

HB

177

<TARGET><BILL>HB 177</BILL><SUBJECT>HB
177</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSHB 177(FSH)
Fiscal Note Number: 1
(H) Publish Date: 2/5/14

Identifier: HB177-DCCED-DED-01-21-14
Title: COMMERCIAL FISHING LOANS
Sponsor: EDGMON
Requester: House Fisheries

Department: Department of Commerce, Community and
Economic Development
Appropriation: Investments
Allocation: Investments
OMB Component Number: 383

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
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 (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	100.0		58.8	19.6	9.2	(34.9)	(67.7)
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0

Estimated CAPITAL (FY2015) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/14

Why this fiscal note differs from previous version:

Updated for 2014 legislative session.

Updated 'Associated Regulations' section to reflect the new date of 12/31/2014.

Costs under the 'Change in Revenues' section are updated to reflect cash flow projections for FY2015 through FY2020.

Prepared By:	Joseph Jacobson, Director	Phone:	(907)465-2625
Division:	Economic Development	Date:	01/08/2014 02:20 PM
Approved By:	Jeanne Mungle, Director	Date:	01/08/14
Agency:	Administrative Services		

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 177(FSH)

Analysis

HB 177 will affect both the Commercial Fishing Revolving Loan Fund and the Community Quota Entity Revolving Loan Fund.

Commercial Fishing Revolving Loan Fund (CFRLF): The bill would change the current interest rates for the Engine Fuel Efficiency (EFE) and Product Quality Improvement (PQI) loans from 4.25% to 3.0%. The interest rate for these loans would be calculated and fixed at the prime interest rate minus two percentage points. This would set the interest rate for EFE and PQI at the current minimum allowable rate of 3.0%. Using estimated loan demand and considering existing loans, the proposed changes to the CFRLF are projected to decrease revenues to the fund by approximately \$-20.0 in FY2015, \$-38.7 in FY2016, \$-55.4 in FY2017, \$-70.8 in FY2018, \$-84.9 in FY2019, and \$ -97.7 in FY2020 for a total net decrease of \$ -367.5.

Community Quota Entity Revolving Loan Fund (CQE): The bill would allow the CQE to retain investment earnings on the daily cash balance that is invested by the Department of Revenue. Using estimated loan demand and average cash balances, the proposed changes to the CQE are projected to increase revenues to the fund by approximately \$120.0 in FY2015, \$97.5 in FY2016, \$75.0 in FY2017, \$80.0 in FY2018, \$50.0 in FY2019 and \$30.0 in FY2020 for a total net increase of \$452.5. The projected net change to these funds is shown in the Change in Revenues.

A small regulations project would be necessary to change the statutory references to the interest rates in the regulation. Based on past experience with these types of changes, the Division will be able to complete a regulations project of this nature by December 31, 2014.

There is no anticipated fiscal impact to the Division of Economic Development.

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State of Alaska
2014 Legislative Session

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	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
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

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There is no anticipated fiscal impact to the Division of Economic Development.



Sponsor Statement

CSHB177(FSH) Commercial Fishing Loans

CSHB177(FSH) restores the division of Economic Development's ability to offer incentivizing interest rates for important loan programs within the Commercial Fishing Revolving Loan Fund (CFRLF).

CSHB177(FSH) also makes technical fixes to ensure that income earned on investments of the Community Quota Entity Revolving Loan Fund revolve back into the fund.

Since 1973, the CFRLF has been a cornerstone in the state's effort to increase Alaskan ownership of Alaskan fisheries. It encourages development of predominately resident fisheries by enabling more Alaskan fishers to make substantial investments in the efficiency and profitability of their businesses.

Among the most effective offerings in the CFRLF for boosting the competitiveness of Alaskan fishing operations are the Product Quality Improvement and Engine Fuel Efficiency loan programs. Upgrading vessels and gear to enhance product quality can dramatically increase the value of one's catch. Repowering a vessel with fuel efficient propulsion and generator engines can save a business tens of thousands of dollars each year.

By allowing the Division of Economic Development to offer loan terms that encourage Alaska resident fishers to make these investments, CSHB177(FSH) fosters the vitality of Alaskan businesses and helps to strengthen one of the state's most important industries.



Changes Between HB 177 and CSHB177(FSH)

In Section 1 on page 1, language was inserted at line 13 establishing that loans under the Commercial Fishing Revolving Loan Fund (CFRLF) may not bear interest at a rate **“(C) that is less than the prime rate, as defined by AS 44.88.599, minus three percentage points;”**. This language tightens the restrictions under which the Division of Economic Development can set interest rates in the CFRLF programs.

In Section 5 of the original bill, language was left out to specify that loans for vessel or gear upgrades to improve seafood product quality under Section B of the Commercial Fishing Revolving Loan Fund are to be available for two percent below prime, with a floor of three percent, and not to exceed 10 ½ percent.

Thus, in Section 5, Page 3, Line 19, the following language was inserted:

“to upgrade an existing vessel and gear for the purpose of improving the quality of Alaska seafood products or”



Sectional Summary

CSHB 177 (FSH) Commercial Fishing Loans

CSHB 177 (FSH) restores the division of Economic Development's ability to offer incentivizing interest rates for important loan programs within the Commercial Fishing Revolving Loan Fund (CFRLF). The legislation also provides technical fixes for the Community Quota Entity (CQE) Revolving Loan Fund.

Section 1 amends AS 16.10.320(a) to allow the department to make loans from the Commercial Fishing Revolving Loan Fund at interest rates not exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. New language in this section also stipulates that the department cannot make loans that bear interest at a rate that is less than the prime rate minus three percentage points or at a rate that is less than 3 percent a year.

Section 2 deletes language from AS 16.10.320(j) that pertains to the revolving status of the Community Quota Entity Revolving Loan Fund. This language is no longer necessary because the bill introduces more complete language addressing the CQE Fund's revolving status in Section 6.

Section 3 amends AS 16.10.320(l) to specify certain terms for Community Quota Entity program loans. Loans may not bear interest exceeding the prime rate plus two percentage points and also not exceeding 10 ½ percent. Also, this section states that loans may not bear interest at a rate that is less than the costs of funds to the state or at a rate that is less than three percent.

Section 4 amends AS 16.10.320(m) to make this subsection apply only to AS 16.10.320(l), which refers to the Community Quota Entity loan program. Subsection (m) defines "cost of funds," which plays a part in loan terms in the CQE loan program.

Section 5 amends AS 16.10.320 to add a new subsection that sets allowable interest rates for Section A and Section B loans for Product Quality Improvement and Engine Fuel Efficiency. Interest rates for these loans cannot exceed the prime rate minus two percent. However, they cannot be lower than three percent. Nor can the rates exceed 10 ½ percent.

Prepared by the office of Representative Bryce Edgmon.

Commercial Fishing Revolving Loan Fund

Sections A through F Programs and Interest Rates

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 \$200,000 for the purchase of Entry Permits, or up to \$100,000 for vessel and gear upgrades (including engine energy efficiency upgrades), vessel and gear purchases, and vessel construction—with various eligibility criteria, including that the applicant must not be eligible to obtain financing from a commercial bank or the Commercial Fishing and Agriculture Bank (CFAB).
- **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 \$1 million for each eligible community for the purchase of quota shares by a Community Quota Entity (CQE). NOTE: The CQE Revolving Loan Fund is separate from the Commercial Fishing Revolving Loan Fund and was established in 2012.
- **Section F**—up to \$300,000 for existing Tender Vessel and Gear upgrades to improve product quality.

Interest Rates

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



MEMORANDUM

TO: Representative Craig Johnson

DATE: Monday, February 03, 2014

FROM: Commissioner Susan Bell

RE: Questions on House Bill 177

Thank you for your memorandum dated January 31, 2014 with questions concerning House Bill 177. Division Director Joe Jacobson assisted me with the responses below. He will be present at the committee meeting on February 4 to answer any further questions.

- 1) **This bill allows the interest rate for Commercial Fishing Revolving Loan Fund (hereafter CFRLF) loans to be set as low as three percent – regardless of current market rates. Does DCCED have any objection to a variable floor coupled to the prime rate?**

DCCED does not have any objection to a variable floor coupled to the prime rate. While the bill does not set a variable floor coupled to the prime rate in statute, CFRLF interest rates for the Product Quality Improvement (PQI) and Engine Fuel Efficiency Programs are clearly set in regulation. For example, 3 AAC 80.055 (k) (1) dictates:

- (1) The interest rate is based on the cost of funds to the state as defined in AS 16.10.320 (m) for loans made
- (a) to upgrade existing vessels and gear for the purpose of improving the quality of Alaska seafood products; or
 - (b) for engine efficiency upgrades.

AS 16.10.320 (m) further specifies the cost of funds is prime plus one plus additional costs to represent risk of loss and other costs.

- 2) **Low interest rates are likely to lead to increased funds being loaned out of the fund balance. With lower interest rates, loan repayments will be lower, leading to slower fund replenishment. What safeguards are in place to ensure the funds' health is not put at risk?**

The PQI and EFE Programs within the CFRLF represent less than six percent of the total assets in the CFRLF and are relatively inexpensive to administer in comparison to other loans. Historically,



interest rates for these two programs were three percent from inception (1992) until 2012, when rates were changed to current rates as defined under AS 16.10.320(m). During this period, the CFRLF never experienced poor fund replenishment. In fact, between 1994 and 2012, the total equity of the CFRLF increased from \$92,414,000 to \$104,420,000. Based on this experience, which spanned multiple financial crises and a collapse in the salmon market, there is nothing to indicate that this change would have a negative impact on the fund.

- 3) It was mentioned in the January 28th House Resources Committee that staff and administrative costs for the Commercial Fishing Revolving Loan and the Community Quota Entity Revolving Loan Programs are paid out of the funds' balances. What safeguards are in place to ensure that administrative costs, when combined with increased draws on the funds and decreased repayments, do not reduce the funds' balances to unhealthy levels?**

All loan funds administered by the Division of Economic Development (DED) are subject to a large amount of scrutiny and regulation. The loan funds are subject to complex and comprehensive annual audits where the fund's financial statements are analyzed to ensure the loan funds are managed prudently, in compliance with statutes and regulations, and that standard Governmental Accounting Procedures are being adhered to. Annual reports and the audit findings are furnished to the legislature.

- 4) How is the interest rate for these loans determined, and by whom? What factors are considered when making this determination?**

Determining the interest rates for all loans in the CFRLF is done through a process set out in Statute (AS 16.10.320) and Administrative Code (3 AAC 80.055(k)). The prime rate is taken from the Wall Street Journal and then interest points are added or subtracted as required by statute or administrative code. The process is generally carried out by the Division's Operation Manager.

- 5) What oversight structure is in place to ensure that the determined interest rate serves to preserve the health of the fund, and serves the State's interests?**

DED submits annual reports to the legislature indicating the fund's performance and undergoes regular audits. Additionally, the total administrative cost of new loans made under PQI and EFE funds in FY 13 was \$14,800. Under current interest rate (4.25%), the total value of these funds (\$2,100,000) would accrue \$89,250 per year. In a scenario with the interest rate at 3%, the funds would accrue \$63,000 per year. Under both scenarios, the interest accrued far outpaces costs.

- 6) The proposed bill would allow DCCED to give lower-cost financing to fishermen to improve their vessels and sell higher-quality fish. What would be a reasonable estimate of the favorable impacts of this to the state in terms of economic growth or job growth?**



Between 2002 and 2012, the average ex-vessel price/lb. for Alaska salmon increased 350% from \$0.26 to \$0.91, halibut increased 254% from \$1.65 to \$4.19, and black cod increased 173% from \$2.04 to \$3.53. During this same period, Alaska resident crew employment increased 28% from 8,520 to 10,923 while seafood processing employment rose 24.5% from 20,162 to 25,112. While it is impossible to attribute this growth to product quality alone, it is a critical driver of these increases. Given that the industry still has significant room for product quality improvement—in Bristol Bay, only 60% of the drift boat catch is chilled—it would not be unreasonable for similar gains to occur over the next decade.

In addition to product quality, the EFE loans allow fishermen to take home more money and minimize the impact of the fishery on the environment. New engines typically improve efficiency between 20-30%. With the price of gasoline exceeding \$7/gallon in prominent fishing communities like Dillingham, these savings add up over the course of a season.

- 7) **Has the CFRLF ever required recapitalization through a legislative appropriation? If so, please explain the circumstances leading to the recapitalization(s) and any corrective actions taken by the Department to prevent the CFRLF from requiring recapitalization in the future.**

The last infusion of general funds into the CFRLF occurred in 1985 in response to the growing demand for loans as the fishing industry developed under the relatively new Limited Entry System. Of the state's \$60 million investment in the fund, it has repaid \$120 million over its lifetime and generates sufficient cash flow to cover loan demand and operations.



MEMORANDUM

TO: Representative Paul Seaton

DATE: Monday, February 03, 2014

FROM: Joe Jacobson

RE: House Fisheries Committee follow up re: HB
177 graphics

Figure 1: Fund Equity from 1995-2013 (note that PQI and EFE interest rate was 3% from 1992 through 2012)

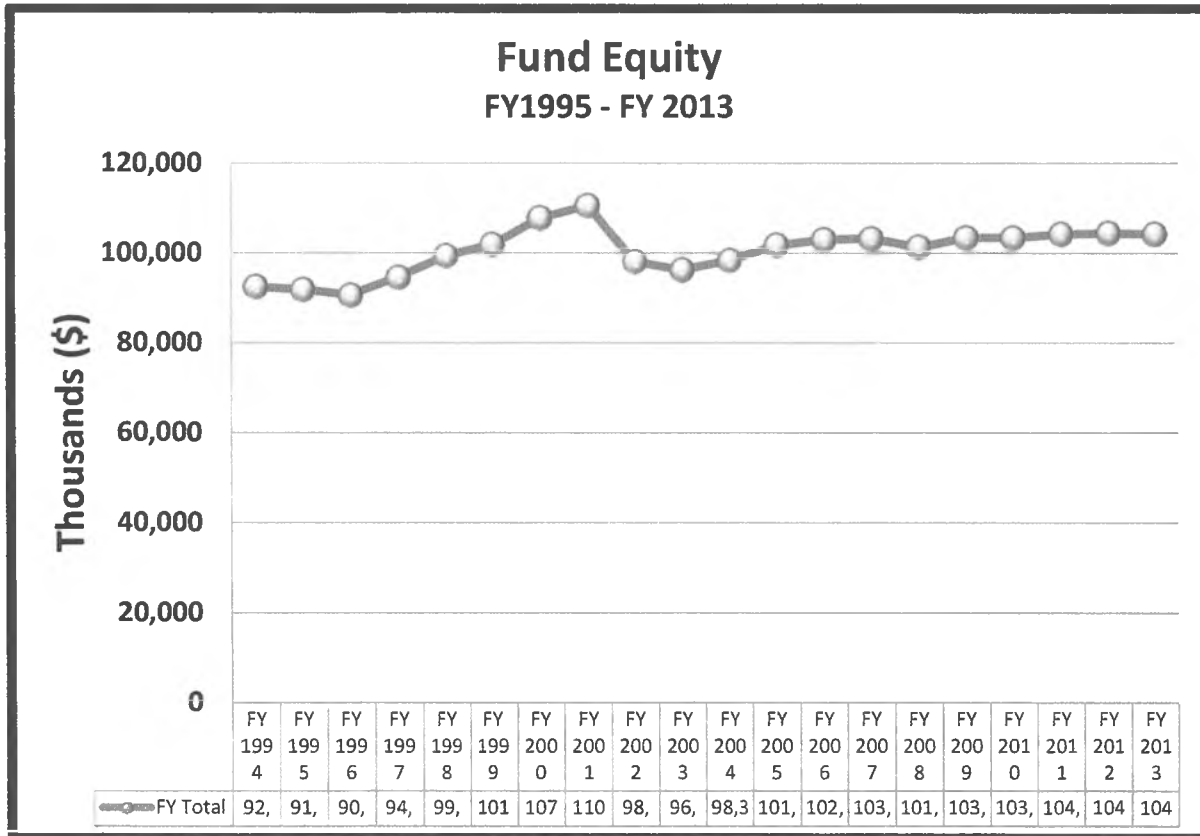




Figure 2: Commercial Fishing Appropriations Summary

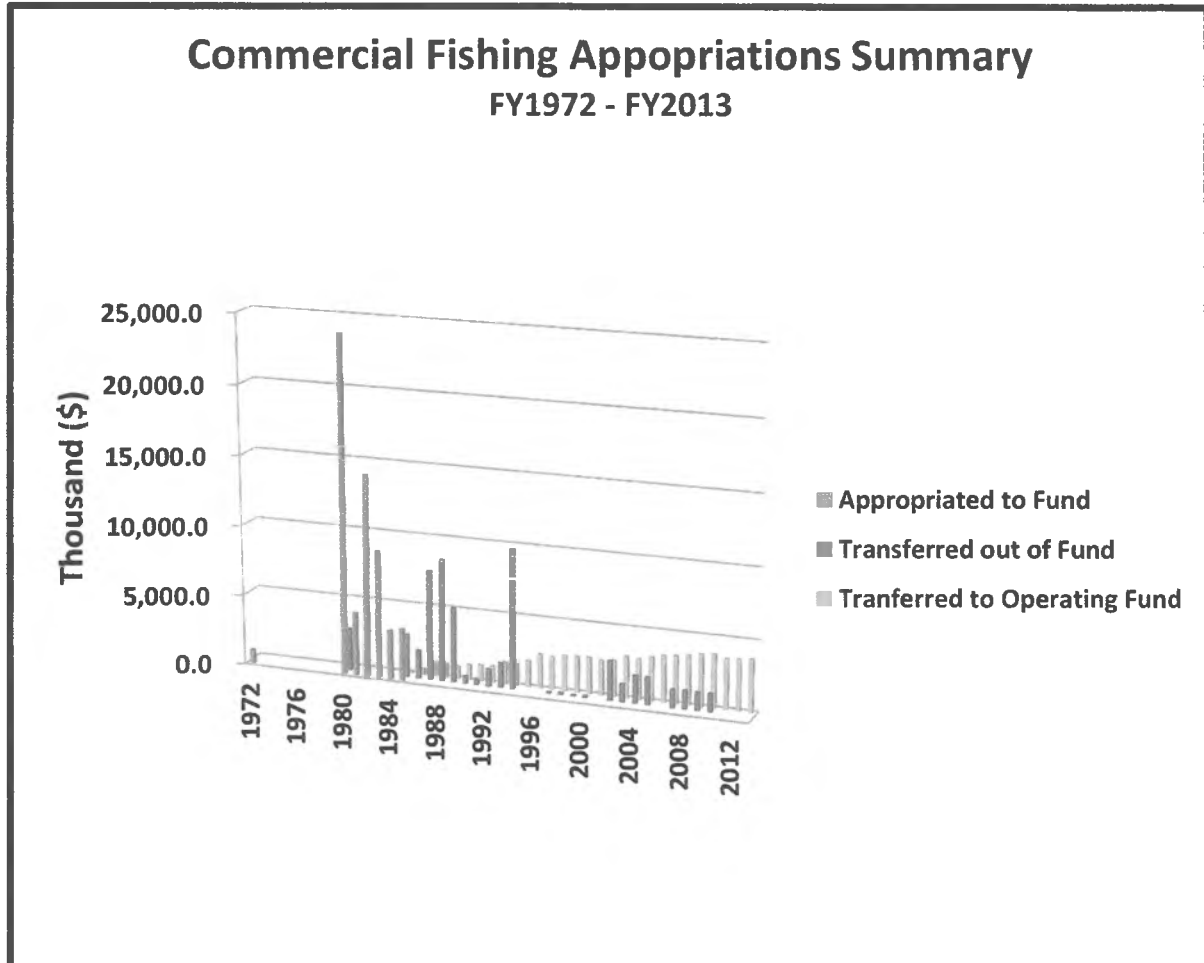
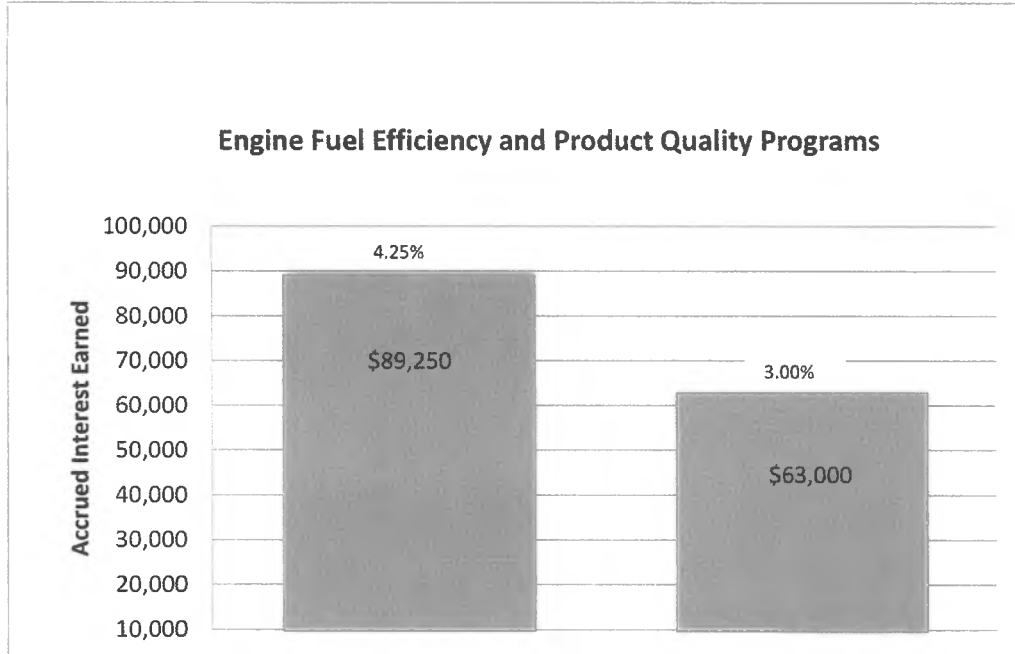




Figure 3: The total value of new loans made under these programs in FY13 was \$2,100,000. The operating expenses charged to these programs were \$14,800. In both scenarios the accrued interest exceeds operating expenses, thereby ensuring fund sustainability.



Division of Economic Development
 Department of Commerce, Community, and Economic Development

Commercial Fishing Revolving Loan Fund (CFRLF)
 Historical Information

**Monies Transferred From the CFRLF to Fund the Alaska Department of Fish & Game
 Operating Budget (ADF&G):**

FY2004	\$ 800,000.00
FY2005	\$ 1,976,300.00
FY2006	\$ 1,976,300.00
FY2007	\$ 1,326,300.00
FY2008	\$ 1,326,300.00
FY2009	\$ 1,326,300.00
FY2010	\$ 1,326,300.00
FY2011	-
FY2012	-
	\$ 10,057,800.00

Over the life of the CFRLF program, almost \$58 million was transferred out of the CFRLF to fund other government operations. From FY2004 through FY2010, over \$10 million was used to fund ADF&G operating budget. In FY2011 and FY2012 there were no transfers from the CFRLF to ADF&G.

GeFONSI Earnings on CFRLF Cash Balances:

Fiscal Year	Interest Earnings	Interest Rate
FY2007	\$ 2,054,419.72	5.51%
FY2008	\$ 2,348,491.02	5.85%
FY2009	\$ 1,331,665.63	2.68%
FY2010	\$ 1,343,210.11	3.38%
FY2011	\$ 543,848.66	1.61%
FY2012	\$ 431,438.00	1.43%

CFRLF cash is managed by the Department of Revenue and is invested in a pool of funds referred to the GeFONSI (General Fund and Other Non-Segregated Investments). These earnings are retained by the General Fund.

**Division of Economic Development, Financing Section Staff Positions
 Dedicated to CFRLF Funding:**

FY2012	40
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**Division of Economic Development
Department of Commerce, Community and Economic Development**

Product Quality Improvement Loans as of January 15, 2014

	<i>Section A</i>		<i>Section B</i>		FY TOTALS
	Number of Loans	Amount of New Loans	Number of Loans	Amount of New Loans	
FY 2014	5	190,700.00	4	204,436.00	395,136.00
FY 2013	3	192,000.00	4	127,500.00	319,500.00
FY 2012	18	1,347,060.00	3	97,302.00	1,444,362.00
FY 2011	21	1,755,700.00	9	369,270.00	2,124,970.00
FY 2010	11	504,255.00	9	265,196.99	769,451.99
FY 2009	19	1,367,470.00	11	375,449.00	1,742,919.00
FY 2008	9	514,400.00	5	218,000.00	732,400.00
FY 2007	15	1,059,728.00	3	165,000.00	1,224,728.00
FY 2006	17	671,699.00	5	287,774.00	959,473.00
FY 2005	8	412,258.00	4	194,750.00	607,008.00
FY 2004	19	881,302.00	3	48,285.00	929,587.00
FY 2003	13	904,971.00	5	132,802.61	1,037,773.61
FY 2002	7	266,600.00	9	195,138.00	461,738.00
FY 2001	8	370,430.00	2	113,700.00	484,130.00
FY 2000	6	690,420.00	8	181,403.00	871,823.00
FY 1999	7	343,212.00	1	13,200.00	356,412.00
TOTALS	186	11,472,205.00	85	2,989,206.60	14,461,411.60
AVERAGES	12	717,012.81	5	186,825.41	903,838.23

Engine Efficiency Upgrade Loans as of January 15, 2014

	<i>Section A</i>		<i>Section B</i>		FY TOTALS
	Number of Loans	Amount of New Loans	Number of Loans	Amount of New Loans	
FY 2014	18	1,383,444.00	0	0.00	1,383,444.00
FY 2013	33	1,822,387.00	1	34,994.00	1,857,381.00
FY 2012	34	2,012,234.00	1	47,000.00	2,059,234.00
FY 2011	35	2,191,420.00	2	94,790.00	2,286,210.00
FY 2010	0	0.00	18	718,691.00	718,691.00
FY 2009	0	0.00	30	1,516,213.00	1,516,213.00
TOTALS	102	6,026,041.00	52	2,411,688.00	8,437,729.00
AVERAGES	20	1,234,914.17	9	401,948.00	1,636,862.17

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Commercial Fishing Loan Fund

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

Loan Program Goal and Objectives

To provide long-term, low interest loans to promote the development of predominantly resident fisheries, and continued maintenance of commercial fishing vessels and gear for the purpose of improving the quality of Alaska seafood products.

General Requirements

- Alaska resident for the past 2 years.
- Child support payments must not be past due.
- Provide a copy of each applicant's valid government issued identification at or before loan closing.

Definition of Resident

- Living in Alaska with the intent to remain indefinitely.
- Primary and permanent home in Alaska.
- Present in Alaska except for brief intervals (generally less than 90 days) except for military service, education or good cause.

Program Requirements

- Purchases - Loans are available for limited entry permits, quota shares, vessels, or gear purchased less than 12 months prior to the date your application is received.
- Refinancing - Vessels or gear loans made by other lenders more than one year prior to receipt of your application are eligible for financing.
- Collateral - The item being financed (limited entry permit, vessel, etc.) will be the collateral for the loan and, and generally, a priority lien must be obtained.

Terms and Conditions

- Interest rate will be fixed at the time of loan approval. Current interest rates can be found at http://commerce.alaska.gov/ded/fin/interest_rates.cfm.
- Maximum loan term is 15 years.
- Borrower is responsible to pay all direct costs incurred in processing an application including surveys, inspections, appraisals, title insurance, etc.

Information and Applications

- Engine Fuel Efficiency Upgrade
- Extension
- Limited Entry Permit Purchase
- Loan Assumption
- Product Quality Improvement
- Purchase of Quota Shares
- Refinance
- Refinance of Vessel or Gear
- Tax Obligation
- Tender Vessel Product Quality Improvement
- Vessel Purchase
- Vessel Upgrade or Gear Purchase/Upgrade

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Commercial Fishing Loan Fund

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

Engine Fuel Efficiency Upgrade

Select either Section A or B

Purpose of the upgrade must be to improve the fuel efficiency of the propulsion engine or generator engine replacement on an existing vessel.

Section A

Eligibility

- Held limited entry permit, commercial fishing or crew member license and 2 other years out of the past 5 years;

and

- Fished in Alaskan waters during qualifying years.

If you receive a loan under Section A, you will not be eligible for future loans under Section B unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total outstanding balances on all loans made under Section A of the Commercial Fishing Loan Program may not exceed \$300,000.
- Total Balance outstanding on all Section A and Section B loans may not exceed \$400,000.

Section B

Eligibility

- At least 25% of applicant's total gross income for past 2 years was from commercial fishing;

or

- Applicant lacks training or economic opportunities in area of residence other than commercial fishing;

and

- Applicant does not have other sources of financing available.

Section B applicants may not have received a prior loan under Section A unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total outstanding balances on all permit loans made under Section B of the Commercial Fishing Loan Program may not exceed \$200,000. All other loans made under Section B of the Commercial Fishing Loan Program may not exceed \$100,000.

Sections A & B

Collateral Requirements

- Generally, the maximum loan amount for a loan secured by a documented vessel is 75% of the survey value (65% for AK vessels).
- The maximum loan amount may be increased by offering additional collateral.

Fees

- A \$100 application fee must accompany all applications.
- An origination fee of 1% of the loan amount will be deducted from your loan proceeds at closing.

Search find

Quick Links...

- Alaska Capstone Avionics Loan Program
- Commercial Fishing
- Small Business Economic Development
- Rural Development Initiative Fund
- Fisheries Enhancement

Of Interest...

- Interest Rates
- IFQs for Sale
- Permits for Sale
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Home Commercial Fishing Interest Rates Workplace Alaska

Commercial Fishing Loan Fund

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

Product Quality Improvement

Select either Section A or B

Purpose of the upgrade must be to improve the quality of the seafood.

Section A

Eligibility

- Held limited entry permit, commercial fishing or crew member license for the year preceding date of application and 2 other years out of the past 5 years.

and

- Fished in Alaskan waters during qualifying years.

If you receive a loan under Section A, you will not be eligible for future loans under section B unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total balances outstanding on all permit loans made under Section A of the Commercial Fishing Loan program may not exceed \$300,000.
- The total balances outstanding on all loans made under the program may not exceed \$400,000

Section B

Eligibility

- At least 25% of applicant's total gross income for past 2 years was from commercial fishing;

or

- Applicant lacks training or employment opportunities in area of residence other than commercial fishing;

and

- Applicant is not eligible for financing from a recognized commercial lender.

Section B applicants may not have received a prior loan under Section A unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total balance outstandings on all permit loans made under Section B of the Commercial Fishing Loan program may not exceed \$200,000. All other loans made under Section B of the Commercial Fishing Loan Program may not exceed \$100,000.
- The total balances outstanding on all loans made under the program may not exceed \$400,000.

Sections A & B

Collateral Requirements

- Generally, the maximum loan amount for a loan secured by a documented vessel is 75% of the survey value (65% for AK vessels)
- The maximum loan amount may be increased by offering additional collateral.

Terms and Conditions

- Interest rate will be fixed at the time of loan approval. Current interest rates can be found at http://commerce.alaska.gov/ded/fin/interest_rates.cfm
- Maximum loan term is 15 years.
- Borrower is responsible for all direct costs incurred in processing an application.

Fees

- A \$100 application fee must accompany all applications.
- An origination fee of 1% of the loan amount will be deducted from your loan proceeds at closing.

Search

Find

Quick Links...

- Alaska Capstone Avionics Loan Program
- Commercial Fishing
- Small Business Economic Development
- Rural Development Initiative Fund
- Fisheries Enhancement

Of Interest...

- Interest Rates
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- Permits for Sale
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- Related Sites

Commercial Fishing Loan Fund

State of Alaska > Departments > Commerce, Community, & Economic Development > Division of Economic Development

Limited Entry Permit

Select either Section A or B

Section A

Eligibility

- Held limited entry permit, commercial fishing or crew member license for the year preceding the date of application and any other 2 of the past 5 years;

and

- Fished in Alaskan waters during qualifying years.

If you receive a loan under Section A, you will not be eligible for future loans under Section B unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total balances outstanding on all loans made under Section A of the Commercial Fishing Loan Program may not exceed \$300,000.
- The total balances outstanding on all loans made under the Program may not exceed \$400,000.

Section B

Eligibility

- At least 25% of applicant's total gross income for past 2 years was from commercial fishing;

or

- Applicant lacks training or employment opportunities in area of residence other than commercial fishing;

and

- Applicant is not eligible for financing from a recognized commercial lender.

Section B applicants may not have received a prior loan under Section A unless the loan requested under Section A was for engine fuel efficiency or the purchase of a limited entry permit.

Lending Limit

- The total balances outstanding on all permit loans made under Section B of the Commercial Fishing Loan Program may not exceed \$200,000. All other loans made under Section B of the Commercial Fishing Loan Program may not exceed \$100,000
- The total balances outstanding on all loans made under the Program may not exceed \$400,000.

Sections A & B

Collateral Requirements

Search

Quick Link

- Alaska Capst Program
- Commercial f
- Small Busine Economic De
- Rural Develop Initiative Func
- Fisheries Ent

Of Interest

- Interest Rate:
- IFQs for Sale
- Permits for S:
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- Vessels for S
- Auto Pay Pro
- 'TEL' Paymer
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- Generally, the maximum loan amount for a loan secured by a limited entry permit is 80% of either the market value (as valued by the Commercial Fisheries Entry Commission) or the purchase price, whichever is less.
- The maximum loan amount may be increased by offering additional collateral.

Terms and Conditions

- Interest rate will be fixed at the time of loan approval. Current interest rates can be found at http://commerce.alaska.gov/ded/fin/Interest_rates.cfm
- Maximum loan term is 15 years.
- Borrower is responsible for all direct costs incurred in processing an application.

Fees

- A \$100 application fee must accompany all applications.
- Prequalification Fee - \$200.00. If you have not located a limited entry permit to purchase, you may want to obtain conditional approval by submitting a prequalification application.

The following are some advantages to prequalification:

- You know your loan limit
 - Seller is assured of a qualified buyer
 - Faster loan processing after finding the permit
 - Loan funds are committed
 - Approval is valid for 60 days
- An origination fee of 1% of the loan amount will be deducted from your loan proceeds at closing.

Limited Entry Permit Loan Application Package

There are different pages 1 and 2 for each different type of loan (limited entry permit, vessel purchase, etc.). If you are applying for more than one type of loan, complete pages 1 and 2 for each type of loan, then complete one set of pages 3 through 13. A separate application fee is required for each type of loan.

The following Commercial Fishing Limited Entry Permit Application pages are in PDF format. You will need the Adobe Reader in order to view/print them. Acrobat Reader is distributed freely and available for download from Adobe®.

Loan Application

The Division of Economic Development, Department of Commerce, Community, and Economic Development complies with Title II of the Americans with Disabilities Act of 1990. This publication is available in alternative communication formats upon request. Please contact the Division of Economic Development at (907)465-2510 or TDD (907)465-5437 to make any necessary arrangements.

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UNITED FISHERMEN OF ALASKA

Mailing Address: PO Box 20229, Juneau AK 99802-0229
Physical Address: 410 Calhoun Ave Ste 101, Juneau AK 99801
Phone: (907)586-2820 **Fax:** (907) 463-2545
Email: ufa@ufa-fish.org **Website:** www.ufa-fish.org

April 1, 2013

Representative Paul Seaton, Chairman
House Special Committee on Fisheries
Alaska State Legislature
State Capitol, 120 Fourth Street
Juneau, AK 99801-1182
Email: Rep.Paul.Seaton@akleg.gov

RE: SUPPORT FOR HB 177 -- Commercial Fishing Revolving Loan Fund

Dear Chairman Seaton and Committee Members,

United Fishermen of Alaska (UFA) represents 36 Alaska Commercial fishing organizations from fisheries throughout Alaska and its offshore federal waters.

UFA has long supported the State's Commercial Fishing Revolving Loan Fund program (CFRLF), and we support HB 177. UFA supports the provisions of HB 177 that defines the lower threshold for interest rates in the CFRLF program to be not be less than three percent per year, while also restoring the Division of Economic Development's ability to offer incentives by differing interest rates for important loan programs to commercial fishermen for improving efficiency and product quality.

HB 177 also defines interest rates for Engine Fuel Efficiency and Product Quality Improvement loans. These are among the fund's most successful programs for making Alaskan fishing operations more efficient, profitable, and competitive. UFA supports making such financing available at two percentage points below the prime rate, with a three-percent floor in place. We appreciate the clarity that would be brought by HB 177 and consider 3% a reasonable lower threshold.

HB 177 clarifies and simplifies the Community Quota Entity Revolving Loan fund by making providing its own section of legislation separate from but consistent with provisions of the CFRLF.

Thank you for your attention on this matter.

Sincerely,

Julianne Curry
Executive Director

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

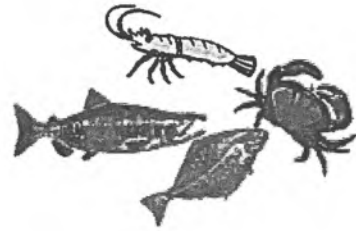
Juneau, AK 99801

Phone: 907-586-6652

Fax: 907-523-1168

Email: seafa@gci.net

Website: <http://www.seafa.org>



February 4, 2014

Alaska State Legislature
House Fisheries Committee
Representative Paul Seaton, Chair
State Capitol
Juneau, AK 99811

RE: Support HB 177

Representative Paul Seaton, Chair and Fisheries Committee Members,

Southeast Alaska Fishermen's Alliance (SEafa) is a multi-gear/multi-species membership based commercial fishing association. We represent our membership mainly involved in the salmon, crab, shrimp and longline fisheries of Southeast Alaska/Yakutat.

SEafa supports HB 177 that clarifies and fixes issues that arose from legislation passed last year. The sponsor statement quite correctly identifies the importance of the Commercial Fishery Revolving Loan Fund (CFRLF) program to the commercial fishing industry. This legislation allows the Division of Investments to have the flexibility to provide incentivizing interest rates for the Product Quality Improvement and Engine Fuel Efficiency loan program. Both programs provide commercial fishermen great advantages by allowing fuel savings and better quality products both which improve the bottom line for a fisherman.

HB 177 also makes technical fixes to the Community Quota Entity Revolving Loan program that will clarify and make the program operation consistent with the commercial revolving loan fund program.

Sincerely,

A handwritten signature in black ink that reads "Kathy Hansen" followed by a long horizontal line extending to the right.

Kathy Hansen
Executive Director



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

April 3, 2013

Representative Paul Seaton
Special Committee on Fisheries
State Capitol, Room 102
Juneau, AK 99801-1182
Representative.Paul.Seaton@akleg.gov

RE: Support HB 177 Commercial Fishing Revolving Loan Fund

Dear Chairman Seaton and Committee Members:

I am writing on behalf of the Cordova District Fishermen United Board of Directors, and our membership to offer our support of the changes proposed in HB177 to the Commercial Fishing Revolving Loan Fund(CFRLF).

Cordova District Fishermen United(CDFU) represents over 300 commercial fishing families operating in the Prince William Sound & Copper River Region where over 75% of the permits are owned by Alaska residents.

Our organization supports the clarified language and competitive interest rates proposed by Representative Edgemon in HB 177 as a benefit to Alaskans new to commercial fisheries and those seeking to make efficiency and power improvements to existing operations.

Thank you for the opportunity to comment and your careful consideration of HB 177.

Sincerely,

A handwritten signature in black ink, appearing to read "Alexis Cooper".

Alexis Cooper
Executive Director

Alaska Bankers Association

P.O. Box 241489 • Anchorage, Alaska 99524-1489 • T: 907-261-3525 • F: 907-562-1758

March 24, 2014

The Honorable Bill Stoltze, Co-Chair
The Honorable Alan Austerman, Co-Chair
House Finance Committee
State Capitol Building
Juneau, Alaska 99801

Re: Opposition to HB 177

Dear Representatives Stoltze and Austerman:

The Alaska Bankers Association (ABA) wishes to respectfully inform you of its opposition to HB 177. Alaska's banks support interest rates offered through the state's loan programs that are more closely based on market forces and discourage the state from offering artificially low, subsidized rates in areas that effectively compete with the private sector.

The ABA appreciates the intent behind the Commercial Fishing Revolving Loan Fund (CFRLF) to provide borrowing opportunities to Alaskan fisherman that would not otherwise qualify for financing through other lenders. However, the ultra-low interest rates proposed in HB 177, combined with other state lending practices, will culminate in the state reclaiming its preferred lender status for most types of commercial fishing loans¹.

Prices are the thermostat of an economy and, in the world of lending, interest rates are prices. Artificially pressing interest rates downward corrupts decision making because it distorts value. Alaska banks have seen first-hand in local markets how policymaking and mission-creep at the state level has affected loan-making in Alaska. Banks must cover their cost of doing business; it is difficult to compete against zero-cost capital with under-market, fixed interest rates locked-in over long terms, with refinance options (limiting future opportunities for banks), pay-on-time interest rate reduction rewards, deferred interest, and postponed collection efforts. We understand why any performing bank loan would desire such an offering. Who wouldn't? Unfortunately for banks, under the provisions of HB 177, the state's turn-down letter process would not adequately prevent motivated, credit-worthy borrowers from seeking out the state's better deal.

Credit markets utilize interest rates as a means of differentiating among borrowers, with those deemed most likely to meet their obligations typically paying the lowest rates. An irony embedded in HB 177 is that the most credit-worthy borrowers would pay more. Additionally, by artificially suppressing interest rates, the state risks reciprocally raising up price levels, which is good for current owners looking to exit the market but problematic for entrants who must pay more for a given level of cash flow. Such practice

¹ [Legislative Audit Number 08-30022-03](#)

Alaska Bankers Assoc

HB 177 - commercial fishing - opposed loans.

Samuel
not

can lead to dangerous outcomes; take, for example, recent experience with U.S. housing markets.

A remedy for the unintended consequences of the state's past lending practices was set into law in 2012 to allow responsible state managers to set lending rates after taking into consideration risk of loss, loan term, and the costs of issuance, operation and servicing. Current CFRLF statutes provide for an interest rate floor based on the state's "cost of funds" that reflect a more market-based approach to setting interest rates and that is consistent with the sound lending practices of other state agencies. For example, loans from the Alaska Industrial Development and Export Authority to support economic development are made based on its own "cost of funds"², which reduces pressure on the state's general fund and ensures its programs will be able to meet future lending needs.

Alaska's banks are committed to Alaska and are motivated and willing to make every commercial fishing loan where an applicant can demonstrate good credit history, show an acceptable level of profitability and provide adequate collateral. By maintaining the current "cost of funds" approach to lending, with interest rates more closely based on market forces, the state will help ensure that benefits flow to those for whom the CFRLF is intended.

Respectfully Submitted,



Joe Everhart, Chair
Alaska Bankers Association

² AS 44.88.159