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SENATE COMMITTEE REPORT

FURTHER

4/22/88

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE _____ Committee considered SB 502 _____

economic stabilization program; efd

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

[] Committee Backup attached

SENATE COMMITTEE REPORT

5-20956

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

finance

**FISCAL NOTE(S) ATTACHED IN ACCORDANCE WITH AS 24.08.035 (see below) **

4/11/83

DATE TURNED INTO OFFICE 4/21/88

Mr. President:

LABOR AND COMMERCE Committee considered SB 502

economic stabilization program; efd

and recommended:

- [] replace with CS SB 502 (LIC) (b) [X] same title [] new title
[] attached amendment(s) and + reports it back as follows
[] do pass
[] do not pass
[X] no recommendation
[] individual recommendations
[] further referral to
[] letter of intent adopted and attached

** Committee [X] attached or [] adopted fiscal note(s) [X] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Subrenlong
[]
[]
[]
[]
[]

Reclusion DO NOT PASS
[]
[]
[]
[]

No Recommendation
Tim Kelly -
Chairman signature and recommendation

[] Committee Backup Attached

Offered: 4/22/88
Referred: Finance

5-2095B

Original sponsor: Finance Committee

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE SENATE

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

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 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-

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SB0502b

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 debentures
23 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).
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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).

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: CSB 502 (LSC)
PUBLISH DATE: SENATE 4/22/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: Relating to economic BRU: Banking, Securities & Corporations
stabilization program
Sponsor: Finance Committee Components: _____
Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities & Corporations
Approved by Commissioner: J. Anthony Smith Jr
Agency: Department of Commerce & Economic Development

Phone: 465-2521
Date: 4/20/88
Date: 4/20/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

page ____ of ____

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ALASKA STATE LEGISLATURE

.15th. .Legislature . 2nd. .Session

SENATE...BILL..... NO. .502.

By .. THE FINANCE COMMITTEE

"An Act relating to the economic stabilization program; and providing for an effective date."

Introduced in the Senate 4/11, 19 .88. . .

HISTORY IN THE SENATE

19 88	Read first time and referred to Committee on										
4 11	L&C, FINANCE										
4 20	Reported back with recommendation that <i>re replace w/CS, 1 do pass, 1 no vote, 1 do not pass. H to Fi</i>										
	Read second time and										
	Read third time and										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reconsideration Reconsideration not taken up										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reported correctly engrossed Signed by President Sent to House										

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr><td>PASSED</td><td>Effective Date</td></tr> <tr><td>Yeas</td><td>Yeas</td></tr> <tr><td>Nays</td><td>Nays</td></tr> <tr><td>Excused</td><td>Excused</td></tr> <tr><td>Absent</td><td>Absent</td></tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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PASSED	Effective Date										
Yeas	Yeas										
Nays	Nays										
Excused	Excused										
Absent	Absent										
	Reported correctly engrossed Signed by Speaker Returned to Senate										

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	Received from House
	To enrolling
	Reported correctly enrolled
	Sent to Governor
 by Governor
	Chapter No.
	Filed with Lt. Governor

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
 Title: Relating to economic BRU: Banking, Securities & Corporations
stabilization program
 Sponsor: Finance Committee Components: _____
 Requester: _____

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULLTIME	-0-	-0-	-0-	-0-	-0-	-0-
PARTTIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Willis F. Kirkpatrick, Director Phone: 465-2521
 Division: Banking, Securities & Corporations Date: 4/20/88
 Approved by Commissioner: J. Anthony Smith Date: 4/20/88
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED

APR 21 1988

LEGISLATIVE FINANCE

page ____ of ____