Minutes -
Senate Only

SENATE MEETING OF JOINT COMMITTEE ON ECONOMIC RECOVERY
January 29, 1988
1:30 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Jack Coghill

MEMBERS ABSENT

Senator Dick Eliason
Senator Joe Josephson
Senator Fred Zharoff

COMMITTEE CALENDAR

Overview of activities of Joint Committee on Economic Development

ACTION NARRATIVE

Tape One, Side One
Number 002

Co-Chair Sturgulewski called the meeting to order at 1:30 p.m. It was the decision of the Co-Chairs that they would alternate chairing the meetings.

The first topic of discussion was the activities of the full committee. In referencing the schedule of activities for the House, Senator Sturgulewski outlined their main areas of focus to be: (1) prioritize existing legislation; (2) identify and introduce new legislation; and (3) develop long-term issues for further deliberation. She then identified the Senate staffers that are committed to the effort: Jim Lottsfeldt - Senator Jones; Frank Homan, Aide, and Rod Morant, Intern - both with her office. Material compiled by the Senate members will be shared with House members for further review.

Number 066

In response to a question from Senator Jones about dividing into subcommittees, Senator Faiks recommended they not do so but rather review previous work and start taking action.

Senators Halford and Faiks provided overviews of action taken in previous meetings; in particular, meetings with financial institutions and governmental entities involved in loans.

Number 082

Senator Halford provided detailed comments on what resulted from his discussions with property managers, property owners, bankers and others. He discussed the economic outlook with the Anchorage Chamber of Commerce, and explained how he arrived at his figures. He took the valuation of the Municipality of Anchorage for Anchorage for 1985, added new construction and came up with a total of approximately $15 billion. In talking with commercial and residential property owners, he stated what they estimated the debt to be based on that value. The debt-to-value (DTV) ratios were about 90% DTV for a majority of residential; 75%-80% DTV for commercial, a collective estimate of $13 billion of debt on $10 billion of collateral. He then reviewed what other financial entities had done.

Number 195

In response to a question from Senator Coghill about the Alliance bank, Senator Halford commented that the Alliance went back at least twice to the FDIC for help and will probably do so again. The meetings held in November and December did not provide proposed solutions, as hoped. Senator Sturgulewski asked Senator Halford to provide the committee with copies of his comments. She asked for specific information on the 2% rule of AIDA, and the bridge bank.

Number 210

Senator Faiks addressed another issue for immediate attention: guaranteed loan program based on SBA criteria. Her office will be providing proposed legislation along with information on the federal program.

Number 272

Senator Coghill stressed that the committee not overlook the problems of the private sector and carefully evaluate the ramifications of any proposal. He then discussed the proposal that the Fairbanks military base commissary and PX may be opened to civilians -- in direct competition with private businesses -- and questioned the federal government's actions. He will provide further details.

Number 317

Senator Sturgulewski specifically asked about projects such as Hollywood Vista, now owned by HUD, and Willow Park. Senator Faiks indicated that U.S. Senators Stevens and Murkowski are now aware of the situation and are working on it. She further recommended that Resolutions directing action or offering support be sent to the Congressional delegation.

Number 371

It was clarified that the committee can introduce bills but will not be a committee of referral. The immeditate task at hand will be to compile existing information for review, including pending bills, and determine which to examine further and provide periodic updates on the Floor.

Number 410

Senator Halford detailed actions taken by some financial institutions concerning troubled loans. As an example, of comparable portfolios, AIDA had only worked out 16% of delinquent loans as of December 1; whereby First National had worked out 2/3 of their bad loans. He found that banking people were working hard to find solutions to their problems.

Number 455

The committee discussed their outreach efforts. It was decided that individuals with expertise in identified areas will be brought before the committee, and to obtain input from industrial development people on specific issues.

Number 565

The committee then discussed the bridge bank concept. Senator Halford indicated that we have a model to follow: the Alliance bank. The FDIC created the bridge bank and secured investors, in addition to its investment. Senator Faiks then quoted Larry Rose's comments regarding the formation and activities of a bridge bank.

Number 609

Senators Halford and Faiks explained the 2% rule of AIDA. Senator Sturgulewski asked that specific language be presented to the committee.

Tape One, Side Two

The committee continued its discussion of the 2% rule of AIDA.

The committee divided the areas of responsibility for the next meeting as follows. As discussed, they agreed that experts would be called in to provide comments.

Senator Halford	- delinquency caps of AIDA (2% rule) and banks
Senator Faiks	- draft legislation on guaranteed loans, and bridge bank information
Senator Coghill	- impact of federal government opening facilities to public
Senator Jones and Senator Sturgulewski	- list of legislation for short-term and long-term efforts

Senator Sturgulewski outlined the agenda for the meeting of the Joint Committee on Economic Recovery scheduled for 3:30 p.m. There being no further business to come before the committee, the meeting was adjourned at 2:34 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON
ECONOMIC RECOVERY
February 17, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Lloyd Jones, Co-Chair
Senator Arliss Sturgulewski, Co-Chair
Senator Joe Josephson
Senator Fred Zharoff
Senator Dick Eliason
Senator Jan Faiks
Senator Rick Halford
Senator Jack Coghill

MEMBERS ABSENT

None

ACTION NARRATIVE

Tape One, Side One
Number 001

Senator Jones, Senate Co-Chair, called the meeting to order at 5:10 p.m. The Chairman indicated that the committee would go into Executive Session following review of draft legislation. Senator Josephson commented that the Executive Session would be called due to the proprietary information to be discussed.

Number 050

Senator Faiks referenced the draft senate bill dated February 3, 1988, "providing a temporary reduction of the rate of interest payable by mortgagors on mortgage loans purchased by the Alaska Housing Finance Corporation; and providing for an effective date." She indicated that the bill reduces the interest rate by 2% on outstanding mortgage loans by AHFC for two years (July 1, 1988 through June 30, 1990).

Number 080

Senator Josephson asked if there would be an instance whereby the money from the reduced amount is added to the loan as an extension. Senator Faiks said "no"; that the money is considered forgiveness.

Senator 089

Senator Halford addressed another version of the concept. It would retain the 2% forgiveness; however, it contains a qualifying provision that the person(s) would have had to experience involuntary reduction in income, and still meet the eligibility criteria such as the monthly income percentage requirement.

Number 125

Senator Halford explained the draft senate bill, dated Janaury 29, 1988, which establishes "a moratorium on judicial and nonjudicial foreclosures; and providing for an effective date." In short, it suspends nonjudicial foreclosure by extending the redemption period and allowing the person(s) to continue possession of the property; and in judicial foreclosure, the owner would have exclusive right to redeem the property and is entitled to possession of the property for a two year period following the effective date of the Act. A companion bill was introduced in the other body.

Number 150

Senator Faiks discussed similar actions that were taken during the Great Depression which were upheld by the U. S. Supreme Court.

Number 169

Senator Josephson commented on more recent actions taken in the Midwest regarding anti-foreclosure and moratoria measures which were also upheld by the courts. He felt it is a policy decision whether you create a holiday for debtors which would result in injuring the banks.

Number 181

Senator Halford said that it represents a radical approach to the situation and needs to be carefully considered due to the ramifications to the banking industry. Further, his staff will be providing legal opinions on it.

Number 208

Senators Faiks and Halford referred to the draft senate concurrent resolutions on the following: (1) urging state agencies that make loans to withhold approval of loans for new construction in areas in which availablility of business and commercial facilities and residences substantially exceeds demand (draft dated February 3, 1988); (2) relating to opportunities offered by the present crisis in residential housing (draft dated February 5, 1988); (3) relating to the Alaska Industrial Development and Export Authority (draft dated February 3, 1988), and (4) establishing a program in the Alaska Industrial Development and Export Authority to guarantee business loans and to refinance debt, e.d. (draft dated February 10, 1988).

Senator Faiks indicated that these bills would provide policy direction to state agencies prior to making regulatory changes.

Number 245

Responding to a question from Senator Zharoff about the feasibility of selling mobile homes out of state, Senator Faiks said that the cost of the mobile homes, in addition to shipping them South, presents a real problem. Also, mobile homes can be purchased out of state and shipped to Alaska cheaper than what can be purchase in the state.

Number 292

The committee briefly discussed the draft resolutions but took no action.

Number 373

Senator Sturgulewski moved and asked unanimous consent that the committe go into Executive Session to hear confidential testimony which might have an adverse effect on person(s) or businesses. Hearing no objections, it was so ordered. The committee went into Executive Session at 5:32 p.m.

No action was taken as a result of the Executive Session. There being no further business to come before the committee, the meeting was adjourned at 6:35 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
February 24, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jack Coghill
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Fred Zharoff

MEMBERS ABSENT

Senator Dick Eliason

WITNESS REGISTER

Jan Sieberts
Sr. Vice President
National Bank of Alaska
Box 100600
Anchorage, Alaska 99501
265-2991

Bert Wagnon, Exe. Director
AK Industrial Development and
Export Authority
1577 C Street, Suite 304
Anchorage, Alaska 99501
274-1651

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:10 p.m. She noted the presence of Senator Tim Kelly, and briefly reviewed the compilation of materials which were distributed to the members.

Number 050

Senator Faiks advised the committee that the Western Regional Director of the Federal Deposit Insurance Corporation (FDIC) will be coming next week and suggested that members begin preparing questions for discussion.
Senator Sturgulewski requested the questions be given to Senators Faiks, Jones or herself before the week is out.

Number 071

Jan Sieberts was first to testify before the committee. In addition to his position with the National Bank of Alaska (NBA), he is Chairman of the Anchorage Chamber of Commerce Economic Recovery Task Force.

In response to Senator Jones' request that he address SB 471, Mr. Sieberts said that the bill would give the banking community flexibility in dealing with existing and ongoing problems. In dealing with real estate throughout the state, there are specific problems in each regional area. The bill will provide a tool to restructure existing debt and provide competitive financing of new projects. In discussing the history of the rise and fall of interest rates; he pointed to the success rate of the SBA program and its continued involvement in the state since the earthquake.

Number 190

Senator Jones asked whether the legislature would be hurting some existing businesses by providing assistance to troubled businesses and funding for new ones. Mr. Siebert explained what was happening in the banking industry with the decline of the prime rate; specifically, pressure from customers to restructure loans at lower interest rate, and instances where the customer's ability to refinance has been extinguished. As a result, some loans have been restructured below the market interest rate as the bank does not want the responsibility of managing the properties.

Number 237

Referring to the bill, Senator Josephson inquired whether private lenders might involve AIDEA for loan guarantees to businesses that are not truly viable. Mr. Siebert said he agreed with representatives from Rainier Bank, in communication to AIDEA, that recommended AIDEA get a staff person experienced in commercial lending techniques rather than real estate. In refinancing a loan, sound lending judgment is necessary in determining the business' viability.

Number 278

Senator Josephson asked, if SB 471 were law, would NBA still use the SBA in the same manner; and commented on the state's involvement with loan guarantees. Mr. Siebert said that SBA meets certain needs of businesses. He could see using both programs as the dollar amounts are different and Frank Cox mentioned using the programs together so they could increase the dollar amount of the guarantee. Further, he felt that AIDEA has to be responsible, ultimately, for either issuing/denying the loans.

Number 309

Senator Kelly asked for more details on the possibility of shifting losses from banks to AIDEA. Mr. Siebert did not think it would be the result and outlined the purposes of the bill, as he saw them to be: (1) The primary purpose is AIDEA providing long-term capital to the business community; and banks could more efficiently and economically provide capital to the consumer rather than using the bond market which increases the risk exposure to the state. (2) It will provide liquidity within a faultering banking system by providing an agency guarantee on a long-term basis. (3) The risk of failing small businesses will be shared. All banks are negatively impacted with bad loans. When lending money to a business in Alaska, they will think twice if there are negative trends or a reason to believe it is a marginal enterprise. The issuance of a guarantee will give the banking industry confidence to deal with this group. NBA does not recommend a delegated underwriting system, like the federal government. He noted there is less trust between the banking industry and state agencies than the banking industry and federal government programs.

Number 378

Senator Jones wanted to know how equality could be built in the program so businesses could maintain the competitive level. Mr. Siebert stated that lending money is a discriminating business and discussed the problems resulting from the bank failures.

Number 405

Senator Halford, referring to the equality issue, said it would be much fairer to provide a loan guarantee program to everyone not just those who went to AIDEA. He then discussed SBA's involvement in the state since the mid-60's. Currently, the state uses AIDEA to sell bonds in the market to gather outside money for lending in-state. Under the guarantee program, the bank's are able to sell the loans outside to bring in money for the same purpose. In referring to the applicant qualifications and conditions of loan guarantees in the legislation, he did not know how you could save all the businesses. The benefit is the ability to bring in outside money rather than going to the bond market.

Number 455

Mr. Siebert said that, under the guarantee loan program, the losses to the state will be less than what AIDEA is faced with now. Senator Josephson asked, if a loan met the criteria as established in the bill, why would the bank need a guarantee. Mr. Siebert said a majority of their deposits are on the demand basis; the guarantee provides the bank with some liquidity, as it can sell the asset to raise cash to meet that demand. That is the primary reason that NBA and other banks are interested in the program.

Number 521

Senator Stugulewski commented that the bill calls for a AIDEA guarantee of $1 million versus $500,000 and asked for his thoughts on the matter. Mr. Siebert thought the old $500,000 limit was not satisfactory for Alaska with the higher cost of doing business. She then asked what the long-term impact would be on AIDEA if businesses continue to fail. Mr. Siebert commented that real estate values have eroded, some by 50%. Setting a criteria to lend at 75% of value with it being at the bottom of the market is better than lending at 75% when the market was at its crest. There is a significant amount of fear in the banking industry about investing money in Alaska, and the guarantee program will help stabilize the banking environment. He felt that the bill will help to save and create new jobs.

Number 561

Senator Sturgulewski asked if the Anchorage Chamber of Commerce has taken a position on the bill. Mr. Sieberts said that the Chamber of Commerce Board of Directors voted in favor of the proposal.

Number 564

Senator Zharoff questioned the statement about outside banks being hesitant to invest in Alaska. Mr. Siebert reiterated his previous comment and provided details of outside banks' responses to requests for in-state investments.

Number 579

Senator Faiks described how the bill is one piece of a package; and the bill, by itself, will not cure all the problems.

Number 585

Senator Kelly asked that with the state, military and oil companies spending more money in the state, wouldn't the consumers spend more, thus boosting the economy. Mr. Siebert said if that comes to pass, spending will increase, however, there has been no sign that the current recession has hit bottom. He anticipates there will be further closures of businesses and job layoffs.

Number 624

Senator Halford clarified the program's scope to include refinancing and new financing. Mr. Siebert said there is more concern of abuse that the banking system can pass on to AIDEA in a refinancing program; the drafting of the bill directs AIDEA not be, strictly, a bail-out program. Senator Halford said that AIDEA would still have to approve the issuance of the guarantee under the conditions set out in the bill.

Number 640

Senator Josephson commented that it is his hope that the politicians will refrain from putting pressure on AIDEA regarding specific loans.

Tape One, Side Two
Number 645

Senator Faiks discussed her feelings that AIDEA did a disservice to Anchorage in lending to commercial builders, that were denied by banks, at a high interest rate when the market was already saturated. Mr. Sieberts said that AIDEA disapproved loans that NBA made anyway, and a majority of the loans by NBA were made without AIDEA participation. In discussing loan proposals with AIDEA, NBA pointed to their track record of low delinquincies as an example of sound lending practices.

Number 700

Senator Jones stated he would like to see the program sunsetted and asked Mr. Sieberts' thoughts on it. Mr. Sieberts felt that AIDEA should allocate, out of the $355 million, a specific amount for a reserve account for the guarantees as there will be some losses -- maybe $25 million for reserves -- and say it can't issue guarantees exceeding five times that dollar amount ($125 million); a 20% reserve factor on the guarantees should be sufficient. On an annual or semi-annual basis, the Board of Directors for AIDEA should evaluate the reserve requirement for possible increase/decrease.

In closing, he talked about the demand to save and create jobs. In order to retain the status quo, new jobs have to be provided in the future. To his knowledge, every bank in Alaska supports the bill -- it will give banks confidence to go forward.

Number 846

Bert Wagnon addressed the committee and explained the information contained in materials that were distributed on

AIDEA. He discussed the chart on delinquencies and commented on the fluctuation caused by the closure of the Bank of the North and subsequent lack of payments from the FDIC.

Number 846

Concerning Other Real Estate Owned (OREO) which was reflected on the same chart with the delinquencies, Senator Halford asked about the differential. Mr. Wagnon said that OREO always shows a lag due to the collection process. He then explained that OREO does not represent loans but property owned by the agency. The next chart represented the geographical distribution of loans and the following chart reflected the distribution of the delinquent loans. When viewed together an example would be: Anchorage received 54% of the total portfolio loans and 82.42% are delinquent. Examples of the types of delinquencies were office space-26% and warehouse-18%.

In responding to a question from Senator Kelly, Mr. Wagnon said that AIDEA, with direction from its Board, got out of the five-plex plus loans last year.

Mr. Wagnon addressed the workout reports: Bond sales totals about 32 loans for $30 million. Appropriated/Red Dog represents 32-33 loans totalling about $7.9 million that were originated by the state which he inherited. When AIDA was originally formed, the state transferred about $166 million in loans during 1979-80 that had been held by the Department of Commerce and Economic Development and the Department of Revenue that were used to capitalize AIDA. Also, some funds came through transportation projects.

Number 938

Senator Halford commented on the observation that some loans made in 1979-80 were having problems. Mr. Wagnon said that it is common practice to pyramid debt on a loan.

Number 950

Senator Sturgulewski asked about the number of outstanding loans. Mr. Wagnon responded that AIDEA's total portfolio is $300 million in loans (approximately 1,000 loans); $51 million in delinquencies (30 days or more), and $12 million in foreclosures.

Number 969

Senator Coghill asked for clarification of expenses and maintenance of OREO property. Mr. Wagnon said that the bank that originated the loan is responsible for managing, selling and maintaining the property. The exception is when a bank closes and AIDEA inherits the responsibility.

AIDEA is negotiating with a bank to service the loans that they got through bank closures.

Number 006

Senator Faiks asked Mr. Wagnon to provide the details of the Dimond Mall rental situation, and commented on the negative impact the action caused on vacant building space in the area. He said that the space was rented at $.30/sq. ft. Alliance Bank hired HRT, a real estate firm in Anchorage, to manage the Mall and it was recommended that AIDEA enter into the agreement to provide an anchor tenant that would draw other tenants. The lease has an escalator clause for the next couple years which, he thought, ended at $.65-.70/sq. ft., and contains a purchase option at market value.

Number 068

Senator Sturgulewski asked what about AIDEA's responsibility in keeping the spiral from going down, and still maintain accountability with the Board of Directors. Mr. Wagnon used the Dimond Mall as the example. Negotiations lasted for 90 days, and the first proposal was declined. They carefully considered the impact of the $.30/sq. ft. offer based upon the carrying cost of the building, etc., and what they would get in terms of a draw for more tenants. They elected to proceed with the lease. Alliance which presented the agreement, owns 20% of the loan, and AIDEA tightened it up.

Number 126

Senator Josephson read part of the statutes concerning AIDA's activities; specifically AIDEA's impact on the social, economic and business climate; and asked if the Legislature should provide more detailed directives to the agency. Mr. Wagnon said that AIDEA does a balancing test, although some may disagree with the result; such as what happened in the above situation.

Number 145

Senator Faiks referred to a letter that was received from AIDEA which stated it was not a social service agency. She asked for more details on the AIDEA-FDIC situation concerning loan payments. Mr. Wagnon said that FDIC has collected and is withholding money in the form of loan payments which are due AIDEA. Senator Faiks continued, if AIDEA sues the FDIC for the money, and if the money is not there, it might force FDIC to facilitate liquidation of property thereby further devaluating property values.

Number 180

Senator Halford suggested it may be necessary to pass a temporary law to prevent AIDEA from selling, renting or leasing property for two years.

Number 191

Senator Josephson refered to AIDEA's responsibility to bond holders via covenants; and asked what the covenants stipulated. Mr. Wagnon responded that the bond covenents require AIDEA to act in a commercially prudent manner, whatever that may be -- it's not fully defined. In the way it conducts its affairs, social considerations are on one side, financial concerns on the other. AIDEA probably leans more responding to financial concerns. The magnitude of the problem dwarfs the capabilities of AIDEA to correct or improve the situation. There is no action that could be taken by AIDEA to solve the problem. The trouble with looking to AIDEA for solutions, is that the commercial real estate properties are controlled by many different holders, and AIDEA does not control much of it.

Number 247

Senator Stugulewski asked Mr. Wagnon to address the bill, bridge bank concept, Hallwood working paper and whether there has been any interest in the concept of pooling properties, for management purposes. Mr. Wagnon said he was not sure what the full impact of a bridge bank would be; it appears to be a trade-off of risking $15 million against the hope of stabilizing the market. The committee discussed the $3 million/year for five years proposal. Senator Kelly pointed out that not all loans in the pool would be non-performing.

Tape Two, Side One
Number 003

Mr. Wagnon questioned the financial analysis of the lenders in terms of which loans to place in the pool. Senator Kelly said the Hallwood group would be willing to act as the trustees and have invited other institutions to join them.

Number 027

Senator Faiks suggested that inquiry be made to the FDIC concerning the terms and conditions of the last Hallwood agreement, as it may not be a long-term commitment.

Number 044

Mr. Wagnon stated he had not thoroughly reviewed SB 471 and he is presently preparing an analysis of it. Generally, a guarantee is a form of risk transfer; a contingent liability similar to a letter of credit. It would move the risk from the private banking community to AIDEA/State of Alaska. The subject of state guarantee programs through AIDEA is currently before the Board and the Board is split on whether to move forward with it. Removing the risk to private banks makes it attractive to them, as they have a marketable commodity, increases their yield, and reduces their loan loss. AIDEA's concerns are the money (internal appropriation of AIDEA's assets or external appropriation), and how does it honor the guarantee. He disagrees with previous testimony that SBA has not been hurt through the economic downturn, and is attempting to get the information from the SBA. He then discussed AIDEA's loan loss figures. He assumed that, with SBA's lending limit of $500,000, that AIDEA is to cover the portion of the loan exceeding that amount up to $1 million. He is concerned that people will discontinue utilizing the federal program and use the state program instead, creating a future contingent liability on the state.

Number 154

Senator Josephson stated that similar action happened to the student loan program; that the state program was so good that students did not fully utilize the federal program. We should make the federal government the lender of first resort, and have the state cover the balance. Mr. Wagnon agreed that we should not supplant federal money with state dollars and recommended further conditions. In commenting on SBA loan conditions, Mr. Wagnon said that SBA allows both new loans and refinancing of existing loans with disbursement of new money.

Senator Halford clarified SBA loan conditions that exclude loans involving lease or rental property; it has to be the business and property. Mr. Wagnon asked for clarification that the bill would provide assistance to investors -- to whom the SBA will not lend -- and small businesses.

Number 234

Jan Sieberts added that AIDEA now lends to groups that the SBA denies. Senator Halford stressed that AIDEA's loan policy of lending to various groups not eligible for other programs, in part, got us into the existing problem. The committee discussed the types of loans to be financed under the proposed program. Senator Faiks stated that the bill is to help both groups: those that went to government for loans and those that went to banks.

Number 316

Senator Halford asked if the bill provided adequate tools to prevent banks from dumping negative-equity or poor loans on AIDEA. Mr. Wagnon felt it did; but he is working on some technical amendments to the bill, such as the requirement for an economic benefit analysis which would be a burden for the small borrower to meet. In referring to the intent of the bill, he commented that it appears the state is moving out of direct lending and felt there should be exclusions, i.e., student loans and residential housing.

Number 356

Senator Halford requested that, if the Board is considering a loan guarantee program, Mr. Wagnon come back to the committee with a proposed committee substitute. Mr. Wagnon indicated it was his intent to do that through proposed amendments which he will submit.

Number 370

Senator Sturgulewski informed the committee that Frank Cox, FDIC representatives, and the Hallwood group would meet with them at the next meeting(s). There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 7:05 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 1, 1988
5:00 P.M.

MEMBERS PRESENT

✓ Senator Lloyd Jones, Co-Chair
✓ Senator Arliss Sturgulewski, Co-Chair
✓ Senator Dick Eliason
✓ Senator Jan Faiks
✓ Senator Rick Halford
✓ Senator Joe Josephson
✓ Senator Fred Zharoff
✓ Senator Pat Rodey

MEMBERS ABSENT

Senator Jack Coghill

WITNESS REGISTER

Lamarr Kelly, Regional Director
Larry Schannault, Deputy Regional Director
Division of Liquidation
Federal Deposit Insurance Corporation
25 Ecker Street, Suite 1900
San Francisco, California 94105

Bernie Karl
K & K Recycling
1262 Old Richardson Highway
North Pole, Alaska 99705

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Jones, Senate Co-Chair, called the meeting to order at 5:10 p.m. Senator Rodey has been added to the Committee membership. Representatives Max Gruenberg, Jr., House Chair, and Representative Red Boucher, Member, of the Joint Committee were also in attendance.

Number 052

Lamarr Kelly, FDIC, commented that the purpose of the visit is to develop a sense of the Legislature's direction on purchasing FDIC's assets or participating with it in the liquidation process. He will take the results of this meeting to Washington, D.C. for further discussion with his superiors. The FDIC is now at the point where no tangible movement has been identified, and it may be time for it to start the liquidation process.

The total size of the three bank closures in Alaska was $546 million; the FDIC ended with approximately $300 million, while it expects to acquire about $325 million in assets. In funding the deposit structure and selling certain assets to the assuming institution, it advanced $277 million, excluding the $295 million of financial assistance granted initially to the Alliance Bank group.

Number 107

The net result is FDIC took loans out of the failed banks that had rate structure problems, or were not assets the assuming banks wished to purchase; and placed cash in the assuming banks to enable them to make new loans and carry on normal banking activities. The questions becomes: what does the FDIC do with the assets? The FDIC fully recognizes it can't sell or liquidate the assets at full book value; and he estimated the loss on the $325 million to be $125-175 million. The FDIC would be willing to discount the assets to current market price -- the net of book value down to market value. Mr. Kelly continued that it would not be considered a "bail out" if the state or another institution buys an asset at market value. The assets will be valued back to today's market so that the risk of loss for a purchaser should be minimal; that market value will be net of reasonable liquidation expenses, costs of carrying the assets, and administrative costs.

Number 152

Mr. Kelly continued the central issue is whether the state wants to control or have input into the liquidation process. It is the FDIC's opinion that these assets are best liquidated by a local entity as that entity could work better with financial institutions in attempting to rehabilitate debtors, establish long-term contracts and similar reasons. The FDIC remains open to proposals, and is willing to finance the purchase of its assets. Lacking that, it would recommend to the Board in Washington, D.C. that they move forward with some type of bid process to sell its position in the state.

Number 201

Senator Sturgulewski asked for clarification of the FDIC's expectation of financing the purchase of assets. Mr. Kelly responded that if it sells them in a block, not many institutions have the ability to back the loan.

Number 225

Senator Halford, in referencing the figures, asked if it resulted in the FDIC getting forty cents to the dollar. Mr. Kelly said a historical percentage would be about 50% with the 10% discount. After discussing the book value, Senator Halford said after all the equity was gone, $325 million remained in loaned-out value; that is worth 40% of what was borrowed. Mr. Kelly said that would be a rough guess. They have hesitated to discuss this publicly as it would be a disservice to some financial institutions and debtors to know they could compromise their individual debts accordingly -- each loan needs to be evaluated separately to determine the value.

Senator Halford continued if the state were interested in buying the entire portfolio, what kind of cash is required. Mr. Kelly responded the FDIC would like to get as much cash as possible up-front, such as 25% down, but would consider any realistic proposal.

Number 277

Senator Halford asked, for example, if the state were to propose purchasing the entire package from its reserve account and came up with $20-30 million, would it be possible. Mr. Kelly said "absolutely" and the remaining amount could be financed over an estimate of four years at a reasonable rate.

Senator Halford asked the FDIC to provide an overview of the Hallwood package. Mr. Kelly said the Hallwood assistance package is not analogous to the above scenario; it is a management group that developed an assistance package which includes other ongoing contingent costs, such as book and carrying c ts. In referring to the group having $65 million to invest, it was his understanding the group borrowed the money for purchase of stock interests.

Senator Halford asked how much the Hallwood group has at risk. Mr. Kelly quoted the press release: "The FDIC has granted Hallwood Securities International a put option whereby up to 18 months Hallwood Securities International sell to the FDIC all or a portion of the Alliance Bank Corporation shares it purchased, pursuant to the restructuring plan and not previously resold, at Hallwood Securities International's original cost plus 90% of the carrying cost of the shares provided that, after giving effect to such sale, Hallwood Securities International retains shares equal to at least 9.9% of the total shares presently outstanding." This transaction does not reflect a direct percentage relationship of it risking 10% of $65 million.

Number 352

Senator Sturgulewski referred to correspondence from Hallwood Securities International dealing with a bridge bank. Legislation has been introduced on the bridge bank which would be under the Alaska Industrial Development and Export Authority (AIDEA) as recommended by Dave Rose, Executive Direcor, Alaska Permanent Fund Corporation. She asked what options if any, other than those discussed, are available. Mr. Kelly felt, in the absence of movement to seek other options, the proposal that he discussed was a logical alternative -- its simple and could be done.

Senator Sturgulewski asked specifically if AIDEA would meet the FDIC's competency criteria in buying and managing the portfolio. Mr. Kelly said if the state wants to buy their assets, the FDIC would be willing to finance; the state would need to provide some guarantee to the amount outstanding of that advanced by the FDIC. The FDIC would leave the competency issue to the state.

Number 385

Senator Sturgulewski discussed the question of whether there was adequate capital infusion into the Alliance Bank to assure its success. Mr. Kelly said, legally, he cannot discuss open and operating banks. She asked if the market fluctuations impact their portfolio. Mr. Kelly said "yes." One issue, in trying to stabilize the market by pulling those properties off the market, is carrying cost. The FDIC is willing to discount its assets to current market price. But, if the Legislature is asking FDIC to take properties off the market just to prop up market values, that is a policy decision. If the state, in conjunction with a private institution, could administer the assets with minimal risk of loss; it would enable them to grant concessions where needed, with the understanding that there is a cost of carrying associated with doing it.

Number 455

Senator Josephson asked how the FDIC's request for a statutory mandate interrelates with the Congressional mandate that it dispose of the assets in a timely manner. Mr. Kelly said they are not operating under a Congressional mandate but under established standards providing that receivorship courts determine actions on behalf of creditors and stockholders of the failed banks. Future FDIC actions which may impact the market will depend on agreements. He referred to the conflicting testimony about letting the market free-fall to its true market level, etc., which are public policy decisions for the state to make.

Senator Josephson questioned whether the individual creditors would benefit from working with the state versus the

FDIC. Mr. Kelly responded, if the state would give a limited guarantee to the purchasing entity, the state could establish broad guidelines in disposition of the properties.

Number 544

Senator Halford asked for clarification of how long it would take to sell three-quarters of the assets that the FDIC holds. Mr. Kelly thought it could take up to four years to dispose of the assets; it could possibly turn 75% of the portfolio in three years. If the properties were sold to a group as a package, it would be the FDIC's decision.

Number 581

Senator Sturgulewski commented that the financial community has not presented a consensus of opinion on resolving the problems. Mr. Kelly said that he has not thoroughly studied the Hallwood proposal but, like the Legislature, has technical questions about it. The FDIC will have ongoing concerns as any entity servicing the assets would be acting as the FDIC's agent.

Number 618

In response to a question from Senator Rodey, Mr. Kelly indicated that a detailed portfolio has been provided; however, borrowers names are not identified for confidential reasons. Senator Rodey requested a more detailed breakdown which provides information on numbers of small businesses, service industries, etc. Mr. Kelly said they would do so.

Number 630

Representative Boucher asked if it was the FDIC's intention of advising the Washington, D.C. office that it appears the Legislature has not taken action. Mr. Kelly agreed, and said the FDIC has been in a holding pattern -- it has tried to service the assets it has acquired and it has not moved forward with staffing the office or initiating aggressive sales.

Tape One, Side Two
Number 001

Mr. Kelly said the FDIC did not intend to imply a threat, rather to convey they have held off as long as possible and must move forward. While there has been much discussion, the FDIC has not seen any tangible movement.

Number 033

Senator Josephson addressed the Legislature's proposal to appropriate $250,000 for appraisal of the portfolio. Subsequently, an Anchorage banker commented it could be done for $25,000; and asked if the FDIC could offer guidelines in this matter. Mr. Kelly stated he was disappointed that some type of appropriation was not approved, regardless of the cost estimates. It would have provided the Legislature the contents of the portfolio on which they could base other decisions. The FDIC could then negotiate the prices on individual loans.

Number 109

Representative Gruenberg said a list of the foreclosed properties of FDIC appeared in the Anchorage paper, and asked if it was still accurate. Mr. Schannault answered "yes," and added that the list contains properties that had already been foreclosed by the banks prior to FDIC's appointment. Further, there are many properties, such as commercial and real estate pledged for other loans, that are not contained in the list, and some are performing assets.

Number 139

Senator Eliason asked if anything has been learned from other state's problems. Mr. Kelly said, to his knowledge, there has been no direct involvement by the State in the Texas or Oklahoma situations. The States of Maryland and California got involved in specific concerns but he was not sure of the details. He did not think that an analogy could be made between Alaska and some other state's problem due to distinct differences.

Number 197

Senator Sturgulewski asked if the FDIC is holding cash payments that belong to AIDEA or other state agencies, could he explain what is happening. Mr. Schannault said the FDIC has approximately 113 loans involving state agencies; a majority being with AIDEA (47 loans) and the Teachers Retirement System (TRS) (46 loans). The FDIC has a problem in disbursing to AIDEA and hopes to comply with the five-day turnaround requirment by the middle of March; they are making delayed payments now.

Number 230

Senator Sturgulewski asked Representative Gruenberg if the House took action on the $250,000 proposal by AEDC. Representative Gruenberg said the full House committee report that was adopted and published in the <u>House Journal</u> recommended against the appropriation to AEDC for the FDIC portfolio assessment.

Number 253

Senator Josephson said he would support a $25,000-30,000 proposal to evaluate the portfolio. Senator Jones commented that we don't have the money.

Senator Sturgulewski suggested that a meeting be scheduled to review information requested by Senator Rodey and other matters. Representative Gruenberg asked, on behalf of the House committee, that information be distributed to the House members, as well. Senator Jones agreed.

Number 298

Senator Jones asked Mr. Kelly how soon the portfolio breakdown would be available. Mr. Kelly responsed by March 7, 1988.

Number 305

Senator Sturgulewski discussed the number of loans with AIDEA and TRS, and asked if it should be specifically addressed. Mr. Schannault said there is concern regarding the participation aspect, but did not know if the state could alter its involvement.

Number 324

Senator Halford asked if FDIC has ever been involved with a governmental entity in a joint workout. Mr. Kelly answered, to his knowledge, the closest it has come was with the Farmers Home Administration and Small Business Administration.

This concluded the presentation by Mesrs. Kelly and Schannault, FDIC.

Number 350

Bernie Karl, K & K Recycling, North Pole, testified before the committee about his business which involves resource recovery through recycling. He has 22 employees that recycle municipal waste. It was a nonexistent field up to a year ago. They are able to recover 90% of municipal waste and turn it into other products, such as fuel pellets, and are holding plastics waiting to convert it into new products, as well. No government money is involved, strictly free enterprise. He does not feel that government should finance private businesses. He is here to request, not money, but legislation to enable them to compete in the market.

The work is labor-intensive and they have not had any problems in finding applicants. They had 300 applications for 22 positions and pay $7-15/hour. He then described the recycling process and benefits of the products. The duration of the Fairbanks' landfill has been extended for an additional 75 years minimum without burying anything harmful; and saves the citizens $980,000/year excluding the cost of building a new landfill. By comparison, the Anchorage landfill cost was $100 million with an estimated life of 40 years.

In addition to legislation on recycling waste, they request preference be given to the products if state money is involved in a project.

Number 422

Senator Josephson asked what types of products are produced. Mr. Karl described the fence posts, carstops, and fuel.

Senator Sturgulewski asked about the status of the legislation. Mr. Karl said that Representative Frank has introduced it. Currently, his interest is caught between the larger industries of oil, coal and timber, which are strong lobbying groups.

Number 468

In responding to a question of fencepost costs, Mr. Karl said the 4"x4"x6' is more expensive than spruce, but cheaper than allweather wood or redwood. Iowa enacted a law which requires the use of recycled products in state projects. The carstops are $25 per, possibly $1.50/foot with a 100 year guarantee.

Senator Eliason asked what they were doing with other waste products, such as aluminum or ordinary garbage. Mr. Karl responded that garbage is segregated when received. Hazardous material and aluminum are separated by hand and magnets pick out metals for bailing. He has a contract with Seattle Steel for the iron. With regard to organic waste, it ends in compost which they intend to sell as fertilizer. He described the process for making fuel pellets and outlined the process and costs of handling waste from the Fairbanks landfill.

There being no further business to come before the committee, it was adjourned at 6:37 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 3, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Dick Eliason
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Fred Zharoff
Senator Pat Rodey

MEMBERS ABSENT

Senator Jack Coghill

WITNESS REGISTER

Jim Barnett, Assemblyman, Municipality of Anchorage
Vice President, Anchorage Economic Development Corp.
10050 Prospect Drive
Anchorage, Alaska

Remington Low, President and
Chairman of the Board
B M Behrends Bank
234 Seward Street
Juneau, Alaska 99801

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:10 p.m. The following legislators were also in attendance: Senators Jay Kerttula, Tim Kelly and Paul Fischer; Representatives Red Boucher, Kay Brown and Dave Donley.

Senator Sturgulewski opened the meeting with a status report on action taken by the House side of the Joint Committee. It has: (1) turned down the Anchorage Economic Recovery Corporation's (AEDC) request for $250,000 to evaluate FDIC's portfolio; and (2) passed a Resolution relating to the residential real estate market involving

Alaska State Building Authority's (ASBA) proposal on the Willow Park housing project.

She updated the committee on forthcoming meetings and scheduled witnesses. She advised the committee that she has spoken with George Cannelos, who is working on a 20-year master plan of Elmendorf and Fort Richardson. He will be recommending specific elimination of World War II housing, to be replaced with off-base housing. The project will take 5-10 years. She will assure that appropriate officials are notified of the action.

Number 092

Three bills have passed the Senate and pending in the House. Senator Sturgulewski recommended the bills be considered part of the committee's package that will be presented to the full Joint Committee. Senator Halford outlined the provisions of SB 333 relating to priority wage claims in bank liquidations, and SB 392 concerning purchase of loans by the Alaska Industrial Development and Export Authority (AIDEA). Senator Halford moved and asked unanimous consent that the bills be adopted by the committee. Hearing no objections, it was so ordered.

Number 120

Senator Sturgulewski referred to SCR 32 urging flexibility by lenders and collectors, which has also passed the Senate. Senator Fischer, sponsor of the Resolution, commented that it requests financial institutions to go the extra distance in working out problem loans and establish more flexibility in their loan policies. Senator Josephson moved and asked unanimous consent that SCR 32 be adopted by the committee. Hearing no objections, it was so ordered.

Number 147

Jim Barnett, AEDC, addressed the committee about the the Corporation's proposal, as previously referenced. It is currently negotiating with the Federal Deposit Insurance Corporation (FDIC) to do the evaluation. It is their expection that they can complete the project without any state support if the agreement is approved.

Number 184

Senator Faiks requested that the committee get comments from the Assembly and AEDC on SB 471 relating to business loan guarantee/refinance program under AIDEA; SB 476 which provides municipal assistance for railbelt communities, and SB 477 making appropriation for assistance to railbelt communities. She also requested their comments on a bill to reduce all home mortgages by 2% for three years. Mr.

Barnett, referring to the latter request, said he did not feel there would be support from the Assembly as it is not interested in government subsidies across-the-board.

Number 214

Senator Kerttula asked the scope of the committee in determining which bills it will review. Senator Sturgulewski said discussion has focussed on many bills relating to economic development. Senator Kerttula asked that the Senate not fund the fish hatcheries so that the non-profit organizations can continue to operate; and support the bill to restructure the dairy farm debts. Senator Sturgulewski said that they would be added to the committee's list for review.

Number 270

Representative Kay Brown came before the committee and discussed the Resolution pertaining the the Willow Park housing project, on Ninth Avenue in Anchorage. The project has many code problems and it would be more expensive to bring the project into compliance than to demolish and relocate the tenants. The U. S. Department of Housing and Urban Development through CIAP/MROP would grant $9 million to purchase alternative housing for tenant relocation, contingent upon securing state funding for the asbestos abatement program ($1.5-2.0 million) and funding from the Municipality of Anchorage for demolition and site restoration ($2.2 million). The issue was also raised with the Directors of the Alaska Housing Finance Corporation (AHFC) to see if it would be in its best interest to participate. The members thought it would be appropriate to use the AHFC's reserves for this purpose as AHFC owns a large part of the problem.

Number 319

In response to a question from Senator Sturgulewski about ASBA taking the proposal to Washington, D.C., Representative Brown said the Director of ASBA will be meeting with federal officials, she thought, on March 12, 1988. The proposal represents a statement that the project is moving.

Number 352

Senator Josephson commented on the meeting he and Senator Sturgulewski had with Wes Coyner, Alaska Bankers Association; Remington Low, President and Chairman of B M Behrends Bank; Ed VanPatten, Alaska Federal Savings & Loan; and Craig Dahl, B M Behrends Bank. It was indicated that there are statewide effects to the problems of the banking community and the state being "redlined" by potential outside participants. He distributed the briefing sheet which contains recommendations that would need approval from the Legislature, AIDEA, and negotiation with FDIC.

Number 385

Remington Low addressed the committee about the proposal. He commented that, after observing the meeting with FDIC officials, he felt there was a sense or urgency, and not much progress has been made in dealing with the economic problems. He and Wes Coyner discussed the situation and they drafted some ideas for deliberation. These proposals do not reflect support or opposition by the Alaska Bankers Association. Three specific concerns which need to be reviewed are: (1) property overhang of FDIC and Alliance Bank; (2) viewing the economy as a whole, such as impacts on small businesses, and (3) problems of the banks. The proposal is as follows:

> FDIC sells troubled loans to AIDEA for $.25 (not firm figure) on the dollar with no recourse to FDIC. Fund assets until resold up to maximum of 12 months.
>
> AIDEA to sell to banks at $.30 (not firm figure) on the dollar. AIDEA to pay carrying costs, taxes, repairs, etc., but not collection costs.
>
> AIDEA to buy back uncollectable loans up to five years. It could resell them at any price to anyone with no recourse.
>
> Banks be allowed to buy loans up to a given percent of capital if a branch is in the area of the loan on the first round. After the first round, any bank could purchase, including outside institutions.
>
> If the bank repackages and sells a loan that was purchased from AIDEA, AIDEA would receive a percentage of any profit generated from the sale.
>
> AIDEA or Teachers Retirement System could keep or sell as they wished on any terms loans in which they had participated.
>
> AIDEA could pool consumer loans under $25,000 and sell them in packages, or could issue bonds that would be retired as loans pay off.
>
> The Banks could carry loans off the balance sheet. They could not be subject to criticism from regulatory authorities.

Number 517

Senator Josephson asked what happens if nothing happens. Mr. Low commented on the seriousness of the situation when property values go down, the value of the loans decrease as well and force people out of business.

He spoke about the FDIC proceeding with liquidating their assets; that it does not conduct auctions effectively as it does not have experience in the area.

Number 541

In response to a question from Senator Josephson regarding the impact on the remaining banks, Mr. Low said that the FDIC or OCC (Office of the Comptroller of the Currency) will continue to examine loans. When examining real property used as collateral, they will force the banks to write down the loan according to the market, thus impacting its capital position. It would not be easy for any bank to raise capital.

Number 558

Senator Rodey explained the "ratchet" theory in banking. Assuming you have four banks with $1.5 billion in loans. The theory was if one bank fails, it will drop property values, and each succeeding bank below it would fail as property values go down. We have had two bank failures and property values have gone down as much as 50%. The doomsday scenario is every bank ratchets as property values go down. After you get through the four troubled banks, you reach the healthy ones. If their portfolio is only worth $.40 on the dollar, they are in jeopardy as the OCC can close the banks since they are illiquid. The remaining banks are those that are ratchets of outside banks.

Number 572

Senator Josephson inquired whether the proposal was not detrimental to one bank as opposed to another. Mr. Low said "yes." Senator Josephson asked, if the Legislature decided to pursue the proposal, was he looking is for legislation, or a catalyst to bring the groups together. Mr. Low affirmed the latter suggestion.

Number 581

Representative Boucher relayed the problems a man had with FDIC concerning a performing loan. Mr. Low said the FDIC doesn't come in by itself; it would turn the loan over to another bank. If the FDIC was liquidating, it's another matter as they're not in the loaning business. If the loan had been turned over to another bank and the customer had a line of credit with the failed bank, the assuming bank may not make lines of credit. Further, the FDIC has a $13 billion fund and just broke even last year. To maintain that level, it has to liquidate; and it doesn't have the flexibility of making allowances.

Number 620

Senator Faiks asked if it were true that all banks could participate equally in the purchase of FDIC's assets; and how banks that are cash-poor could compete. Mr. Low said presently banks' loan-to-deposit (LTD) ratios are fairly low, so there is capital available. He discussed the LTD's seasonal fluctuations and said that there is money available in Southeast. The question is whether the bank's decide to lend, or invest in federal funds or securities.

Tape One, Side Two
Number 644

In discussing the low cash positions, Representative Boucher said in his talk with someone from the Employees Credit Union, the person indicated that loans were down and they did not have a strong cash position. People are cautious; savings are at the highest, and consumer confidence had dropped -- which takes money from lending. If people would save 1% less around the state, it would mean an influx of $85 million. Mr. Low commented that a 30 year Treasury bond is paying about 8.32% interest and that certainly is not as good as making a loan at 12-13%.

Number 689

Senator Josephson said he had another question of Jim Barnett and asked for clarification of the request before FDIC. Mr. Barnett said the structure of the transaction is FDIC would fund the $250,000 on a non-recourse basis, nothing is returned to AEDC if is doesn't work. There are various ways of funding the project and none, including bonds, would require the full faith and credit or obligation of the state.

Number 767

Senator Sturgulewski commented that the FDIC could be negotiating with a number of parties. Mr. Barnett said that different responses are received from FDIC, depending on whether it's said publicly versus privately. Senator Josephson asked whether the Legislature should be involved at all. Mr. Barnett said the AEDC proposal was not meant to be mutually exclusive -- to eliminate any other proposal. One problem with the AEDC proposal is that it will create an entity similar to a bank and receive requests for better than existing loan terms. The plan is to establish a non-profit corporation independent of AEDC managed by bankers and accountants. The corporation would not be lending money, rather conducting workouts on the portfolio.

Number 822

Representative Boucher spoke about his discussion with David Cuddy, Senior Vice President, First National Bank of Anchorage, on the $250,000 proposal. Mr. Cuddy said that the loans have been picked over; they had immediately rejected 1,000 loans. He thought the evaluation could be done for approximately $25,000, and bankers agreed that it could be done under $250,000. Mr. Barnett said that if the entire amount is not necessary, the remainder would be returned.

Number 865

Senator Rodey thought it might not be reasonable to assume that anyone can get the FDIC portfolio without money. They are trustees of public money. While they expressed a willingness to finance, they probably will not finance the entire amount. The Legislature needs to make a decision on whether it is willing to spend any money on the FDIC package; if not, is it willing to provide a state guarantee and have private investors take the package; or do nothing, and be up front with everyone as soon as possible.

Mr. Barnett said another alternative is to wait for the results of the AEDC and FDIC negotiations. He stated that while $250,000 is high, they're not sure what's in the portfolio or what problems might arise. AEDC has spoken with Sealaska officials about the proposal, and they hope to get the banks involved.

Number 940

Senator Sturgulewski outlined the agenda for the next meeting: (1) Willow Park housing project; (2) status report of actions by FDIC; (3) bill providing for a guarantee program (Senator Halford); (4) responses to Senator Faiks' requests; (5) "smaller banks" request for money ($18 million to bring 3-4 institutions' capital back to their 1985 level), and (6) "Southwest Plan", a proposal introduced in Texas aimed at assisting Savings & Loans institutions and Savings Bank; and federal legislation of which other resource states have not received benefits.

Number 004

Senator Jones requested the sponsors of the bills to consider incorporating sunset provisions (3-4 years) so they can be reviewed.

Senator Eliason commented the Senate needs to get responses from the House on the proposals. Representative Boucher agreed.

There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:20 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 7, 1988
6:00 P.M.

MEMBERS PRESENT

Senator Lloyd Jones, Co-Chair
Senator Arliss Sturgulewski, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Pat Rodey

MEMBERS ABSENT

Senator Jack Coghill
Senator Dick Eliason
Senator Fred Zharoff

WITNESS REGISTER

James Cairn, Chairman
The Hallwood Group
767 Third Avenue
New York, New York 10017
(212) 319-2360

ACTION NARRATIVE

Tape Two, Side Two
Number 913

Senator Jones, Senate Co-Chair, called the meeting to order at 6:04 p.m. Senator Tim Kelly was also in attendance.

James Cairn, Hallwood Group, was the guest speaker for the meeting. He advised the committee of his background in the banking industry which, among other things, included serving as President of the American Bankers Association (ABA) and the history of the Hallwood Group. The proposal for the establishment of the Hallwood Alaskan Real Estate Stabilization Trust (Trust) was distributed to the committee. The FDIC asked the Group to look at the Alaska Mutual Bank (Anchorage) and they reported they did not think they could reorganize the bank for the reasons tgat it was economically viable and concern about the overall state economy. They advised the FDIC that if the group had a larger size and better distribution they might be able to assist -- thus came the merger of UBA, UBA-SE and Alaska Mutual into the Alliance Bank of Alaska. Before the restructure was completed, they were not financially obligated to complete the transaction but, by that time (October 19, 1987), they had done a lot of work and knew more about the state. Working with the FDIC they were able to buy some time and on January 28, 1988, they closed the transaction which includes an investment from the Group.

Number 095

Mr. Cairn paraphrased from the prepared text (Proposal) on the background of the proposal which set out the existing economic climate of the state and the negative impact that dumping of property would have on the local market: collapse of the fragile price structure and ensure the continuation of the current recession. The objective of the Trust is to prevent a further decline in real estate values by allowing the Trustee of the Trust to manage the liquidation of part of the Trust assets in a manner that would protect the citizens and financial institutions that would be participants in the program.

He commented that the banking system in the state is fragile. The theory provides that if banks fail, others will come in; however, we are a long distance from the Lower 48 and there are differences in our economy. He noted that First Interstate of Anchorage was taken over by a local bank and not by the interstate chain.

Number 250

He addressed the proposal and said Hallwood recommended the establishment of the Trust for the purpose of liquidating the property as promptly as shall be economically feasible. They anticipate that the property will consist of single family homes, condominium projects, apartment buildings, a few office buildings and other commercial structures, shopping centers, parcels of raw and improved land, and non-performing or partly performing mortgage loans. It is their intention that all transferred assets will be recorded in the Trust's books at fair market value as of March 31, 1988 (not set date). The fair market value of real estate should be based on independent outside appraisals, in accordance with accepted appraisal methods, etc.

It is intended that Hallwood will act as the Trustee for the Trust which would be established for an initial ten-year period; and do not think this is a short-term problem. It is intended that a Procedures Agreement be drafted to establish a minimum sales price for each of the transferred assets (what the Trust could sell them for), approved by the Trust Board and that minimum sales prices will be based upon appriased values, but changed from time to time. The Procedures Agreement will also establish restrictions on financing by the Trust although it is intended that the Trust will offer financing to purchasers of properties. The Trustee's powers and duties would be governed by the Trust but the Agreement would generally authorize the Trustee to preserve and manage, but not to develop the assets. The Trustee would have the discretion, for marketing purposes, to obtain necessary appraisals, feasibility and engineering studies or marketing surveys. It does not see properties being transferred under the Trust to require large amounts of cash flow -- it's a holding trust and a marketing trust not a construction or new development trust.

Number 258

Mr. Cairn continued that as to borrowing funds, the Trust Agreement would provide that borrowings shall not exceed an aggregate of 10% of total Trust assets at appraised value and further, that borrowings may only be made from the State of Alaska, and those borrowings must be secured by any profit which might result from future sales of the assets. Under such borrowings, they would expect the State to rollover interest payments to the extent that such payments were not available out of the Trust's cash flow. It is not anticipated that the Trust will need to avail itself of this borrowing facility, and it is anticipated that the cash flow from the prospective sale of Trust assets, together with $15 million cash as requested, would be sufficient.

Under the terms of the Distribution Agreement, the Trustee would first satisfy itself that sufficient working capital is available to the Trustee to continue to operate, and only after you have done that would funds be distributed to beneficiary institutions. The Trustee would be empowered to sell off blocks of property to other trusts or corporations dedicated to long-term holdings. They think there are very good opportunities for that.

Insofar as the assistance from the State of Alaska, in order to ensure that the trust if funded with sufficient working capital, they are requesting that the State, through one or more of its agencies, to subscribe the sum of $15 million in cash to the Trust for which the State shall receive a proportional interest in the Trust. So, as the assets are liquidated, the State will receive their proportion back based on that subscription. That would ensure that, if the property is held off the market or managed more effectively than anticipated, the State would benefit the same as anyone else. It is anticipated that the $15 million plus the proceeds of the sale of Trust assets would be sufficient to ensure the continuity of the Trust and the payment of all marketing and general and administrative costs and expenses of the Trustee. But if it isn't, they would ask the State to enter into a standby credit agreement with the Trust whereby the State would agree to advance to the Trust up to 10% of the Trust assets secured by a first lien on the profits that may be realized by the Trustee from future sales of the Trust assets. Repayment of interest and principal upon such loans drawn down during the life of the Trust shall have priority to any distributions of any profit made to beneficiaries of the Trust.

Mr. Cairn felt the key to this, after you stablilize it, is that the property that has been placed in the Trust is free and clear of a lien, because the person who put it there has taken back an interest in the Trust for their contribution or property. The $15 million is used to pay the carrying costs, and the amount necessary to hold properties off the market so you can manage them and evaluate the loans, the marketing process. He discussed the advantages of working out loans versus foreclosure. Banks do have money to lend at this time.

For real estate owned, professional quality sales packages will need to be prepared for each real estate property. Each package will contain a full description of the property site and improvements, income and expense information, leases, taxes, etc. Both real estate owned and real estate loans deemed appropriate for foreclosure will be marketed for sale although particular care will be taken with regard to the amount and pricing of real estate offered for sale in the local Alaskan marketplace. The major marketing effort, they believe, needs to be to foreign investors, and in most cases, non-American. He discussed Hallwood's international network and its experience in the liquidation process. The total value of real estate properties and loans liquidated over the last five years is in excess of $300 million. Sales brochures will stress the current Alaskan economic climate and the cyclical nature of the economy and likelihood of early recovery. Foreign investors will be offered a speculative real estate investment on a highly leveraged, non-recourse basis. For the payment of a 20% deposit, buyers will be speculating on the dollar, the oil price and the Alaskan economy.

Number 445

In short, anywhere there's a local investment market and no exchange controls, they will find and motivate an experienced local agent to offer Alaskan real estate. Buyers will also be offered a management service where their local managers will, for a small fee to be cash flow to the Trust, manage the local investment portfolios on behalf of these non-resident investors. They believe that marketing to foreign investors in this way will not pose a threat to the stability of the local market as an investor buying from them will be buying on a long-term hold with a view to capital gains sometime in the future. They will also be organizing regular marketing trips to Alaska by foreign investors, many of whom will also be interested in other Alaskan commercial development projects, they think.

For this they do not expect to receive any fee. They have invested in the Alliance Bank and they are trying to protect that investment. They do not want to put the Bank back to the FDIC at the end of 18 months. They would like to be reimbursed by the Trust for out-of-pocket expenses and if there is a special distribution, as described, there would be a small fee. This concluded his opening remarks.

Number 484

Senator Sturgulewski asked that he provide a brief explanation of Hallwood's involvement in the Alliance Bank. Mr. Cairn said the original proposal was that Hallwood would raise $65 million and FDIC would add $295 million for injection of capital into the bank totalling $360 million. Hallwood does not invest its own money rather, it attracts institutional investors that it has around the world. The result of the offering is that Hallwood put $57,300,000 plus into the Bank so they have made a cash contribution of that amount. The balance of the money was put up primarily by the Fidelity group and a few other institutional investors. The FDIC did put up the remainder and the capital was used to do three things: (1) it brought the deficit net worth of the organization up to a net worth of $110 million; (2) it allowed the Bank to writedown all of its real estate by creating reserves; now there is a reserve of approximately $130 million against $220 million of non-performing loans; and (3) it allowed all the real estate that was owned to be written down to its fair market value, so that the $80 million was originally approximately $180 million. Of that $80 million, about one-third of it has been sold. The Bank is strong from a capital point.

The transaction occurred so that at the end of 18 months, if Hallwood feels that the Bank is not going to be economically viable, it can go to the FDIC and say "pay us back the money we have put in", and the FDIC will not only pay back the $57.3 million but will also pay 90% of the cost of that money while they had it in the Bank.

Number 545

Senator Kelly asked if structuring the Trust would allow them to be more economically viable in 18 months and encourage them to stay in Alliance Bank, and how soon could the program be operable. Mr. Cairn thought it could be operating immediately. They have already hired an attorney experienced in banking law in the Alliance Bank, and brought in systems to account for and manage the properties. They could take on other personnel as soon as they are available. In terms of assisting Hallwood, he felt that they only need assurance that the Bank will be profitable at some point in the future, and they would like to think they have control of the property overhang and not create more problems.

Number 588

Senator Kelly asked how do they get other institutions to join in their Trust. Mr. Cairn answered that the group has people in place to do the job. The proposal buys everyone some time and carries the cost. The loss is already there and they have accordingly created their reserves. Concerning the question why should institutions join he said if they put in their assets, they get the time to recover and the management of the properties. The FDIC has not yet responded to this same proposal.

In responding to Senator Kelly's question about what happened in the Alaska Mutual Bank's situation. Mr. Cairn said they got all of its accounts, including UBA and UBA-SE, none of that went to the FDIC. In the formation of Alliance Bank, the FDIC put in \$295 million and \$100 million plus was written off. Reserves were set at \$130 million and the rest put in capital, and he explained the shareholders interest and their investment. In discussing the FDIC's involvement, Senator Halford said it had contributed \$570 million. Mr. Cairn said it was an unprecedented effort on behalf of FDIC and the Hallwood group is also focusing all its efforts in bringing capital to the state.

Number 696

Mr. Cairn continued that capitalization of the Trust would be the value of all the assets contributed plus the \$15 million. For those contributions or money, people who gave up the assets or cash would receive an interest in the Trust. The \$15 million would be used to pay for ongoing operations and to that cash would be added rental income and other income from the properties; taking away from that would be salaries, taxes, maintenance expenses, etc. To the extent the \$15 million plus income from properties is insufficient, they would then ask to draw down a loan to keep the Trust alive.

Tape Two, Side One
Number 002

Mr. Cairn said the idea would be to market the property and there would be cash involved. They don't want to see properties put in that require very much cash to hold. An example would be an office building that requires tenant improvements; they would not want to fund the improvements out of the cash, rather lease it without the improvements and make the lease/sales price lower so that additional cash would not be invested. Or, sell it to a developer and finance the purchase out of one of the financial institutions, including their own. There's no shortage of money to finance, but shortages in money come from operating and carrying costs. The Trust would be available to those that fit the criteria of the agreement. It appears there might be as much as $800 million worth of real estate classified as eligible for the program.

Number 118

Senator Josephson asked about how they market in foreign countries. Mr. Cairn described how they take the existing market value and offer to sell for 60% of what it would cost to construct, the person could buy it for 20% down, no recourse loan, to be financed over ten years with interest. The value of the dollar could be half of his/her currency, such as the Japanese yen. In this instance, the person stands to make ten times his/her investment if successful; if not, he/she looses it.

Senator Josephson asked how any further instability in the Alaska banking industry would affect the Alliance Bank and Hallwood. Mr. Cairn said that Alaska's economy is different from the rest of the country. It's a special consideration to stabilize the banking environment here, especially concerning Alliance Bank.

Number 249

Senator Sturgulewski asked for information on the non real estate loans in the FDIC portfolio. Mr. Cairn said he has not had a chance to review the loans; but if the loans are viable, they would be willing to take over the loans. She commented that in material from FDIC that as many as 5,000 jobs could be involved in non real estate loans. Mr. Cairn said they would help with restructuring a loan, if necessary.

Number 291

Senator Sturgulewski asked if all that was necessary to create the bridge bank other than Hallwood creating the structure; and the state's $15 million and potential loan of 10%. Mr. Cairn affirmed the comment and said they would work with state agencies to accomplish it. They are in the process of doing all the documentation which was described. One important element is how they market the properties. It's not just the $15 million, it's their reputation and their ability to say there is an organized process in place to handle the problem.

Number 339

Senator Faiks asked what types of property and under what circumstances are properties placed in the Trust. Mr. Cairn said the first decision is with the bank that has the loan now. If turned over to the Trust and a determination is made that it is economically better not to foreclose, they will not do so. Under that scenario, it would not be sold to a foreign investor. However, in the reverse situation where the businessman cannot afford the property, it might be packaged and the seller might be the businessman who leases it back.

Number 413

Senator Kelly commented the Hallwood proposal considers the $15 million a beneficial interest in proportion to the subscription; and a loan to be paid back to the State of Alaska. The proposal the legislature introduced does not address the 10% loan or guarantee or advance of trust assets.

Number 427

Senator Josephson said there was some confusion. Mr. Cairn commented that concerning the $15 million, the state would stand with everyone else, for example: If the banks contributes $85 million of current value property and the state puts in $15 million so there is $100 million in capital; everyone gets one share for every million dollars. As the property is liquidated, you get your proportion as 15% of anything liquidated back. If they have to go for a loan because they ran out of the $15 million and need cash, that would be secured by the properties of the sales. Then, you would have a first lien on all assets to the extent of the cost of the sale.

Senator Josephson commented that the purpose is not to have the state be the guarantor of anyone's profit or loss but only to provide a hedge for administrative overhead.

There being no further business to come before the committee, Senator Jones adjourned the meeting at 7:10 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 16, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey

MEMBERS ABSENT

Senator Dick Eliason
Senator Fred Zharoff

WITNESS REGISTER

Tony Gambiner, Chairman
The Hallwood Group
767 Third Avenue
New York, New York 10017
(212) 319-2360

Frank Cox, District Director
Small Business Administration
701 "C" Street
Anchorage, Alaska
(907) 271-4022

Nancy Gross, City Manager
City of Unalaska
P. O. Box 89
Unalaska, Alaska 99685

Gary Daily, Port Director
City of Unalaska
P. O. Box 89
Unalaska, Alaska 99685

Dennis Robinson
Ounalashka Corporation
Unalaska, Alaska 99685

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:10 p.m. Senator Tim Kelly was also in attendance.

Tony Gambiner, Hallwood Group, addressed the committee on the Hallwood Alaskan Real Estate Stabilization Trust (trust), or bridge bank, proposal. He said that Jim Cairns previously discussed the risk to Alaska's banking system that would be caused if Alliance Bank would fail and the resulting decline of real estate values. They feel the state should take action to alleviate the problem. When they made the original proposal, they asked for an equity investment from the state of $15 million with allowance for further borrowings. They are now asking for an appropriation limited to $15 million, but it will only allow them to run the trust for one year. If, during that year, they are able to generate sufficient income from sales of the trust, without collapsing the local market, they will come back with a progress report. Then, if necessary, they will request the state to lend money to the trust.

They feel any action by the state should be conditional upon the FDIC agreeing to participate in the program. Otherwise, the FDIC might be expecting other opportunities for it to sell to third parties, which will be funded by some state agency. In responding to expressed concern that Hallwood, after its 18 month trust commitment, might put its shares in Alliance Bank back to the FDIC, Mr. Gambiner said Hallwood would be contractually obligated to run the trust for the ten year life of the trust. It is in their interest to run the trust because of their large investment in Alliance Bank. If they no longer have that investment, they would propose they pay a fee based on the negotiated pricing structure laid down between FDIC and the 27 beneficiary banks in the 27th Trust. They would then be compensated for the work they were doing, and would continue with their contractual obligation, unless it was felt they should be replaced.

Number 136

Senator Sturgulewski asked about their interest in Alaska Housing Finance Corporation (AHFC). Mr. Gambiner said they were not suggesting that the proposal be conditional upon AHFC joining in, since the state controls AHFC through its own authority. They have talked with Commissioner Tony Smith, Department of Commerce and Economic Development (DCED), and Mr. Gambiner thought the Commissioner was in favor of the project and he is to advise the Governor of his recommendation.

Number 158

Senator Josephson commented he had drafts of CSSB 408 () and CSSB 409 () for committee review. Mr. Gambiner had proposed amendments to the drafts as follows: CSSB 408 (), page 1, line 27, delete "corporations that have interests in" which would give them the power to take over failing banks rather than real estate portfolios.

They discussed whether the appropriation amount should be $15 million or $45 million in CSSB 409 () page 1, line 10.

Mr. Gambiner said the cost of the operation will depend on how much property is managed in the trust. If they assume the trust is limited to Alliance Bank, FDIC and AHFC's portfolios, they think the cost will be $15 million a year to run it. Until such time as the marketing efforts in the trust have produced an income stream that takes up the slack, they would look to the state to fund it. They intend to come back to the legislature after the first year, provide a status report, advise how much money will be needed for the following year, and make application to borrow that money in a manner similar to that laid down in the original proposal. The $45 million is their best worst guess of how much money they would need: $15 million equity investment and a drawdown facility of up to $30 million. Senator Josephson referred to page 1, lines 10-11, and said the source is not referenced because it will be a judgment call as to what it will be.

Number 226

Senator Josephson asked about reimbursement to the state. Mr. Gambiner said the $15 million would be invested in equity, the same way as any other participant (i.e., Alliance Bank or FDIC) will contribute property. That property will be valued at current market value and they will receive units or shares or partnership interest in the trust, which entitle them for distributions as these units are sold in the liquidations process. They are asking the state to provide liquidity in the form of cash and asking the beneficiary participants to put in their various properties. The state's money will be used to pay operating costs (management expenses) until such time as income is generated from marketing the assets. He explained the method by which the state would get reimbursed.

Number 275

Senator Sturgulewski commented that U.S. Senator Frank Murkowski informed her that they have requested the Federal Home Loan Bank Board in Seattle, Washington, to take an independent look at our situation and the report will be sent to his office on March 14, 1988.

Number 295

Frank Cox, Small Business Administration (SBA), came to the table. Senator Halford said the bill, SSSB 471, represents the re-write of the original bill with input from AIDEA and Mr. Cox. The bill establishes a program in AIDEA to guarantee business loans and to refinance debt. In response to a question from Senator Coghill, Senator Halford said the business assistance fund will be established with the existing funds in AIDEA.

Mr. Cox said that the legislature may be seeing a little paranoia on the part of AIDEA and they are being careful because they are afraid the banks will rip them off. He has been doing loans for 18 years and the SBA guarantees 90%.

Number 336

Senator Sturgulewski commented that it has been mentioned that this is a bank bailout approach and asked him to answer several questions pertaining the SBA loans. Mr. Cox said there would not be any advantage to a person, who qualifies for his program, to use AIDEA. SBA would guarantee 85%; and get an answer in five days whereas it takes the state 5-6 months to respond. Concerning SBA's delinquency rates, he stated the matter is difficult to address as FDIC has possession of approximately 35% of his portfolio. Before FDIC took some loans, the delinquency rate was 12% (60 plus days); his charge-off rate is 3.2% (loan losses on ten year continuum). AIDEA's 75-80% rule would not change.

Senator Halford said a question was raised about whether they should apply to new loans as well as refinanced. AIDEA was interested that they not apply to refinance. Mr. Cox favored the inclusion of the refinance, not to allow people to pull all the equity from the loans and run, but to help someone by restructuring their payments. Those are the loans, limited to 20 years, that help residents; new loans help those that stepped off the plane last year. SBA does refinance, but only to the benefit of the borrower and not to the bank. Many SBA loans are not real estate based; but working capital. It's much easier to collateralize real estate than working capital.

Number 407

Senator Jones asked whether the banks will take advantage of AIDEA. Mr. Cox responded that it is up to AIDEA to say "we're not interested in doing this deal." If they are credit-worthy, AIDEA should be helping them. Senator Halford explained why it is to the advantage of the bank to refinance good loans: they can take the AIDEA guarantee and sell the loan to someone else, which gives them the capital to operate and make loans.

In response to Senator Coghill's comment about the need to refinance soft assets (working capital, inventory), Mr. Cox said AIDEA could only make loans on hard assets in the past. Senator Halford outlined the method for which AIDEA expands its capital base.

Number 454

Senator Faiks made two points: (1) the bill expands the number of players that can go to outside markets to bring money into the state; and (2) recommended language inserted, if the committee agreed, to include consideration of what's been called soft assets. Would this expand AIDEA's statutory authority and create a major re-write of the bill. Senator Rodey said those actions would expand its authority. Mr. Cox added it could be addressed on a percentage level such as ability to withdraw 10% (or whatever) of equity to be used as working capital.

Senator Halford said the reason AIDEA doesn't allow loans on soft assets is they are dealing with the bond market; it doesn't make sense to go through the bonding process for a short-term working capital loan. Likewise, it doesn't make sense to go through the guarantee process for a loan that is based on short-term asset. He raised the question of what happens during foreclosure: AIDEA felt that during foreclosure, the principal should be paid first. The banks disagree with it and said, essentially, the attorneys' fees and cost of the foreclosure should be paid first, and then the principal. Mr. Cox said SBA gives the bank 90 days, and if they choose, SBA will buy it. At that point, SBA gives the bank the choice to liquidate; if not, SBA will do it. If the bank liquidates, SBA takes some responsibility for controlling the attorneys' fees and other cost. They have not had trouble in telling the bank that SBA will allow $10,000 in attorneys' fees and that's it. SBA's regulations address the process.

Number 494

Senator Josephson said the 90% figure has been criticized on the basis of it being a bank bailout and the state would be better to reduce the percentage. Mr. Cox said it depends on who is running the program and what type of credit judgments are being made. SBA is dropping its percentage from 90% to 85%.

Senator Coghill asked what percentage of SBA loans are for inventory and accounts receivables. Mr. Cox answered about 30% of loans are specifically for operating capital.

Senator Faiks asked, if possible, could Mr. Cox address the differences in their working relationship with banks than that of AIDEA. Mr. Cox said they assume the banks will act legally with them and normally everything is handled in the documentation.

Number 540

Senator Rodey addressed the inclusion of soft assets for purposes of AIDEA loans. He stated AIDEA was set up as a secondary market, not to deal directly with anyone, due to the state's delinquency rate (about 40%). When you move into the area of relatively unsecured loans, it has to be carefully considered, as AIDEA was not set up for that purpose. Responding to a question from Senator Coghill, Senator Rodey said the AIDEA bond program does have a restriction on soft asset loans. Mr. Cox added there is equity there that can be recaptured for working capital.

Senator Sturgulewski asked if the SBA had a debt ceiling. Mr. Cox said there was a national limit, maybe $6.5 billion, that has only been reached twice. She asked if there was any flexibility for SBA to service the market rather than our creation of a loan program. Mr. Cox said the SBA is responding; part of the problem is that AIDEA has much of the collateral, which leaves little collateral for anyone to base a loan. Senator Rodey added that bond covenants are involved.

Number 580

In responding to a inquiry from Senator Sturgulewski about appropriating funds for capital reserves, Mr. Cox stated AIDEA has about $300 million, with profits of almost $20 million last year and $30 million the year before, maybe they should use that.

In discussing SBA's strict guidelines, Mr. Cox said their decline rate is about 5-6 times as high; it used to be less than 1%, and they have had months where they have declined up to 30%.

Senator Sturgulewski said they've heard charges the state program has been subject to political pressure and asked if that was a problem in SBA. Mr. Cox stated it is only a problem if the person that is running the program responds to it.

Number 600

Senator Josephson said, in a situation where the originating bank fails, does it create special problems. Mr. Cox answered that it does if FDIC takes the loans. They have several hundred loans now in the hands of FDIC and they know they are current; but the FDIC, as trustee for the debtor, has them in an account. Because they are in the secondary market, SBA will end up repurchasing the loans. In particular, if you send a payment on a loan, the FDIC puts it into a holding account and doesn't remit the payment to the purchaser in the secondary market. The secondary market wants to get payment on the guarantee. The FDIC doesn't care if they fail; they want money.

Senator Halford recommended the committee support the bill as part of its legislative package.

Tape One, Side Two
Number 652

The committee generally discussed the shifting of responsibilities from banks to AIDEA. Senator Rodey commented that banks are only servicing agencies; they get a fee from AIDEA. The bill does not shift the burden; it remains on AIDEA.

Senator Halford said the banks would probably like to shift the burden to AIDEA, if they could. The major benefit is drawing capital into the state. The bank may sell some of its good loans which they would not have been able to sell without the guarantee; then take the money from the sale and make more good loans. The banks are trying to bail out their bad loans with their good loans and good business. If we can expand their capacity on the positive side, we can help them carry their negative side.

The committee discussed Senator Coghill's concerns about inclusion of soft assets in the bill. Senator Faiks recommended that the bill be considered part of the package as is, since she has another bill which allows AIDEA to take up to 25% equity in refinancing loans.
That bill would be a better vehicle for this issue.

Senator Rodey moved and asked unanimous consent that the bill be considered as part of the package. Hearing no objections, it was so ordered.

Number 820

At the request of Senator Zharoff, the committee heard from Nancy Gross, City Manager; Gary Daily, Port Director; and Dennis Robinson, City Council Member and Ounalashka Corporation Board member, of Unalaska, Alaska, concerning a fisheries proposal.

Mr. Daily explained home porting for the American factory troller, the Alaskanization of this industry and what it means to the state and residents. Currently, there are 41 Alaska factory trollers, mostly from Seattle. A factory troller is a vessel approximately 200-300 plus feet in length, the retrofits and costs range from $17-35 million. To show the significance of the value in terms of jobs and income, the Port of Seattle recently appropriated $200 million to upgrade its maritime moorage facilities to ensure they retain the factory trollers there. The 41 factory trollers give 240 persons/per troller with jobs which equates to just over 9,800 jobs. In 3-4 years, they are going to double the amount of trollers, resulting in excess of 22,400 jobs.

He continued to provide a history of the bottomfish industry in the state, and explained the chart detailing the fisheries' resources. U.S. Customs and Immigration are located in Dutch Harbor. He then noted the values of state and international fisheries, specifically 1.2 million metric tons of bottomfish, per exvessel value, exceeds $2 billion; and the impact the industry has on jobs and support services. He felt the key to unlocking the Seattle monopoly was to provide a shore-based facility; they have $60 million worth of business in a 10,000 foot area in Dutch Harbor which involves relations with 14 nations.

Number 988

Senator Sturgulewski asked about the monetary request. Ms. Gross pointed out that fisheries of the Bering Sea, particularly the bottomfish, per every 5% of revenue from the industry, can attract $100 million into the state.

Senator Faiks asked how that money arrives in the state. Mr. Daily responded it includes shops, cold storage, processing, cargo, trans-shipment, jobs, fueling, etc. Cold storage in Japan is eight times as expensive than Alaska, and there are three requests for construction for facilities in Unalaska. He said fishing crews are hired out of Anchorage.

Senator Faiks commented if the state could capture 5% of the market, there would be a spin-off of $100 million in both capital and salary investments, but it would not be every year.

Number 072

Senator Josephson referred to the proposal and commented it did not include the specifics for project description #2, and asked what is necessary to make Anchorage the service center they discussed. Ms. Gross answered that that section of the proposal represents the research Anchorage needs to do to get marketing plans.

Senator Halford asked the total budget of Unalaska and how much is spent on debt service. Ms. Gross said the total general fund budget is about $4.0-4.5 million annually; they are maximized out on bonds which is one of their problems. They have been carrying, on the books, a population of 1,922 for several years, and this year, C&RA decided their population was 1,331. The Bond Bank will not talk to her; and she looked at an assessment district and was told that 35% of the land is not assessable because it is undeveloped land granted to the village corporation under the ANCSA.

In response to a question from Senator Halford about using revenue bonds for the dock, Ms. Gross responded the problem is the users have said when the city gets the facility, they will sign long-term leases for use; however, the city can't get the revenue bonds until they have the agreements.

Number 123

Senator Jones referred to the renewable resource aspect of fishing and asked how a sustained yield could be guaranteed. Ms. Gross said federal enforcement was necessary, such as the Coast Guard patrolling the area. However, the biological aspects of the waters make it so nutrient rich along the coast and shelf that the Japanese, who have fished the area for 20 years, have not impacted the yield.

Senator Sturgulewski compared the ports of Southeast (120-122 tourship stops/year) and this port which gets over five times that amount. She said the committee would not be able to take any action on the request.

Ms. Gross said there was a House Bill that addresses the request. In response to a question from Senator Halford, Ms. Gross commented their annual budget does not include the school budget; simply operating the electric, water, sewer, utility, port, airport and terminal, etc. that are general operations.

Number 163

The committee decided the next meeting would be a work session on bills and proposals already presented for discussion. There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:31 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 22, 1988
5:15 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey
Senator Fred Zharoff

MEMBERS ABSENT

Senator Dick Eliason
Senator Rick Halford

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Jones, Senate Co-Chair, called the meeting to order at 5:26 p.m. The committee generally discussed actions by the Joint Committee and Senator Sturgulewski commented that it is felt that support from the committee on specific bills will give the bills an extra boost.

Number 091

Senator Jones commented that the first three bills listed on the agenda, SCR 32, SB 333 and SB 392, were already adopted by the committee and pending in the House so further action was not necessary.

The next order of business was consideration of SB 408, CSSB 408 () and CSSB 409 () pertaining to the Alaska stabilization assistance program, and funding for that program. Senator Faiks commented that the committee substitute would support the Hallwood proposal. Senator Sturgulewski talked about the need to firm up the administration's support as it related to real estate, banks and bridge bank proposals.

Number 183

Senator Josephson commented about the drafting of the committee substitute and the intent to get the concept of the proposal on paper for review. The question is whether something like the Hallwood proposal should be considered, and messages from the administration have been mixed. Senator Coghill felt a new funding base needed to be dealt with and, perhaps, it could come from AIDEA. He is opposed to raiding the Railbelt Energy Fund.

Senator Sturgulewski said it was possible to support the concept of the bridge bank but not support the funding mechanism. The Commissioner of the Department of Commerce and Economic Development (DCED) has proposed taking the outstanding loans being repaid to DCED and transfer them to the Alaska Industrial Development and Export Authority (AIDEA) as a potential source of money for the guarantee program, so the reserves of AIDEA would not be used.

Number 269

Senator Faiks moved that the CSSB 408 () be adopted. The committee discussed the bill at great length. Senator Rodey pointed out it would be possible for the state to provide a guarantee to seek private investors; that mechanism has not been discussed and it would be ultimate form for privatization for a bridge bank or other measures.

In discussing the funding source, Senator Josephson said CSSB 409 () provides that the sum of $15 million be appropriated; however, the funding source was left blank, as it is yet to be determined.

He moved that the motion be amended to include the concept expressed in Senator Sturgulewski's memo, page 2, paragraph 4A, and change the reference to CSSB 408 ().

Number 335

Senator Faiks amended the motion to say the concept should be forwarded to the standing committee for further study and processing (See Number 645).

Senator Coghill asked for clarification about the reference to troubled financial institutions and state agencies. Senator Faiks responded it said the potential for relieving the pressure of property management for private financial institutions and some state agencies would mean the OREO (Other Real Estate Owned) file of AIDEA, the mobile home and condo portfolio of AHFC, etc. She did not think it would include mining or agriculture loans.

Senator Sturgulewski added the bridge bank concept allows participants to have the assets managed collectively. She did not think there was a limitation, but some loans probably would not fit into that management scheme.

Number 413

Senator Zharoff asked why the effective date was changed from 1992 to 1998. Senator Josephson thought it was to fit into the Hallwood Group's marketing scenario. Senator Faiks stated it was consistent with testimony from ISER and other economic recovery reports that indicated the period for recovery and stabilization of real estate values could possibly take that long.

In response to a question from Senator Coghill, Senator Josephson said the bill addressed loans that are collateralized by real estate. Senator Sturgulewski stated the bill addressed property in the hands of an agency, approximately $800 million in value; another element, which is not dealt with is the $200 million in loans on businesses -- loans that need a banking relationship for ongoing credit. Senator Rodey added that AHFC property is insured, so the public investment is covered. Their portfolio could be viewed at 90% real estate plus commercial.

Number 536

To address Senator Coghill's concern about loans secured by inventory, etc. (soft assets), Senator Josephson stated that language could be included to say this chapter does not apply to loans made under the authority of -- (list statute reference).

Senator Jones asked if money would be left to take care of good loans. Senator Rodey said if you stabilize the bad loans, it might enhance the market enough for AIDEA to sell bonds and finance new construction. Senator Josephson added that a $15 million contribution would not significantly affect AIDEA's lending ability, but it raises a larger question in the different approaches to handling the surplus market.

Senator Sturgulewski said that the state should build a floor for the proposal but limit its involvement; we do not have enough information to say we should commit $15 million this year and so much next year, etc. She wanted to make sure it is structured so the state gets its money back.

Number 645

Senator Faiks reiterated the motion that the concept should be forwarded to the standing committees for further study and processing. Senator Josephson requested the added language to deal with Senator Coghill's concerns (See Number 536). Senator Jones said there was consensus from the committee on taking this action. The committee took no action on SB 409/CS SB 409 ().

Number 670

Senator Sturgulewski addressed item B, page 2 of memo, concerning SSSB 471 which the committee has previously endorsed. She requested the Senate Finance Committee review setting a cap or maximum limit to the total amount of loans funds that can be guaranteed by AIDEA, and guidelines for private financial institutions to offer refinance debt packages and guidelines for new business loans. The committee thought a sunset clause was already contained in the proposal.

Senator Sturgulewski moved and asked unanimous consent that the above action be taken. Hearing no objections, it was so ordered.

Number 699

Senator Faiks moved that the committee adopt SB 474 and recommend it be amended to remove the section which increases the housing exemption in bankruptcy to $54,000 in equity to exemption of the home from bankruptcy. (This amendment was later dropped.) Senator Josephson said this is the policy in Texas; the result was risk-takers and entrepreneurs are encouraged to make Texas their home, the "John Connelly" provision. Maybe Alaska could derive some social benefits from it. Senator Rodey said he could see some practical banking problems with it, it is quite complex.

Frank Homan, Aide to Senator Sturgulewski, asked if you exempt the home, how would it work for security on a loan, as the bank would be unable to foreclose on it. Senator Josephson was not sure if you could exempt it from unsecured creditors but not the secured creditors.

Number 781

Senator Coghill raised the issue of mining claims and fishing boats being considered peoples' principal residences. The committee discussed the state and federal exemption laws.

Senator Josephson provided the following example: if you have a mortgage on your house and you file for bankruptcy, the property can be foreclosed on and sold and the value you get from auction goes back to you. So, if the creditor puts your house up for sale, and the exemption is $27,000, you get the first $27,000 and the creditor gets the rest. Under this amendment, you get the first $54,000 and the creditor gets the rest. Senator Rodey added: if you have $26,000 in equity, you keep the house.

Senator Faiks said the bill doubles the value of each category of exemptions, but does not change other provisions.

Tape One, Side Two
Number 885

It was determined that the chart reviewed by the committee was prepared by the Senate Advisory Committee at the request of Senator Halford's office, which requested information on federal and state exemptions. Senators Josephson and Rodey commented that federal law looks to the states for exemption laws, and only in the absence of a state law does the federal exemptions apply.

The committee discussed the provisions of existing law compared to the bill, and Senator Faiks provided a current list of exemptions. Senator Josephson commented if the bill is passed, it might become more attractive to file bankruptcy since you can keep more of your assets.

Number 015

Senator Sturgulewski stated that since Senator Faiks removed her amendment to the bill involving total exclusion of the home, she did not have a problem with the bill as proposed.

Senator Zharoff added, if adopted, it would limit the creditor's ability for relief. Senator Josephson said when a credit judgment is made, the thrust of the issue is whether the borrower has the ability to pay - not the fine tuning of lending policies. Senator Rodey said the bill is remedial in nature, our state exemptions are too low, regardless of the bad economic situation.

Number 114

Senator Jones said there was consensus that the committee adopt SB 474 and recommend it to the standing committee.

The next order of business was consideration of SB 476 creating the supplemental assistance fund for Railbelt Communities, and SB 477, special appropriation to the Department of Community and Regional Affairs for the above Fund.

Senator Sturgulewski expressed some concerns about the bill, due to the assistance being focussed on a particular geographical area.

Senator Faiks spoke in favor of the bill and detailed the background on the establishment of the Railbelt Energy fund. She said "the money in the general fund is only there because the state Constitution says we cannot dedicate funds; and in the legislation setting up the Railbelt Energy Fund, it says that the Legislature may appropriate the interest generated by the Fund into the Fund." It was anticipated that the interest kept in the Fund would generate additional money; and she felt the $31 million belongs to the Railbelt communities.

Number 197

The committee discussed, at length, action on large state projects that are not yet completed, and income generated from other regional sources that are not returned to those specific areas. Senator Coghill said he would support the first bill but wants the appropriation reduced by $4.9 million for construction of the power line between Cantwell and McKinley Park. Senator Zharoff expressed concern of self-interest legislation; and Senator Sturgulewski commented on the urban-rural split.

Senator Faiks reiterated the Legislative Intent which provided that the money be returned to the Railbelt area; and said that 27 communities in that area have asked for additional assistance. Further, last year $50 million was taken out of the Railbelt Energy Fund and put into the general fund for everyone to use; this $31 million belongs to that Fund. Senator Jones said he would prefer money for an identified project be spent on that project.

Senator Rodey moved for adoption of the bill. It was adopted by a vote of 5 yeas and 2 nays (show of hands).

Number 381

Senator Coghill moved that the appropriation contained in SB 477 be amended by reducing the amount by $5 million, as discussed (See Number 197). Hearing no objections, it was so ordered.

Senator Jones moved for adopted of the bill, as amended. It was adopted by a vote of 5 yeas to 2 nays (show of hands).

Due to the lateness of the hour and conflicts in schedules, Senator Jones adjourned the meeting at 6:44 p.m.

SENATE COMMITTEE OF JOINT COMMITTEE ON ECONOMIC RECOVERY
March 28, 1988
5:00 P.M.

MEMBERS PRESENT

Senator Arliss Sturgulewski, Co-Chair
Senator Lloyd Jones, Co-Chair
Senator Jan Faiks
Senator Rick Halford
Senator Joe Josephson
Senator Jack Coghill
Senator Pat Rodey

MEMBERS ABSENT

Senator Dick Eliason
Senator Fred Zharoff

ACTION NARRATIVE

Tape One, Side One
Number 002

Senator Sturgulewski, Senate Co-Chair, called the meeting to order at 5:11 p.m. She advised the committee that staff is still attempting to reach Commissioner Tony Smith (DCED), regarding the Department's recommendations to the Governor; and Willis Kirkpatrick, who is out of town. She provided a status report on the House and Senate bills.

Representative Steve Rieger, Co-Chair of the House Economic Recovery Subcommittee on Housing and Banking, began his overview of the House's legislative proposals.

With regard to HJR 72 relating to the residential real estate market, Representative Rieger said, in testimony they received from AHFC and Ron Lehr, it was clear that, with all the repossessions or possible repossessions, the decision-making was not focussed in one state agency. Many of the loans had been resold in the secondary market or guaranteed by some other party, so the state agencies did not have unilateral flexibility to work with the borrower. In using AHFC as an example, he said it would negotiate with MGIC or second lender in an attempt to get an agreement for restructuring or moving people from one condominium unit to another to bring the owner occupancy ratio up to a level where it's bankable again. The Resolution is an expression of support from the Legislature in their efforts.

Number 135

Senator Sturgulewski said it was comparable to a Statement of Intent; and Representative Rieger agreed. The House has already approved the Resolution.

Senator Josephson commented the Senate had a bill dealing with interest rates. Senator Sturgulewski said SCR 32 was similar to it and that it has been adopted on the House side. Senator Josephson referenced Senator Halford's bill that dropped the interest rates and said, assuming the agency was responsive to a policy, we would not need to enact legislation. There has been the perception that AHFC has been reluctant to take action. Representative Rieger said they generally had the impression that AHFC was operating in a spirit of cooperation, but the agency does not have experience in working with distressed borrowers and managing repossessed properties, etc. The House has recommended AHFC be given the authority, out of program receipts, to hire people to take care of these types of problems.

Number 200

Senator Rodey felt that AHFC was more than willing to cooperate as they have a large part of the market, and it is in their best interest to work with the other lenders. The House reduced seven positions last year, and these are the positions that would have handled the workouts. Also, there are legal difficulties with the state's anti-trust law; it is unclear as to whether AHFC's efforts in marketing could be viewed as being in restraint of trade. We need to exempt AHFC from the anti-trust act to allow for marketing stabilization efforts.

Senator Jack Coghill moved and asked unanimous consent that the Senate Committee endorse the concept contained in HCR 72. Hearing no objections, it was so ordered.

Number 432

The next item on the agenda was review of CSHB 432 (L&C) authorizing the Alaska Housing Finance Corporation to accept trades in certain cases. Representative Rieger said the bill was under active consideration; however, the Housing and Banking Subcommittee recommended that there needed to be a trading mechanism in properties involving negative equity and did not specifically endorse the bill. The Subcommittee has provided its draft to the House Judiciary Committee which may incorporate provisions from both measures. The first part of the bill provides direction for AHFC to allow trade into a different mortgage. In referencing the language (page 2, lines 3-5) which states: "Subject to appropriations, the AHFC may use up to one percent of its total fund equity to achieve the purposes of this section," Representative Rieger said it could be as much as $15 million. The Housing and Banking Subcommittee left it with a statement of concern that it be applied in an equitable fashion. He then described the difficulty in establishing equal treatment in negative equity situations. The bill also suggests a specific legal instrument in allowing the trades--a negative equity certificate which becomes a lien on the old property. They are awaiting response from Ron Lehr as to whether it will help the situation.

Senator Josephson asked how the negative equity certificate works, in detail. Representative Rieger provided the following scenario: you bought a housing unit for $100,000 and put 20% down, leaving $80,000 outstanding; but now it is worth $60,000--leaving you with $20,000 "under water". You would like to buy a new unit that now cost $90,000, so you go to AHFC (which will have some units in their repossessed loans) and indicate your preference to trade for a specific unit. The AHFC would establish your existing unit as worth $60,000, and you would get a certificate of $20,000 representing the difference. You negotiate a new loan for the new unit, with $10,000 down, leaving $80,000 borrowed. You now have two liens: $80,000 first mortgage and a $20,000 negative equity certificate, both secured by the new $90,000 unit. You are starting out "under water" again. Representative Rieger added there are attorneys in Anchorage working on whether there are other recourses available, but the answers are not back yet. They also want to determine if this process could have more participants, such as PMI (private mortgage insurance).

Number 349

Senator Josephson commented that people thought when they had PMI, that it was similar to a guarantor; but the insurance company said that perception is incorrect. The PMI is to protect against disasters.

In response to comments made by Senator Coghill, Representative Rieger said it was their intent that AHFC would still use some reasonable underwriting guidelines in the property trades. Senator Sturgulewski stated there has been a lot of interest in this bill but it was premature for the committee to act.

Number 407

HB 549, relating to notice requirements on the use of a deed of trust, was considered next. Representative Rieger said the bill had just been introduced that day. It was a partial response to the Supreme Court decision and testimony about persons who did not know they were personally liable when signing a note secured by a Deed of Trust; or, if they knew it, they expected the lender to go against the Deed of Trust first before they went for personal liability. The bill provides that if a note is secured by a Deed of Trust; it is only secured by the Deed of Trust. If secured by a personal guaranty, it must indicate that and provide the procedures the lender will follow. The procedure is what is in existing law for a non-judicial foreclosure.

Senator Josephson addressed the bill he had drafted (dated 3/28/88, 5-2103A) to reverse the Supreme Court decision. He said the House bill provides that, if you want to retain all the remedies available, it must be set out in disclosure form. The Senate draft provides that, if you conduct a non-judicial sale, there is no deficiency judgment; and if you go through a judicial proceeding, there is sale of the property but no Deed of Trust.

Senator Rodey indicated in order to achieve the desired results, it must be done through election of remedies which is the only constitutional way to do it. The House approach is prospective and the Senate proposal is retrospective. In discussing the situation, he said you can't prohibit people from suing on the note because of impairment of contract. The two bills are not incompatible.

Number 491

Representative Rieger added that some House members were not comfortable with the House bill; they felt it did not go far enough.

Senator Josephson moved and asked unanimous consent that the Senate draft bill be presented as a Senate Judiciary Committee bill. Hearing no objections, it was so ordered.

In discussing action on HB 549, Senator Rodey felt the Senate draft was superior as it forces the election of remedies and effects past, present and future actions. Senator Sturgulewski suggested that the House consider the Senate bill.

Senator Josephson moved and asked unanimous consent that the committee endorse the concept and when the Legislature has reviewed the remedies available to beneficiaries and trustees, under Trust Deeds, it require better disclosure as intended by HB 549. Senator Rodey added it would be most efficient to draft a letter from the committee signed by the Co-Chairs to the committee of jurisdiction. Hearing no objections, it was so ordered.

Number 555

The next order of business was consideration of HB 550 authorizing the Department of Community and Regional Affairs to modify the terms of its mortgage loans. Representative Rieger stated all of state agencies that make mortgage loans, except DCRA, have catch-all language which addresses "acting to preserve the best financial interest of the corporation". It was Jack Chenoweth's opinion that the language was broad enough to allow restructuring, when necessary, except for the HALF (Housing Assistance Loan Fund) and HAF (Homeownership Assistance Funds) loans under DCRA. The bill says, in part, that you can reschedule payments if the loan modification would be in the best financial interest of the department and the state, and considered prudent by private lending standards (page 2, lines 6-9).

Senator Sturgulewski asked if the magnitude of their problem was known. Representative Rieger said the problem is a lot less in this program; they only had a 2-3% delinquency rate. The bill picks up 40-50 loans in the state that might benefit the borrower and the state, if payments could be restructured, rather than straight foreclosure. Senator Rodey said it represents loans outside the area that has been hit the hardest by declining property values.

Number 594

Senator Coghill asked what happened to the accrued interest that is delinquent now. Representative Rieger responded you can renegotiate an interest rate up to a period of five years, and that renegotiation is considered a forgiveness; it does not deal with the amount in arrears. Senator Rodey added a number of farm dwellings are financed under this program. The program differs from AHFC in its ability to modify the terms of the loan. We are protecting the public portfolio over the long run.

Representative Rieger said the House Committee will have a meeting with bankers about foreclosures on Thursday at 8:00 a.m.; and he asked if the House could have them address the Senate bill. Senator Josephson, sponsor, had no objections.

Senator Rodey moved and asked unanimous consent that the committee, by letter, inform the committee of jurisdiction that it recommends they examine the concept embodied in HB 550. Hearing no objections, it was so ordered.

Tape One, Side Two
Number 647

Senator Sturgulewski asked for an update on the HOPE program. Representative Rieger answered that it was going better; in the way they are getting to people that are just now having trouble but not yet in default.

Senator Rodey noted the program is accelerating and getting better. We set up AHFC as a secondary financial institution with a servicer (private enterprise) between the government bank and the lender to do some of the workout programs. Some servicers are not happy with working out problems with the lenders, as it is not to their advantage.

Senator Sturgulewski and Senator Jones agreed that the committee will notify the appropriate committees of action as it happens, and not wait for a large final report. She noted that Rod Mourant and Jim Lottsfeldt have been attending the House meetings.

There being no further business to come before the committee, Senator Sturgulewski adjourned the meeting at 6:00 p.m.

FBKS 1/30/88

State expert: Economy will never be same

By LARRY PERSILY
Associated Press Writer

JUNEAU—Alaskans must expect a different economy in the future, without oil money as the answer and with lower wages as the reality, says Commerce and Economic Development Commissioner Tony Smith.

"The ultimate solution to the problem is industrial development," Smith told a dozen senators and representatives Friday. Industry creates jobs, he said.

Oil money is not the answer to Alaska's sour economy, he said in testimony before the first meeting of the joint legislative committee on economic recovery.

Smith reported that hard rock mining in Alaska is up 30 percent this year. Tourism, timber and military spending also are on the rise.

"Ultimately, we need a number of small initiatives to allow us to manage our way through the situation," Smith said.

"The oil industry tells me that they squeezed 40 percent out of their cost system," he told legislators. As the oil industry reduces its cost of doing business in Alaska, he said, it "squeezes the cream" out of the state's economy.

Jobs that paid $4,000 a month for cooks on the North Slope will be replaced with ones that pay $1,200 a month on the ski slopes, he said.

Smith said he met this week with Juneau's mayor and talked about new mining jobs in the area that will pay $10 to $15 an hour.

"We're looking at a different economy," he said. "We spent our way into the problem. We can't spend our way out of the problem."

In giving a lesson on realism, he said Alaskans can no longer afford to "perpetuate the bubble" of a wealthy economy.

Senate co-chairman of the committee, Lloyd Jones, opened the session with a statement that caught no one by surprise: "We're at a time when the state certainly needs some economic recovery."

The Ketchikan Republican said the state's wealth is in its natural resources. "They're laying out there on the ground, in the ground and in the ocean."

House chairman of the committee, Max Gruenberg, followed with a report on everything bad about the economy.

The Anchorage Democrat said bankruptcies and home loan defaults are at their highest levels and thousands of jobs have been lost. He said the committee wants to hear from people who know where the economy has been, where it is going and what can be done to help it get better.

A proposed solution to the real estate recession

G. HAYDEN GREEN

Alaska has been besieged by a plague — it is called a real-estate recession and it is going to infect even more people before it's over. Unless the state intervenes and stops the value spiral that the market is in, prices will continue to deteriorate.

This is not a problem that can be passed off as only affecting investors who "paid their money and took their chances." It is a social problem that affects thousands of Alaskans.

The hundreds of millions lost in the recession does not include the decline in appraised values. Declining market values are for many people only paper losses; that is, inflation giveth and recession taketh away. But the real costs being borne in Alaska today are mostly hidden costs, ones that are seldom mentioned.

For example, it has been estimated that 60 percent of the homes in Alaska have a negative equity. What that means is that a portion of the debt service being paid on these homes goes to pay for value that no longer exists. Every month millions of dollars flow out of the state to pay for this negative equity.

A second social cost that is accumulating is in the form of deferred maintenance. Thousands of condos, single family homes, apartment and commercial buildings in both the private and public sector are not being properly maintained.

COMPASS

POINTS OF VIEW FROM OUR COMMUNITY

A recent study released by economists at UAA is giving many people unwarranted optimism. The economists have stated, and rightly so, that the economy will bottom out in mid-1988. This projection is based on an estimate of the number of jobs lost in the work force.

This does not, however, mean that the purchasing power of the typical family in Alaska will increase or that real estate markets will turn around.

The "HOAP" program introduced by AHFC is not going to resolve this problem either. It will, in fact, make the problem worse for many individuals and prolong the agony for AHFC.

Lenders don't want all of this property so they have devised a way to keep the property in the hands of the borrowers by increasing their loan obligation. A person who already has a negative equity and cannot make his payments is being encouraged to borrow more money. Then he will end up with a larger negative equity and an even greater incentive to default in the future. Some solution!

Only two solutions will cure the real estate problem; that is, increasing the population or reducing the supply of housing or some combination of both. Increasing the population while reducing the supply is the answer.

The least expensive means of removing some property from the market would be to create a "distressed real estate holding company." This would be a quasi-governmental/private corporation similar to AHFC.

It would need to be funded by seed money to form the entity and to guarantee interest payments on bonds for the first five years. Its primary source of money would be through the sale of 15-year bonds on the world market. Banks and secondary lenders, working in concert with mortgage insurers, could sell distressed real estate holdings to this company in exchange for stock in the corporation.

Of course the holding company would expect to purchase the property at favorable rates, including a reduction for mortgage insurance settlements. This would help resolve some of the asset to liability ratio difficulties facing banks by converting debt for stock (an asset) and it would help get some Alaskans out of housing they cannot afford without bankruptcy being their only remedy.

Using the money raised through bonding, the holding company would manage this inventory of property while, at the same time, taking it off the market. This would reduce the supply and help restore some of the lost value in all our homes.

As prices recover, the property would be returned to the market place over a 5- to 10-year holding period, being sold at future market prices and the holding company using this profit to repay the interest and principle on the bonds and to pay back the stock issued to the banks. The holding company would create jobs for property managers, maintenance people, real estate agents, and contractors hired to bring deficient property up to code.

This plan will not remove some of the real marginal property from the market. The holding cost of some properties is greater than any economic benefit that will ever be derived from them; therefore, the holding company should not be obligated to purchase just any property. The worst case examples should be removed from the market through demolition.

☐ G. Hayden Green is a professor of real estate at University of Alaska Anchorage.

U.S. Department of Labor seeks to pay off back wages

SEATTLE — The U.S. Department of Labor has $48,831 in back wages for 67 people whose last known addresses were in Alaska.

Jim Valin, regional administrator for the Employment Standards Administration, said the money represents back wages owed workers under the provisions of the federal Fair Labor Standards Act, the Service Contract Act and the Davis-Bacon and related acts.

After collecting the back wages, Valin said, the Wage Hour Division was unable to find the following individuals:

Thomas Alsup, College
William Andrew, McGrath
Rudy Ayson, McGrath
Annie Bates, Fort Greely
William Black, Fairbanks
Yong Blankenship, Fort Wainwright
Gonzales Blythe, Anchorage
Phillip Bolles, Fairbanks
Ronnie Britt, Fairbanks
Kevin H. Brown, Anchorage
Mun Suk Choi, Anchorage
Terry Christian, Fort Greely
John Copeland, McGrath
Gary Corle, Fairbanks
Daniel Curry, Fairbanks
Fred Don, city unknown
Douglas Easter, Fairbanks
Joseph Edwards, city unknown
Phillip Edwards, city unknown
Delmo Geiger, Fairbanks
Gerald Geraono, Fairbanks
Sandy Harrell, Delta Junction
James Hunt, city unknown
Tae Myong Jacques, Fort Wainwright
Brian Johnson, Anchorage
Douglas Johnson, North Pole
Kyung Keun Kim, Fairbanks
Song Ae Kim, Fairbanks
Steven Krller, Anchorage
Steven Krogul, Fairbanks
James LeCourt, Fairbanks
Donald Mack, city unknown
Leonardo Maroulakis, Anchorage
Alex Mavar, Delta Junction
Kenny Maxwell, city unknown
Ralph Mold, Fairbanks
Ben Palenluk, Anchorage
Gerald Paluck, Fairbanks
Robert Paluck, Fairbanks
John A. Paul, McGrath
Kirk Payne, city unknown
Robert Probert Jr., city unknown
Richard Rathel, Eielson Air Force Base
Donald Raymond, city unknown
Martha Redmon, Fort Sill
Daniel Rosenberg, city unknown
Theodore Ruger, city unknown
Keith Steenghiem, Fairbanks
Donald Smith, Fairbanks
Robert Smith, Fairbanks
Paul Sonny, city unknown
James Stopp, Eielson Air Force Base
Jeffery Sturgeon, Anchorage
William Szelaczwald, North Pole
Paul Taylor, Fairbanks
Mina Teerlh, city unknown
Terry Thompson, Fairbanks
Garlon Vedder, Fairbanks
Timothy Wallis, Eielson Air Force Base
David L. Wilson, Palmer
Steven L. Wilson, McGrath
John Wright, Anchorage

Anyone who believes they may be owed back wages should contact the Seattle Regional Office of the Wage-Hour Division, Room 3032 Federal Office Building, 909 First Avenue, Seattle, Wash. 98174. Phone (206) 442-1914.

Economic chances not all bad — you just have to look for them

chris stephens

The problems and opportunities of real estate markets like ours have become popular topics of discussion on the national real estate scene. Such markets are most often categorized as severely distressed. Others in similar condition are Houston, Dallas, Tulsa and Oklahoma City. We are not unique. This type of market will be with us for a while. We must learn how to cope with it, but even more important, how to take advantage of it and prosper.

The current debate about what the state should do, if anything, to alleviate adjustments in both the residential and commercial sectors illustrates the magnitude of the problem in our economy.

Unfortunately, only a few are taking advantage of the opportunities for solid investment. Many people think that depressed prices and distressed owners are signs that they should stay out of real estate. They reason that the market is going to get a lot worse before it gets better.

This kind of thinking is wrong. It assumes that in a distressed market, all properties are distressed. Nothing could be further from the truth. They assume the current situation accurately portrays the future. That kind of thinking during the recent boom is what got us into this mess in the first place. And it implies that the time to step in is after the market has improved when prices have gone up, not now when they are low.

The entire market is not depressed. Some excellent properties are doing very well in this market. There are, however, distressed owners with excellent properties who must sell. This puts good properties on the market at bargain prices. Because investors are few, opportunities is out there to make sound investments in excellent properties.

We need to remember that every situation and opportunity is unique. As our past can teach us, the future of Alaska will be shaped by events totally different than our current situation. Change is inevitable. Alaska still has tremendous natural resource wealth and a very small population, which will continue to create healthy market opportunities and wealth-generating investments.

Finally, we must rely on our own perceptions and be willing to invest when others are fearful. We all want to avoid risk. But most avoid risk by waiting until the market is proven safe because so many others are investing and making money at it.

What is happening instead is that people are selling because the price is high. They are the people who bought when the market was down, and no one else would buy. Though everyone knows you buy low and sell high, most people buy high and sell low. They are afraid to buy when the price is low because no one else is buying. So they wait, and sure enough, prices do go up.

Distressed real estate markets offer the opportunity of a lifetime, much better than during the boom. Quality properties can be purchased at a price far below replacement value, often with easy financing. When the market recovers, those who invest now will be selling to those who wait until the market is proven safe and prices are higher.

☐ Chris Stephens, CCIM, is a local associate broker specializing in investment and commercial real estate.

ANCH DAILY NEWS 2/21/88

[illegible]	[illegible]	[illegible]	[illegible]
AMA TrustPort	[illegible]	[illegible]	+ .04
AMA PrimePort	[illegible]	[illegible]	+ .14
AMEV Fd	[illegible]	[illegible]	.....
[illegible]	[illegible]	[illegible]	— .08
[illegible]	[illegible]	[illegible]	.....
[illegible]	[illegible]	[illegible]	.....
[illegible]	44	6.16	+ .01
[illegible]	71	6.25	.....
[illegible]	48	6.01	+ .01
AmerCapReserv a	51	6.34	— .01
[illegible]	19	6.36	— .01
[illegible]	30	6.48	— .01
[illegible]	27	6.12	.....
[illegible]	23	5.93	.....
[illegible]	26	5.99	— .01
[illegible]	19	5.95	— .01
[illegible]	26	5.84	.....
[illegible]	38	6.34	— .02
[illegible]	42	5.92	+ .01
[illegible]	62	6.48	+ .01
CAM Fund		unavail	
CBA MoneyFd	38	6.17	— .23
CIMCO	29	5.91	— .01
CA TFMF	44	4.18	— .02
CalvertSocial af	36	6.59	— .01
CapitalCashMgt	17	6.63	.....
CapitalPreservFd	61	5.82	— .19
CapitalPreservII	2	5.46	+ .09
CapT MM	12	6.04	.....
CardinalGovtSec	22	6.07	+ .21
CarilonCsh	26	6.11	— .06
CarnegieGovtSecur	13	5.93	.....
CashAssets	29	6.62	— .04
CashEquivMM	23	6.26	+ .01
CashEquivGovt	15	6.16	+ .01
CashMgmtTrAm a	14	6.22	+ .01
CashReservMgmt a		unavail	
CentennialGovTr	35	5.71	— .15
CentennialMMTr	31	6.61	— .02
ChurchillCashRsv	34	6.28	— .02
CignaCash	35	6.48	— .01
CignaMMkt b	33	6.43	— .02
ColonialGovtMMkt	36	5.89	— .04
ColumbDlyIncm af	32	6.01	.....
CompositeCshMg a	25	5.81	— .01
CoreFdCash	36	6.39	+ .07
CortlandGeneral	42	6.01	.....
CortlandUSGvt	34	5.80	.....
CowCshRF	38	6.65	.....
CountryCapital	23	5.51	+ .01
CurrentInterest	38	5.67	.....
CurrentIntUSGvt	39	5.32	+ .01
DBL MM Portfolio	39	6.50	.....
[illegible]	[illegible]	[illegible]	— .03
[illegible]	[illegible]	[illegible]	.....
[illegible]	[illegible]	[illegible]	— .01
[illegible]	[illegible]	[illegible]	+ .01
[illegible]	[illegible]	6.24	— .01
[illegible]	[illegible]	5.75	— .03
EvergrnMMTr	[illegible]	6.79	.....
FBLMoneyMkt	[illegible]	5.95	+ .01
FFB Cash	[illegible]	6.63	.....
FFBUS Gvt	47	6.38	— .08
FFBUS Tr	36	6.01	— .08
FederatedMasterTr	40	6.61	— .01
FedlUSGov	33	6.57	.....
FidelityCashRes	41	6.34	— .01
FidelityDlyIncm b	41	6.12	.....
FidelityDlyMMkt	33	6.29	.....
FidDlyUSTreas	6	5.94	+ .01
[illegible]	39	6.59	.....
FidelDomesticPort	37	6.57	.....
FidSMMUS Treas	33	6.11	+ .01
FidelityUSGvt	46	6.19	.....
FinancialDlyIncSh	36	6.02	— .03
FinclResv	38	6.40	— .01
FstAmerMoneyFd	34	6.36	.....
FstInvestCshMgt	30	5.77	— .01
FstLakeshreMM	43	6.18	.....
FstLakeshrGvt	33	5.46	+ .01
FstTrustGeneral		unavail	
FstTrustGovt		unavail	
FstVariGvtIncm	37	6.23	.....
FlexFund	13	6.51	.....
FFWash	41	6.26	.....
FoundersMMkt	19	5.97	.....
FranklinMoneyFd a	26	6.12	— .02
FranklinFedMon b	1	5.45	+ .02
FrankIFTMny	28	6.08	— .01
FundGvtInvest	9	5.76	+ .01
FundSourceMoney	22	6.19	— .01
FSWash MT	35	6.32	— .01
GalaxyGov	51	6.30	.....
GalaxyMM	30	6.41	+ .01
GenGvtSecur	51	5.92	+ .03
GenMMkt	38	6.25	— .03
GovtInvestorsTr a	26	5.92	— .01
GovtSecurityCash	49	5.72	+ .02
GradisonCashRes	40	5.96	— .01
GradisonUSGvt	27	5.55	+ .22
GuardianCshFd	32	6.27	— .03
GuardianCshMgt	36	5.80	— .01
HarborMM	101	5.59	+ .22
HeritageCash	43	6.15	.....
HiMrkDiv	36	6.35	.....
[illegible]	11	[illegible]	+ .01
[illegible]	6	[illegible]	[illegible]
[illegible] f		unavail	
[illegible] af	44	6.66	.....
[illegible] af	48	6.55	— .01
[illegible] af	46	6.56	+ .01
[illegible] MM Pt	34	6.57	.....
[illegible]	38	5.99	+ .01
[illegible]	33	5.80	— .01
[illegible]	35	5.96	.....
KemperGovtMMkt	14	6.47	+ .01
KemperMMkt	31	6.67	.....
KeyCapT	19	5.71	— .03
KeystoneLiqd	35	5.98	+ .01
KidderPeabGvt	37	6.32	.....
KidderPeabPrem	40	6.58	— .01
LandmarkCshRsv	43	6.51	— .03
LazardCash	28	6.59	+ .01
[illegible]	14	6.34	.....
[illegible]	18	6.66	+ .03
[illegible]	15	6.46	+ .01
[illegible]	38	6.57	+ .03
[illegible]	2	6.32	.....
LeggMasonCshRs f	44	6.32	— .01
LehmanMgtCash	42	6.57	— .04
LehmanMgtGovt	14	5.77	+ .02
LexingtonGvtSec a	5	5.48	+ .04
LexingtonMonMkt a	39	6.02	.....
LibertyCash		unavail	
LibertyUSGovt	30	5.51	+ .05
LiquidCapitalIncm	24	5.99	— .01
LiquidCashTrst f	2	6.48	+ .02
LiquidGreenTr	41	6.21	.....
LordAbbottCshRes	29	5.99	— .03
LutheranBroth	43	6.01	+ .01
MFSLife MM	34	5.35	+ .04
Map Gvt	58	6.37	.....
MacKaySh MM		unavail	
MarinerCash	47	6.40	+ .01
MarinerGvt	35	6.33	+ .01
MarinerUS	34	6.12	+ .01
MassCashMgmt a	35	6.27	— .03
MassCashMgmtGvt	35	5.78	— .01
MassMutlLiquid	34	5.88	— .01
McDonald	46	6.40	+ .01
MerLyCMAGvt a	54	5.15	+ .06
MerLyCMAMon a	53	6.08	— .10
MeritMM	24	6.13	.....
MerrLynchGovt a	58	5.96	+ .03
MerrLynchInst af	50	6.41	— .08
MerrLynchReadyA	53	6.04	— .14
MerrLynchRetir a	58	5.99	— .04
MerrLynchUSA	54	4.95	+ .09
[illegible]	37	[illegible]	[illegible]
[illegible]	37	[illegible]	[illegible]
[illegible]	40	[illegible]	[illegible]
[illegible]	38	[illegible]	[illegible]
[illegible]	37	6.51	+ .04
[illegible]	[illegible]	[illegible]	+ .04
[illegible]	[illegible]	[illegible]	— .03
[illegible]	34	5.92	— .03
[illegible]	40	6.33	.....
[illegible]	36	6.63	— .01
OppenMoneyMkt	29	6.36	— .01
OxfordCash	6	5.84	+ .02
PacHrzGvtMM	38	6.14	+ .01
PacHrzMMktPort	34	6.39	+ .06
PW Cash	37	6.34	.....
PaineWebberMny b	31	5.63	.....
ParkCsh	51	6.17	— .01
[illegible]	33	6.25	.....
PilgrimGov	1	5.59	.....
PioneerMMTr	17	6.12	— .01
PiperMMFd	40	5.97	.....
PrimeCash	33	6.25	— .01
PrincorCash	14	5.60	.....
PruBacCmdGvt	42	6.32	+ .01
PruBacCmdMny	40	6.41	— .03
PruBacGvt	38	6.39	+ .02
PruBacMMart	47	6.36	— .02
PruInstLiqMM	55	6.01	— .16
PutnamDailyDiv	43	6.11	— .02
PWRMA Mony	34	6.13	— .01
PWRMA USGvt	38	5.84	.....
QuestValue	29	6.33	— .01
RNCLiqAst	36	6.38	— .01
RenaissanceGvt	22	6.51	— .01
RenaissanceMMkt	26	6.42	.....
ReserveCash		unavail	
ReserveFund	12	6.09	+ .02
ReservePd Gvt	1	5.81	+ .03
RodneySqMMPt	36	6.34	.....
RodneySqUSGv	22	6.17	+ .01
RothschldEarn	4	5.92	— .03
RowePricePrmR f	42	6.45	.....
RowePriceUSTr f	40	5.79	+ .01
SafecoMMkt f	37	6.23	+ .01
StClair	[illegible]	6.27	— .01
ScudderCshInv	40	6.34	.....
ScudderGovt	33	5.51	— .06
SchrdrMoneyMkt	30	[illegible]	+ .05
SecurityCashFd	10	5.92	+ .01
SeligmanCsh Gvt	1	5.48	+ .03
SeligmanCsh prime	31	5.94	.....
SentinlCash b	40	6.31	— .01
ShearsonDailyDiv f	44	6.19	— .01
[illegible]	38	[illegible]	— .03
[illegible]	[illegible]	[illegible]	+ .04
[illegible] Fd	40	[illegible]	.....
[illegible]	33	[illegible]	— .03
[illegible] Gvt	32	[illegible]	+ .13
[illegible]	40	[illegible]	.....
[illegible]	40	[illegible]	+ .02
TransamCashRes	38	6.27	+ .01
[illegible]	39	6.16	— .07
[illegible]	40	6.28	.....
TrstTreasury	38	6.65	+ .03
TrstUSAgen	37	6.55	.....
TrstPrimeOblig	40	6.76	+ .01
[illegible]	39	6.54	.....
TrustShortTerm	31	6.68	.....
TrstShtFdT	38	6.51	+ .01
TrstShtTrmUSGvt	34	6.57	+ .34
TrstUSTreasObl	38	6.63	.....
[illegible]	38	6.57	+ .01
[illegible]	45	6.96	.....
TuckerAntMony	36	6.14	.....
TuckerAntGvt	39	5.75	+ .01
TwentCentCsh	31	5.98	— .01
UMB FedPort	42	6.34	.....
UMBPrime	37	6.37	+ .06
USAAMutualFd	39	6.45	+ .01
USTreasury	61	6.15	+ .06
USTMasterGvt	36	6.28	.....
USTMasterMoney	14	6.48	.....
UnitedCashMgmt a	47	6.14	— .01
ValueLineCashFd	39	6.33	— .01
VanEckUSGovMM	49	5.47	+ .08
VanKampenMM		unavail	
VangrdMMFed f	39	6.43	.....
VangrdMMPR f	40	6.60	— .01
VangrdInsured f	30	4.13	.....
VantageCash	37	6.27	— .04
VantageGovt	41	5.91	+ .02
VikingMnyMkt	30	5.92	— .01
VistaUSGov	44	6.80	+ .01
WPGShtTrm	72	6.42	— .03
WebsterCashRes	40	6.38	.....
WorkingAssets	37	5.85	— .01
Tax	Exempt:		
ATOhio txFr	38	4.14	— .01
ActvAsetTxFr	38	4.33	— .01
AllianceTaxEx	38	4.34	— .01
AllianceTE NY	38	3.89	— .01
BenhamCalTxFre	10	3.78	— .01
BenhamNtlTaxFr	26	4.31	+ .02
BostonCo	48	4.27	— .02
CIGNA TxEx	61	4.16	— .01
[illegible]	37	[illegible]	[illegible]
[illegible]	37	[illegible]	.....
[illegible]	48	[illegible]	— .03
[illegible] c	38	4.11	— .04
[illegible] TxFr	35	4.08	— .04
[illegible] Free	38	4.11	+ .03
[illegible]	40	4.19	— .04
[illegible] TxFree c	38	4.32	.....
[illegible] CalTxFree	38	4.08	.....
[illegible] NYTxFr	52	4.14	— .01
[illegible] PaTFMM	42	4.35	.....
[illegible] TxExpt c	40	4.26	.....
[illegible] TxFr	37	4.13	— .01
FidDlyTE	40	4.46	+ .37
FinancialTxFre	44	4.17	+ .07
FstInvstTaxEx	18	3.96	— .03
FstLakeshreTE	38	4.59	— .02
FstTrustTaxFree		unavail	
FranklinCalTxEx	36	4.46	.....
FrnkNYTE NF	33	3.84	.....
FranklinTaxExmt c	33	4.59	— .01
GenCalTEMM	51	4.39	— .04
GenNYTEMM	25	3.63	— .01
FundTaxFree	61	4.03	— .02
GnTxExempMM	32	4.13	— .03
HiMrkCalTF	29	4.01	.....
HomeFedTF		unavail	
HorizonTE	33	4.63	— .05
IDSTaxFree c	71	4.89	+ .07
InstTxExAst afc	41	4.44	.....
IntegrTxFr		unavail	
KemperMMTE	29	4.58	— .03
KidderPeabTx	46	4.36	.....
KidderP CalTE	33	4.15	.....
LandmrkNYTxFrRsv	29	3.74	— .02
LandmarkTxFreeRsv	19	4.18	— .02
LazdInstTF	40	4.46	+ .02
LazardTxFr	57	4.42	+ .03
LegMasTE	32	4.16	— .01
LehmanMgtTF	62	3.97	— .02
LexingtonTaxFr c	64	4.31	.....
LiquidGreenTx	69	4.60	— .01
MarinerTax	43	4.31	+ .09
MarinerNYTax	64	4.02	+ .06
MassTE MM	69	3.98	+ .02
McDnldTaxEx	61	4.21	— .03
MerrLynCMA	49	4.30	.....
MerrLyInst	51	4.30	— .01
MetroNYTF	38	3.72	.....
MidwstGrp	66	4.57	— .01
MidwOHTF	54	4.51	— .09
MoneyMgtPlus	54	4.24	— .01
MonitorTF	30	4.37	+ .01
MuniCAInv	29	4.37	— .01
[illegible]	[illegible]	[illegible]	.....
[illegible] Tax	[illegible]	[illegible]	— .01
[illegible]	[illegible]	[illegible]	— .04
[illegible]	74	4.57	— .03
[illegible]	6	4.50	— .01
[illegible]	30	4.46	— .01
[illegible]	54	4.17	— .03
[illegible]	69	4.40	— .09
PWRMA TxFr	37	4.13	.....
ReserveCons	40	3.57	.....
[illegible]	48	4.33	.....
[illegible] NY	42	4.60	— .08
[illegible] TE	38	4.57	— .01
[illegible] Ex	8	3.58	+ .08
[illegible] TxEx cf	64	4.46	— .01
SAFECO TFMM	39	4.51	— .01
[illegible] TaxFree	32	4.59	.....
[illegible] CATFM	19	4.51	— .08
[illegible] NYTFM	24	3.60	— .03
[illegible] TaxFr cf	45	4.10	— .08
[illegible] CATaxEx	4	3.44	— .10
[illegible] CalTF	39	4.35	— .10
ShearsonDailyTax	59	4.59	— .01
ShearsonFMA Mun	59	4.41	— .01
[illegible] NYTF	36	3.53	— .02
[illegible] TaxEx c	42	4.36	— .01
[illegible] TaxEx	23	4.33	— .02
StrongTF MM	62	4.59	.....
TaxExpt c	31	4.36	— .01
TxExCAMM	16	3.99	+ .01
TaxFreeCashRsv	28	4.16	— .01
TaxFreeFund	44	4.69	.....
TaxFreeInstrum	34	4.14	.....
TaxFreeMoney c	38	4.17	— .04
ThomsonMcTxEx	51	4.14	— .01
TrustFdsEastern	35	4.36	.....
TrustFdsWestern	34	4.18	— .01
TuckerAntTaxEx	55	4.15	— .01
UMBTxF	54	4.24	— .01
USAATaxEx	77	4.47	— .01
USTMasterTaxEx	51	4.82	— .01
ValueLineTaxEx	74	3.45	+ .11
VanKampenTF		unavail	
VangMMCal	64	4.57	— .01
VangMuniBdMM cf	63	4.59	— .01
VistaTFMM	45	4.18	.....

Average yield 5.53

a—Yield includes capital gains or losses.
b—Fixed charges vary yield based upon account size.
c—Primarily Federally tax-exempt securities.
f—As of previous day.

Legislator proposes a plan to attack economic ills

By SEN. ARLISS STURGULEWSKI

Of all of the economic booms and busts Alaska has experienced, this bust is affecting more of us more severely than any other. Consequently, it's time for the legislature to address fiscal policy issues so that future booms and busts won't affect us so dramatically. During the coming session, we must create some long overdue financial tools.

Billions of dollars rolled into state coffers from the most recent oil boom and then rolled right out again. We spent money on experiments in agriculture, in renewable resource development, in housing, in industrial development, and on quality of life improvements.

There's no denying there were some resounding successes and some equally resounding failures. Our successes have been in areas in which government should be successful. We spent money on school programs and have a good school system statewide.

We improved the health of our citizens through water and sewer projects and through grants to health care providers.

Some successes were cooperative efforts with the private sector. Alaska Industrial Development Authority funded projects that were able to stand on their own merits. The partnerships formed by the Alaska Seafood Marketing Institute with the fishing industry and by the Division of Tourism with the visitor industry paid off in expanded markets for our fish and a steadily increasing stream of visitors to Alaska.

Experiments in which we attempted to directly accelerate private development were less successful, however. The Alaska Renewable Resources Corporation only lasted a few years. Agriculture is badly limping and the effort to start a red meat industry was far from successful.

It has become increasingly clear that the private sector must be on its toes to find the competitive and profitable edge and that government's role is to assist through reasonable regulation, responsible resource management and the elimination of roadblocks.

More specifically:

• Now is the time to devise a spending limit that works. The current constitutional spending limit bears absolutely no relationship to the amount of our annual budgets. The constitutional spending limit must be rewritten to tie it to the prior year's budget, and also outline how to dispose of excess revenue when we have it.

• Excess revenue should be at least partially dedicated to a constitutionally mandated budget reserve fund. Rather than frantically casting about for dollars just to keep the state running when revenues plummet as they did in 1985, we will know there is a source of funds for basic costs of government.

• It is critical that we devise and adopt criteria for the funding of capital projects. Life, health, and safety projects should be first in line for funding. Education and transportation both are the responsibility of government and should be funded based on need. Projects that will lead to real economic development should receive priority. Included in the criteria for all of the above must be operations and maintenance costs and a maintenance plan.

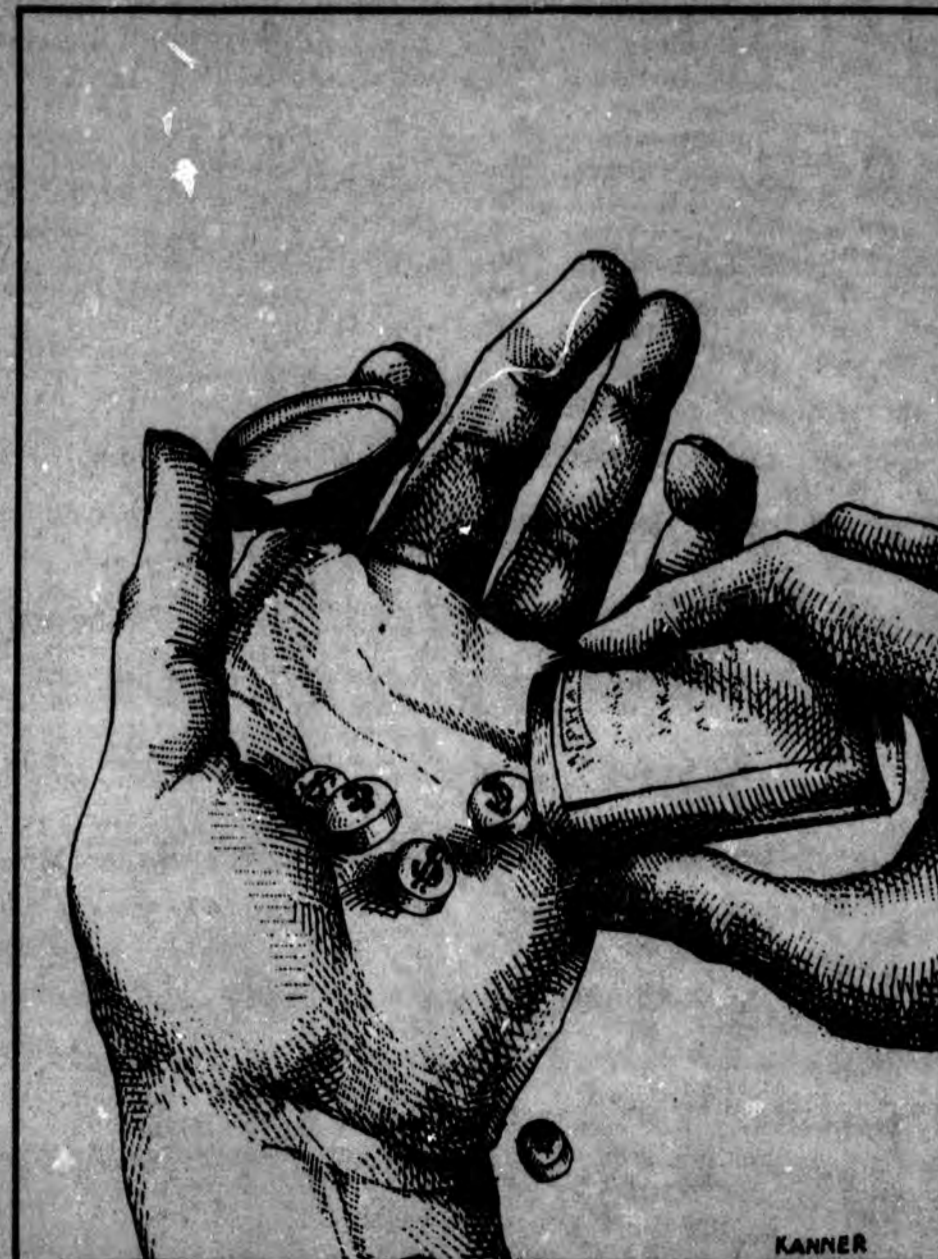
• Although it may seem like closing the barn door after the horse has run away, we need to set standards of accountability for municipal grants, and for grants to non-profit corporations that deliver government services.

• School capital funding has turned into a monster. With the promise of 80 percent reimbursement by the state, municipalities sold $300 million worth of bonds in one recent year. The debt service on those bonds has become a burden on the state and a source of anxiety for municipalities as they watch to see if the state will budget for the full entitlement. The state should fund for basic schools; extras should be paid for by communities.

• The Alaska Permanent Fund is an excellent counter-cyclical tool for us. It has meant the maintenance of our excellent credit rating in the face of a down economy. It also means that we have a source of income about which the legislature needs to make some decisions — and then go to the voters to confirm those decisions. I personally support using the income of the fund for continuation of the dividends, inflation-proofing, and partial funding for a constitutionally established budget reserve fund.

These are all decisions that can and must be made now. Without the proper tools in place, the next boom could find us allowing history to repeat itself. We can do better.

☐ **Sen. Arliss Sturgulewski is chairman of the Senate Community and Regional Affairs Committee and the Senate Special Committee on Local and Regional Economic Opportunity.**



Funds from National Park Service resurrect plans for Denali resort

The Associated Press

Planning efforts for a resort in Denali State Park have been resurrected with $100,000 from the National Park Service, state officials say.

A combination of public opposition and the legislature's refusals to ante up $200,000 for further study and preparation of a concession contract halted the planning 18 months ago.

But with the $100,000 from the park service, the state over the next 10 months will revise the Denali State Park master plan. The revisions will provide site selection criteria for a visitor complex and assess the effects of increased public use and recommend park amenities such as trails, campgrounds and parking areas, officials say.

"One of the elements will be the concept of a resort complex and a National Park Service visitor center," said Neil Johannsen, director of state parks.

The state Department of Natural Resources and federal government hope to increase tourism at the 324,240-acre state park and relieve overcrowding at Denali National Park about 100 miles to the north.

"Things are getting worse up there," Johannsen said of the national park. "We're hitting the point where arguably the top visitor attraction in the state has hit the saturation point."

The Department of Natural Resources also will try again for $200,000 grant when the legislature convenes in January. The money would allow the state to look more closely at the economics of a visitor complex in the state park.

The idea of a resort at Denali State Park has been kicked around for nearly 20 years.

ANWR: Congressional, state critics say land swap proposal could cost taxpayers billions

Continued from Page C-1

ets of valuable, privately owned land in the seven refuges without spending federal money.

But at least two of the Native groups have received offers from oil companies for higher rent and royalty payments than the Interior Department generally gets on its oil leases.

Under the plan, the Old Harbor Native corporation would receive rights to 55,000 acres in the Arctic refuge. The Interior Department says these oil rights are worth $45.7 million, including the value of royalty payments if recoverable oil is discovered on the land.

Texaco Inc., however, has offered Old Harbor a cash payment of $45.7 million just for the rights to drill on the 55,000 acres. It also is offering to pay an annual rental of $3 an acre; a 14 percent royalty on any oil and gas taken from the acreage, and a 1½ percent royalty on the value of any petroleum it recovers from other portions of the refuge.

On its oil and gas leases, the Interior Department gets rental payments of $2 an acre a year. Its usual royalty rate is 12½ percent, a level that Horn has asked Congress to set on any federal leasing in the arctic refuge.

The other offer was made to the Koniag Regional Corporation by a consortium headed by Chevron. It applies to 3,183 refuge acres that Interior values at $77.4 million, including prospective royalties.

Jim Eason, director of the Alaska Division of Gas and Oil, says the Chevron group is offering Koniag a cash payment of $55 million for the oil rights; annual rental of $10 an acre on 2,560 acres and $5 an acre on the balance; a 20 percent royalty with a chance to change this to 40 percent of net profits from drilling on the acreage; a ½ percent royalty on the value of any petroleum taken within six miles of the acreage; and a ¼ percent royalty on any petroleum Chevron would take from any other part of the refuge.

Even if no oil were found in the refuge, these two offers combined would bring Koniag and Old Harbor payments totaling 84 percent of what Interior says their interests are worth.

In trying to convince Congress to open the refuge to oil exploration, Horn has said its reserves could rival the 9 billion-plus barrels of oil at Prudhoe Bay.

At a royalty rate of 12½ percent, the federal and Alaska treasuries would lose 4.125 cents for each barrel extracted from land traded to Natives.

"The value of the royalty interest alone, should significant discoveries occur, potentially may be measured in the billions of dollars," according to a study by the Alaska Division of Oil and Gas.

Mobil Oil, which is not allied with any of the Native corporations, has been lobbying against the trades. In a memo circulated on Capitol Hill, it said that Interior "significantly undervalued" the refuge land and "significantly inflated" the value of the land it would receive from the Native corporations.

Tom Marshall, former director of the Division of Oil and Gas, said in a consultant study for the National Wildlife Federation, which opposes any drilling in the refuge, that he believes Interior's projections of the refuge's oil reserves are conservative.

State senate bill would create a real-estate monopoly

I've learned to watch for the word "stabilization" in titles of bills in the Legislature this year. It's become a red flag signaling the worse kind of mischief.

I wrote on April 15 about one such bill, the "Bankers' Bail-Out." I said then that this particular bill was the worse example of the "welfare for business" programs to surface so far. Four days later a couple senators recaptured the "worse bill" title with a new version of SB 408.

This legislation would establish "real property liquidating organizations" to achieve "stabilization of the real estate market." These real property liquidating organizaitions would be formed by banks, state agencies or other entities holding title for foreclosed real estate property for the purpose of holding real estate off the market to keep home prices higher.

These "organizations" are in fact what antitrust lawyers call a "combination in restraint of trade." The bills sponsors seek to control real estate prices in the same way the Organization of Petroleum Exporting Countries tries to control oil prices, and for the same reasons.

SB 408 would apply to both residential and commercial property.

The bill states, "The Legislature intends to ensure the stability of the

Fred Pratt

state's real estate markets and prevent a precipitous decline in real estate prices by displacing competition with government regulation in matters relating to the sale and disposition of real property held by financial institutions and state and federal agencies as a result of foreclosure actions."

Think about that for a moment.

The "problem" is the homebuilders and developers overbuilt and real estate dealers and bankers have oversold property in Alaska. The inevitable result in a free economy is that prices fall until supply catches up with demand.

That's bad for the developers, dealers and bankers, but it's good for the consumer because he has more property to choose from and lower prices.

These senators feel that we should instead create monopolies in the real estate market to control property under foreclosure, with the express purpose of keeping prices up.

Now you don't have to be as smart as a state senator to know what would happen next. With all the foreclosure property off the market, real estate prices would go up so much that even more homes would be built. That would perpetuate the oversupply on the real estate market from a short-term "problem" to an enduring economic illness.

Alaskan state senators should know this because we've all watched very closely while exactly the same thing happened in the world oil market. OPEC members limited their own oil production to drive prices up. The higher prices and tight supplies helped bring new supplies into the market from places like Alaska and the North Sea. Eventually, the market collapsed for everyone.

But the effect would reach far beyond the housing market. A liquidating organization could acquire businesses that went belly-up and wound up owned by a bank or state agency. The liquidating organization could be any corporation, trust, fund, partnership, joint venture or other legal entity, and it could continue to operate the business.

That businesses who fail wouldn't drop out of the market, but would continue to compete with the remaining healthy businesses even more strongly because they could get some rather sweeping legal exemptions to cut their overhead costs.

The sponsors of SB 408 realize they are doing something that would get a businessman in jail if he tried it on his own.

The bill states, " . . . the Legislature intends to grant authority to the commissioner of Commerce and Economic Development to provide by regulation that . . . a real property liquidating organization will be immunized as necessary possible (sic) against potential liability under federal antiturst laws and state antitrust, competition and trade practices laws arising from the operation of the organizations."

This exemption is given in the broadest terms.

The bill would add new language to state law regarding the powers of the commissioner of Commerce and Economic Development saying, "If the commissioner determines that the exemption is necessary to carry out the purposes of this chapter, the commissioner may by regulation exempt real property liquidating organizations from any state law other than this chapter or from any regulation other than one adopted under this chapter."

One could almost understand, with a long stretch of normal moral perception, why the state might want to exempt a banker from antitrust laws in order for him to manipulate the real estate market to his advantage. It's impossible to understand why it would still be necessary to allow a single politically appointed state official to absolve the banker from laws against murder, rape or arson.

If a business property put into these "liquidating organizations" continues to operate, it could get exemptions from mining wastewater regulations, workplace rules, fair employment laws or anything else that suits them and the commissioner of commerce.

What's even more amazing is that these bills are the work of two people who should know better; Sen. Tim Kelly, R-Anchorage, and Sen. Arliss Sturgulewski, R-Anchorage.

Stranger yet is the fact that the bills are being taken seriously by their colleagues. SB 408 was sent to only two committees, and one of those waived consideration of the bill. The Senate Finance Committee was considering SB 408 last week.

Free-lance journalist Fred Pratt has been covering Alaska [illegible]

[illegible]							
Avry			8863	2 1-16	1⅞	1⅞	— ⅛
Avntk			366	14⅛	d13⅝	14	— ⅜
AztcM	.80	43	77	6⅛	5⅞	5⅞	— ⅛

[redacted]

BEI	.34e	13	438	5¾	5½	5¾	+ ⅛
BGS	1.10e	18	113	8½	8	8½	+ ½
BHA		13	480	12⅝	12½	12⅝	+ ⅛
BIW Cb			313	5	4⅞	4⅞	— ⅛
BMJ	.52	11	x69	21⅛	21	21	— ⅛
BMH	.34	10	31	16½	15¼	16½	+1⅛
BR Intec			2486	6	5⅛	5⅞	+ ⅝
BT Fin	.72	9	38	16¼	15⅞	16	
BTR	.07		555	u 7⅝	7	7⅝	+ ⅜
Badger	.72a		7	38⅛	27	27	—2
BakrFn	4.40e		117	39⅝	39	39½	+ ½
BakerJ	.06	13	1110	10⅛	10⅛	10½	+ ⅛
Balchm	.02e	16	65	5⅜	5	5	— ⅛
BldLyB	.20	5	199	13	12⅜	12⅜	+ ⅛
BaldPia		9	212	15⅛	14¾	15¼	+ ⅜
Balard s		28	185	15½	14⅞	15¼	+ ⅜
Baltek	.05e	8	451	9¼	8⅝	8⅝	— ⅛
BnPnc	s1.40	11	94	23	22⅝	23	+ ⅜
BnPop	1.32	8	70	29⅛	28⅝	28⅝	+ ⅛
Bancokl			235	1⅜	1⅜	1⅜	— ⅛
BcpHw	1.76	9	1108	52½	51½	52¼	+ ½
BcMis s	.68	11	73	25½	23½	25	+1½
Banctec		9	922	8½	8⅛	8⅜	+ ⅛
BandoM	.41e		x197	6⅞	6¼	6⅞	
BangH	1.48	8	345	13⅝	12⅞	13¼	+ ¼
BankAtl		7	39	14½	14	14	
BkDel s	.88	12	193	26½	25½	26½	+ ⅜
BkGrn s	.36	18	74	29	27⅜	27⅜	—1
BnkNH	.84	10	593	24½	23¼	23¾	+ ⅛
BkSou	.44b	12	389	13	12½	13	+ ¼
BkStfd	s.05e	10	12	9⅝	9⅛	9⅝	+ ½
Bnkest	.48		879	10⅛	9⅛	9⅝	— ⅜
BnkFst			658	8¼	7⅞	7¾	+ ⅛
BkrNte		10	91	2	1⅞	1⅞	— ⅛
BnkeCtr	.80	11	536	11⅜	11⅛	11½	
Bnknth	1.52b	9	156	32½	31½	31¾	+ ¼
Bklowa			162	55	54	54⅝	+ ⅜
BkMAm		1	744	1 3-16	⅞	15-16	—3-16
Bankvl	.24	20	x199	20	19⅝	19⅝	+ ⅛
BkWorc	.80	13	3156	14⅝	13⅞	14¼	+ ⅜
Banta	.44	14	1975	22¼	18⅞	22¼	+3⅜
Barden	1	15	11	39	37	37	— ½
BaretR s			51	3¼	3	3⅛	+ ⅛
Barris		23	3047	11½	9⅝	10⅝	+ ¾
BaryJw		17	116	10⅝	10⅝	10½	— ⅛

[illegible]							
Chmtx wt			17	1⅛	1⅛	1⅛	+ ⅛
ChFab			24 641	10⅛	9⅛	10	— ⅛
ChLea		11	61	26	22	26	+1⅛
Cheroke		11	1399	9⅝	9⅛	9⅛	+ ⅛
ChryCp	.12	10	343	u17½	16	16⅝	+ ½
ChesUtl	1.20		25	24	22	22	+ ⅛
Cheshre	.41e		115	15⅛	14⅞	14⅞	—1
ChevSf s			1021	4½	3⅞	3⅞	— ½
ChDock	.31e	73	73	26⅛	25⅝	26⅛	+ ⅜
ChiDia			585	u 4⅜	3⅞	4⅛	+ ½
ChiAut		10	4502	10⅝	9⅞	10⅛	+ ⅛
ChidWld		12	496	16⅛	15⅛	15⅝	—1
Chills		21	497	24⅝	24¼	24½	+ ¼
ChipsTc		12	8283	17⅝	17	17½	— ⅛
Chiron			2096	15⅛	13¼	15	+1⅝
Chilmd s	.40	21	214	17⅝	17	17⅝	+ ⅜
Chronr	1		612	7½	6⅞	7¼	— ⅛
ChrDwf	.22	15	2151	12⅛	11⅝	12¼	+ ⅜
Cimco		16	113	14½	14	14¼	+ ⅛
CinnFn	1.76	8	282	48⅝	46½	48⅝	+1¾
CinMic		7	890	5⅛	4⅝	4⅞	+ ⅛
Cintas	.13	27	366	33½	32½	33½	+1
Cipher		22	5125	9⅝	9⅛	9⅜	+ ⅛
Ciprico			325	u 7	6⅛	6⅞	+ ⅜
Circadn			4249	1⅛	1⅛	1⅛	
CirclEx		17	1109	6	4⅝	5⅛	— ⅛
CirclFA		11	327	5	4⅝	4⅝	— ⅛
Circon			1151	3⅞	3¼	3⅜	— ⅛
Citsat		12	321	3⅛	3	3 3-16	—5-16
CtzSoCp	1.12	9	7217	24⅝	24	24	— ½
CtzSkg	.96	8	x110	20½	19⅝	20¼	+ ⅛
CtzFinl	.06a	10	32	u 7⅛	6½	7⅛	+ ⅜
CtzFG s	.76	16	38510	u28½	26½	27⅝	— ⅛
Ctzins			105	u26⅛	16	24½	+9
CtzSNY		5	412	9⅝	9	9	
CtzSMd			217	8½	8	8	
CtzSF s		3	103	13⅜	12	13⅜	+ ⅜
CtzU A s	1	22	1308	35⅝	32¼	35⅛	+2½
CtzU B	s1.20	20	392	31¼	29	31	+1½
CityFed	.84		x4793	4⅞	4½	4½	— ⅛
ClFd pfB	2.[illegible]		162	14½	13⅝	14	— ⅜
ClFd pfC	.40		88	2 11-16	2 9-16	2 9-16	— ⅛
CtyHld			3	34	31	31	
CtyLTr	1c		1311	4⅝	4½	4¼	+3-16
CtyNC	.64b	12	1347	24⅝	23⅝	24⅝	— ⅛
CityRs g			258	1 15-16	1 11-16	1 15-16	+3-16
CitySv	.20e	13	21	14⅛	14¼	14¼	
CityBcp	1.12	9	x455	47⅝	46¼	47⅝	+ ⅜
ClabrB	.72		5	1½	1½	1½	— ⅛
Clairsn		9	340	5¼	4⅝	5	— ¼

[redacted]

[illegible]							
ETown	2.80	11	67	42	41½	41½	—1
EagT wtA			1	½	½	½	
EarthT			140	4⅛	3½	4	— ⅛
Easco		10	1995	13	12½	12½	
EastWy	.15e		110	10⅛	10	10	— ⅛
EstnBc	.30e	12	139	17⅛	16	16⅛	—1
EstnEn			882	5⅜	5⅛	5⅛	+ ⅛
Eastex		9	376	2⅝	2½	2⅝	+ ⅛
Eastovr	1.40	12	41	13½	13	13½	+ ½
EatnRe		10	487	6½	6	6⅛	+ ⅛
EatVan	.36	8	x617	22⅝	22	22	
Edpcmb		63	294	5⅛	4⅞	5	
EdieCtr			161	3	2⅝	2⅝	— ⅛
EdSault	1.40	11	11	28½	28	28	— ½
ElChic			282	3⅝	3⅜	3⅝	
ElPolio			457	1 7-16	1⅛	1⅛	— ⅛
ElPas	1.52	16	1455	15⅝	15	15⅝	
Elan s		51	1388	11½	10⅝	10⅞	— ⅜
Elbit s	.09e	5	254	5⅛	4¾	5	
Elco	.88	10	177	31	30⅝	30⅝	— ⅛
Elcotel s		9	1178	5⅝	5⅛	5⅝	+ ½
Eldec		10	216	8⅝	8	8⅝	— ⅛
ElCath			92	3⅛	3	3⅛	+ ½
ElsNucl		93	2255	14¼	13½	13⅞	+ ⅛
ElcRnt		13	170	15	14½	15	+ ½
ElcSci			998	9⅝	9	9⅝	+ ⅝
ElcSen s		26	x87	3½	3⅛	3⅜	
EluxAB			868	42⅝	41⅛	42⅛	+ ⅞
Elctmg		13	1082	13⅛	12⅝	12⅞	+ ⅛
ElecTel	.04e	61	130	5⅛	4⅞	4⅞	— ⅛
Elexis			284	2½	2	2½	+ ½
ElliotSv	.10e		436	10⅛	9⅝	9⅝	— ⅛
ElmwdFd			139	7⅛	6⅞	7	— ⅛
EtronEl			648	3⅝	3 7-16	3 7-16	— ⅛
Empire			1	4⅛	4⅛	4⅛	
EmpOrr			66	1 1-16	1	1	
EmpSB			2	8	8	8	
Emulex		15	2789	8⅝	7⅛	8	— ⅛
Encore			2235	2⅛	2⅛	2 7-14	+ ⅛
Enrgas	1	8	153	15⅝	15½	15⅝	+ ⅛
Engnth	1.32	11	84	u20½	19½	19⅝	— ⅛
EngCnv			2767	9⅝	8	8¼	—1
EnFact			130	8⅛	8	8⅛	+ ⅛
EnexR s			183	5⅛	5	5⅛	+ ⅛
EnenSu			435	7⅝	7½	7⅝	+ ⅛
EngMea			22	5	4⅞	4⅞	— ⅛
EClay	1.40e		394	24	23⅞	24	+1⅛
Enrgh	.10b	14	247	10⅛	9⅞	10⅛	
Enseco		19	889	7⅝	7	7⅛	— ⅛
EntPub	.10	14	829	19	18⅛	18⅝	+ ⅛
EntrCpt		9	2530	4⅝	4⅜	4⅝	+ ⅛
EntreCp	.05e		1047	2⅛	1⅞	1⅞	— ⅛
Entrnc			1299	5⅛	4⅞	4⅞	— ⅜
Envrd s		12	4119	25½	23⅝	24½	+ ⅛
EnvPwr			73	2⅛	1⅞	2	+ ⅛
EnvrTc			139	3⅛	3⅛	3⅛	
Envirsl		18	342	19	17⅝	18	— ⅞
EnzoBi			430	4⅝	4⅝	4⅝	— ⅛

[redacted]

[illegible]							
GV Med			488	11½	10⅝	11½	+ ⅝
GWC	1.20	12	13	19⅝	19⅝	19⅝	
Galac s			4384	6½	6	6⅛	— ⅛
Galileo s		15	1147	9⅝	7⅝	8	—1½
GamT s		9	380	5	4⅞	4⅞	+ ⅛
GamaB			3514	5⅝	5⅜	5⅜	— ⅛
GandlI s		30	488	7⅝	7 3-16	7 3-16	+1-16
Gander		15	134	9½	9	9	— ½
Gantos		9	1490	11¼	10⅝	10⅝	— ⅛
GardA		13	299	15⅝	14½	15½	+1⅛
Gartner		24	201	11½	10⅝	11½	+ ⅝
GtwBcp	1.48		49	u14¼	13⅝	14¼	+ ½
GatwB	s.42e	9	1419	15⅝	15¼	15⅜	— ⅛
Gateway			430	3⅛	2⅞	3⅛	— ⅛
GatwyFd			70	9⅛	9	9	— ⅛
GharyM			65	5-16	5-16	5-16	
Gemco			115	1½	1¼	1¼	— ⅛
GenPrb			269	5⅝	5⅝	5⅝	
Gencor		28	222	7⅛	6½	6½	— ½
GnBnd s	.32	17	1335	u30	27⅜	30	+3
GBldPr		13	411	6¼	5⅞	6	— ¼
GenCer	.10	25	84	11¼	10½	10⅝	+ ¼
GnCpt		22	42	10⅝	10	10	— ⅝
GnMag	.10	15	13	10	9½	9½	—1¼
GnPara		8	421	3⅝	3⅜	3⅝	
GPhys	.15e	9	22	12	11	12	+ ¼
Genetin			4295	21¼	20½	21	+ ⅜
Genex			1215	1⅛	15-16	1	
Genicm		10	6484	10⅛	9¼	9⅞	+ ⅛
Gentex		23	345	4 3-16	3 15-16	3 15-16	—3-16
Genzym		208	978	10⅛	9⅝	10	
Geodyn	.15e	11	383	12¼	11⅝	11¾	— ¼
GeodRs			435	2⅛	1 15-16	2⅛	+5-32
Geonex			24	4	3½	4	+ ½
GeoWsh			6	1¼	1¼	1¼	—1-16
GeBnd			1	4	4	4	
Geraght			816	9⅝	8⅝	9⅝	+1⅛
GeriMd	.08		124	3⅛	2⅞	3	+ ⅛
GermF			50	4	3⅝	3⅝	— ⅜
GrmSv		7	498	9½	8⅝	9⅛	+ ½
GtBay s			251	27-32	11-16	11-16	—1-32
GibsnG	.30	10	11457	17⅝	15⅝	17	+1⅛
GigaTr		12	45	10½	10	10¼	+ ½
GilbtA s	.90	14	190	20½	19⅝	20	+ ½
GishBi		15	327	5⅞	5⅛	5⅝	+ ⅜
Glamis	.04l		259	3⅝	3 9-16	3 11-16	—1-16
Glenex			197	3⅜	3 1-16	3 5-16	+ ⅛
GldCorr	1	8	x37	9¼	8¼	8¼	— ⅜
GoldEn	.20	19	76	10¼	10	10¼	+ ¼
GldPoul	.04	29	160	6	5½	6	+ ½
GldnVly		27	4165	u31¾	29½	30⅝	+ ⅞
Goldfex			1078	3⅝	2¼	3⅝	+ ⅜
GoodGy		7	86	4⅝	4½	4½	
Goodmk		15	456	10⅝	10¼	10½	— ¼
Goody	.40	11	371	18½	17¼	17¾	— ½
Gotaas	.28	14	4650	31¼	29⅝	31¼	+1
GouldP	.76	19	16549	21	20¼	20⅝	— ⅛
Gradco		15	619	7⅛	6⅝	7⅛	+ ¼
GranC s	.50	10	106	10⅝	10½	10½	
GrantSt	.25	27	2	7¾	7½	7¾	+ ¼
Grphl s	.06	13	528	10⅝	10¼	10⅝	
GphPck		21	601	8⅝	8¼	8½	— ¼
GrphSc		7	22273	8⅝	7	8¼	+1⅛
GAmCm	.03e	31	6409	11⅝	11	11½	+ ⅛
GtAmCp			13	7½	7	7	— ¼
GrtBay	.80e		339	10	9⅝	9⅞	
GCtryB	.60e	10	204	18	17½	17⅝	
GtFalls	.44	102	32	6⅝	6⅛	6⅛	— ⅛

[illegible]							
ICP	.20e		63	12⅝	12	12	
Infech	1	20	18	2	1⅞	2	
Integrn	.12	4	x1806	6¼	5½	6	+ ⅛
ItgCirc		17	254	4⅝	4½	4½	
IntgDv s		34	2230	16⅝	15½	15¾	+ ⅜
IntgGen		41	836	4⅝	4⅝	4½	
Intel s		22	43837	32½	30⅝	31	+ ⅛
Intel wt			3397	13⅝	12⅝	13	+ ⅛
Intl wt91			2970	13⅝	12⅝	13	+ ⅜
Intelll			564	3⅛	2⅝	3	+1-16
Intelcal		19	199	5⅝	5	5⅝	+ ½
IntelEl		9	562	7⅝	7	7	—1
IntrFd			17	10⅝	9⅝	9⅝	— ⅛
IntrTel		14	566	4¼	3⅝	4	
IntRad		52	78	3⅛	2½	3⅛	+ ⅜
InactTc		18	1121	u11	10⅛	10⅝	
IntTc wt			88	3⅝	3¼	3⅝	+ ⅜
Intrnd			145	2⅝	2⅝	2⅝	
IntrFn	.45e	12	84	16½	14½	15⅝	+1½
Intrlct s	.16	14	3102	12⅝	11⅝	12¼	+ ⅞
Interlc	.44l	11	1104	7¼	6⅞	7 1-16	+13-16
Intgph		19	18002	26⅝	25¼	26	+ ¼
Interp			19	12⅝	12⅝	12⅝	
IntrmSy		21	27262	u3 1-16	2½	3	+7-16
Intrleaf		51	7300	17½	16¼	16⅝	— ⅜
Intrmgn		59	512	4⅝	4½	4⅝	
Intmec			25 1334	18½	17¼	18⅝	+1
IntmetC	.20	12	1309	12½	11⅝	11⅝	— ⅜
Intrmtr		11	88	4½	4¼	4¼	
IntAm		6	701	2⅛	1⅞	1 15-16	+3-16
InBcst			613	11⅝	10⅝	11⅝	+ ⅜
IntClin		47	357	37	36	36	— ½
IntCnt		24	60	5	4⅝	4⅝	— ¼
InDairA		17	78	29	28	29	+ ½
InDairB		17	8	29	28	29	+ ¼
IGame		15	1130	u14	13	13⅝	+ ⅜
IntGen			716	4⅝	4½	4⅝	+ ⅛
IntHld	.50e	4	59	16	15	15⅝	+ ⅜
IntKing			25	19⅝	19⅝	19⅝	
IntLse	.02e	12	4590	15⅛	14	14⅞	— ⅛
IMP		16	1062	3⅝	3	3⅛	+ ⅛
InMobll			3613	8½	7⅝	7⅝	— ⅜
IMbl wt			186	2⅝	2	2 5-16	—3-16
InMbl pf	2.50		150	22¼	21½	21½	
IntResh	.36	14	341	11½	10¼	10⅞	+ ⅜
InRobo			38	2⅝	2⅝	2⅝	
IRIS			6451	1½	1 1-16	1⅜	+5-16
IntShip		10	325	22	20¼	21⅝	— ⅜
IntTotlz		12	454	2⅝	2½	2⅝	+ ⅛
Intphse		21	108	8¼	7⅝	7⅝	— ⅛
IntPip s	1.80		281	39½	39⅛	39⅛	— ¼
Intspec		18	170	10½	10	10½	+ ⅜
Initan			1634	u28⅛	26½	28⅛	+1⅜
Intrirn		20	940	9⅝	9⅝	9⅝	+ ½
Invrex			1011	u17⅝	17¼	17⅝	+ ⅛

[illegible]							
MagmC			14289	6⅝	5		
MagmP		61	1799	12⅝	11¼		
Magnal	.40	6	478	11½	11⅜		
MaiBo	.48b	10	303	17¼	16½		
MaiBx		19	334	16	15		
Malone			186	7½	d 6⅞		
MalRt		6	1012	10½	9⅝		
MalVld		29	22225	10⅝	9⅛		
Makita	.30e		39	71¼	71		
Mallard			1692	8¼	7⅝		
Malrite			359	8	7		
MalrtA	.01e		987	7½	7		
MgtScl			7964	8⅛	7⅝		
Manitrn			91	3⅝	2⅞		
Manitw	.80	15	814	19⅝	18¼		
MfrsNt	1.60	57	2897	41½	41		
MarbFn	.45e	13	742	15½	15		
Marcus s	.32	11	190	14¼	13⅝		
Margux			2034	2⅝	2½		
Margo			73	3	2½		
Mariet		18	34	11⅝	11¼		
Marlll s	.32	11	129	13⅝	13		
MarinT			435	u12	9⅝		
MarkCtl		16	818	4⅝	4½		
MTwn s	.44	12	139	19⅝	18⅝		
Markel		10	323	17½	17		
MktFct	.32	18	67	7½	7⅛		
Marqst	.07e		646	7	6¼		
MarsSt			122	1½	1⅜		
Marsm			229	10⅝	9⅝		
MrshSu	.44	13	189	19½	19		
Marshl	.96	9	1475	29¼	28		
Marten		7	15	5¼	4⅝		
MartnL		13	6903	6¼	5½		
MdFSL			1519	11⅛	10		
Mascmp		20	5230	5	4½		
Macol s		8	3954	12⅝	12		
Masabk	.36	11	x773	19¼	18⅝		
Masstor			5130	3⅝	3 1-16	3	
MobGs s	.72	13	63	14¼	13½		
MOCON	.10	12	566	7⅝	7		
Modine s	.44	11	798	17⅝	17¼		
ModuTc		8	404	2⅝	2⅝		
MolBio			1962	13⅝	13		
Molecir			1119	3⅝	3¼		
Molex		19	4820	40	39⅝		
MonAvl			16	1⅜	1⅛		
Monitr		13	1607	6	5¼		
MoniTc		4	43	2⅞	2⅝		
MonRE	s.40		17	6	5½		
MonAnl			546	4⅛	4⅛		
MontSv	.20e		82	16¼	15⅝		
MoorF	1.20	11	1360	26¾	25⅞		
Moreld			235	5	3⅝		
MooreP	.80	14	270	32			
MorFlo	.01		79	5½	5½		

Ketchikan Daily News,

Saturday-Sunday, April 2-3, 1988

Women unionists decry inequity

BEIJING (AP) – The top women officials of labor federations in seven cities issued a statement Friday complaining that women on the job received unequal treatment and demanding a public debate on the issue.

"We call upon the media, economic and theoretical communities, leaders at all levels of the (Communist) party and government ... and all men and women workers to air their own views and actively join in a discussion," the seven women said in the statement, published on the front page of the newspaper Workers' Daily.

Their statement, drafted at a meeting in Beijing, was especially critical of what they said was a growing tendency to fire women once they have children.

Many enterprises also have done away with maternity leave and other "women's benefits" in order to cut costs now that companies are being held responsible for their own profits and losses.

"Some people believe that when a woman becomes pregnant and has a child it is a private matter and becomes a burden for the enterprise," the statement said. "But others believe women carry two heavy loads, of helping produce material goods for society and perpetutating the human race, and this contribution deserves social recognition and special protection."

Women were regarded as inferior in traditional China's rigid social hierarchy but are promised equal treatment in Communist Chi

Panama City traffic jammed
streets in reaction to their inabilit

Panamanian would accep

PANAMA CITY, Panama (AP) – Police replaced Gen. Manuel Antonio Noriega's heavily armed soldiers on the streets Friday for the first time since last month's attempted coup against the Panamanian strongman.

The U.S. Defense Department announced it will send 1,300 additional military personnel to Panama, bringing the total number of American troopers there to nearly 12,000.

Panamanians, who are predominantly Roman Catholics, took time out from political activity on Good Friday to prepare for the Easter weekend, but for many that meant only another day of hunger

F.H. 0/1

Ketchikan Daily News,

Saturday-Sunday, April 2-3, 1988

Bank president opposes bailout for banks

The president of the new Alliance Bank visited Ketchikan this week and said he and his group oppose a state bailout for Alaska banks.

Fred Burrows joined Alliance the first of February, a few days after United Bank of Alaska, Southeast joined United Bank Alaska and Alaska Mutual in a merger and reorganization financed by the New York-based Hallwood Group with $65 million.

Burrows said in an interview Monday that the action needed to assist banks and private citizens is to avoid dumping all foreclosed property in Alaska on the market at once. He said the property should be put on the market over a period of years such as seven or 10, although he said he hasn't studied the issue enough to have a recommended time.

He said Alliance Bank has 2,000 pieces of foreclosed property in its possession. The total of all foreclosed property held by the Federal Deposit Insurance Corporation, other government agencies and banks represents at least $1 billion in value. Because of the recession in Alaska, people find the appraised value of their homes less than the balance they owe on the mortgage. Many are jobless and unable to make payments or move. To dump more property on the real estate market now would depress the value of real estate more and worsen the situation, Burrows said.

The FDIC, which insures bank customers against losses, however, doesn't like to hold property which it acquires from failed banks. Burrows said if FDIC suddenly dumped all of the property it holds, that instead of property values dropping the 20 percent they have in the Anchorage area, they would drop two to three times that amount.

Burrows said the economy in Southeast is good compared with Anchorage. This was echoed by Ketchikan Alliance branch manager Dick Axelson, who said that only one Ketchikan property is among the 2,000 which Alliance has taken back on foreclosure.

Burrows joined Alliance Bank as president after 21 years with First Interstate in Oregon and Washington where he rose to president of the Seattle branch. He also ran an advertising agency and recently worked for the Seattle Convention and Visitor Bureau in promoting the new Seattle convention center which opens in June.

Alliance Bank has 13 offices throughout Alaska and is negotiatng for a second bank office in Juneau. Its current Juneau office is in Mendenhall Valley and Burrows hopes to see the bank move into the old Alaska Bank of the North offices in the Sealaska Building in downtown Juneau. Bank of the North is one of the four major Alaska banks which failed last year. Bank of the North's assets were purchased by National Bank of Alaska.

Burrows said banking problems aren't confined to Alaska. Banks in other states hit by the depression in the oil and farming are failing. And not all banks in Alaska are failing. He said First Bank of Ketchikan is a sound institution.