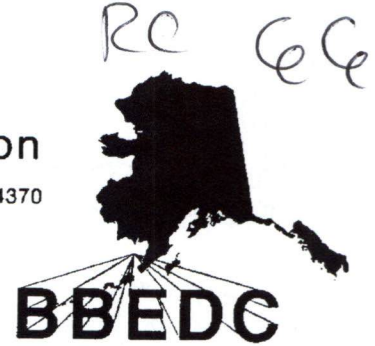


Bristol Bay Economic Development Corporation

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Testimony to the Alaska Board of Fisheries
December 2-9, 2015
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Economic Development and Brokerage Department

BBEDC is a strong advocate for regulations, policies, and programs to reverse the flow of limited entry permits out of the Bristol Bay region. It bears repeating that the out-migration of permits is one of the most detrimental economic events in the Bristol Bay region. The loss or gain of a permit can be hugely significant in communities such as ours, with community population ranging from 2 to 2,500. A single limited entry permit can create the equivalent of at least 3 jobs supporting potentially 3 households, plus, through the multiplier affect, spins off more jobs that support even more households.

People often ask what BBEDC is doing to reverse the flow of permits. The answer is more than many people might realize.

BBEDC's goal, first and foremost, is not simply to put permits in the hands of residents but rather to establish successful commercial fishing operations. While putting a permit in a residents hands is essential, it is only the beginning.

Today's commercial fishers must be independent small business operators with one eye on their nets and the other on their bottom line. We strive to prevent migration of permits out of the region by providing clients with services, assistance, education, and information sufficient to allow resident fishers and permit holders to independently and successfully manage their fishing operation.

The **Bristol Bay Permit Brokerage** is not traditional brokerage but a program of BBEDC. In recent years we have assisted an average of 170 clients each year with permit renewals, permit transfers, buying or selling permits, personal financial assessments, loan applications, and Coast Guard documentation. We also act as a CFEC intermediate for emergency and permanent transfers as well as permit and vessel license renewals.

Our **Emergency Transfer Grant Program** began in 2012 as a way to enhance access to temporary fishing permits by residents. The objective is to act as a step towards permanent permit ownership. It allows the participant to gain experience operating a commercial fishing business as a feasible income generating activity. Participants may receive a grant of up to 50% of the total emergency transfer cost (we call it a lease) providing they fulfill the qualifications. In 2015, 11 of our Emergency Transfer Grant participants are using the ET Grant program as the stepping-stone towards permit ownership. In total, we have invested over \$778,000 since 2012 in the Emergency Transfer Grant program and have awarded 120 grants.

BBEDC created the **Permit Loan Program** in 2008 and it is the first of its kind. The program has a menu of benefits provided in conjunction with a loan from either CFAB or the State of Alaska Division of Economic Development.

Participants in the Permit Loan Program receive the level of assistance that is determined necessary by a personal financial analysis. The program includes:

- Loan Guarantee of 25% to 75%
- Interest Subsidy
- “Sweat” Equity Assistance of up to 50% disbursed over an established period (we call this Sweat Equity)
- Mandatory financial counseling
- Mandatory business counseling
- Down payment assistance of up to 95% of the down payment/closing costs determined by the lender

As an example of our program benefits, at a purchase price of \$100,000, we may be able to potentially reduce participant’s annual loan payments for a drift permit to less than \$1,000 and a set permit to less than \$500 for the first half of the loan term. With the lower loan payment our clients are able and encouraged to invest in the long term. In other words, they have the necessary time to get on their feet and establish a successful fishing business.

As of today we have 29 active participants and 20+ applications in process. BBEDC has invested over \$239,000 in the financial assistance provided. We annually invest over \$30,000 in professional business counseling for our participants and we have about \$336,000 committed to loan guarantees to date.

Our first participant entered the program in 2008 and our most recent participants entered within the last month. We are very proud of the fact that even while the 2015 fishing season was a challenge; our participants are solid and are actively participating in the fishery.

Sample Set Permit				Sample Drift Permit			
Purchase Price: \$40,000		Estimated Loan Amount (@ 95%): \$38,000		Purchase Price: \$100,000		Estimated Loan Amount (@ 95%): \$95,000.00	
Interest rate: 5.5%		Down payment & Closing Costs \$3,576		Interest Rate: 5.5%		Down Payment & Closing Costs: \$8,226.00	
Equity Benefit of 30%		With possible 95% Down Payment Grant \$3,397.20. Participant portion of down payment becomes \$158.80		Equity Benefit of 40%		With Possible 95% Down Payment Grant \$7,814.70. Participant portion of down payment becomes \$411.30	
Term: 15 years				Term: 15 years			
Estimated Annual Payments	Year 1	Year 2	Year 3	Estimated Annual Payments	Year 1	Year 2	Year 3
Annual Payment Amount Before BBEDC	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	Annual Payment Amount Before BBEDC	\$ 10,100.00	\$ 10,100.00	\$ 10,100.00
Principal Portion	\$ 2,545.59	\$ 2,076.72	\$ 2,189.37	Principal Portion	\$ 6,463.97	\$ 5,297.22	\$ 5,584.58
Interest Portion	\$ 1,454.41	\$ 1,923.28	\$ 1,810.63	Interest Portion	\$ 3,636.03	\$ 4,802.78	\$ 4,515.42
Interest Subsidy from BBEDC	\$ (1,454.41)	\$ (1,923.28)	\$ (1,810.63)	Interest Subsidy from BBEDC	\$ (3,636.03)	\$ (4,000.00)	\$ (4,000.00)
Equity Benefit from BBEDC	\$ (1,628.57)	\$ (1,628.57)	\$ (1,628.57)	Equity Benefit from BBEDC	\$ (5,428.57)	\$ (5,428.57)	\$ (5,428.57)
BBEDC Annual Assistance	\$ (3,082.98)	\$ (3,551.85)	\$ (3,439.20)	BBEDC Annual Assistance	\$ (9,064.60)	\$ (9,428.57)	\$ (9,428.57)
Annual Payment After BBEDC Assistance	\$ 917.02	\$ 448.15	\$ 560.80	Annual Payment After BBEDC Assistance	\$ 1,035.40	\$ 671.43	\$ 671.43

Our **Vessel Acquisition Program** addresses the fact that success in the fishery for most permit holders is heavily dependent upon having to the necessary equipment, which includes a competitive and efficient vessel. We provide a menu of benefits similar to our Permit Loan program in partnership with CFAB, State of Alaska, or almost any lender. Participants may receive

- Interest Subsidy of up to 4.5% annually, up to \$4,000 or actual interest due for the full loan term
- "Sweat" Equity Assistance of up to 50% disbursed over an established period
- Mandatory financial counseling for the term of participation
- Mandatory business counseling for the term of participation
- Down payment assistance of up to 95% of the down payment/closing costs determined by the lender

As of this date we have invested about \$110,000 and have 7 participants with some drift and some set boats (3 drift and 4 set). Currently, we have 13 applications in progress.

For over 10 years, we have invested in **Interest Rate Assistance**, which provides help to offset high interest rates for fishing related loans to encourage our fishers to invest in their businesses. Since 2005 we have invested over \$600,000 in interest assistance.

We invested over \$1 million in 2015 in our **Vessel Upgrade Grant Program**. Fishermen use it to upgrade their existing boats or to leverage loans for even more significant vessel upgrades such as flush decking, RSW systems, repowering boats and much more.

Since 2003, BBEDC has distributed more than 2,100 slush bags, more than 1,100 insulated totes and thousands of square feet of flexible foam insulation at no cost to fishers through our **Chilling Products Program**. This program has been expanded to all watershed communities and to date has served over 850 residents.

Our **Pre Season Advance Program** provides loans to fishermen who hold a permit to assist with seasonal start up expenses. In 2014, 39 participants received over \$185,000 in loans with a 100% repayment rate, thanks largely in part to the assistance of the processors.

Our **RSW Support** rolled out new in 2014 and offered grants of up to \$1,000 for fishers with RSW systems on their vessels to offset the cost of service and maintenance of the systems. Over the last two years, 22 resident fishers have utilized the program and we expect the number to grow as the number of resident RSW systems grows.

New in 2015 was our **RSW Purchase Program**. We committed \$200,000 to this new program and 10 units were purchased. Resident fishers are completing installation of their systems. The requirements include mandatory participation in a BBEDC supported RSW class which was offered through the UAF Bristol Bay Campus and the Southwest Alaska Vocational Education Center.

In 2013, we established the **Shore Fishery Lease Grant Program** to provide grants of up to \$800 to resident set net fishers to assist with the state mandated requirements for a shore fishery lease such as survey and development of plats. We have invested \$2,400 in 3 grants to date.

BBEDC has invested almost \$100,000 over the last 5 years in our **Personal Finance and Education Program**. In partnership with Money Management International, we provide critical financial

management education and training for our current and future fishers. We have sponsored community events, participated in projects with our local schools, and provided one-on-one counseling opportunities. Over that period 255 residents have individually consulted with or been counseled by the MMI counselors. All of our Permit Loan Program, Emergency Transfer Grant, and Vessel Acquisition Program participants are required to meet with the counselor annually.

BBEDC has invested over \$200,000 in the last 5 years in our **Technical Assistance Program** in partnership with the Alaska Business Development Center. Over 200 residents have consulted with the business counselors on development of business plans, creation of cash-flow statements, fishing related financing, preparing and understanding financial reports, tax issues and more.

We also hold an annual **Business of Fish Workshop**. We invite experts to people speak about various aspects of fishing with topics ranging from escapement, goals, tax paperwork, and budgeting.

I have listed many of our programs that are directly related to the commercial salmon fishery in this testimony. But that's not all we do. We have other programs that impacts resident fishers.

Thank you for allowing me to testify today and I am happy to answer any questions.