

Introduced: 4/11/88  
Referred: Labor and Commerce  
and Finance

5-2095A

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2

SENATE BILL NO. 502

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the economic stabilization pro-  
7 gram; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

10 (1) financial institutions that are chartered in the state and  
11 have a principal place of business in the state provide a substantial  
12 portion of the housing and small business loans in the state and are an  
13 important source of financing for the state's small businesses;

14 (2) these financial institutions have, in the last two years,  
15 lost a major portion of their capital due to circumstances not of their  
16 making;

17 (3) these financial institutions can no longer adequately serve  
18 the communities in which they maintain branches and fulfill their historic  
19 role of providing an alternative source of financing in the state's market-  
20 place;

21 (4) the state can invest money in these financial institutions  
22 at minimum risk, thereby increasing banking competition and reducing the  
23 risk of future problems in the real estate market;

24 (5) these financial institutions will be able to increase their  
25 lending by a factor of at least 10 times the amount of money received by  
26 them from the state investments.

27 (b) The purpose of the legislature in establishing the economic  
28 stabilization program is to provide a source of money that can be invested  
29 in financial institutions that are chartered in the state and have a

1 principal place of business in the state so that their capital can be  
2 increased. The legislature intends to achieve this purpose by authorizing  
3 the Alaska Industrial Development and Export Authority to invest in inter-  
4 est-bearing subordinated debentures of these financial institutions which  
5 shall be repaid or redeemed at maturity.

6 \* Sec. 2. ECONOMIC STABILIZATION PROGRAM. (a) The economic stabi-  
7 lization program is established in the Alaska Industrial Development and  
8 Export Authority. Under this program the authority is authorized to use  
9 money in the Alaska Industrial Development and Export Authority revolving  
10 fund (AS 44.88.060) for investments in subordinated debentures issued by a  
11 bank, savings bank, or bank holding company with

- 12 (1) a charter issued by the state;
- 13 (2) its principal office located in the state; and
- 14 (3) assets that totaled on December 31, 1987, less than  
15 \$150,000,000 when combined with assets of all its affiliates.

16 (b) The Alaska Industrial Development and Export Authority may only  
17 invest in debentures under this section that

- 18 (1) pay interest quarterly or more often;
- 19 (2) bear interest at a rate that is at least 50 basis points  
20 above the average cost of a bond of similar maturity issued by a municipal-  
21 ity at the time the debenture is issued, as determined by the authority;
- 22 (3) are due for repayment 20 years after the date of issue, but  
23 may be repaid sooner at the discretion of the issuer; and
- 24 (4) are secured by the full faith and credit of the issuing  
25 institution.

26 (c) The amount of debentures that may be purchased by the Alaska  
27 Industrial Development and Export Authority under this section from an  
28 institution may not exceed the amount of that institution's capital, sur-  
29 plus, and undivided profits on December 31, 1985, as certified by the

1 director of banking, securities and corporations. The combined amount that  
2 may be purchased from a holding company and its subsidiary bank may not  
3 exceed the amount of capital, surplus, and undivided profits of the sub-  
4 sidiary bank on December 31, 1985, as certified by the director of banking,  
5 securities and corporations.

6 (d) Notwithstanding AS 06.05.307(a), debentures purchased by the  
7 Alaska Industrial Development and Export Authority under this section may  
8 be issued without regard to the principal amount of the notes and deben-  
9 tures of the institution that are outstanding on the date of issuance. The  
10 authority may only purchase debentures under this section after the direc-  
11 tor of banking, securities and corporations certifies that the issuance of  
12 the debentures otherwise complies with AS 06.05.307 and that the purchase  
13 meets the requirements of this section.

14 (e) The Alaska Industrial Development and Export Authority may pur-  
15 chase debentures under this section only from an institution that agrees to  
16 invest at least 15 percent of the purchase price in areas of the state  
17 outside of metropolitan areas within three years after receipt of the  
18 purchase price. The authority shall by regulation define "metropolitan  
19 areas" for purposes of this subsection.

20 \* Sec. 3. This Act is repealed July 1, 1990.

21 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).