

HB

261

<TARGET><BILL>HB 261</BILL><SUBJECT>HB
261</SUBJECT><COMM>SFIN27</COMM></TARGET>

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 261(FSH)
Fiscal Note Number 1
(H) Publish Date 1/27/12

Identifier (file name) HB261-DFG-CFEC-01-25-2012 Dept. Affected Fish and Game
Title An Act relating to loans for the purchase of commercial Appropriation Commercial Fisheries Entry Commission

Sponsor Representatives Edgmon, Millett, and Thompson Allocation Commercial Fisheries Entry Commission
Requester House Special Committee on Fisheries, Finance OMB Component Number 471

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					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	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									
1201 CFEC Rcpts (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
1037 GF/MH (UGF)									
1178 temp code (UGF)									
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

POSITIONS									
Full-time	0	0	0	0	0	0	0	0	0
Part-time	0	0	0	0	0	0	0	0	0
Temporary	0	0	0	0	0	0	0	0	0
CHANGE IN REVENUES	0.0	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)
Initial Version _____

Prepared by Shirley Penrose, Operations Manager Phone 907-790-6960
Division Commercial Fisheries Entry Commission Date/Time 1/25/12 7:48 AM
Approved by Benjamin E. Brown, Commissioner Date 1/25/2012
Commercial Fisheries Entry Commission

FISCAL NOTE #1

**STATE OF ALASKA
2012 LEGISLATIVE SESSION**

BILL NO. CSHB 261(FSH)

Analysis

There are no significant fiscal impacts for CFEC associated with this bill.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 261(FIN)
Fiscal Note Number 3
(H) Publish Date 3/21/12

Identifier (file name) HB261-DCCED-DED-03-20-12 Dept. Affected DCCED
Title Commerical Fishing Entry Permit Loans Appropriation Investments

Sponsor Representative Edgmon
Requester House Finance Allocation Investments
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 FY13 Governor's Request	Out-Year Cost Estimates					
			FY14	FY15	FY16	FY17	FY18	
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	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							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	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 _____ (separate supplemental appropriation required,
(discuss reasons and fund source(s) in analysis section))

Estimated CAPITAL (FY13) costs _____ (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)
HB 261 was amended to conform to CSHB261 (FIN) which removes the interest rate reduction for the Section B Limited Entry Loan.

Prepared by Wanetta Ayers, Director Phone 269-4048
Division Economic Development Date/Time 3/20/12 12:10 PM
Approved by JoEllen Hanrahan, Director Administrative Services Date 3/20/2012
Commerce, Community, and Economic Development

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Analysis

HB 261 increases the loan limit under Section B of the Commercial Fishing Revolving Loan Fund (CFRLF) for limited entry permits (LEP) to up to \$200,000.

There is no anticipated fiscal impact to the Division as a result of this legislation.

Alaska State Legislature
REPRESENTATIVE BRYCE EDGMON
House District 37



Adak
Akutan
Aleknagik
Atka
Chignik
Chignik Lagoon
Chignik Lake
Clark's Point

Cold Bay
Dillingham
Egegik
Elkwook
False Pass
Ivanof Bay
King Cove

King Salmon
Koliganek
Manokotak
Naknek
Nelson Lagoon
New Stuyahok
Nikolski

Perryville
Pilot Point
Portage Creek
Port Heiden
St. George
St. Paul
Sand Point

South Naknek
Togiak
Twin Hills
Ugashik
Unalaska

CSHB 261 (FIN)
Commercial Fishing Entry Permit Loans
Changes from Original Bill

In the House Special Committee on Fisheries: A new section (Sec. 5) was added to HB 261 to make the loan terms described in the legislation apply only to borrowers who receive loans on or after the effective date of the bill. The amendment also stipulated that the new interest rate established by the legislation would not apply to the refinancing of loans made under the Commercial Fishing Loan Act before the effective date of the bill.

In the House Finance Committee: In order to minimize the impact of this legislation on the Commercial Fishing Revolving Loan Fund, a Finance Committee Substitute was adopted to remove provisions from CSHB 26 (FSH) that would have established an interest rate of two percent below the prime rate, with a floor of three percent, for entry permits loans under Section B of the Commercial Fishing Loan Act.

CSHB 261 (FIN) therefore leaves the current interest rate for Section B entry permit loans unchanged, and there is no anticipated fiscal impact as a result of this legislation.

CSHB 261 (FIN) changes:

Section 1 and Section 4 were deleted in their entirety.

In Section 5, paragraph (b) was deleted.

Remaining sections were renumbered accordingly.



Sponsor

Statement

**CSHB 261 (FIN)
COMMERCIAL FISHING ENTRY PERMIT LOANS**

SPONSOR'S INTENT

House Bill 261 seeks to increase Alaskan ownership of Alaskan fisheries by enabling a larger number of state residents to secure the level of financing necessary to purchase limited entry commercial fishing permits.

HB 261 modifies Section B of the Commercial Fishing Loan Act to address the reality of today's permit costs. To this end, the legislation would increase the maximum loan amount for entry permits under Section B from \$100,000 to \$200,000.

In several areas of the state, salmon permits are selling for well over \$100,000. For example, in 2011 salmon seining permits in Southeast averaged \$129,500; Prince William Sound drift gillnet permits averaged \$161,600; and Alaska Peninsula drift gillnet permits averaged \$127,000.

These loans would only be available to Alaska-resident borrowers who are not eligible for financing from commercial banks or from the Commercial Fishing and Agriculture Bank; HB 261 therefore avoids putting the state in competition with private-sector lenders.

This legislation holds special promise for young Alaskan entrepreneurs, who in recent years have found it more difficult to secure the large amounts of capital needed to launch gainful, life-long fisheries businesses. By helping a larger number of young Alaskans pursue ownership-level careers in fisheries, HB 261 will contribute to efforts to reverse the "graying of the fleet"—the worrying increase in the average age of resident skippers in commercial fisheries across Alaska.

Your support for HB 261 will strengthen one of the Commercial Fishing Loan Act's most important purposes: To develop predominantly resident fisheries in Alaska. In turn, by helping to put a greater number of limited entry permits in residents' hands and by keeping a greater proportion of fisheries earnings in the state, HB 261 will strengthen Alaska's economy.

Commercial Fishing Revolving Loan Fund Summary; With Details on Section B

CFRLF Declaration of Policy (AS 16.10.300):

"It is the policy of the state, under AS16.10.300—16.10.370 to promote the rehabilitation of the state's fisheries, the development of a predominantly resident fishery, and the continued maintenance of commercial fishing gear and vessels throughout the state by means of long-term low interest loans."

Provides Loans For:

- **Section A**—up to \$300,000 for the purchase of Entry Permits, or for existing Vessel or Gear upgrades for improving seafood quality, or for main or generator engine replacement for improving energy efficiency.
- **Section B**—up to \$100,000 for the purchase of Entry Permits, Vessel and Gear Upgrades (including engine energy efficiency upgrades), Vessel and Gear purchases, and Vessel Construction—with differing eligibility criteria, the most significant being that the applicant must not be able to obtain financing from a commercial bank.
- **Section C**—up to \$300,000 for the purchase of Quota Shares—with eligibility requirements similar to Section B applicants.
- **Section D**—up to \$35,000 to satisfy past due federal Tax Obligations.
- **Section E**—up to \$2 million for each eligible community for the purchase of Quota Shares by a Community Quota Entity (CQE).
- **Section F**—up to \$300,000 for existing Tender Vessel and Gear upgrades.

Current Section B Eligibility Requirements for Entry Permit Loans

- Must have been a state resident for a continuous period of two years immediately preceding date of application.
- Must not be eligible for financing through a commercial bank or through the Commercial Fishing and Agriculture Bank (CFAB).
- Must lack employment opportunities, other than commercial fishing, in area of residence, or must be economically dependent on commercial fishing as a livelihood and as a traditional way of life.
- Must not be past due on any child support obligations.
- Must never have received a loan under the Section A program.

Current Section B Entry Permit Loan Terms

- ❖ Maximum loan amount of \$100,000.
- ❖ Interest is prime rate plus two percentage points.
- ❖ Term of 15 years.
- ❖ Must be secured by a first priority lien and appropriate security agreement.
- ❖ Loan may not exceed 80 percent of the appraised value of the collateral used as security.

Average Costs for Salmon Fishery
Entry Permits in Several Regions in 2011

Southeast Seine	\$129,500
Prince William Sound Seine	\$140,000
Prince William Sound Drift Gillnet	\$161,600
Alaska Peninsula Drift Gillnet	\$127,800
Bristol Bay Drift Gillnet	\$143,900



Lela F. Klingert
President

March 29, 2012

Rep. Bryce Edgmon
State Capitol Room 416
Juneau AK, 99801

Re: CSHB261

Dear Representative Edgmon,

The purpose of this letter is to advise you that CFAB respectfully withdraws its opposition to HB261. We are comfortable that the revisions contained in CSHB261 (Fin) have adequately addressed the concerns outlined in my letter of January 25, 2012.

I appreciate your cooperation in working through these issues.

Sincerely,

Lela F. Klingert
President

Alaska Commercial Fishing and Agriculture Bank

(907) 276-2007 • Fax (907) 279-7913 • 3040 Lakeshore Drive • Anchorage, Alaska 99517

BRISTOL BAY NATIVE ASSOCIATION
P.O. BOX 310
DILLINGHAM, ALASKA 99576
Ph. (907) 842-5257 Fax (907) 842-5932
By Executive Committee

RESOLUTION 2012 - 05

**A RESOLUTION SUPPORTING HOUSE BILL 261 – COMMERCIAL FISHING
ENTRY PERMIT LOANS**

WHEREAS: It is among the missions of the Bristol Bay Native Association to foster the creation of rewarding livelihoods for the residents of the Bristol Bay region;

WHEREAS: Commercial fishing has been a mainstay industry for Bristol Bay residents for more than 100 years;

WHEREAS: Alaska resident owners of commercial fishing operations make considerable economic and social contributions to their communities;

WHEREAS: Since the institution of a limited entry commercial salmon fishery in Bristol Bay there has been a significant migration of limited entry permits from the region, with many of them now owned by fishermen who do not live in Alaska;

WHEREAS: The Bristol Bay Native Association supports reversing this “permit drain” and significantly increasing the level of local ownership of commercial salmon fishing operations in Bristol Bay;

WHEREAS: The average cost of a Bristol Bay Drift Gillnet salmon permit in 2011 was \$143,900;

WHEREAS: Many residents of Bristol Bay—especially younger residents with ambitions to establish ownership-level careers in commercial fishing—face considerable difficulties in securing the substantial financing necessary to launch commercial fishing businesses;

WHEREAS: It is the policy of the State of Alaska under the Commercial Fishing Loan Act to promote predominantly resident Alaskan fisheries;

WHEREAS: Only Alaska residents are eligible for financing through the Commercial Fishing Loan Act; and

WHEREAS: Representative Bryce Edgmon has introduced House Bill 261—Commercial Fishing Entry Permit Loans—which is legislation to amend Section B of the Commercial Fishing Loan act to:

- allow loans for the purchase of entry permits that may not bear interest exceeding the prime rate minus two percentage points, except that the interest rate may not be more than 10 ½ percent or less than three percent;
- increase the maximum loan amount for entry permits, only under Section B, from \$100,000 to \$200,000;
- eliminate the prohibition of someone who has ever received a Section A loan from receiving a Section B loan, but only if the purpose of the Section B loan is for the purchase of a limited entry permit.

NOW THEREFORE BE IT RESOLVED that the Bristol Bay Native Association enthusiastically supports House Bill 261—Commercial Fishing Entry Permit Loans—and respectfully urges the members of the 27th Alaska State Legislature to pass House Bill 261 into law.

Signed: _____
Chairman of the Board

CERTIFICATION:

I, the undersigned Recording Secretary of the Bristol Bay Native Association, do hereby certify that the Executive Committee of the Board of Directors of the Bristol Bay Native Association duly passed the foregoing resolution on the 23rd day of January, 2012, at a duly called and convened meeting, and that a quorum was present.

Signed: _____
Robert Nygram
Secretary

Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4336 • 1-800-478-4370



January 23, 2012

Representative Bryce Edgmon
Capitol Building, Room 416
Juneau, Alaska 99801

Dear Representative Edgmon and Committee Members,

The Bristol Bay Economic Development Corporation, the CDQ group for Bristol Bay has been working with the State of Alaska and CFAB for many years trying to obtain salmon fishing permits for watershed fishermen. We have a Permit Loan Program at BBEDC for all watershed residents of Bristol Bay. I believe that it is the only one in the State of Alaska and with HB 261 and the lower interest rate we may be able to get more locals involved in the fishery.

HB 261 would help our watershed fishermen out greatly, especially our young fishermen. As you know the average age of the commercial fishermen of Bristol Bay is climbing, we need to encourage and support our younger fishermen to get involved. When you have a watershed resident owning a fishing permit, that means three local jobs and important dollars for the community.

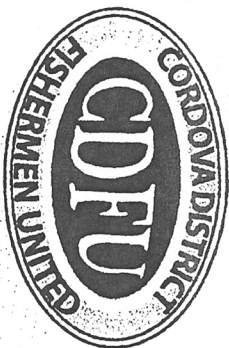
Commercial fishing is the main economic engine for Bristol Bay. As most of you know Limited Entry Permits are migrating to outside interests from watershed residents and we need to reverse this trend.

I urge the Alaska Legislature to pass House Bill 261 into law, let's get as many commercial fishing permits into Alaskan's hands as possible.

Thank You

A handwritten signature in black ink, appearing to read 'H. Robin Samuelsen Jr.', written over a horizontal line.

H. Robin Samuelsen Jr.
President/CEO



Cordova District Fishermen United
PO Box 939 | 509 First Street | Cordova, AK 99574
phone: (907) 424 3447 | fax: (907) 424 3430
web: www.cdfu.org | email: cdfu@ak.net

January 24, 2012

Representative Steve Thompson
Special Committee on Fisheries
State Capitol, Room 428
Juneau, AK 99801-1182

Re: Support HB 261 – Commercial Fishing Entry Permit Loans

Dear Mr Chairman and Committee members,

I am writing on behalf of the Cordova District Fishermen United Board of Directors, our 300 members and their families to support HB261 – "Commercial fishing entry permit loans".

Passing an increase in the maximum loan amount of section B to \$200,000 will allow many young Alaskans a continued opportunity to obtain entrance into independent commercial fishing businesses by increasing finance opportunities unavailable to them from commercial lending institutions.

Since 2008, in PWS alone, the price of limited entry permits has increased over 50% to values in excess of \$100,000. According to the CFEC, estimated average value of a PWS drift gillnet permit for 2011 is \$161,600. In this same time the lending maximum of the Commercial Fishing Loan Program has remained static, limiting the number of state residents' access to purchase limited entry permits.

This bill will increase opportunity for young Alaskans interested in entering the commercial fishing business at the ownership level by aligning the Commercial Fishing Loan Program lending maximums with the increasing value of limited entry permits. Thank you for the opportunity to comment in support of HB 261.

Sincerely,

Alexis Cooper
Executive Director

CC: Rep. Edgmon



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 596-2820
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

March 2, 2012

Representative Bill Stolze, Co-Chairman
Representative Bill Thomas, Co-Chairman
House Finance Committee
Alaska State Legislature
State Capitol,
Juneau AK 99801


RE: Support for HB 261 Commercial Fishing Loan Program changes

Dear Chairmen Stolze and Thomas,

United Fishermen of Alaska (UFA) is the largest statewide commercial fishing trade association, representing 37 commercial fishing organizations participating in fisheries throughout the state and its offshore waters. At our recent meeting, UFA Board members were able to observe and participate in the Young Fishermen's Summit (YFS), organized by the UAF Alaska Sea Grant Marine Advisory Program. We were impressed with the professionalism of the YFS participants and their dedication to continuing Alaska's successful fishing history as the next generation of skippers at the wheel. With ever increasing costs of vessels, equipment, and permits, UFA recognizes that the limits of financing that worked in the past may need to be updated to meet current business needs of Alaska fishermen.

UFA has long supported the State's Division of Economic Development Commercial Fishing Revolving Loan program, and we support HB 261 with the intention of helping fishermen obtain the financing needed for successful operation of a fishing business. We recommend advancement of HB 261 through the House Finance Committee, and ask for your support.

Thank you for your consideration,


Mark Vinsel
Executive Director

Cc:
Representative Bryce Edgmon
Representative Charisse Miller
Representative Steve Thompson



March 15, 2012

Rep. Bill Thomas, Co-Chair
House Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Thomas,

We are writing in support of House Bill 261; an Act relating to loans for the purchase of commercial fishing entry permits.

The Alaska Marine Conservation Council (AMCC) is a community-based organization dedicated to protecting the long-term health of Alaska's oceans and sustaining the working waterfronts of our coastal communities. Our membership of over 800 includes fishermen, subsistence harvesters, marine scientists, small business owners and families. Our ways of life, livelihoods and local economies depend on healthy fisheries and access to them.

House Bill 261 provides Alaskans with the means to maintain a stake in our fisheries at a time when the cost of entry is rising. In particular HB 261 ensures that young Alaskans are not prevented from pursuing a future in fishing due to limited access to capital. In this way HB 261 strengthens our fishing families and communities by safeguarding our access to the resources we depend on.

Alaskan access to Alaska fisheries is central to maintaining our working waterfronts and the overall health and vitality of our coastal communities. We strongly support HB 261 and hope you will too.

Sincerely,

Kelly Harrell
Executive Director

Cc: Representative Bill Stolze
Representative Bryce Edgmon

healthy oceans ... healthy communities

PO Box 101145 Anchorage, AK 99510 www.akmarine.org
tel 907.277.5357 fax 907.277.5975 email amcc@akmarine.org



Lela F. Klingert
President

January 25, 2012

Finance Committee
Alaska House of Representatives
Juneau, AK 99801

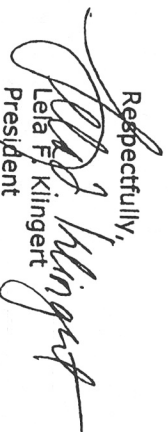
At first glance the intent of HB261 seems commendable; provide resident Alaskans with below market interest rate loans in an effort to boost their prospects of entering the Alaska commercial fishing industry, while simultaneously addressing the looming issue of the "graying fleet" and all this without competing with the private commercial lenders. Unfortunately when interest rates and credit standards are relaxed for the purpose of promoting access, the opposite generally occurs.

These types of programs generally result in driving up demand which then drives up price. While this may be good for the seller of the permit, it is generally not good for the buyer. Interest rates rise and fall, **but** the price one pays for the permit is fixed at the time of sale. An unfortunate but excellent example can be seen with the current state of the national housing market; liberalized lending practices drove up home values--the unintended consequences of well-intentioned efforts. Unlike limited entry permits, however, the housing market had the potential for infinite supply. The effect of liberalized lending for Limited Entry Permits tends to be exaggerated and consequently more damaging because it is within a "limited" market.

We wholeheartedly support assisting resident Alaskans purchase Limited Entry Permits, and that in fact is part of our mission. We would even take it one step further and encourage you to work toward preparing borrowers to be able operate on a level playing field so that they not only get into the fishery, but have the wherewithal and commitment to be competitive in it. Regrettably we do not believe this change will do that.

In closing, the statement that this "avoids putting the state in competition with other private-sector lenders" sounds good, but when you review the language used to impart this requirement - "*must not be eligible for financing from a commercial bank or through the Commercial Fishing and Agriculture Bank (CFAB)*" - the language is ambiguous with regard to how this determination will be made. Historically, this determination has been made by the staff of the loan program based on their limited knowledge of other lenders requirements. If the intent is truly not to compete with other commercial lenders, it should firmly state that the applicant(s) must be declined by two other lenders, one of which must be CFAB.

Thank you for the opportunity to testify on HB 261.

Respectfully,

Lela F. Klingert
President

Alaska Commercial Fishing and Agriculture Bank

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