

HB

56

<TARGET><BILL>HB 56</BILL><SUBJECT>HB
56</SUBJECT><COMM>HFSH30</COMM></TARGET>

REPRESENTATIVE DAN ORTIZ

Alaska State Legislature / Ketchikan, Saxman, Wrangell, Hydaburg, Metlakatla, Hyder, Loring and Meyers Chuck

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Commercial Fishing Vessel Loan Sponsor Statement

This bill increases the aggregate amount a borrower may, in aggregate, hold unpaid from \$300,000 to \$400,000. The amount of 300,000 was assigned in 1982. Due to inflation and technological advances, this \$300,000 amount has become outdated. According to the calculation method of the Consumer Price Index, \$300,000 in 1982 is equivalent to approximately \$746,136 today. This is why a \$100,000 increase to the aggregate limit of \$300,000 to \$400,000, is reasonable and pertinent today. An aggregate limit of \$400,000 is a reasonable aggregate unpaid limit for Alaska's commercial fishing businesses.

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Sectional Analysis: Commercial Fishing Loans

Amends AS.16.10.310(d) to change the aggregate unpaid loan limit from 300,000 to 400,000.

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version: HB 56
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB056-DCCED-DED-01-20-17
Title: COMMERCIAL FISHING LOANS
Sponsor: ORTIZ
Requester: (H) FSH

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)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018					
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

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

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2017) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: <u>Brittney Cioni-Haywood, Director</u>	Phone: (907)465-2625
Division: <u>Division of Economic Development</u>	Date: 01/26/2017 04:55 PM
Approved By: <u>Catherine Reardon, Director</u>	Date: 01/27/17
Agency: <u>Division of Administrative Services, DCCED</u>	

FISCAL NOTE ANALYSIS

**STATE OF ALASKA
2017 LEGISLATIVE SESSION**

BILL NO. HB 56

Analysis

HB 56 raises the maximum aggregate loan amounts to borrowers under the Commercial Fishing Revolving Loan Fund (CFRLF).

The bill would allow larger loans for Limited Entry Permits, Individual Fishing Quota (IFQ), vessel purchases, and tender vessel upgrades. The greatest impact for the users of the program is the increase from \$100,000 to \$200,000 for vessel purchases. This will help to assist young Alaskans entering the fisheries. However, with the overall program limit remaining at \$400,000, any revenue generated by this change or expense is expected to be within the normal operational variance of the fund resulting in no change in revenues.

This legislation would not create the need for a regulations project and could be implemented as allowed by statute.

Division of Economic Development
Department of Commerce, Community, & Economic Development
2016 Annual Report of Fisheries Enhancement Term Extensions
Per AS 16.10.510(11)

Armstrong-Keta, Inc. (AKI)

Effective: December 2016
Term Extension: 1 year

Interest Rate: 5.0%

Reason: Term extension for 1 year granted to alleviate undue financial hardship caused by a very poor return of Pink, Chum and Coho salmon in 2016 to the Port Armstrong Hatchery located on the southern end of Baranof Island. This resulted in achieving only 16% of their projected cost recovery revenues, their primary source of income.

Division of Economic Development
Department of Commerce, Community, & Economic Development
2016 Annual State Loan Report

Per AS 37.05.035

The Division of Economic Development (DED) administers and services ten revolving loan funds for the Department of Commerce, Community, and Economic Development. These programs support industries and areas of the state that are not adequately serviced by the private sector and promote Alaska-resident investment and participation in key industry sectors, particularly seafood. Additionally, DED programs incentivize investment in state initiatives like energy and fuel efficiency, seafood product quality, and aviation safety.

In many cases, private sector financing for these programs may not be readily available due to collateral constraints or because of the inherently higher level of risk of Alaska's nascent industries. Specifically, DED programs benefitted the following sectors: commercial seafood harvesters, salmon hatcheries, small businesses, rural businesses, shellfish farmers, and fishing charter operators, among others.

Collectively, these programs provide risk capital to stimulate business development and strengthen Alaska's entrepreneurial ecosystem, resulting in increased private sector employment and the expansion of Alaska's industry sectors.

DIVISION OF ECONOMIC DEVELOPMENT
Department of Commerce, Community, & Economic Development

Annual State Loan Report Fiscal Year 2016 (AS 37.05.035)

Loan Program	Total # of Loans Closed	Total Principal On Loans Closed*	Average Statutory Interest Rate	Average Industry Interest Rate	Difference of Interest Rates
Commercial Fishing (All Other Programs)	115	10,097.1	5.44%	4.59%	-0.85%
Commercial Fishing (Product Quality)	12	597.4	4.38%	4.59%	0.22%
Commercial Fishing (Fuel Efficiency)	17	1,060.6	4.38%	4.59%	0.22%
Fisheries Enhancement	5	6,356.1	5.00%	4.59%	-0.41%
Small Business Economic	7	1,145.3	4.00%	4.59%	0.59%
Rural Development	2	348.5	4.00%	4.59%	0.59%
Mariculture	3	298.0	5.00%	4.59%	-0.41%
Microloans	2	57.6	6.00%	4.59%	-1.41%
Capstone Avionic	0		4.00%	4.59%	0.59%
Commercial Charter	1	30.0	6.00%	4.59%	-1.41%
Alternative Energy	0		5.00%	4.59%	-0.41%
Community Quota	0		5.44%	4.59%	-0.85%
TOTAL	164	19,990.6			

*(Dollars in Thousands)

Annual Report of Reinstatements Fiscal Year 2016 (AS 16.10.350)

Number of Reinstated Notes
0

Elizabeth Bolling

To: capt.metal@yahoo.com
Subject: RE: Alaskan Fishing Loans

From: capt.metal@yahoo.com [mailto:capt.metal@yahoo.com]
Sent: Tuesday, January 24, 2017 10:26 AM
To: Elizabeth Bolling <Elizabeth.Bolling@akleg.gov>
Subject: Re: Alaskan Fishing Loans

Increasing the loan amount will allow fisherman to build a more diverse business.
To buy permits and equipment to create a number of revenue streams beyond salmon seasons.

-Better equipment helps prevent injuries. old boats leak more, require more capital improvements and don't represent as good of an investment risk because their value can plummet shortly is maintenance is not kept up.

-Higher priced boats are typically cheaper to insure in the long run.

-lenders like them because the resell value stays higher longer.

-In some fisheries have faster higher capacity equipment allows captains to be more competitive resulting in greater catches.

I'd like to see the program expanded to include tenders. Seafood tenders play a valuable role in the product supply chain, without them all major fisheries will be greatly limited.

The federal crab rationalization cut the tender fleet by 60%. Processor are contracting with individual boats to buy fish. the demand for tenders is huge with no loan programs available for an individual to purchase one, they sit on the market for years.

-SJ

Stephen Johnson
Wrangell, Alaska

Julie Decker
P.O. Box 2138, Wrangell, AK 99929
juliedecker@gci.net

Chairs Louise Stutes
House Fisheries Committee
Alaska Legislature
Rep.Louise.Stutes@akleg.gov

RE: Support for HB 56 – Increasing limits on commercial fishing loans

Dear Chair Stutes and House Fisheries Committee,

February 2, 2017

I am writing to express ***support for House Bill 56 – Commercial Fishing Loan Limits, which increases loan amounts available to commercial fishermen through the Alaska Dept. of Commerce, Community & Economic Development’s Revolving Loan Fund Program.***

I have lived in Wrangell for over 20 years. During this time, I have nearly exclusively worked in the seafood industry. My family commercial fishes and we have used ADCCED’s Commercial Fishing Loan Program several times.

Capital costs to enter and remain in the commercial fishing industry have grown tremendously over the last 20 years. Increasing the maximum limit for loans from a single borrower from \$300,000 to \$400,000 under this program will improve the program by more adequately pairing loan limits to actual costs for new or current fishermen. Be assured, this maximum of \$400,000 will still continue to target this program at the small boat, entry-level fishermen. A fisherman wishing to purchase a new vessel, a larger vessel, additional permits, or a line of credit will still need to seek financing from a commercial lender.

Strengthening this state loan program for entry-level fishermen will help continue to allow Alaskans access to these resources and jobs in coastal communities, including Alaska Native villages which have seen permits move out of these communities for various reasons. This change will also improve this state service without costing the state any additional revenue.

Thank you for this opportunity for input. If you have any questions, please do not hesitate to call or email.



Julie Decker
Cc: Representative Dan Ortiz



Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

Juneau, AK 99801

Phone: 907-586-6652

Email: seafa@gci.net

Fax: 907-523-1168

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

February 8, 2017

House Fisheries Committee
Representative Stutes, Chair
Alaska State Legislature
Juneau, AK 99811

RE: SUPPORT HB 56 - "An Act relating to limitations on certain commercial fishing loans made by the Department of Commerce, Community, and Economic Development."

Dear Committee Members,

Southeast Alaska Fishermen's Alliance (SEAFA) supports HB 56 which increases the cumulative loan amounts available to a borrower from \$300,000 to \$400,000. Since the \$300,000 limit was put in place in 1982, costs of permits and boats as well as gear have all increased, making the raise to the limit a logical move to help a fisherman develop his career. This is an important program to help entry level fishermen/crewmembers enter into the fisheries and to help diversify into additional fisheries.

A real importance of the loan program to commercial fishermen is that this program and CFAB are the only two entities that can use a limited entry permit for collateral. Generally when you go to borrow money you try to use the item you are purchasing such as the limited entry permit for your collateral and a regular bank is not able to use the permit so you are having to offer your house or another item for collateral which an entry level fisherman likely does not have.

This program was originally developed to help Alaskans particularly from coastal communities that had little cash economy help in purchasing and keeping permits in the communities and native villages. **We support this important loan program for commercial fishermen and keeping it healthy and viable.**

SEAFA is a multi-gear/multi-species membership based commercial fishing association representing our 300+ members involved in the salmon, crab, and shrimp fisheries of Southeast Alaska as well as longline fisheries in SE and the Gulf of Alaska.

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

UNITED SOUTHEAST ALASKA GILLNETTERS

Box 2196, Petersburg AK 99833 * (253) 237-3099 * usag.alaska@gmail.com * akgillnet.org

February 18, 2017

House Fisheries Committee
Representative Stutes, Chair
Alaska State Legislature
Juneau, AK 99811
Via email: Rep.Louise.Stutes@akleg.gov

Re: **SUPPORT for HB 56** - *"An Act relating to limitations on certain commercial fishing loans made by the Department of Commerce, Community, and Economic Development."*

Dear Representative Stutes and Committee Members:

United Southeast Alaska Gillnetters (USAG) supports HB 56, which would increase the amount of funds eligible loan recipients are able to borrow to \$400,000 (from \$300,000) under DCCED's Commercial Fishing Loan Programs. The increase keeps this important program relevant in today's economy as associated costs continue to rise since the current loan limit was established in 1982.

Many USAG members have used, or currently use, the Department's commercial fishing loan programs to start and/or enhance their fishing careers. In addition to addressing rising startup costs, increasing the loan limit might encourage fishermen to participate in other useful loan programs such as product quality or fuel efficiency, which would in turn benefit the industry with higher quality seafood and more efficient operations, respectively.

Thank you for your work and for the opportunity to comment. Please feel free to contact me with questions.

Sincerely,



Cynthia Wallesz
Executive Director

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The mission of United Southeast Alaska Gillnetters is to protect, serve and enhance the gillnet fleet of southeast Alaska. We represent the interests of 473 salmon gillnet permit holders and their families.