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HOUSE LABOR AND COMMERCE COMMITTEE

April 5, 1983

To: Representative Walt Furnace, Chairman
House Labor and Commerce Committee

From: *Jefferson B. Barry*
Jefferson B. Barry
Professional Aide

Re: House Bill 111

Introductory Analysis

HB111 provides that investments and deposits of public money managed by the Department of Revenue be placed with Alaska state banks if the banks will offer the same terms and conditions as a foreign bank. Testimony by the Department of Revenue, verified by the banking industry, indicates that this is the current practice by the Department of Revenue. No financial institution which feels that they have been left out has been identified, nor has anyone come forward with testimony which would show that this is not the current practice. There has been no indication nor testimony that the Department of Revenue has any plans to change their practice.

While the focus of this legislation is consistent with public policy, it would appear that there is not a demonstrated need for it at this time. HB111 also carries a \$72,000 fiscal note for FY84 and would increase the bureaucracy by adding people to maintain records and be able to show compliance with the provisions of HB 111. The fiscal requirements are \$71,000 for FY85, and \$78,000 for FY86.

Introduced: 1/24/83
Referred: Labor & Commerce
and Finance

120% INCREASE
(660-M) MONEY MARKET
UM

INTERSTATE
BANKING

1 IN THE HOUSE

BY LINDAUER

2

HOUSE BILL NO. 111

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to investments and deposits of
7 public money with foreign banks."

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

9 * Section 1. AS 37.10.078 is amended by adding new subsections to read:

10 (b) The commissioner of revenue may not make an investment or
11 deposit with a foreign bank unless there is no state bank that will
12 accept all or a portion of the investment or deposit under the same
13 terms or conditions. The commissioner shall promulgate regulations
14 which provide for equal participation by all state banks which desire
15 to participate in the investment or deposit of funds under this sub-
16 section.

17 (c) In this section

18 (1) "foreign bank" means a bank, trust company, savings
19 bank, industrial bank, building and loan association, savings and loan
20 association, credit union or other similar lending organization the
21 principal office of which is in another state;

22 (2) "state bank" means a bank chartered to conduct the
23 business of banking in this state but does not include a state bank
24 which is controlled by an out-of-state bank holding company.

Will look up!
3/1/83
1) LOW DEPOSIT RATIOS
2) LENGTH OF MATURITIES (REVENUE DEPT.)
3) FUND FLOW TO ALASKA COMMUNITIES!
OR WILL MONEY FLOW OUTSIDE!
4.)

Alaska State Legislature

Representative John Lindauer
District 10-A
3933 Geneva Place
Anchorage, AK 99508



While in Juneau
Pouch V
Juneau, AK 99811
465-3709

House of Representatives

March 1, 1983

TO: House Labor and Commerce Committee

FROM: Representative John Lindauer *JL*

RE: House Bill #111: "An Act relating to investments and deposits of public money with foreign banks."

The intent of HB #111 is to require that Alaska's money be deposited, invested, and administered by Alaskan financial institutions to the greatest extent possible without loss of income or service.

Currently, 97.2% of Alaska's public funds are invested outside. 90.9% (\$3,469,366,022 as of 12/31/82) of those funds are invested through Bank of America in federal securities. The remaining 6.3% (\$240,259,245 as of 12/31/82) is invested, primarily through the Bank of America, Certificates of Deposit, Corporate Bonds, Bankers Acceptances, Commercial paper and gold (held in Hanover Trust).

The 2.7% (105,400,116 as of 12/31/82) of Alaska's money that is actually held in Alaska is deposited with twenty-three federal credit unions, Alaska National Bank, Alaska Pacific Bank, B.M. Behrends Bank, Alaska Mutual Bank and Mt. McKinley Mutual Savings Bank.

While federal banking laws may limit how much of the money could actually be placed in any one Alaskan bank, keeping as much as possible in Alaska would strengthen the state's economy.

The Bank of America, which is currently the primary beneficiary of the state's investments, is a fine California bank. All Californians, will be sorry about the termination of our efforts to provide their bank with loanable funds and higher earnings. Our own bureaucrats will regretfully be deprived of excuses to visit San Francisco. Our responsibility, however, is to Alaskans and the prosperity of Alaska.

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: HB 111 Date on Bill: 1/24/83
 Title An act relating to investments and deposits of public money with foreign banks.
 Sponsor: Lindauer
 Requestor: Labor & Commerce

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating		72	71	78
Total	-0-	72	71	78

b. Revenues:

Revenue				

2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

The operating costs are for an Investment Officer I and an Accounting Technician I. A 10% increase is added each year thereafter, with a \$5,000 equipment cost in FY 84.

The Investment Officer is needed because investing in Alaska requires a greater amount of time than in the national market. Due to the lack of a secondary market for state bank securities each bank must be contacted on a daily basis for their current offerings.

The Accounting Technician I is needed to account for the increased number of collateral requirements. Investments in smaller state banks have higher collateral requirements by law than deposits in larger foreign banks.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Mary Reifed
 Division: Comm. Affairs
 Approved by Commissioner: Robt D. Lent
 Department: Revenue

Phone: 765-2300
 Date: 2/28/83
 Date: 2/28/83

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/15/83