are some statistics pulled together from state economists that speak volumes about a social and economic crisis in rural communities in the Gulf of Alaska, particularly those adversely impacted by the collapse of the timber industry. Here are the differences in population from US Census estimates in 1996 and projections by state economists for 2030. (Only those census areas losing more than 25% of their population are included.)

➤ Haines	-34.9%
➤ Ketchikan Gateway Borough	-27%
➤ Prince of Wales/Outer Ketchikan Borough	-56.6%
➤ Skagway-Hoonah-Angoon	-62.2%
➤ Wrangell-Petersburg	-35.3%
➤ Yakutat Borough	-35.5%

Since these figures represent all of Southeast other than Juneau (+9.9%) and Sitka (+.1), it is little wonder the region is actively seeking to spur economic development and is leaving no stones unturned in the process. Community leaders, Native corporations and tribal governments, economic development organizations, and state and federal officials involved in these efforts agree that shellfish farming represents one of the most important opportunities for adding sustainable jobs in the region.

Southeast Alaska has been watching the growth of shellfish farming in neighboring British Columbia as inspiration. Here's what happened over two decades as the provincial government and Ottawa put significant efforts behind developing shellfish farming:

Value of B.C. farmed shellfish	\$30 million
Number of farms	482
Number acres	5,300
Number of jobs (FTE)	1,585
Percentage of workers under 30	50 percent

As a result of community initiatives and industry cooperation, S.E. Alaska has added many new shellfish farms in recent years, and these initiatives and the development of training and research programs the number of new farms is expected to grow rapidly over the next decade.

That's why groups like the S.E. Conference (a unique coalition of communities and private businesses), the Ketchikan Gateway Borough, many rural villages, Native Corporations and tribal governments, U.S. Forest Service and NOAA have all endorsed mariculture development in the Tongass.

The key roadblock to these rural small businesses is the capital and effort necessary to produce revenues that don't begin flowing until 5-9 years after the cash begins to flow out. Imagine having to invest \$125,000-\$150,000 and going five years without income. Traditional business financing doesn't fit this model, even if it's the only way to establish a year-round sustainable job in your dying community.

That's why Gov. Parnell's HB 121 is perfect vehicle for overcoming this barrier. It offers Alaska residents terms up to 20 years and it delays interest and payments through an "initial period" of up to six years. These terms were patterned after the state's private nonprofit hatchery salmon enhancement loan fund, a key component of one of the state's most successful economic development initiative. McDowell and Associates estimates the private hatcheries in Southeast produced a direct and indirect economic value of \$171 million in 2008 and supported 971 private jobs. During the same year, the Prince William Sound Aquaculture Corporation is estimated to have generated \$55 million in catches by the commercial salmon fleet.

HB 121 could help establish up to 30 new small businesses employing directly twice that number of residents within a year after the bill is passed. That's a pretty good return on \$3 million general fund dollars that will continue to turn over and help more Alaskans start new businesses in rural coastal Alaska. And, best of all, those businesses can still be here 200 years from now, like some oyster farms in Puget Sound.

SWAMC

Southwest Alaska Municipal Conference

3300 Arctic Boulevard, Suite 203 Anchorage, AK 99503 p: 907.562.7380 f: 888.356.1206 www.swamc.org

Alaska Peninsula
Aleutian Chain
Bristol Bay
Kodiak Island
Pribilof Islands

January 11, 2012

Dear Governor Parnell,

This letter is written in support of HB 121, a bill aimed at creating a micro revolving loan fund for the State of Alaska, in addition to fund creation for commercial charter fisheries and mariculture. Access to startup and working capital is a key component of starting new enterprises and creating jobs in Alaska, and many rural Alaskans do not have access to this type of capital.

In Southwest Alaska, a revolving loan fund could help boat owners or smaller fish processors with equipment purchases. It could assist bed and breakfast owners with upgrades to their homes and business. Or it could provide much-needed construction capital to mechanics, service providers, and a host of other small business startups and entrepreneurs. The mariculture and commercial charter components of the bill address two opportunities that have great potential in the SWAMC region – and most of coastal Alaska – where small business startups have traditionally been difficult to seed fund and maintain.

Alaska is one of only three states in the nation that do not have a microloan program and this bill would resolve that and fill an unmet need that would help small businesses, which is why SWAMC supports it. This is especially true in the more remote and rural regions of Alaska, where traditional financial institutions may not be familiar with local economic conditions and are sometimes more reluctant to invest.

Our organization believes HB 121 is a valuable piece of legislation with great potential. I hope it can help add to Alaska's efforts to support our small businesses and entrepreneurs.

Sincerely,
SOUTHWEST ALASKA MUNICIPAL CONFERENCE



Executive Director

Economic development and advocacy for Southwest Alaska
Economic Development District (EDD) and Alaska Regional Development Organization
(ARDOR)

TACO-LOGO



600 W. International Airport Road
Anchorage, AK 99518
Tel: 907-561-1648
Fax: 907-561-1717

February 9, 2011

Governor Sean Parnell
P.O. Box 110001
Juneau, AK 99811

Subject: House Bill 121 and Senate Bill 67

Governor Parnell,

I would like to extend my support for Governor Parnell's legislation, House Bill 121 and Senate Bill 67.

As a small business owner I strongly feel these two bills for the Microloan program would be of great value to small businesses in Alaska. With today's business climate it is extremely difficult to secure loans with reasonable interest rates or terms.

Due to the high cost of operating a small business in Alaska, small businesses often struggle to purchase and install equipment while meeting payroll and other expenses. The Microloan program would help alleviate some of the cost, by allowing the business to use the microloan program to buy equipment or raw materials and use the business capital to pay labor and expenses instead of trying to cover all the cost, thus over extending a business. Most banks will not loan on new or used equipment without a large down payment and also charge very high interest rates. I can personally attest to not being able to secure a loan for our business because of the recession. I was seeking a loan to purchase equipment and the loan officer informed me that "because of the current economic climate the interest rate would have to be 12 percent and the bank would need 35 percent down", even though I had the capital to cover the loan, and I had just paid a loan off early with the same bank.

Given the fact that most Alaskans have a distinct disadvantage when starting up a business or operating an existing business in Alaska, I strongly feel a Microloan program would be beneficial to all small businesses in Alaska and I encourage the House and Senate to pass these two bills.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Adam Gaiardo', written in a cursive style.

Adam Gaiardo
President



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road P.O. Box 71267 Fairbanks, Alaska 99707-1267 907/459-1300
Email mayor@co.fairbanks.ak.us Fax 907/459-1102

February 24, 2011

Dear Governor Parnell,

We appreciate your continued interest in developing jobs and opportunity in Alaska. The recent legislation submitted by your office, House Bill 118 and 121, creating an Alaska microloan revolving loan fund and a tax credit for qualified research and development expenditures are good examples of your continued efforts. Here at the Fairbanks North Star Borough Economic Development Division we recognize the need for this legislation and offer our support as you move this legislation forward.

Thank you,


Kathryn Dodge

Fairbanks North Star Borough Economic Development



OceansAlaska

..... MARINE SCIENCE CENTER

February 14, 2011

Governor Sean Parnell
Alaska State Capital Building
P.O. Box 110001
Juneau, AK 99811-0001

Re: Support of HB 121/SB 67

The legislation to promote mariculture through a State loan program is fully supported by OceansAlaska. OceansAlaska supports mariculture to create an economically viable, environmentally feasible way to provide jobs to coastal communities throughout Alaska. OceansAlaska is developing a Mariculture Research, Development and Training Facility that will provide a geoduck nursery, education and training, applied research and technology development to benefit new and existing entrepreneurs in the industry. This bill will work in conjunction with our efforts at getting more entrants into the industry and expanding existing farmers' operations. The success of this loan program and OceansAlaska can expand mariculture industry throughout Alaska.

The kind of terms provide the farmer with the ability of getting the farming operation going and build sales revenues before interest begins accruing and have to be made. The loan program in the bill is crafted in a manner that will allow for increased profitability and financial viability of individual farms. Success of the mariculture industry in coastal Alaska will not only benefit the individual farmers, but also the many businesses that it will sustain, and help reverse the trend of population loss in coastal communities.

Alaska has the potential to develop a major shellfish aquaculture industry that provides the seafood market with safe, premium quality, and sustainable farmed oysters, geoducks and other products. OceansAlaska has worked with the mariculture industry in producing strategic planning for Alaska, and one of the highlighted barriers to entry is lack of capital for mariculture activities. This bill helps address this issue of financing for mariculture farms, and OceansAlaska enthusiastically supports the Mariculture Loan program.

Sincerely,

David Mitchell
General Manager
OceansAlaska

ADOPTED 4/15/12

27-GH1728/S
Bullard
4/14/12

SENATE CS FOR CS FOR HOUSE BILL NO. 121(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to certain commercial fishing loans and to loans for the purchase of
2 fishing quota shares by certain community quota entities and establishing the
3 commercial charter fisheries revolving loan fund, the mariculture revolving loan fund,
4 and the Alaska microloan revolving loan fund and relating to those funds and loans
5 from those funds; and providing for an effective date."

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 * Section 1. AS 16.10.320(a) is amended to read:

8 (a) Except as permitted in (h) and (D) of this section, a loan under
9 AS 16.10.300 - 16.10.370

10 (1) may not exceed a term of 15 years, except for extensions under
11 AS 16.10.310(a)(4);

12 (2) may not bear interest

13 (A) exceeding the prime rate, as defined by AS 44.88.599, plus

1 two percentage points;

2 (B) at a rate of [, BUT NOT] more than 10 1/2 percent a year;

3 or

4 (C) at a rate that is less than the cost of funds to the state;

5 (3) must be secured by a first priority lien and appropriate security
6 agreement;

7 (4) may not exceed 80 percent of the appraised value of the collateral
8 used to secure the loan; and

9 (5) may not be made to a person who has a past due child support
10 obligation established by court order or by the child support services agency under
11 AS 25.27.160 - 25.27.220 at the time of application.

12 * Sec. 2. AS 16.10.320(j) is amended to read:

13 (j) All principal and interest payments, and any money chargeable to principal
14 or interest that is collected through liquidation by foreclosure or other process, on
15 loans made under AS 16.10.300 - 16.10.370, except loans made under
16 AS 16.10.310(a)(1)(E) after June 30, 2012, shall be paid into the commercial fishing
17 revolving loan fund. All principal and interest payments, and any money
18 chargeable to principal or interest that is collected through liquidation by
19 foreclosure or other process, on loans made under AS 16.10.310(a)(1)(E) after
20 June 30, 2012, shall be paid into the community quota entity revolving loan fund.

21 * Sec. 3. AS 16.10.320(j), as amended by sec. 2 of this Act, is amended to read:

22 (j) All principal and interest payments, and any money chargeable to principal
23 or interest that is collected through liquidation by foreclosure or other process [.] on
24 loans made under AS 16.10.300 - 16.10.370, [EXCEPT LOANS MADE UNDER
25 AS 16.10.310(a)(1)(E) AFTER JUNE 30, 2012.] shall be paid into the commercial
26 fishing revolving loan fund. [ALL PRINCIPAL AND INTEREST PAYMENTS,
27 AND ANY MONEY CHARGEABLE TO PRINCIPAL OR INTEREST THAT IS
28 COLLECTED THROUGH LIQUIDATION BY FORECLOSURE OR OTHER
29 PROCESS, ON LOANS MADE UNDER AS 16.10.310(a)(1)(E) AFTER JUNE 30,
30 2012, SHALL BE PAID INTO THE COMMUNITY QUOTA ENTITY
31 REVOLVING LOAN FUND.]

1 * **Sec. 4.** AS 16.10.320 is amended by adding new subsections to read:

2
3 (D) Until a community quota entity has used loans under this subsection to
4 purchase fishing quota shares cumulatively authorizing a total take of 50,000 pounds,
5 a loan or a portion of a loan made to that community quota entity under
6 AS 16.10.310(a)(1)(E) may not exceed 95 percent of the appraised value of the
7 collateral used to secure the loan or a portion of the loan. A loan to a community quota
8 entity under AS 16.10.310(a)(1)(E)

9 (1) may not exceed a term of 25 years, except for extensions under
10 AS 16.10.310(a)(4);

11 (2) may not, alone or in combination with other loans to the
12 community quota entity under AS 16.10.310(a)(4), exceed \$1,000,000 in loans to one
13 community quota entity;

14 (3) may have terms that allow for a community quota entity to defer
15 interest payments for up to two years; and

16 (4) is not eligible for refinancing by the department.

17 (m) In this section, "cost of funds" means the true interest cost expressed as a
18 rate based on the prime rate plus one percentage point plus an additional percentage
19 determined by the department to represent risk of loss, term of credit facility, the
20 allocable expense of operation, cost of issuance, and loan servicing costs.

21 * **Sec. 5.** AS 16.10.340 is amended to read:

22 **Sec. 16.10.340. Creation of fund.** (a) There is a commercial fishing revolving
23 loan fund to carry out the purpose of AS 16.10.300 - 16.10.370, except that the fund
24 may not be used to make loans under AS 16.10.310(a)(1)(E).

25 (b) Money in the fund may be used by the legislature to make appropriations
26 for costs of administering AS 16.10.300 - 16.10.370, except for costs associated with
27 loans under AS 16.10.310(a)(1)(E).

28 (c) If the commissioner determines that the fund contains money that is excess
29 to that needed under (a) and (b) of this section to carry out the purpose of
30 AS 16.10.300 - 16.10.370, then the commissioner may use the excess money to carry
31 out the purpose of AS 16.10.500 - 16.10.560.

* **Sec. 6.** AS 16.10.340, as amended by sec. 5 of this Act, is amended to read:

1 security interest in collateral on loans made under AS 16.10.310(a)(1)(E) after
2 June 30, 2012, or to defray expenses incurred during foreclosure proceedings after a
3 default by an obligor.

4 * Sec. 10. AS 16.10.350(a) is amended to read:

5 (a) The commissioner shall administer the commercial fishing revolving
6 loan fund and the community quota entity revolving loan fund.

7 * Sec. 11. AS 16.10.350(a), as amended by sec. 10 of this Act, is amended to read:

8 (a) The commissioner shall administer the commercial fishing revolving loan
9 fund [AND THE COMMUNITY QUOTA ENTITY REVOLVING LOAN FUND].

10 * Sec. 12. AS 16.10 is amended by adding new sections to read:

11 **Article 13. Commercial Charter Fisheries Revolving Loan Fund.**

12 **Sec. 16.10.801. Commercial charter fisheries revolving loan fund.** (a) The
13 commercial charter fisheries revolving loan fund is created in the Department of
14 Commerce, Community, and Economic Development to carry out the purposes of
15 AS 16.10.801 - 16.10.890.

16 (b) The commercial charter fisheries revolving loan fund consists of the
17 following:

18 (1) money appropriated to, transferred to, or received by gift, grant,
19 devise, bequest, or donation to the fund;

20 (2) principal and interest payments or other income earned on loans or
21 investments of the fund;

22 (3) money chargeable to principal or interest that is collected through
23 liquidation by foreclosure or other process on loans made under AS 16.10.801 -
24 16.10.890.

25 (c) Money in the fund may be used by the legislature to make appropriations
26 for costs of administering AS 16.10.801 - 16.10.890.

27 **Sec. 16.10.805. Powers and duties of the department.** The department may

28 (1) make loans to eligible applicants under AS 16.10.801 - 16.10.890

29 (A) for the purchase of charter halibut permits;

30 (B) to refinance debt obligations made by other lenders more

31 than 12 months before the department received the loan application and

1 incurred by an applicant for the purchase of charter halibut fishing vessels or
2 gear if the applicant otherwise qualifies for a loan under AS 16.10.801 -
3 16.10.890; the department may collect a refinancing loan origination charge as
4 provided by regulation;
5
6 (2) receive, take, hold, and administer any appropriation, transfer, gift,
7 grant, bequest, devise, or donation of money for the fund;
8
9 (3) establish amortization plans for repayment of loans, including
10 extensions of the terms of loans;
11
12 (4) allow an assumption of a loan if
13
14 (A) the applicant meets the requirements established under this
15 section; and
16
17 (B) approval of the assumption would be consistent with the
18 purposes of AS 16.10.801 - 16.10.890;
19
20 (5) establish the rate of interest for loans consistent with law;
21
22 (6) charge and collect fees for services provided under AS 16.10.801 -
23 16.10.890;
24
25 (7) adopt regulations under AS 44.62 necessary to carry out the
26 provisions of AS 16.10.801 - 16.10.890, including regulations to establish reasonable
27 fees for services provided; and
28
29 (8) designate agents and delegate powers as necessary to the agents.
30
31 **Sec. 16.10.810. Eligibility.** (a) For an applicant to be eligible for a loan under
AS 16.10.801 - 16.10.890, the applicant shall be a resident of the state, as determined
under (c) of this section, and shall
(1) qualify for the purchase of a charter halibut permit under applicable
law; or
(2) qualify as a transferee for a charter halibut permit under applicable
law.
(b) In addition to the requirements set out in (a) of this section, the applicant
must provide to the department a document from a state financial institution stating
that
(1) the applicant has been denied a loan for the same purpose; or

1 (2) a loan from the financial institution is contingent on the applicant
2 also receiving a loan from the fund.

3 (c) To meet the residency requirements of (a) of this section, the applicant

4 (1) shall physically reside in this state and maintain a domicile in this
5 state during the 24 consecutive months preceding the date of application for the
6 program; and

7 (2) may not have

8 (A) declared or established residency in another state; or

9 (B) received residency or a benefit based on residency from
10 another state.

11 **Sec. 16.10.815. Limitations on loans.** (a) Except as provided in (b) of this
12 section, a loan under AS 16.10.801 - 16.10.890

13 (1) for a charter halibut permit may not exceed the permit value
14 determined by a 12-month rolling average set quarterly by the department for like
15 permits;

16 (2) for a loan other than a loan for a charter halibut permit may not
17 exceed \$100,000 a year;

18 (3) may not exceed a term of 15 years, except for extensions under
19 AS 16.10.805;

20 (4) may not bear interest at a rate greater than the prime rate, as
21 defined in AS 44.88.599, plus two percentage points, but which may not be less than
22 six percent a year and not more than 10 1/2 percent a year;

23 (5) must be secured by a first priority lien on collateral acceptable to
24 the commissioner, which may include collateral other than a charter halibut permit;
25 and

26 (6) may not be made to a person who has a past due child support
27 obligation established by court order or by the child support services agency under
28 AS 25.27.160 - 25.27.220 at the time of application.

29 (b) The total balances outstanding on loans made to a borrower under
30 AS 16.10.805 may not exceed \$200,000.

31 **Sec. 16.10.820. Default.** If the borrower defaults on a note, the department

1 shall notify the borrower of the default and the consequences of default by mailing a
2 notice to the borrower's most recent address provided to the department by the
3 borrower or obtained by the department.

4 **Sec. 16.10.825. Special account established.** (a) The foreclosure expense
5 account is established as a special account within the commercial charter fisheries
6 revolving loan fund.

7 (b) The department may expend money credited to the foreclosure expense
8 account when necessary to protect the state's security interest in collateral on loans
9 granted under AS 16.10.815 or to defray expenses incurred during foreclosure
10 proceedings after an obligor defaults.

11 **Sec. 16.10.830. Disposal of property acquired after default.** The department
12 shall dispose of property acquired through default of a loan made under AS 16.10.801
13 - 16.10.890. Disposal must be made in a manner that serves the best interest of the
14 state and may include the amortization of payments over a period of years.

15 **Sec. 16.10.835. Waiver of confidentiality.** The commissioner may release
16 information about the borrower's loan to any individual if release of the information
17 has been authorized by the borrower.

18 **Sec. 16.10.890. Definitions.** In AS 16.10.801 - 16.10.890,

19 (1) "commissioner" means the commissioner of commerce,
20 community, and economic development;

21 (2) "department" means the Department of Commerce, Community,
22 and Economic Development.

23 **Article 14. Mariculture Revolving Loan Fund.**

24 **Sec. 16.10.900. Mariculture revolving loan fund.** (a) The mariculture
25 revolving loan fund is created within the Department of Commerce, Community, and
26 Economic Development to carry out the purposes of AS 16.10.900 - 16.10.945.

27 (b) The mariculture revolving loan fund consists of the following:

- 28 (1) money appropriated to, transferred to, or received by gift, grant,
29 devise, bequest, or donation to the fund;
30 (2) principal and interest payments or other income earned on loans or
31 investments of the fund; and

(3) money chargeable to principal or interest that is collected through liquidation by foreclosure or other process on loans made under AS 16.10.900 - 16.10.945.

(c) Money in the fund may be used by the legislature to make appropriations for costs of administering AS 16.10.900 - 16.10.945.

Sec. 16.10.905. Powers and duties of the department. The department may

(1) make loans to eligible applicants under AS 16.10.900 - 16.10.945 for the planning, construction, and operation of a mariculture business;

(2) receive, take, hold, and administer any appropriation, transfer, gift, grant, bequest, devise, or donation of money for the fund;

(3) establish amortization plans for repayment of loans, including extensions of the terms of loans;

(4) allow an assumption of a loan if

(A) the applicant meets the requirements established under this section; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.900 - 16.10.945;

(5) establish the rate of interest for loans consistent with law;

(6) charge and collect fees for services provided under AS 16.10.900 - 16.10.945;

(7) adopt regulations under AS 44.62 necessary to carry out the provisions of AS 16.10.900 - 16.10.945, including regulations to establish reasonable fees for services provided; and

(8) designate agents and delegate powers as necessary to the agents.

Sec. 16.10.910. Eligibility. (a) For an applicant to be eligible for a loan under AS 16.10.900 - 16.10.945, the applicant shall

(1) be a resident of the state, as determined under (c) of this section;

(2) have a permitted mariculture farm location in this state; and

(3) have experience or training in the mariculture industry.

(b) In addition to the requirements set out in (a) of this section, the applicant

(1) may not be eligible for financing from other recognized

1 commercial lending institutions; or
2
3 (2) shall be able to obtain only a portion of the total loan request from
4 a recognized commercial lending institution.

5 (c) To meet the residency requirements of (a) of this section, the applicant
6 (1) shall physically reside in this state and maintain a domicile in this
7 state during the 24 consecutive months preceding the date of application for the
8 program; and

9 (2) may not have

10 (A) declared or established residency in another state; or

11 (B) received residency or a benefit based on residency from
12 another state.

13 **Sec. 16.10.915. Limitations on loans.** (a) Except as provided in (b) and (c) of
14 this section, a loan under AS 16.10.900 - 16.10.945

15 (1) may not exceed \$100,000 a year;

16 (2) may not exceed a term of 20 years, except for extensions under
17 AS 16.10.905;

18 (3) may not bear interest at a rate greater than the prime rate, as
19 defined in AS 44.88.599, plus one percentage point, but which may not be less than
20 five percent a year and not more than nine percent a year;

21 (4) must be secured by a first priority lien on collateral acceptable to
22 the department; and

23 (5) may not be made to a person who has a past due child support
24 obligation established by court order or by the child support services agency under
25 AS 25.27.160 - 25.27.220 at the time of application.

26 (b) Subsequent loans may be made to the borrower under AS 16.10.910 if the
27 total of the balances outstanding on the loans received by the borrower does not
28 exceed \$300,000.

29 (c) A loan under AS 16.10.910 may be made for the purchase of boats or
30 vessels determined to be integral to the operation of the farm.

31 (d) For a loan made under AS 16.10.900 - 16.10.945, the department may
provide a reduction of the interest rate of not more than two percent if at least 50

1 percent of the loan proceeds are used by the borrower for purchasing products
2 manufactured or produced in the state. When the department offers a reduction under
3 this subsection, the department shall provide the reduction to all loan applicants who
4 meet the criterion described in this subsection. In this subsection, "manufactured or
5 produced" means processing, developing, or making an item into a new item with a
6 distinct character and use.

7 **Sec. 16.10.920. Repayment of principal of and interest on loans.** The
8 department may not require the repayment of principal and interest on a loan made
9 under AS 16.10.910 during the first six years of the loan. Interest on the principal of a
10 loan made under AS 16.10.910 may be deferred for a period of not more than the first
11 six years of the loan.

12 **Sec. 16.10.925. Default.** If the borrower defaults on a note, the department
13 shall notify the borrower of the default and the consequences of default by mailing a
14 notice to the borrower's most recent address provided to the department by the
15 borrower or obtained by the department.

16 **Sec. 16.10.930. Special account established.** (a) The foreclosure expense
17 account is established as a special account in the mariculture revolving loan fund.

18 (b) The department may expend money credited to the foreclosure expense
19 account when necessary to protect the state's security interest in collateral on loans
20 granted under AS 16.10.910 or to defray expenses incurred during foreclosure
21 proceedings after an obligor defaults.

22 **Sec. 16.10.935. Disposal of property acquired after default.** The department
23 shall dispose of property acquired through default of a loan made under AS 16.10.900
24 - 16.10.945. Disposal must be made in a manner that serves the best interest of the
25 state and may include the amortization of payments over a period of years.

26 **Sec. 16.10.940. Waiver of confidentiality.** The commissioner may release
27 information about the borrower's loan to any individual if release of the information
28 has been authorized by the borrower.

29 **Sec. 16.10.945. Definitions.** In AS 16.10.900 - 16.10.945,

30 (1) "commissioner" means the commissioner of commerce,
31 community, and economic development;

1 (2) "department" means the Department of Commerce, Community,
2 and Economic Development;

3 (3) "mariculture" means the farming of shellfish and aquatic plants as
4 defined in AS 16.40.199.

5 * Sec. 13. AS 44.33 is amended by adding new sections to read:

6 **Article 15. Alaska Microloan Revolving Loan Fund.**

7 **Sec. 44.33.950. Alaska microloan revolving loan fund.** (a) The Alaska
8 microloan revolving loan fund is created in the Department of Commerce,
9 Community, and Economic Development to carry out the purposes of AS 44.33.950 -
10 44.33.990.

11 (b) The Alaska microloan revolving loan fund consists of the following:

12 (1) money appropriated to, transferred to, or received by gift, grant,
13 devise, bequest, or donation to the fund;

14 (2) principal and interest payments or other income earned on loans or
15 investments of the fund;

16 (3) money chargeable to principal or interest that is collected through
17 liquidation by foreclosure or other process on loans made under AS 44.33.950 -
18 44.33.990.

19 (c) Money in the fund may be used by the legislature to make appropriations
20 for costs of administering AS 44.33.950 - 44.33.990.

21 **Sec. 44.33.955. Powers and duties of the department.** The department may

22 (1) make loans to eligible applicants under AS 44.33.950 - 44.33.990
23 to be used for working capital, equipment, construction, or other commercial purposes
24 by a business located in the state;

25 (2) receive, take, hold, and administer any appropriation, transfer, gift,
26 grant, bequest, devise, or donation of money for the fund;

27 (3) establish amortization plans for repayment of loans, including
28 extensions of the terms of loans;

29 (4) allow an assumption of a loan if

30 (A) the applicant meets the requirements established under this
31 section; and

1 (B) approval of the assumption would be consistent with the
2 purposes of AS 44.33.950 - 44.33.990;

3 (5) establish the rate of interest for loans consistent with law;

4 (6) charge and collect fees for services provided under AS 44.33.950 -
5 44.33.990;

6 (7) adopt regulations under AS 44.62 necessary to carry out the
7 provisions of AS 44.33.950 - 44.33.990, including regulations to establish reasonable
8 fees for services provided; and

9 (8) designate agents and delegate powers as necessary to the agents.

10 **Sec. 44.33.960. Eligibility.** (a) For an applicant to be eligible for a loan under
11 AS 44.33.950 - 44.33.990, the applicant shall

12 (1) be a resident of the state, as determined under (b) of this section;

13 (2) provide a reasonable amount of money from other nonstate sources
14 for use on any project or enterprise for which money from a loan will be used; and

15 (3) if the requested loan amount is \$35,000 or more, provide to the
16 department a document from a state financial institution stating that

17 (A) the applicant has been denied a loan for the same purpose;
18 or

19 (B) a loan from the financial institution is contingent on the
20 applicant also receiving a loan from the fund.

21 (b) To meet the residency requirements of (a) of this section, the applicant

22 (1) shall physically reside in this state and maintain a domicile in this
23 state during the 12 consecutive months preceding the date of application for the
24 program; and

25 (2) may not have

26 (A) declared or established residency in another state; or

27 (B) received residency or a benefit based on residency from
28 another state.

29 **Sec. 44.33.965. Limitations on loans.** (a) The department may use money
30 from the Alaska microloan revolving loan fund to make loans of up to \$35,000 to a
31 person or loans of up to \$70,000 to two or more persons.

(b) A loan under AS 44.33.950 - 44.33.990

(1) may not exceed a term of six years, except for extensions under AS 44.33.955;

(2) may not bear interest at a rate greater than the prime rate, as defined in AS 44.88.599, plus one percentage point but which may not be less than six percent a year and not more than eight percent a year;

(3) must be secured by collateral acceptable to the commissioner; and
(4) may not be made to a person who has a past due child support obligation established by court order or by the child support services agency under AS 25.27.160 - 25.27.220 at the time of application.

Sec. 44.33.970. Special account established. (a) The foreclosure expense account is established as a special account in the Alaska microloan revolving loan fund.

(b) The department may expend money credited to the foreclosure expense account when necessary to protect the state's security interest in collateral on loans granted under AS 44.33.960 or to defray expenses incurred during foreclosure proceedings after an obligor defaults.

Sec. 44.33.975. Default. If the borrower defaults on a note, the department shall notify the borrower of the default and the consequences of default by mailing a notice to the borrower's most recent address provided to the department by the borrower or obtained by the department.

Sec. 44.33.980. Disposal of property acquired after default. The department shall dispose of property acquired through default of a loan made under AS 44.33.950 - 44.33.990. Disposal must be made in a manner that serves the best interest of the state and may include the amortization of payments over a period of years.

Sec. 44.33.990. Definitions. In AS 44.33.950 - 44.33.990,
(1) "commissioner" means the commissioner of commerce, community, and economic development;

(2) "department" means the Department of Commerce, Community, and Economic Development.

* Sec. 14. AS 16.10.345 is repealed.

1 * **Sec. 15.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 TRANSITION. Notwithstanding the repeal of AS 16.10.345 in sec. 14 of this Act, a
4 loan made from the community quota entity revolving loan fund remains in effect and shall be
5 administered by the commissioner of commerce, community, and economic development
6 under the commercial fishing revolving loan fund under AS 16.10.350.

7 * **Sec. 16.** Sections 3, 6, 8, 11, and 14 of this Act take effect June 30, 2017.

8 * **Sec. 17.** Except as provided by sec. 16 of this Act, this Act takes effect immediately under
9 AS 01.10.070(c).

Summary of CHP Transfers to Date: 3/21/12

Year	Area	Entire Business Sold Flag	Classification	Min Transaction Price	Max Transaction Price	Median Transaction Price	Average Transaction Price	Transaction Count
2011	2C	N	4 Anglers	***	***	***	***	2
2011	2C	N	5 Anglers	25,000.00	60,000.00	33,500.00	35,214.29	7
2011	2C	N	6 Anglers	10,000.00	66,000.00	31,000.00	32,050.00	20
2011	2C	Y	4 Anglers	***	***	***	***	1
2011	3A	N	4 Anglers	9,000.00	50,000.00	43,000.00	40,000.00	7
2011	3A	N	5 Anglers	***	***	***	***	2
2011	3A	N	6 Anglers	36,000.00	80,000.00	61,000.00	61,316.14	29
2011	3A	N	> 6 Anglers	20,000.00	90,000.00	62,625.00	60,118.75	8
2011	3A	Y	5 Anglers	***	***	***	***	1
2012	2C	N	5 Anglers	***	***	***	***	1
2012	2C	N	6 Anglers	28,000.00	30,000.00	30,000.00	29,333.33	3
2012	3A	N	4 Anglers	40,000.00	45,000.00	43,000.00	42,666.67	3
2012	3A	N	6 Anglers	40,000.00	58,500.00	42,500.00	45,875.00	4
2012	3A	Y	6 Anglers	***	***	***	***	1

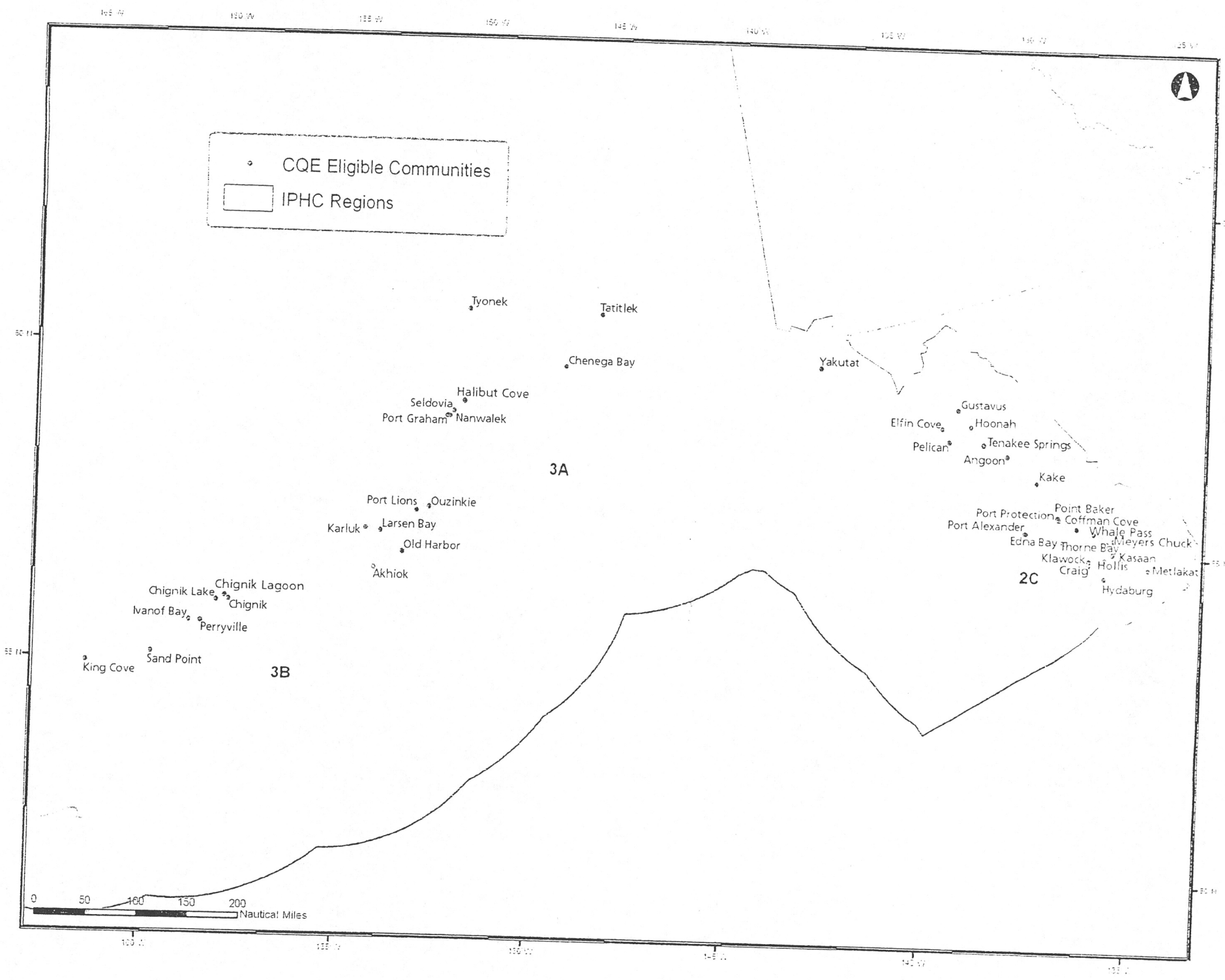
Note: Transactions with a transaction price of 0 are excluded from list.

Note: Each row with transferors or transferees less than 3 is confidential data and is excluded from the list.

**Alaska Division of Economic Development
Loan Programs**

Loan Program	Maximum Loan Amount	Maximum Loan Term	Interest Rate	Floor	Ceiling	Origination Fee
I. Commercial Fishing Loan Fund						
A. Community Quota Entity	Lesser of \$2MM or 80% of quota share purchase price	15 years	prime + 2.00%	3.00%	10.50%	1.00%
B. Engine Fuel Efficiency Upgrade	Lesser of \$400K or 75% of vessel value	15 years	prime - 2.00%	3.00%	10.50%	1.00%
C. Limited Entry Permit	Lesser of \$400K or 80% of entry permit value	15 years	prime + 2.00%	3.00%	10.50%	1.00%
D. Product Quality Improvement (for vessels and gear)	Lesser of \$400K or 75% of vessel value	15 years	prime - 2.00%	3.00%	10.50%	1.00%
E. Purchase of Quota Shares - Section C	Lesser of \$400K or 80% of quota share purchase price	15 years	prime + 2.00%	3.00%	10.50%	1.00%
II. Fisheries Enhancement	Up to \$10MM	30 years	prime + 1.00%	3.00%	9.50%	1.00%
III. Rural Development Initiative Fund	Up to \$300K	25 years	prime - 1.00%	4.00%	n/a	1.00%
IV. Small Business Economic Development	Up to \$300K	20 years	prime - 4.00%	4.00%	n/a	1.00%
V. Alaska Capstone Avionics Loan Program	Upt to 80% of equipment cost	10 years	4.00%	n/a	n/a	n/a

Note: Interest rates are fixed at time of loan approval and existing loans can be refinanced at current interest rates



Memorandum

To: Curtis Thayer, Deputy Commissioner

Wynetta Ayers, Director Division of Economic Development

From : Duncan Fields

Shoreside Consulting

Date: February 17, 2011

RE: Energizing the Community Quota Entity (CQE) Program

In 2003 the North Pacific Fisheries Management Council recognized the need to increase fisheries access in smaller Gulf of Alaska fishery dependent communities -- those under 1,500 people and without road access. The Council understood that halibut and sablefish quota shares held in trust for community residents would have significant long term benefits. Consequently, the Council qualified 42 Gulf of Alaska communities to purchase and retain IFQ quota shares. Each qualified community needed to form a non-profit Community Quota Entity (CQE) for the acquisition and management of their quota.

About 15 communities have formed CQEs. However, the expected rural development benefits from the program have not been realized. The market costs of acquiring quota shares has increased significantly to about \$30.00 per pound for area 3A quota or a ratio of between 6 & 7 times the exvessel value. With the current State loan program, expected annual CQE returns from fishing quota share barely covers debt service and does not provide reserves for quota fluctuation. More importantly, current programs require 20% down or an 80% loan to value ratio. This type of down payment is simply beyond the capabilities of these smaller, economically depressed, Alaska communities. Competing purchasers are able to use income from other fisheries to finance their down payment and, if needed, meet debt service. However, CQE communities don't have "other" income.

The CQE community halibut and sablefish purchase program would "work" if these communities could obtain loans with a 5% down payment and lower interest loans that could be waived for a period of time to build up CQE reserves and for a term of 30 years. Remember, the purchased quota would remain in the community in perpetuity or, if sold, the loan/grant amount would be repaid. Consequently, the term of the loan is viewed differently by the CQE. This type of CQE quota share purchase loans will have significant long term economic benefits in these communities, benefits that could easily outlast other types of capital projects or State assisted Programs.