



# Representative Chris Tuck

Alaska House Majority Leader

Serving House District 23 • Dimond Estates, Foxridge, Taku, Campbell, Northwood, and Windemere

## Sponsor Statement for HB 376

### Alaska State Bank

The Alaska State Bank is designed to create the legal ability to access Federal Reserve and United States Treasury monetary policy funds and use fractional reserve banking methods to promote a science, education and infrastructure recovery.

As federal fiscal policy funding continues to decline for state governments and as Federal Reserve support for liquidity in the monetary base continues to be maintained at high historical levels, the opportunity is opened for state governments to create new legal mechanisms to access monetary policy. Fiscal policy is taxation and spending by government and monetary policy is control of the money supply and interest rates.

In the traditions of Benjamin Franklin and the Reconstruction Finance Corporation, local decision-making is a requirement in guiding monetary policy and the best method to do that today is to create state development banks.

The basic proposal is to use existing state development institutions to create packages of state, municipal, borough, port authority, and development finance authority bonds, grants and shares that are rediscounted through the Federal Reserve and combined with federal bonds and Treasury currency. The Alaska State Bank then leverages or transfers the packages back to the State of Alaska, municipalities, boroughs, port authorities, development finance authorities, local banks, credit unions, universities, corporations, small business and entrepreneurship.

The Alaska State Bank will begin as an infrastructure bank that leverages loans with our local banks and then evolve into a full featured development bank in the future. The first goal will be to access Federal Reserve funds to provide reserve and capital requirements for the Alaska State Bank. Very low interest rates combined with the function of the grant and equity process will guarantee payment stability and long-term investments into jobs, science, technology, education and infrastructure.

The Alaska Permanent Fund or other existing State of Alaska financial institutions will not be required by statute to dedicate reserve or capital requirements and there will not be mandatory state revenue deposits into the state bank. Maintaining existing financial agreements while using the self-interest of voluntary participation will be important keys for insuring long-term financial success.

Self-interest will identify partnerships with our local banks in retailing some of the new funds. Local banks and credit unions will become more valuable assets for increasing transactions efficiency and helping to choose viable loan partners.

Creating an infrastructure development bank with the legal ability to access federal and Federal Reserve monetary policy funds is a much better solution to Alaska's fiscal crises than increasing personal taxation or confiscating the Permanent Fund Dividend. Less than \$5 billion per year in total transactions will make the Alaska State Bank the primary solution to Alaska's fiscal crisis.

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