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1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

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CS FOR SENATE BILL NO. 502 (L&C)

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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 consumer, housing, and small business loans in the state and are
13 an important source of financing for the state's small businesses;

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

17 (3) some of these financial institutions are having problems
18 adequately serving the communities in which they maintain branches and
19 fulfill their historic role of providing an alternative source of financing
20 in the state's marketplace;

21 (4) the state can invest money in these financial institutions,
22 thereby reducing the risk of future problems in the real estate market;

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

26 (b) The purpose of the legislature in establishing the economic
27 stabilization program is to provide a source of money that can be invested
28 in financial institutions that are chartered in the state and have a prin-
29 cipal place of business in the state so that their capital can be in-

1 creased. The legislature intends to achieve this purpose by authorizing
2 the Alaska Industrial Development and Export Authority to invest in inter-
3 est-bearing debentures of these financial institutions which shall be
4 repaid or redeemed at maturity.

5 * Sec. 2. ECONOMIC STABILIZATION PROGRAM. (a) The economic stabi-
6 lization program is established in the Alaska Industrial Development and
7 Export Authority. Under this program the authority is authorized to use up
8 to \$15,000,000 for investments in debentures issued by a financial institu-
9 tion with

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

14 (b) The Alaska Industrial Development and Export Authority may not
15 make an investment under this section until

- 16 (1) at least one public hearing has been held on the proposed
17 investment; and
- 18 (2) the authority and the director of banking, securities and
19 corporations make a written finding that the proposed investment is in the
20 public interest.

21 (c) The Alaska Industrial Development and Export Authority may charge
22 a fee in connection with investments under this section that the authority
23 considers to be reasonable. The authority may only invest in debentures
24 that

- 25 (1) pay interest quarterly or more often;
- 26 (2) bear interest at a rate established by the authority that is
27 not less than one and one-half percent above the prime rate as determined
28 by the authority; in establishing interest the authority shall consider the
29 cost of brokered deposits;

1 (3) are due for repayment 10 years after the date of issue, but
2 may be repaid sooner at the discretion of the issuer;

3 (4) are secured by the full faith and credit of the issuing
4 institution;

5 (5) create rights of payment superior to rights of stockholders
6 of the financial institution, as determined by the authority;

7 (6) will be fully repaid before any dividends are paid to stock-
8 holders; and

9 (7) comply with other requirements that may be established by
10 the authority.

11 (d) The amount of debentures that may be purchased by the Alaska
12 Industrial Development and Export Authority under this section from an
13 institution may not exceed the amount of that institution's capital, sur-
14 plus, and undivided profits on December 31, 1985, as certified by the
15 director of banking, securities and corporations. The combined amount that
16 may be purchased from a holding company and its subsidiary bank may not
17 exceed the amount of capital, surplus, and undivided profits of the sub-
18 sidiary bank on December 31, 1985, as certified by the director of banking,
19 securities and corporations.

20 (e) Notwithstanding AS 06.05.307(a), debentures purchased by the
21 Alaska Industrial Development and Export Authority under this section may
22 be issued without regard to the principal amount of the notes and deben-
23 tures of the institution that are outstanding on the date of issuance. The
24 authority may require the pledge of collateral to secure the debentures
25 and, notwithstanding AS 06.05.307(c), bank assets may be pledged to secure
26 debentures under this section. The authority may only purchase debentures
27 under this section after the director of banking, securities and corpora-
28 tions certifies that the issuance of the debentures otherwise complies with
29 AS 06.05.307 and that the purchase meets the requirements of this section.

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

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

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