

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1975 HRLS HB 889 - SB 19 1975

# International Brotherhood

TELEPHONE  
(907) 456-4248  
or 456-4249

VERN C. (Bud) GARRISON  
BUSINESS MANAGER • FINANCIAL SECRETARY



Local 1547

# of Electrical Workers

60 HALL STREET  
FAIRBANKS, ALASKA 99701

GEORGE A. ROBERTS  
PRESIDENT

APRIL 12, 1982

DEAR LEGISLATOR,

WE REQUEST THAT YOU SUPPORT THE NECESSARY LEGISLATION TO ENABLE DOYON NATIVE CORPORATION TO PURCHASE STATE ROYALTY OIL.

DOYON HAS COMMITTED THEMSELVES TO A UNION BUILT REFINERY AND WE IN THE LABOR INDUSTRY STRONGLY SUPPORT LOCAL NATIVE CORPORATIONS WHO CONTRIBUTE TO OUR COMMUNITY LABOR MARKET.

SINCERELY YOURS,

ANDY MAESTAS  
BUSINESS AGENT  
IBEW, FBKS 1547

AIM:JCD



KB 888  
+  
KB 889

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 29, 1982

The Honorable Joe L. Hayes  
Speaker of the House  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, I am transmitting two bills which provide legislative approval of royalty oil contracts. One bill covers the contract between the state and Tesoro Alaska Petroleum Company, and the other bill covers the contract between the state and Doyon, Ltd.

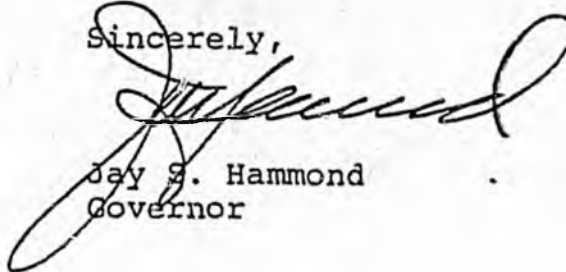
These contracts are described in great detail in the 238-page "Review of Alaska Royalty Oil Policy and Findings for Proposed Disposition of Royalty Oil," issued by the Department of Natural Resources on February 26, 1982. Copies of these findings and a 14-page summary of these findings have previously been made available to the legislature and individual legislators for review. The Doyon contract submitted for approval is a contract referred to in the findings as "Doyon I."

These contracts are being submitted for legislative approval for two reasons. First, although this administration has always taken the position that the statutory requirement of legislative approval of royalty oil contracts is unconstitutional (AS 38.06.055), as a matter of comity I have always respected the legislature's desire to have a direct voice in major disposals of royalty oil. Therefore, these contracts contain provisions requiring approval by the legislature before they become effective. Second, these bills would ratify the agreements for the sale of oil. This ratification would cure any procedural defect that may have occurred in the process of entering into these contracts.

Although we believe that all necessary steps have been taken, the statutes and regulations governing the disposal of royalty oil represent often conflicting desires and goals, both procedural and substantive. For example, even

if statutorily requiring legislative approval were constitutional, the present statutes provide, on the one hand, that the legislature is to approve the contract by enacting legislation (AS 38.06.055(a)), but, on the other hand, they also provide that a report of the Royalty Board "shall be submitted for legislative review at the time of (sic) resolution for legislative approval of a proposed disposition of royalty oil and gas is introduced in the legislature" (AS 38.06.070(c)). Since legislative approval is required anyway as a matter of contract, I believe it only prudent to present these contracts for legislative approval and ratification at this time.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Jay S. Hammond". The signature is written over the typed name and title.

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HR 220  
 Title Act relating to the sale of royalty oil by the State of Alaska to Doyon,  
 Requested by House Resources Date 4/7/82

II. FISCAL DETAIL

Agency Affected Natural Resources/Revenue  
 Program Category Affected Royalty Payments/Severance Tax Payments  
 BRU, Program, Or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Revenues Lost	0	0	0	0	0	0
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

IV. DATE April 7, 1982 PREPARED BY House Special Gas Pipeline Committee  
 AGENCY \_\_\_\_\_  
 Original: Legislative Finance PHONE \_\_\_\_\_  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)



Official Business

# Alaska State Legislature

## House of Representatives

Office of The Majority Leader

Pouch V  
State Capitol  
Juneau, Alaska 99811

April 7, 1982

### MEMORANDUM

TO: Al Adams  
Finance Committee Chairman

FROM: Rick Halford  
House Special Gas Pipeline Committee Chairman

SUBJECT: 0 Fiscal Note for HB 889

A handwritten signature in cursive script that reads "Rick Halford".

The House Special Gas Pipeline Committee has moved HB 889 "An Act relating to the sale of royalty oil by the State of Alaska to Doyon, Ltd.; and providing for an effective date." - with a 0 Fiscal Note.

However, the Commissioner of Natural Resources has assured this Committee that he will forward to your Committee, an extensive detailed fiscal analysis to accompany the 0 Fiscal Note, for your review and consideration.

ENDED TITLE:

ACT RELATING TO THE SALE OF ROYALTY OIL BY THE STATE  
ALASKA TO DOYON, LTD.;  
D PROVIDING FOR AN EFFECTIVE DATE

TIME SPONSOR: HOUSE RULES COMMITTEE.

CO-SPONSORS:

CURRENT STATUS: 4/07/82 IN (H) FINANCE

889 HOUSE ACTION  
DATE SEQ PAGE

LEGISLATIVE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
3/29/82	01	0956	FIRST READING -- COMMITTEE REPORTS
3/29/82	02	0954	GOV TRANSMITTAL LETTER
3/29/82	03	0956	CONTRACT JOINT SUPPL #6
4/07/82	04	1177	GAS -- C304, NR01
4/07/82	05	1177	ZERO F/NOTE W/ANALYSIS HSE SUPPL #3B FINANCE RULES

\*\*\* \*\* \*\* \*\*\* \*\* \*

HCR

52

COMMITTEE REPORT

HOUSE

1/27  
Ruler

(7)

FURTHER:

1/22/82

Date:

Jan 25 1982

Mr. Speaker:

The Committee on RESOURCES has had HCR 52

Relating to habitat management.

under consideration and reports it back as follows:

do pass [ ] do not pass

[ ] do pass with attached amendments(s)

~~WAA~~ replace with CS for Resources HCR 52  same title  
[ ] new title  
and recommends do pass

[ ] AND attaches a "Letter of Intent" [ ] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

Tom Fanning  
Barbara  
Ben Sweeney  
Rich Halford  
Ein Satchffe

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

Tom Vaska Wolke

Fanning  
ce - CHAIRMAN

Rules also has a set of four resolutions which came out of the subsistence summit conferences last fall:

HCR 51 and HJR 76, which urges ADF&G to continue to implement predator control programs in areas with depressed game populations, to check into using them in additional areas of the state, and to use local hunters and trappers to get the predators. Game Div. is in strong support of the bill (aerial wolf kills, more moose for hunters, etc)

HCR 52 and HJR 75, which relate to fire management programs, urges DNR and other state and federal agencies to continue selective fire control practices rather than "initial attack" on all fires.

(Rep. Fanning had hoped to schedule these when Tony is out of town....)



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

BILL ANALYSIS

Department Fish and Game	Sponsor (Principal) Resources Committee	Bill Number HCR 52
Department Position Favor		
Division/Personnel Ronald J. Somerville	Date 2/9/82	Completion <i>[Signature]</i> Date 2-11-82

GOVERNOR'S OFFICE USE

Comments:

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Position noted By \_\_\_\_\_ Date \_\_\_\_\_

SUMMARY

1. a) Related Bills (Similar or Contrasting) None known	1. b) Other Agencies Affected by Bill DNR
2. a) Organizational Support for Bill Unknown	2. b) Organizational Opposition to Bill Unknown
3. Program Effects of Bill No direct impacts	
4. Fiscal Impact: <input checked="" type="checkbox"/> None <input type="checkbox"/> Fiscal Note Attached	
5. Amendments Proposed: None	
6. Comments:	

The Department strongly supports this resolution; it would give strong backing to the current Department efforts to work cooperatively both with the State Department of Natural Resources and with the U.S. Bureau of Land Management, and to a lesser extent Fish and Wildlife Service. We strongly believe that the development of fire management plans which will provide for selective fire control and prescribed fires, will not only result in the restoration of vast amounts of prime wildlife habitat, but will also save the State money by discouraging the unnecessary fighting of wildfire that will not result in damage to private property or to other resources.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HCR 52 and HJR 75  
 Title Habitat Management  
 Requested by House Resources Date 2/2/02

II. FISCAL DETAIL  
 Agency Affected Fish and Game  
 Program Category Affected APMFC  
 BRU, Program, or Subprogram(s) Affected Habitat Division  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Although the Habitat Division believes that a full range of fire management options need to be considered in land management decisions, the Division is presently prepared to make fire management recommendations for purposes of habitat protection or enhancement. Because we can provide these recommendations to land managers through existing planning and coordination processes the Division does not expect this resolution to have a significant impact on its ongoing workload or funding requirements at this time.

IV. DATE 2/3/02 PREPARED BY Tom Baker  
 AGENCY Fish and Game  
 ORIGINAL: Legislative Finance PHONE 465 305  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named) Paul Hunsicker  
 33-001 (Rev. 12/81)

12-22-14  
Hein

Introduced: 1/22/82  
Referred: Resources

1 IN THE HOUSE BY THE RESOURCES COMMITTEE  
2 HOUSE CONCURRENT RESOLUTION NO. 52  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TWELFTH LEGISLATURE - SECOND SESSION

5 Relating to habitat management.

6 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 WHEREAS different stages of ecological succession favor different plant  
8 and wildlife species; and

9 WHEREAS in many parts of Alaska vegetation in early stages of succession  
10 provides prime food for many highly valued game and fur animals; and

11 WHEREAS fire historically has been the major factor in causing beneficial  
12 habitat changes in large areas of the state; and

13 WHEREAS recent fire control policy generally has been to follow the  
14 principle of "initial attack" on fires whenever possible; and

15 WHEREAS this policy has resulted in significantly less acreage burned  
16 annually, compared to the natural condition, as determined by studies of fire  
17 history in Alaska; and

18 WHEREAS this course of events has resulted in significantly less prime  
19 habitat for browsing species and their predators in many areas of the state;  
20 and

21 WHEREAS during the last three years the state and federal agencies have  
22 developed fire management plans in Interior Alaska to enhance habitat improve-  
23 ment opportunities by providing for selective fire control and prescribed  
24 fires; and

25 WHEREAS the U.S. Forest Service has used prescribed burns on the Kenai  
26 Peninsula to enhance extremely poor moose ranges; and

27 WHEREAS in many areas of the state wild fires or prescribed burns have  
28 substantially increased the population of moose, sheep, grouse and other

1       WHEREAS other forms of habitat manipulation may in some cases also prove  
2 beneficial to wildlife populations; and

3       WHEREAS wildlife population increases resulting from habitat improvement  
4 can contribute to improved hunting and trapping by all resource users;

5       BE IT RESOLVED that the Alaska State Legislature supports the efforts of  
6 state and federal agencies and private landowners to enhance habitats through  
7 management programs, such as cooperative fire management planning, and other  
8 habitat rehabilitation efforts where ecologically appropriate; and be it

9       FURTHER RESOLVED that the Department of Natural Resources and other  
10 state agencies that deal with habitat management are urged to continue  
11 developing plans for fire management, and to include in their budgets sub-  
12 mitted to the governor plans and funding requests that will ensure the con-  
13 tinuance of cooperative fire management planning and other habitat management  
14 programs.

15       A COPY of this resolution shall be sent to the Board of Game.  
16  
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28

HR 52 and HR 75

fire management programs  
selective fire control - prescribed burns

HJR

12

# AMENDMENT

OFFERED IN THE HOUSE:

By: STATE AFFAIRS

To: AMEND HOUSE BILL No. HJR 12

SENATE BILL No. \_\_\_\_\_

PAGE: \_\_\_\_\_

LINE: \_\_\_\_\_

Page 1, line 24: delete "in increments of"

Page 1, line 25: delete "s" on Extensions and add "s" on require

COMMITTEE REPORT

1/25

HOUSE

(7)

FURTHER: *lls'*

1/22/82

Date: Jan 25, 81

Mr. Speaker:

The Committee on JUDICIARY has had HJR 12

Proposing amendments to the Constitution of the State of Alaska relating to legislative sessions.

under consideration and reports it back as follows:

do pass  do not pass

do pass with attached amendments(s)

replace with CS for HJR 12 (Jud)  same title  new title

and recommends it do pass

AND attaches a "Letter of Intent"  New Fiscal Note

reports it back without recommendation

referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

*Charles A. Larson*  
*Buchholdt*  
*ROD E. POLL* *Do Pass by all means*  
*Kuss Melkris*  
*Barnes*  
*Patrick W. O'Connell*

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

*Freeman No Rec*  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Barnes*  
CHAIRMAN

COMMITTEE REPORT

HOUSE

1/22/82

FURTHER: JUDICIARY

2/10/81

(5)

Date: 1-21-82

Mr. Speaker:

The Committee on STATE AFFAIRS has had HJR 12

Proposing amendments to the Constitution of the State of Alaska relating to legislative sessions.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments (5)
- replace with CS for \_\_\_\_\_  same title
- and recommends \_\_\_\_\_  new title
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS

*[Handwritten signatures]*

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MEMBERS HAVING OTHER RECOMMENDATIONS:

*[Handwritten signatures]* Do Not Pass

*[Handwritten signature]* Do Not Pass

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*[Handwritten signature]*

CHAIRMAN

# Alaska State Legislature



Senate

SENATOR MIKE COLLETTA

February 25, 1982

The Honorable Victor Fischer  
Chairman  
State Affairs Committee  
Pouch V  
Juneau, Ak 99811

Dear Senator Fischer:

Enclosed is a copy of a poll conducted by Dave Dittman for the Free Committee showing conclusively that Alaskans favor limiting the terms of legislators.

Based on the overwhelming statistics contained in the poll, I urge you to schedule hearings as soon as possible on Senate Joint Resolution 55, which I introduced earlier this session.

The resolution, which must pass this session to gain a spot on the 1982 general election ballot, would limit the number of terms a legislator may serve to four consecutive terms in the House and two consecutive terms in the Senate.

Nothing in the resolution prevents an incumbent from running for office in the opposite house after serving the maximum time in one body, or to sit out a term and seek election to his former seat.

I just feel it is good business practice to rotate people, before old habits set in. And apparently Alaskans hold the same opinion. Of the 455 persons interviewed in 51 communities across the state, 62 percent favored limiting the terms of legislators. The trend was consistent among Alaskans of all ages, background and areas of the state.

Again, I request that you take up SJR 55 as soon as possible, in order to allow the public ample time to testify on this matter.

Sincerely,

A handwritten signature in cursive script that reads "Mike Colletta".

Mike Colletta

cc: all Legislators

MULTI-QUEST

VOLUME IX

MARCH 1981

PREPARED FOR

ANCHORAGE WOMEN'S CLUB  
FREE COMMITTEE

DITTMAN RESEARCH CORPORATION  
ALASKA BANK OF COMMERCE BUILDING  
3230 "C" STREET  
ANCHORAGE, ALASKA

*Alaska Analysts / Dittman Research*

SURVEY ACCURACY

The Dittman Research Corporation, recognized in 1978 as one of the nation's most accurate political survey research organizations following a nation-wide comparison of published pre-election survey results, further enhanced the reputation following the 1980 General Elections in Alaska. The final pre-election state-wide survey published in The Anchorage Times reported that Frank Murkowski would defeat Clark Gruening by 8% and become Alaska's new U.S. Senator. After all challenged and absentee ballots were counted, the certified results revealed Murkowski had defeated Gruening by 8.002%.

## METHODOLOGY

During the period February 27 - March 5, 1981, residents of the sample locations listed on the following pages were personally contacted by telephone by professional interviewing employees of the Dittman Research Corporation. The views and opinions of the Alaska residents were recorded on a number of topics on a strictly confidential basis.

Research design- A random sample design was featured which provided that all residents of those communities included in the survey had essentially the same chance of being interviewed. The sample was apportioned based on the population of the included communities.

Sample selection- The Anchorage sample was selected through a computer-generated random digit dialing program. This is particularly important in Anchorage due to a 40% rate of unpublished and unlisted numbers.

The sample in the other communities state-wide was randomly selected from current telephone subscribers listed in the most recent telephone directory for each community. In these communities the percentage of non-listed numbers does not exceed 10%.

*Market Analysis / Dittman Research*

PROCESSING THE DATA-

Dittman Research Employees completed the coding and editing, while all key-punching, verification, and data processing was completed by Boeing Computer Services Company through the Statistical Package for the Social Sciences (SPSS) programs. The SPSS package is one of the most sophisticated research-oriented data processing and analytical systems available, and is designed specifically for the processing and analysis of survey research data.

SAMPLE LOCATIONS

Sample points are assigned geographically throughout Alaska in such a manner that all citizens over 18 have essentially the same opportunity for involvement. Samples are drawn from 71 Alaskan communities.



FILE MULTI9 (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \* \*  
 LOCATION BY LEGTERMS  
 \*\*\*\*\*

LEGTERMS

LOCATION	COUNT ROW PCT	I		FAVOR		OPPOSE		ROW TOTAL
		IN-R	I	I	I	I	I	
RURAL	1	11.8	4	50.0	17	38.2	13	34
CENTRAL	2	10.3	8	52.6	41	37.2	29	78
SCENTRL	3	7.0	4	66.7	38	26.3	15	57
ANCH	4	5.5	11	68.5	137	25.0	52	200
SCUTHEST	5	7.0	6	59.3	51	33.7	29	86
COLUMN TOTAL		7.3	33	62.4	284	30.7	138	455

*new #  
actual # of us.*

*total  
single single*

FILE MULTI9 (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \* \*  
 TIMEINAK BY LEGTERMS  
 \*\*\*\*\*

	COUNT	LEGTERMS				ROW TOTAL
		IN-R	FAVOR	OPPCSE		
		0	1	2		
TIMEINAK						
1-4YRS	1	12	87	28	127	
		9.4	68.5	22.0	27.9	
5-7YRS	2	3	52	31	86	
		3.5	60.5	36.0	18.9	
8-13YRS	3	6	49	23	78	
		7.7	62.8	29.5	17.1	
14-19YRS	4	1	41	15	57	
		1.8	71.9	26.3	12.5	
20+YRS		11	55	41	107	
		10.3	51.4	38.3	23.5	
COLUMN TOTAL		33	284	138	455	
		7.3	62.4	30.3	100.0	

FILE MULTI9 (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \*  
 AGE BY LEGTERMS  
 \*\*\*\*\*

LEGTERMS

AGE	COUNT	ROW PCT	LEGTERMS			ROW TOTAL
			N-R	FAVOR	OPPCSE	
			I 0 I	I 1 I	I 2 I	
	0		I 0 I	I 1 I	I 0 I	1
N-R			I 0 I	I 100.0 I	I 0 I	.2
	1		I 5 I	I 46 I	I 27 I	78
18-24			I 6.4 I	I 59.0 I	I 34.6 I	17.1
	2		I 13 I	I 133 I	I 68 I	214
25-40			I 6.1 I	I 62.1 I	I 31.8 I	47.0
	3		I 8 I	I 69 I	I 35 I	112
41-55			I 7.1 I	I 61.6 I	I 31.3 I	24.6
	4		I 7 I	I 35 I	I 8 I	50
56+			I 14.0 I	I 70.0 I	I 16.0 I	11.0
COLUMN TOTAL			33	284	138	455
			7.3	62.4	30.3	100.0

FILE MULTIS (CREATION DATE = 01/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \* \* \*  
 SEX BY LEGTERMS  
 \*\*\*\*\*

SEX	COUNT	ROW PCT	LEGTERMS				ROW TOTAL
			IN-R	FAVOR	OPPOSE		
			0	1	2		
MALE	1		15	130	57	202	
			7.4	64.4	28.2	44.4	
FEMALE	2		18	154	81	253	
			7.1	60.9	32.0	55.6	
COLUMN TOTAL			33	284	138	455	
			7.3	62.4	30.3	100.0	



FILE MULTI9 (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \* \*  
 WORKDC BY LEGTERMS  
 \*\*\*\*\*

LEGTERMS

	COUNT	I	IN-R	FAVOR	OPPOSE	ROW	TOTAL	
	ROW PCT	I	I	I	I	I	I	
WORKDC		I	0	I	1	I	2	I
		I		I		I		I
	0	I	0	I	3	I	0	I
N-R		I	0	I	100.0	I	0	I
		I		I		I		I
	2	I	2	I	42	I	20	I
DEGREE		I	3.1	I	65.6	I	31.3	I
		I		I		I		I
	3	I	6	I	74	I	35	I
NONDEGREE		I	5.2	I	64.3	I	30.4	I
		I		I		I		I
	4	I	10	I	47	I	19	I
SKILLED		I	13.2	I	61.8	I	25.0	I
		I		I		I		I
	5	I	3	I	35	I	23	I
NONSKILL		I	4.9	I	57.4	I	37.7	I
		I		I		I		I
	6	I	5	I	21	I	4	I
NOTWORKF		I	16.7	I	70.0	I	13.3	I
		I		I		I		I
	7	I	7	I	62	I	37	I
HOMEMAKE		I	6.6	I	58.5	I	34.9	I
		I		I		I		I
COLUMN			33		204		138	
TOTAL			7.3		62.4		30.3	
							455	
							100.0	

FILE MULTI9 (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \*  
 INCOME BY LEGTERMS  
 \*\*\*\*\*

LEGTERMS

	COUNT	I	IN-R	FAVOR	OPPOSE	ROW TOTAL
	ROW PCT	I	I	I	I	I
INCOME		0	1	2		
		-----I-----I-----I-----I				
	0	I	3	20	10	33
DECLINED		I	9.1	60.6	30.3	7.3
		-I-----I-----I-----I				
	1	I	10	69	37	116
0-20000		I	8.6	59.5	31.9	25.5
		-I-----I-----I-----I				
	2	I	13	107	61	181
20-45000		I	7.2	59.1	33.7	39.8
		-I-----I-----I-----I				
	3	I	2	60	17	79
45-60000		I	2.5	75.9	21.5	17.4
		-I-----I-----I-----I				
	4	I	5	28	13	46
60000+		I	10.9	60.9	28.3	10.1
		-I-----I-----I-----I				
COLUMN TOTAL			33	284	138	455
			7.3	62.4	30.3	100.0



FILE MULTIS (CREATION DATE = 81/03/10.)

\*\*\*\*\* C R O S S T A B U L A T I O N O F \*  
 PARTY BY LEGTERMS  
 \*\*\*\*\*

LEGTERMS

	COUNT	I		FAVOR	OPPOSE	ROW
PARTY	ROW	PCT	IN-R			TOTAL
			I	I	I	
			0	1	2	
PARTY	-----	-----	-----	-----	-----	-----
	0		7	53	17	77
N-R			9.1	68.8	22.1	16.9
	-----	-----	-----	-----	-----	-----
	1		5	61	34	100
DEMOCRAT			5.0	61.0	34.0	22.0
	-----	-----	-----	-----	-----	-----
	2		3	57	24	84
REPUBLICAN			3.6	67.9	28.6	18.5
	-----	-----	-----	-----	-----	-----
	3		18	113	63	194
NONPARTISAN			9.3	58.2	32.5	42.6
	-----	-----	-----	-----	-----	-----
	COLUMN		33	284	138	455
	TOTAL		7.3	62.4	30.3	100.0

AMENDED TITLE:  
PROPOSING AMENDMENTS TO THE CONSTITUTION OF THE STATE OF  
ALASKA RELATING TO LEGISLATIVE SESSIONS

PRIME SPONSOR: HAYES.

CO-SPONSORS: ABOOD, ANDERSON, BARNES, BEIRNE, BETTISWORTH, BYLSMA, CUDDY,  
HALFORD, HAUGEN, MARTIN, METCALFE, MONTGOMERY, O'CONNELL, PHILLIPS, SUTCLIFFE.

CURRENT STATUS: 1/25/82 IN (H) RULES

HJR 12 HOUSE ACTION

DATE SEQ PAGE

LEGISLATIVE ACTION

02/10/81 01 0217  
03/12/81 02 0537  
05/11/81 03 1337  
01/22/82 04 0114  
01/25/82 05 0133

FIRST READING -- COMMITTEE REPORTS  
NOT MOVED FROM S.A. COMM BY DIV 17-22-01  
NOT MOVED FROM S.A. COMM BY DIV 15-21-04  
S.A. -- DNF02, DP(AM)03  
JUD -- CS06, NR01

RULES  
RULES

\*\*\* \*\* \*\* \*\*\* \*\* \*

length of reg. sessions HJR 12

[120 days + 10 (7/3 of each house)] by 16 Republicans

CS changed "in increments of" to just one 10-day extension  
see also

HJR 70: Governor's majority w/ Gov. approval. limited subjects  
87 + 15, gov. or leg. w/ Gov. approval. limited subjects  
CS SJR 6 (SA): 120 + 7 (2/3 each house) - limited subjects  
Sen. Jud.

House priority

HJR-12

1. SA notice ok. Judiciary had 3 different schedules for week of Jan. 25, this bill was listed on one of them, but not the one printed.

HJR

41

COMMITTEE REPORT

3/24

HOUSE

FURTHER: FINANCE

3/26/81

(7)

Date:

Mar. 22, 82

Mr. Speaker:

The Committee on JUDICIARY has had HJR 41

Proposing an amendment to the Constitution of the State of Alaska defining the term "appropriation."

under consideration and reports it back as follows:

do pass

[ ] do not pass

[ ] do pass with attached amendments(s)

replace with CS for HJR 41 (Judiciary) and recommends do pass

same title  
[ ] new title

[ ] AND attaches a "Letter of Intent" [3] New Fiscal Note

[ ] reports it back without recommendation

[ ] referred to the \_\_\_\_\_ Committee

attached  
2-0 & Bill  
1-undetermined  
impact  
Suppl 30

MEMBERS SIGNING DO PASS

ROD E. PEDD: Do Pass  
Richard Council  
Charles Anderson  
J. Barnes, ch.

MEMBERS HAVING OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

General Barnes  
CHAIRMAN

COMMITTEE REPORT

HOUSE

4/5

FURTHER:

Rules

(11)

3/24/82

Date:

4/5/82

Mr. Speaker:

The Committee on FINANCE has had HJR 41

Proposing an amendment to the Constitution of the State of Alaska defining the term "appropriation."

under consideration and ~~(a-majority-of-the-committee)-(the-committee)-~~ reports it back with the following recommendations:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for HJR 41 (Sud)  same title  
 new title
- and recommends do pass
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
[Signature]

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

[Signature] DO NOT PASS  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

[Signature]  
 CHAIRMAN

# ALASKA STATE LEGISLATURE - HOUSE OF REPRESENTATIVES

IN SESSION:



POUCH V  
JUNEAU, ALASKA 99811  
TELEPHONE: (907) 465-3777

P.O. BOX 4-1539  
ANCHORAGE, ALASKA 99509  
TELEPHONE: (907) 277-6219

REP. M. F. "MIKE" BEIRNE

MEMBER OF:  
FIFTH STATE LEGISLATURE  
NINTH STATE LEGISLATURE  
TENTH STATE LEGISLATURE  
ELEVENTH STATE LEGISLATURE  
TWELFTH STATE LEGISLATURE

COMMITTEES:  
HEALTH, EDUCATION  
AND SOCIAL SERVICES, CHAIRMAN  
AND LEGISLATIVE COUNCIL

TO: ALL HOUSE MEMBERS

FROM: REP. MIKE BEIRNE

DATE: Feb. 12, 1982

One of my major priorities this session is HJR 41. It is most important that the people of Alaska be allowed some control over the disposal of state lands, particularly since an incredibly large percentage of our land is in state, rather than private, ownership. This resolution has engendered excellent bi-partisan backing, as reflected by our co-sponsors. If you desire knowledge reflecting popular support, recall the Beirne Homestead Initiative vote. This bill will remedy the constitutional problem which caused the Alaska Supreme Court to overrule the peoples' mandate.

I earnestly seek your support for this measure. Please call my office at 3777 and let me know if you can support this legislation. If you have any questions, please contact Jody Sutherland, my Administrative Assistant.

Thank you.

constitution says land  
is an appropriation  
can only be made by  
the legislature - that's  
why Beirne's Home-  
stead bill was  
struck down -

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HJR 41 (3/26/81) *No 1*  
 Title Relating To The Term "Appropriation"  
 Requested by House Judiciary Committee Date 3/22/82

II. FISCAL DETAIL

Agency Affected General Fund Unrestricted Revenue  
 Program Category Affected \_\_\_\_\_  
 BRU, Program, Or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) SEE ANALYSIS SECTION

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This Constitutional amendment would remove the disposition of land or tangible property of the state from being subject to legislative appropriation.

All state land and tangible property has some asset value and income producing value. Therefore, the monetary equivalent of the land, in effect, would be allowed to be distributed without legislative appropriation, including future potential income. Significant fiscal impact to potential state revenues exist but are indeterminate (unquantifiable at this time) due to the nature, type, extent and potential uses to which the land or property could be put.

*A. Staack*

IV. DATE March 22, 1982 PREPARED BY Anselm C. Staack, Treasury Comptroller  
 AGENCY Dept. of Revenue, Treasury Division  
 Original: Legislative Finance PHONE 465-2350  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HJR 41 No 2  
 Title Proposing an amendment to the Constitution of the State of Alaska  
 Requested by Repr. Barnes, House Judiciary Date March 22, 1982  
 defining the term "appropriation."

II. FISCAL DETAIL

Agency Affected Department of Law  
 Program Category Affected General Government  
 BRU, Program, Or Subprogram(s) Affected Legal Services  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

No fiscal impact.

*Richard I. Pequeo*

IV. DATE March 22, 1982 PREPARED BY Richard I. Pequeo, Director, Admin. Servi  
 AGENCY Department of Law  
 Original: Legislative Finance PHONE 465-3672  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HJR 41 7103  
 Title Proposing a constitutional Amendment defining the term "appropriation"  
 Requested by House Judiciary Date 3-22-82

II. FISCAL DETAIL  
 Agency Affected Department of Natural Resources  
 Program Category Affected NRMEC  
 BRU, Program, Or Subprogram(s) Affected \_\_\_\_\_  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-				
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME		-0-				
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This amendment does not mandate any programs.

IV. DATE 3-22-82 PREPARED BY Mark Wittow  
 AGENCY Dept of Natural Resources  
 Original: Legislative Finance PHONE 465-2400  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

AMENDED TITLE:

PROPOSING AN AMENDMENT TO THE CONSTITUTION OF THE STATE OF ALASKA DEFINING THE TERM "APPROPRIATION"

PRIME SPONSOR: BEIRNE.

CO-SPONSORS: FREEMAN, MALONE, HAYES, CATO, RANDOLPH, MOSS, BARNES, HALFORD, FANNING, MONTGOMERY, O'CONNELL, BETTISWORTH.

CURRENT STATUS: 3/24/82 IN (H) FINANCE

HJR 41 HOUSE ACTION

DATE	SEQ	PAGE	LEGISLATIVE ACTION
03/26/81	01	0705	FIRST READING -- COMMITTEE REPORTS
03/24/82	02	0905	JUD -- CS01
03/24/82	03	0905	FISCAL NOTES EQUAL ZERO
03/24/82	04	0905	IMPACT/ANALYSIS HSE SUPPL #30
			FINANCE
			RULES

\*\*\*\* \*\* \*\* \*\*\* \*\* \*

const. am defining APPROPRIATION HJR 41

Makes land not subject to legislative appropriation / notification ok  
Beirne / Instead - Initiative

finance : 9 do pass, Cotten do not  
Judiciary : 4 do pass  
fiscal notes ok

9

10

11

COMMITTEE REPORT

HOUSE

6/19  
Rules

FURTHER:

Date: June 19, 1981

Mr. Speaker:

The Committee on Rules has had HCS CSSSSB 5(SA)

"An Act relating to the effectiveness of administrative regulations."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommendation
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

John D. Buller

\_\_\_\_\_

\_\_\_\_\_

Robert O. Hancock

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

John D. Buller

CHAIRMAN


STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

June 19, 1981

SUBJECT: Amendment to HCS CSSSSB 5 (Rules)  
TO: Representative John G. Fuller   
FROM: Joseph A. Guthrie  
Legislative Counsel

You have asked for a short analysis of the amendment proposed to line 29, page 1 of version No. 2 of HCS CSSSSB 5 (Rules).

The language in line 29, page 1 of version No. 1 of HCS CSSSSB 5 (Rules) would have the legislature enacting a bill requiring the executive or agency to repeal or amend its regulation. The proposed language for version No. 2 would have the legislature enact a statute stating the policy which the regulation conflicts with, thus invalidating the regulation under the terms of AS 44.62.030. That statute reads as follows:

Sec. 44.62.030. CONSISTENCY BETWEEN REGULATION AND STATUTE. If, by express or implied terms of a statute, a state agency has authority to adopt regulations to implement, interpret, make specific or otherwise carry out the provisions of the statute, no regulation adopted is valid or effective unless consistent with the statute and reasonably necessary to carry out the purpose of the statute.

Under version No. 2 the regulation would be invalidated upon the effective date of the bill; under the language in version No. 1 the regulation would be invalidated upon the effective date of a regulation adopted by the executive department or agency repealing or amending the regulation. A minimum of sixty days is required to amend or repeal a regulation. Moreover version No. 2 would require the legislature to state affirmatively the policy which the regulation is contrary to, thus foreclosing the opportunity

Representative John G. Fuller  
Page 2  
June 19, 1981

provided executive departments and agencies to further confound the will of the legislature when repealing or amending its regulations.

JAG:ljb

Enclosure

S

B

19



# Alaska State Legislature

## House of Representatives

### Committee on Rules

Pouch V  
State Capitol  
Juneau, Alaska 99811

Official Business

#### M E M O R A N D U M

TO: Rules Committee Members

FROM: Rep. Sally Smith  
Chair, Rules Committee

RE: Rules Committee meeting

DATE: June 1, 1981

A meeting of the Rules Committee has been scheduled for Wednesday, June <sup>3rd</sup> 6th, at 8:00am in room 102 Capitol to take up Senate Bill 19.

## QUESTIONS CONCERNING OUT-OF-STATE ACQUISITION OF A COMMERCIAL BANK

The primary regulator should make the decision as to whether or not a financial institution is solvent or insolvent and a feeling whether liquidation or merger or receivership is required.

Subsequent to the above determination by the primary regulator and appointment of the FDIC as the receiver, the corporation and primary regulator should determine if the disposition of the bank's assets and liabilities can be handled intrastate and should make every effort, including the splitting up of the bank or the sale to a nonbank institution, i.e., savings and loan, credit union, mortgage company or other, if necessary, to arrange an appropriate intrastate takeover.

Failing an intrastate resolution of the problem, the primary regulator and FDIC should have the responsibility for determining the manner of disposition of the failed bank.

A problem bank may not necessarily be classified as a failing bank, yet, a problem bank could fail at the moment that its liabilities exceed its assets or it cannot meet withdrawal demands.

One or all of the "camel" rating that is in a serious or critical rated position may be enough to initiate activity for merger or dissolution by a regulator. Camel is a standard of rating for financial institution standing for capital, assets, management, earnings, and liquidity.

Allowing a problem financial institution to put out for bid its controlling shares out of-State is rewarding incompetent management.

What is the underlying reason chosen for going out-of-State to solicit assistance rather than staying within the State. In other words what was the criteria for choosing a particular bank holding company over another?

Would this encourage the organization of new banks for the sole purpose to sell through out-of-State financial institutions for the benefit of the organizers? A new bank has, as a policy, three years to make a profit. Under the proposed legislation, it would be possible for a new bank to be organized and understandably show a loss for the first four years. On the fifth year, the financial institution could show a profit and, thus, be more marketable to outside financial institutions. Because of the first four years of losses, there would certainly be a drain on capital. Therefore, it would not be difficult to start new banks for the sole purpose of marketing their institution to the out-of-State financial institutions.

What effect would the entrance of a financial institution that is twice the size of the aggregate amount of all banks in the State of Alaska have on our existing banking system?

Would the financial institution that is \$5,400,000,000 in size create a concentration of banking in the State of Alaska of only three largest financial institutions?

If the State of Alaska is the primary regulator and the State of Alaska would have to exhaust all means possible in finding an intra-state solution, then what specific requirements could be put on the comptroller's office to assure that the comptroller has exhausted all means possible before they would look outside the State for a takeover of an in-State national bank? What requirements could be legislated that would allow the State authority to approach national banks in the State of Alaska if a State financial institution couldn't handle the takeover of a troubled State bank, and what authority could be granted the Comptroller of Currency to approach a State-chartered financial institution if the Comptroller could not find a national bank to take over a failing national bank in the State of Alaska?

The determination of whether a bank has failed and the determination of the necessity of going out of State for a takeover of a failed bank needs to be under the jurisdiction of the primary regulator. What procedure then must be followed by the primary regulator whether it is the State of Alaska or the Comptroller of Currency to go outside the State because the State of Alaska has no contiguous state with the continental United States, what states would then be first considered for a takeover? What qualifications should the takeover financial institution have? Should it be the one with the highest bid; the one with the largest size; one with the highest "camel" rating; the one that considers not only the assets but liabilities?

The question here would be should the State have legislation concerning the requirements of an out-of-State bank holding company in a takeover situation.

Should the State have any jurisdiction of a bank holding company coming into the State that is for the takeover of a national chartered financial institution?

Should restrictions be placed on the activities and the scope of services that an out-of-State bank holding company should have in the State of Alaska? Should it be allowed to branch; should it be required to have Alaska investments in an amount equal to its Alaska deposits; should the subsidiary bank have a majority of Alaska resident board members to maintain local control of the institution's activity?

# may be acquired by Seattle firm

5619  
#2

By BOB SHALLIT

Daily News business editor

In its first effort to gain a foothold in the Alaska banking market, Rainier Bancorporation, a Seattle bank holding company, is quietly maneuvering to take over Security National Bank of Anchorage.

Federal law prohibits bank holding companies — corporations that own a group of financial institutions — from acquiring banks outside their home states. But an amendment to the federal Bank Holding Company Act of 1956 allows individual states to override the federal law and accept the entry of

out-of-state corporations into the banking field.

Rainier, according to sources familiar with its plans, intends to seek such legislation here in order to move in on Security, Alaska's smallest national bank.

Rainier officials in Seattle declined to comment on the acquisition plan Tuesday.

However, The Daily News has obtained a copy of draft legislation — promoted by Rainier — that would allow the company to acquire an Alaska bank.

And a member of Security's board of directors confirmed that the Seattle corporation has been working on the possible

acquisition. "You can bet on it," one local bank executive said.

Bankers said they fear Rainier, with its superior financial clout, would be able to dominate the Alaska banking industry by offering short-term benefits to local depositors. Once local banks are driven out of business, the bankers said, Rainier would be free to conduct business as it saw fit.

"It will make life very, very difficult for state banks and, secondarily, for national banks doing business up here," said another banker, who added his fear that Rainier will take the state's assets and invest them in the Lower 48.

"There's no way on God's green earth that we could compete with a \$6 billion to \$7 billion institution," he said.

An official with the Federal Reserve Board in San Francisco, however, disagreed with the local bankers, saying that the entrance of out-of-state banks in new markets usually results in more competition and better customer services.

Harry Green, a vice president in the Federal Reserve's bank holding company division, said such acquisitions also provide additional sources of capital that can improve the state's

flowing out of the state if interstate banking took hold here. "I don't think that's a real worry because the (federal) Community Reinvestment Act requires (bank holding companies) to provide community services in the areas where they do business."

Bradbury, the Security attorney, also said he thinks Rainier's entrance in the state would help the industry. "I think it would bring in capital that the state has always needed."

The draft bill circulating in Juneau would amend Alaska's Banking Code to allow out-of-state bank holding companies to "acquire and own all or any portion of the voting shares or other capital stock of a state bank," provided that the state bank was in financial distress.

To qualify, a state bank would have to show a net loss on four of its previous five financial reports to the state.

Changes in state law such as those proposed by Rainier were allowed by a 1966 amendment to the federal bank holding act.

Since that time, three states — Maine, South Dakota and

SB 19  
#1

To protect depositors and creditors, to prevent significant disruptions in financial services, and for other related purposes.

Be it enacted by the Legislature of the State of Alaska:

#### EXTRAORDINARY COMMERCIAL BANK ACQUISITION

Sec. 06.05.235(a) of the Alaska Banking Code (A.S. 06.05.235(a) ) is amended by inserting the words "or (c)" following the words "under (b)" at the end of the second sentence of that subsection.

Sec. 06.05.235 of the Alaska Banking Code (A.S. 06.05.235) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting a new subsection (c) as follows:

(c) an out-of-state bank holding company, as defined in Sec. 540 of this chapter, may acquire and own all or any portion of the voting shares or other capital stock of a state bank, provided that: (1) the total equity capital of such bank is impaired to the extent that it does not exceed 75% of its paid-in capital and paid-in surplus as reported in its most recent Report of Condition as filed with the department, and (2) such bank shall have reported a net loss on at least four of its last five Consolidated Reports of Income as filed with the department. The department may require an out-of-state holding company holding stock of a state bank to post a bond with the department in an amount equal to the paid-in capital and paid-in surplus represented by

the proportion of the state bank stock directly or indirectly owned, held, or controlled by it under conditions the department may prescribe to assure full protection of the public. An out-of-state holding company directly or indirectly owning, holding or controlling state bank stock is subject to an examination by the department or a competent person designated by the department when the department considers it necessary. The out-of-state holding company shall pay an examination fee in accordance with A.S. 06.01.010.

Sec. 06.05.540 of the Alaska Banking Code (A.S. 06.05.540) is amended by adding thereto the following new paragraph 19:

(19) "Out-of-state bank holding company" means a registered bank holding company, as defined in the Bank Holding Company Act of 1956, as amended (12 USC sec.1841 et seq) other than a domestic bank holding company as defined in Section 540 of this chapter.

EFFECTIVE DATE

This act is necessary to protect depositors and creditors of commercial banks located in this state, to prevent significant disruptions of financial services, and for other related purposes, and shall take effect on \_\_\_\_\_.

W. Kilpatrick

COMMENTS TO BE MADE BEFORE THE HOUSE RULES COMMITTEE  
BILL ANALYSIS SB 19

I HAVE BEEN ADVISED THAT AMENDMENTS HAVE BEEN OFFERED TO SB 19 TO AUTHORIZE AN OUT-OF-STATE BANK HOLDING COMPANY TO BE ORGANIZED TO PURCHASE CONTROL OF A FAILING BANK IN THE STATE OF ALASKA.

MY FIRST CONCERN IS THAT OF LACK OF TIME AND CONSIDERATION GIVEN SUCH A MAJOR PIECE OF LEGISLATION. SB 19 HAS HAD AN OPPORTUNITY TO BE HEARD IN COMMITTEES ON BOTH THE SENATE AND THE HOUSE AND ON THE FLOOR OF THE SENATE. WHAT WE ARE CONSIDERING NOW OVERSHADOWS THE USURY QUESTION OF SB 19 AND THE WEIGHT OF THIS QUESTION FALLS UPON A FEW AT THIS CLOSING HOUR OF THE SESSION.

THE AMENDMENTS PROVIDE THAT AN OUT-OF-STATE BANK HOLDING COMPANY MAY ACQUIRE A BANK IN ALASKA IF THE BANK HAS A NEGATIVE CAPITAL POSITION OF 25% OF ITS PAID-IN CAPITAL AND SURPLUS. ALSO, THE BANK WOULD HAVE TO SHOW A LOSS IN FOUR OF ITS LAST FIVE INCOME STATEMENTS. THE PROPOSED AMENDMENT, THEREFORE, IS IT TO ALLOW AN OUT-OF-STATE FINANCIAL INSTITUTION TO COME INTO ALASKA TO BUY A PROBLEM BANK TO KEEP IT FROM FAILING.

I WOULD LIKE TO ADDRESS, JUST FOR A MINUTE, THE PROBLEM BANK. THERE HAS BEEN PROPOSED NATIONAL CONSIDERATION FOR INTERSTATE TAKEOVER OF LARGE FAILING BANKS, HOWEVER, NO CONSIDERATION HAS EVER BEEN CONSIDERED FOR SMALL FAILING INSTITUTIONS. THE REASON BEING, OF COURSE, IS THE IMPACT THAT A BANK THE SIZE OF NATIONAL OF ALASKA WOULD HAVE ON THE STATE IF IT SHOULD FAIL. YOU WOULD WANT TO GUARD AGAINST THEN THIS PROPOSAL AS AN OPTIMISTIC AND DISGUISED EFFORT TO CIRCUMVENT LONG STANDING PROHIBITIONS AGAINST INTERSTATE BANKING.

IF EMERGENCY TYPE LEGISLATION IS REQUIRED TO PROTECT THE SAFETY AND SOUNDNESS OF THE BANKING SYSTEM, IT SHOULD CONSIDER SOME ESSENTIAL ELEMENTS IN SUCH LEGISLATION.

THE PRIMARY REGULATOR SHOULD BE THE ONE TO MAKE THE DECISION AS TO WHETHER OR NOT A BANK CHARTERED OR SUPERVISED BY THE PRIMARY REGULATOR CONSTITUTES A FAILED COMMERCIAL BANK. THIS WOULD MEAN THE STATE BANKING DEPARTMENTS, WITH RESPECT TO THE STATE CHARTERED BANK, AND A COMPTROLLER OF CURRENCY WITH RESPECT TO NATIONAL BANK.

SUBSEQUENT TO THE ABOVE DETERMINATION BY THE PRIMARY REGULATOR AND THE APPOINTMENT OF THE FDIC AS THE RECEIVER, THE FDIC AND THE PRIMARY REGULATOR SHOULD DETERMINE WHETHER OR

NOT THE DISPOSITION OF THE BANK'S ASSETS AND LIABILITIES CAN BE HANDLED INTRASTATE AND SHOULD MAKE EVERY EFFORT, INCLUDING THE SPLITTING UP OF THE BANK IF NECESSARY, TO ARRANGE AN APPROPRIATE INTRASTATE TAKEOVER.

IF THE PRIMARY REGULATOR AND THE FDIC DETERMINES THAT AN INTRASTATE TAKEOVER CAN BE IN NO WAY ACCOMPLISHED, THEN THESE PARTIES SHOULD HAVE THE RESPONSIBILITY FOR DETERMINING THE MANNER IN WHICH THE ASSETS AND LIABILITIES OF THE FAILED BANKS SHOULD BE DISPOSED.

THE SUBJECT OF INTERSTATE BANKING IS A LARGE SUBJECT AND IN THIS SPECIFIC CASE, IT IS A SUBSIDIARY BANK THAT WOULD HAVE A PARENT OVER \$5 BILLION STRONG. AS THIS MAY EFFECT THE BANKING SYSTEM AS WE NOW KNOW IT, THERE SHOULD BE AMPLE OPPORTUNITY FOR ALL TO HAVE A CHANCE TO BE HEARD. I SUBMIT THAT IF IT IS THE INTENT OF THE LEGISLATURE TO ALLOW INTERSTATE BANKING, FOR WHATEVER REASON, THERE SHOULD BE AT LEAST RECIPROCITY WITH THE STATE OF DOMICILE FOR THE OUT-OF-STATE BANK HOLDING COMPANY.

IN BRIEF SUMMARY, YOU SHOULD CONSIDER THAT IT IS THE PRIMARY REGULATOR'S RESPONSIBILITY TO DETERMINE WHEN A BANK IS FAILING OR HAS FAILED AND WHAT APPROPRIATE ACTION IS NECESSARY. IF IT IS FOUND THAT THE ONLY SOLUTION IS AN OUT-OF-STATE BANK

HOLDING COMPANY BECAUSE OF THE SIZE OF THE FAILING INSTITUTION, THEN THERE SHOULD BE SOME CONSIDERATION AS TO RECIPROCITY IN THE STATE THE BANK HOLDING COMPANY IS DOMICILED. OTHER CONSIDERATIONS SHOULD BE MADE AS TO WHETHER OR NOT THE STATE SHOULD GET INTO THE INTERSTATE BANKING AND IF IT IS FOUND THAT IT SHOULD, THERE SHOULD BE AT LEAST OPPORTUNITIES FOR EVERYONE, NOT ONLY THE FINANCIAL INSTITUTIONS, BUT THE CONSUMER AND THE BUSINESSES OF THE STATE OF ALASKA TO HAVE AN OPPORTUNITY TO CONSIDER THIS LEGISLATION.

WFK/cw#21W



ALASKA STATE LEGISLATURE  
SENATE BANKING COMMITTEE  
POUGH V, JUNEAU 99811

SB 19: "An Act relating to rates of interest; and providing for an effective date."

The primary purpose of this bill is to amend the usury statute, AS 45.45.010, (1) to reduce the number of loans on which the interest rate is set by law rather than by free market forces; and (2) to adjust the procedure by which the legal rate of interest is set, by making it more timely.

Section 1: Deletes language in the small loans act to provide for an interest rate ceiling on loans between \$5,000 and \$25,000 of the greater of 18 percent or eight points above the discount rate on a daily basis. It is important to note that under the terms of "most favored lender" provisions of the national bank act, this ceiling on interest rates is actually the one which applies to all financial institutions in Alaska on loans between \$5,000 and \$25,000.

Sections 2-3: Inserted at the request of the small loan companies, and with the approval of the division of banking, these sections provide that small loan companies will not be unfairly penalized if they make a mistake in computing the legal rate of interest, provided they correct the mistake within 30 days.

Section 4: Corrects an existing inequity in the law relating to Alaskan landowners whose land is taken from them by the state through eminent domain proceedings. Provides that the judgement shall include lawful interest - a rate substantially higher than the presently-allowable six percent. This section was included at the suggestion of the Supreme Court for the State of Alaska.

Sections 5-6: Amends usury statute to reduce from \$100,000 to \$25,000 the limits on loans subject to an interest rate ceiling, and provides for a daily rather than a quarterly computation of that ceiling.

Sections 7-8: Override the federal preemptions of state usury ceilings.

Once this bill becomes law, interest rate ceilings will be as follow:

* loans up to \$5,000	AS 45.45.010
* loans from \$5,000 - \$25,000	AS 06.20.230
* loans over \$25,000	set by competition



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| * loans over \$25,000           | set by competition |

To protect depositors and creditors, to prevent significant disruptions in financial services, and for other related purposes.

Be it enacted by the Legislature of the State of Alaska:

#### EXTRAORDINARY COMMERCIAL BANK ACQUISITION

Sec. 06.05.235(a) of the Alaska Banking Code (A.S. 06.05.235(a) ) is amended by inserting the words "or (c)" following the words "under (b)" at the end of the second sentence of that subsection.

Sec. 06.05.235 of the Alaska Banking Code (A.S. 06.05.235) is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting a new subsection (c) as follows:

(c) an out-of-state bank holding company, as defined in Sec. 540 of this chapter, may acquire and own all or any portion of the voting shares or other capital stock of a state bank, provided that: (1) the total equity capital of such bank is impaired to the extent that it does not exceed 75% of its paid-in capital and paid-in surplus as reported in its most recent Report of Condition as filed with the department, and (2) such bank shall have reported a net loss on at least four of its last five Consolidated Reports of Income as filed with the department. The department may require an out-of-state holding company holding stock of a state bank to post a bond with the department in an amount equal to the paid-in capital and paid-in surplus represented by

*or bank holding company  
(11.11.14 Patrick)*

the proportion of the state bank stock directly or indirectly owned, held, or controlled by it under conditions the department may prescribe to assure full protection of the public. An out-of-state holding company directly or indirectly owning, holding or controlling state bank stock is subject to an examination by the department or a competent person designated by the department when the department considers it necessary. The out-of-state holding company shall pay an examination fee in accordance with A.S. 06.01.010.

Sec. 06.05.540 of the Alaska Banking Code (A.S. 06.05.540) is amended by adding thereto the following new paragraph 19:

(19) "Out-of-state bank holding company" means a registered bank holding company, as defined in the Bank Holding Company Act of 1956, as amended (12 USC sec.1841 et seq) other than a domestic bank holding company as defined in Section 540 of this chapter.

EFFECTIVE DATE

This act is necessary to protect depositors and creditors of commercial banks located in this state, to prevent significant disruptions of financial services, and for other related purposes, and shall take effect on \_\_\_\_\_.

## QUESTIONS CONCERNING OUT-OF-STATE ACQUISITION OF A COMMERCIAL BANK

The primary regulator should make the decision as to whether or not a financial institution is solvent or insolvent and a feeling whether liquidation or merger or receivership is required.

Subsequent to the above determination by the primary regulator and appointment of the FDIC as the receiver, the corporation and primary regulator should determine if the disposition of the bank's assets and liabilities can be handled intrastate and should make every effort, including the splitting up of the bank or the sale to a nonbank institution, i.e., savings and loan, credit union, mortgage company or other, if necessary, to arrange an appropriate intrastate takeover.

Failing an intrastate resolution of the problem, the primary regulator and FDIC should have the responsibility for determining the manner of disposition of the failed bank.

A problem bank may not necessarily be classified as a failing bank, yet, a problem bank could fail at the moment that its liabilities exceed its assets or it cannot meet withdrawal demands.

One or all of the "camel" rating that is in a serious or critical rated position may be enough to initiate activity for merger or dissolution by a regulator. Camel is a standard of rating for financial institution standing for capital, assets, management, earnings, and liquidity.

Allowing a problem financial institution to put out for bid its controlling shares out-of-State is rewarding incompetent management.

What is the underlying reason chosen for going out-of-State to solicit assistance rather than staying within the State. In other words what was the criteria for choosing a particular bank holding company over another?

Would this encourage the organization of new banks for the sole purpose to sell through out-of-State financial institutions for the benefit of the organizers? A new bank has, as a policy, three years to make a profit. Under the proposed legislation, it would be possible for a new bank to be organized and understandably show a loss for the first four years. On the fifth year, the financial institution could show a profit and, thus, be more marketable to outside financial institutions. Because of the first four years of losses, there would certainly be a drain on capital. Therefore, it would not be difficult to start new banks for the sole purpose of marketing their institution to the out-of-State financial institutions.

What effect would the entrance of a financial institution that is twice the size of the aggregate amount of all banks in the State of Alaska have on our existing banking system?

Would the financial institution that is \$5,400,000,000 in size create a concentration of banking in the State of Alaska of only three largest financial institutions?

If the State of Alaska is the primary regulator and the State of Alaska would have to exhaust all means possible in finding an intra-state solution, then what specific requirements could be put on the comptroller's office to assure that the comptroller has exhausted all means possible before they would look outside the State for a takeover of an in-State national bank? What requirements could be legislated that would allow the State authority to approach national banks in the State of Alaska if a State financial institution couldn't handle the takeover of a troubled State bank, and what authority could be granted the Comptroller of Currency to approach a State-chartered financial institution if the Comptroller could not find a national bank to take over a failing national bank in the State of Alaska?

The determination of whether a bank has failed and the determination of the necessity of going out of State for a takeover of a failed bank needs to be under the jurisdiction of the primary regulator. What procedure then must be followed by the primary regulator whether it is the State of Alaska or the Comptroller of Currency to go outside the State because the State of Alaska has no contiguous state with the continental United States, what states would then be first considered for a takeover? What qualifications should the takeover financial institution have? Should it be the one with the highest bid; the one with the largest size; one with the highest "camel" rating; the one that considers not only the assets but liabilities?

The question here would be should the State have legislation concerning the requirements of an out-of-State bank holding company in a takeover situation.

Should the State have any jurisdiction of a bank holding company coming into the State that is for the takeover of a national chartered financial institution?

Should restrictions be placed on the activities and the scope of services that an out-of-State bank holding company should have in the State of Alaska? Should it be allowed to branch; should it be required to have Alaska investments in an amount equal to its Alaska deposits; should the subsidiary bank have a majority of Alaska resident board members to maintain local control of the institution's activity?

NOTE REGARDING THE FOLLOWING FRAME ON MICROFILM:

COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES  
IN ALASKA STATE ARCHIVES. TITLE PAGE ONLY HAS  
BEEN FILMED.

TITLE PAGE NOT OF A QUALITY  
TO MICROFILM.

RAINIER  
BANCORPORATION  
1980 ANNUAL REPORT

# C.I.T. CORPORATION

2600 DENALI ST., SUITE 606, P.O. BOX 4-G, ANCHORAGE, ALASKA 99509  
TELEPHONE: 007 274-9581

May 28m 1981

Alaska State Legislature  
Pouch V - (MS - space 3100)  
Juneau, AK 99811

Attention: Rep. Sally Smith,  
Chairman House Rules Committee

Dear Representative Smith:

I have had an opportunity to review Senate Bill #19, as amended, which will effect the lending rate in the State of Alaska.


In our opinion this new bill would be beneficial to our company and to the borrower, it would enable us to serve more companies at competitive rates.

We urge the passage of this bill.

If you would like additional testimony please let me know.

Sincerely,

C.I.T. Corporation



Ronald L. Riecks,  
Assistant Vice President, Anchorage Division

RLR/jm

# may be acquired by Seattle firm

By BOB SHALLIT  
Daily News business editor

In its first effort to gain a foothold in the Alaska banking market, Rainier Bancorporation, a Seattle bank holding company, is quietly maneuvering to take over Security National Bank of Anchorage.

Federal law prohibits bank holding companies — corporations that own a group of financial institutions — from acquiring banks outside their home states. But an amendment to the federal Bank Holding Company Act of 1956 allows individual states to override the federal law and accept the entry of

out-of-state corporations into the banking field.

Rainier, according to sources familiar with its plans, intends to seek such legislation here in order to move in on Security, Alaska's smallest national bank.

Rainier officials in Seattle declined to comment on the acquisition plan Tuesday.

However, The Daily News has obtained a copy of draft legislation — promoted by Rainier — that would allow the company to acquire an Alaska bank.

And a member of Security's board of directors confirmed that the Seattle corporation has been working on the possible acquisition since early this year.

"It's no secret that Rainier is interested in starting operations in the state," said John Bradbury, Security's attorney and a member of the local bank's board of directors. "They consider the state to be where the action is, and I think they can help the state."

Bradbury said Security officials have worked with Rainier in its efforts to get legislative authorization to make an acquisition in Alaska, though he denied that Security will necessarily be the holding company's target.

He conceded, however, that a purchase of Security is "an option that's being considered" and that an acquisition of a small, capital-short institution like Security would be "the easiest way for Rainier to get in."

Officials with other local banks declined to comment for the record on the prospect of Rainier's entrance into the Alaska marketplace. But, privately, they predicted the full force of the state banking community's political power will be wielded to oppose a change in state law.

"There's going to be opposi-

tion. You can bet on it," one local bank executive said.

Bankers said they fear Rainier, with its superior financial clout, would be able to dominate the Alaska banking industry by offering short-term benefits to local depositors. Once local banks are driven out of business, the bankers said, Rainier would be free to conduct business as it saw fit.

"It will make life very, very difficult for state banks and, secondarily, for national banks doing business up here," said another banker, who added his fear that Rainier will take the state's assets and invest them in the Lower 48.

"There's no way on God's green earth that we could compete with a \$6 billion to \$7 billion institution," he said.

An official with the Federal Reserve Board in San Francisco, however, disagreed with the local bankers, saying that the entrance of out-of-state banks in new markets usually results in more competition and better customer services.

Harry Green, a vice president in the Federal Reserve's bank holding company division, said such acquisitions also provide additional sources of capital that can "assure the continued operation of troubled banks."

He disputed the assertion that bank assets would begin

flowing out of the state if interstate banking took hold here. "I don't think that's a real worry because the (federal) Community Reinvestment Act requires (bank holding companies) to provide community services in the areas where they do business."

Bradbury, the Security attorney, also said he thinks Rainier's entrance in the state would help the industry. "I think it would bring in capital that the state has always needed."

The draft bill circulating in Juneau would amend Alaska's Banking Code to allow out-of-state bank holding companies to "acquire and own all or any portion of the voting shares or other capital stock of a state bank," provided that the state bank was in financial distress.

To qualify, a state bank would have to show a net loss on four of its previous five financial reports to the state.

Changes in state law such as those proposed by Rainier were allowed by a 1966 amendment to the federal bank holding act.

Since that time, three states — Maine, South Dakota and Delaware — have passed such legislation; according to the Federal Reserve. Similar legislation is being considered in several other states.

# Anchorage Daily News

WEDNESDAY, MAY 20, 1981

ALASKA STATE LEGISLATURE  
SENATE BANKING COMMITTEE  
POUCH V, JUNEAU 99811SB 280: "An Act relating to credit unions."

- Section 1: Declares the policy of the state regarding state-chartered credit unions. In addition, allows the division of banking to authorize for state-chartered credit unions, the same powers authorized by state-chartered institutions in other states, provided the division determines the powers serve a public purpose.
- Section 2: Provides for state-chartered credit unions to fall under the "wild card" statute, AS 06.01.020. That statute allows the division of banking to authorize for state-chartered credit unions, the same powers authorized for federally-chartered credit unions, provided the division determines the powers serve a public purpose.
- Section 3: Provides that the interest rate ceiling for state-chartered credit unions shall be the greater of 15 percent or the percent established under the state usury law, AS 45.45.010. This is the most important section of the bill, as it would allow state-chartered credit unions parity with federally-chartered credit unions. There are no state-chartered credit unions at this time, primarily because of this lack of parity. Once this act becomes law, it is expected there will be a number of conversions to state charter.
- Sections 4-6: Make technical changes in the credit union act; in the case of sections 4-5 for clarity, and in section 6 to comply with federal regulations.
- Section 7: Provides that state-chartered credit unions may, with the approval of the division of banking, seek insurance from other than the NCUA (National Credit Union Administration).

June 21, 1981  
submitted by Senator Rodey

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ALASKA

ARCHIE M. CUPPLES, MAYNARD C. )  
FALCONER, CAROL S. GREEN, HAROLD )  
B. GRONROOS, JACK JOHNSON, VERN L. )  
PADGETT, LARRY ORSINI, AND JOHN J. )  
TURINSKY, JR., )

Plaintiffs, )

vs. )

SECURITY NATIONAL BANK, a National )  
Banking Association, ROGER D. )  
MOORE, Individually and as )  
President and Chief Executive )  
Officer and Director of SECURITY )  
NATIONAL BANK, CHARLES H. BUMPUS, )  
JOHN BRADBURY, GEORGE A. DICKSON, )  
WILLIAM SCHUILING, Individually )  
and as Voting Directors of SECURITY )  
NATIONAL BANK, WILLIAM COGHILL and )  
ARLON TUSSING, Non-Voting Directors )  
of SECURITY NATIONAL BANK, and )  
STEVE C. HOLLAND, JOHN G. HEIMANN, )  
Comptroller of the Currency, M. B. )  
ADAMS, Regional Administrator, )  
Comptroller of the Currency, )

Defendants. )

Case No. A80-222 Civ

AFFIDAVIT OF WILLIAM E. MARTIN  
DEPUTY COMPTROLLER FOR SPECIAL SURVEILLANCE  
OFFICE OF THE COMPTROLLER OF THE CURRENCY

I, WILLIAM E. MARTIN, being duly sworn, state the following:

(1) I am the Deputy Comptroller for Special Surveillance of the Office of the Comptroller of the Currency ("Comptroller"), having held this position since July, 1979. As Deputy Comptroller for Special Surveillance, I supervise the Special Projects Division and the National Bank Surveillance System Division of the Comptroller's Office. Among my official duties is the monitoring of the condition of national banks which require more than normal supervisory attention and, for that reason, are in the Special Projects program.

(2) Prior to assuming my present position, I served as Director of the Special Projects Division of the Comptroller

from February, 1978, to May, 1979. Before that, I served as the Deputy Regional Administrator for the Eighth National Bank Region in Memphis, Tennessee, for the period April, 1977, to February, 1978. Finally, before assuming my position as Deputy Regional Administrator, I was a National Bank Examiner for thirteen years during which time I conducted hundreds of examinations of national banks ranging in asset size from \$5 million to \$60 billion and ranging in condition from excellent to insolvent.

(3) For supervisory purposes, all insured banks are assigned a numerical rating which is designed to capsule for regulatory officials the overall condition of each bank. The rating is assigned by the appropriate supervisory agency after a thorough examination of the involved bank and careful analysis of all key components of the bank's overall condition. The numerical rating system, which has been adopted on a uniform basis by all Federal banking regulators, employs a rating scale from 1 to 5; banks rated 1 are considered excellent in all respects and banks rated 5 are considered to be in imminent danger of failure. (The precise definition of each of the 5 numerical ratings is set forth in EXHIBIT A, attached hereto.)

(4) Because of regulatory concern for the conditions which underlie a numerical rating of 3, 4 or 5, national banks assigned such a composite rating are thought to require more than the normal supervisory attention and, for that reason, are included in the Comptroller's Special Projects program. The Special Projects Division of the Comptroller's Office, which is under my personal supervision, is responsible for closely monitoring the condition of all banks in the Special Projects program and for recommending and implementing appropriate supervisory action with respect to those banks. As of June 30, 1980, there were a total of 4,431 nationally chartered

banks in the United States of which 262 are rated 3, 4 or 5 and thus are included in the Special Projects program. By individualized rating, these Special Projects banks are broken down as follows:

<u>Rating</u>	<u>Number</u>
3	213
4	38
5	11

(5) Following an examination which began on May 31, 1979, the Security National Bank, Anchorage, Alaska ("Bank") was assigned a composite rating of 4 and, consequently, was admitted to the Special Projects program on August 9, 1979. The principal factors which led to the assignment of the 4 rating and the Bank's inclusion in the Special Projects program were a substantial increase since the prior examination in the volume of poor quality assets, the insufficiency of the Bank's capital and the questionable quality of supervision being provided by the Bank's Board of Directors and senior management. These factors also led the Comptroller to initiate a formal administrative action against the Bank under the Financial Institutions Supervisory Act of 1966, 12 U.S.C. §1818(b), as amended, by service on August 13, 1979, of a Notice of Charges dated August 10, 1979 (see EXHIBIT O, attached hereto). The Notice alleged the existence of unfavorable conditions discovered in the May 31, 1979 examination, including various violations of the National Bank Act and the Bank's operating with inadequate capital, as well as other unsafe and unsound banking practices.

(6) On October 26, 1979, the Comptroller commenced an examination of the Bank which continued until December 31, 1979. The condition of the bank disclosed by the October 26 examination merited a change in the Bank's composite rating to 5, since the volume and character of identified weaknesses

were such as to require urgent aid from shareholders or other sources and the Bank's probability for failure was considered high. Thus, of the 4,431 national banks in the country, Security National Bank is now one of only 11 such banks assigned a 5 rating.

(7) In light of the extremely serious condition of the Bank disclosed by the October 26 examination, its most glaring and pressing need was for additional capital to sustain its operations. The examination revealed the Bank's capital position to be inadequate in every respect. Not only were the capital accounts insufficient to support the sheer volume of the Bank's operations, but when viewed in light of the Bank's operating in 1979 at a loss of some \$430,000 through October 1, and the inordinate volume of assets classified as substandard, doubtful, or loss (which totalled over 165 percent of the Bank's gross capital funds) the Bank's capital was seriously deficient. In addition to the compelling need for additional capital and the poor quality of the Bank's assets, the October 26 examination disclosed the following to be among the other deficiencies in the Bank's operations:

- (a) the Allowance for Possible Loan Losses was insufficient to cover losses inherent in the loan portfolio;
- (b) loans not supported by current and satisfactory credit information accounted for 14% of total loans outstanding;
- (c) loans which were past due as to principal or interest totalled 18% of total loans outstanding; and
- (d) the Bank had exceeded its legal lending limit, and thereby violated 12 U.S.C. §84, on 11 occasions.

A summary of the findings of the October 26 examination is contained in a letter to the Bank's Board of Directors from

the National Bank Examiner in charge of that examination, Mr. Mel Ekstrom. (Mr. Ekstrom's letter is attached hereto as EXHIBIT B.)

(8) On December 6, 1979, in settlement of the administrative action begun on August 13, 1979, the Comptroller and the Board of Directors of the Bank entered into a formal written Agreement, pursuant to 12 U.S.C. §1818 (EXHIBIT C). Article XV of the Agreement addressed the immediate need for capital injection:

#### ARTICLE XV

(19) Within sixty (60) days of the effective date of this Agreement, the Board of Directors shall submit to the REGIONAL ADMINISTRATOR, for his approval, a written capital program designed to ensure the ongoing capital adequacy of the BANK. It shall be the responsibility of the Board of Directors to make any adjustments necessary to acquire the approval of the REGIONAL ADMINISTRATOR for the BANK's capital program.

(20) The capital program shall provide for, but not necessarily be limited to, the following:

- (a) Targets for minimum acceptable capital ratios relative to total assets, net loans, and other balance sheet categories such as risk assets, total deposits, and rate sensitive deposits;
- (b) Projections for balance sheet categories and income and expense items for 1980. Projections for 1981 shall be completed no later than March 31, 1980;
- (c) A periodic review of the budgets and projections with explanations of variances and revisions; and
- (d) Specific plans to eliminate the current capital deficiency. (Emphasis added)

(9) Subsequently, on December 17, 1979, the Bank applied to and received preliminary approval on January 10, 1980 (see EXHIBIT D), from the Comptroller's Regional Administrator of National Banks, Thirteenth National Bank Region, Portland, Oregon, to sell 47,737 shares of authorized but unissued common stock with an aggregate par value of \$334,159 and a total sale price of \$1,193,425 and a proposed price per share of \$25.00. The proposed price per share was later reduced to \$11.50 per share (see EXHIBIT E attached hereto) with a total projected increase in equity capital of \$548,975. In accordance with

the Comptroller's standards published in 12 C.F.R. §14.2(b), only the approval of the Bank's Board of Directors and the Comptroller was required to permit the issuance of this capital, since the Bank sought only to issue previously authorized stock (see Article 5, EXHIBIT F attached hereto) which had not yet been issued and was not seeking to increase the total amount of authorized stock available to the Bank.

(10) The next examination of the Bank, also performed by National Bank Examiner Mel Ekstrom, utilized financial data as of March 31, 1980. The condition of the Bank disclosed by the March 31 examination is summarized in Mr. Ekstrom's letter to the Board of Directors (EXHIBIT G) which was included in the report of his examination. In summary, the overall condition of the Bank had deteriorated even below the point revealed in the October 26, 1979 examination. Among the problems discovered were the following:

- (a) the level of classified assets which had equalled 165 percent of gross capital funds in October, 1979 increased to 294 percent of gross capital funds in March, 1980;
- (b) the Allowance for Possible Loan Losses continued to be inadequate;
- (c) past due loans reached 40 percent of total loans outstanding, a figure virtually unprecedented among national banks;
- (d) 22 violations of the Bank's lending limit (12 U.S.C. §84) were noted; and
- (e) the Bank had suffered a net loss during 1979 of approximately \$1,107,000.

(11) For a number of supervisory purposes, the Comptroller's Office utilizes a computer based data system which enables the regulator as well as bank management to compare numerous elements of a bank's overall financial position with those of other

banks similarly situated. The data system is based upon uniformly compiled information which all national banks and other members of the Federal Reserve System are required by law to produce on at least a quarterly basis, 12 U.S.C. §161. Within the Comptroller's Office, these data are compiled and analyzed principally by the National Bank Surveillance System (NBSS) Division which is under my personal supervision. In the NBSS, each national bank falls in to one of 23 "peer groups" which are composed of banks having common characteristics with respect to the following factors:

- (a) asset size;
- (b) whether the bank operates within a branch system or as a unit bank; and
- (c) whether the bank is located in an urban or rural community.

The Security National Bank falls within NBSS peer group number 14 which consists of 170 banks having assets between \$25 and \$40 million, operating no full service branches and located in a high density population area (SMSA).

(12) Comparisons between the Bank's financial position and those of its peer group with respect to certain components of overall condition are provided in selected pages from the March, 1980 NBSS Bank Performance Report (attached hereto as EXHIBIT H). Among what I consider to be key comparisons which further demonstrate the Bank's critical need for capital are the following (as of March 31, 1980):

- (a) the Bank's total capital funds represented 3.01% of its total assets, while the peer group mean figure for total capital funds was 8.10% of total assets. The Bank was in the first percentile within its peer group, meaning that 99 percent of the banks in the peer group had a higher percentage of capital funds to total assets than did the Bank.

- (b) the Bank's assets were approximately 33.20 times its total capital funds, while the mean figure for the peer group was approximately 12.81 times capital funds. The Bank was in the ninety-eighth percentile.
- (c) the Bank's net loans were approximately 11.54 times equity capital, while the peer group mean was 6.78 times capital. The Bank was in the ninety-seventh percentile.
- (d) the Bank's risk assets were 12.47 times equity capital, while the peer group mean was 8.30 times equity capital. The Bank was in the ninety-fourth percentile.
- (e) the Bank's deposits were 30.56 times equity capital, while the peer group's mean was only 11.37 times equity capital. The Bank was in the ninety-eighth percentile.

Several of these comparisons are graphically demonstrated on EXHIBITS I - M, attached hereto.

(13) In view of the severely distressed condition of the Bank, the official within the Comptroller's Office responsible for all bank supervision personally sent a letter, dated July 10, 1980, to the Bank's Board of Directors (attached as EXHIBIT N). In large part, Senior Deputy Comptroller Paul M. Homan's letter read as follows:

This is to again formally inform you of the critical condition of your bank and the vital need for acquiring additional equity capital. This need for capital has been the subject of numerous conversations, correspondence, and even a Formal Agreement issued under the Financial Institutions Supervisory Act. Your failure to respond to these requests and directions, coupled with the continued erosion of the bank's condition which is producing substantial losses, has resulted in the very survival of the institution being placed in jeopardy.

We believe that the serious volume of problems confronting the bank has created a high probability that your bank will fail unless you take prompt and vigorous action to raise the needed additional equity capital. We estimate that at a minimum \$1,500,000 in equity is needed. In the absence of the injection of such funds within ninety (90) days of the date of this letter, the Office of the Comptroller of the Currency will take such additional steps as it deems necessary to protect the bank and its depositors.

Mr. Homan's representatives who delivered the foregoing letter advised the Bank's directors that failure to satisfy the letter's capital augmentation requirements might result in the Comptroller recommending termination of deposit insurance proceedings to the Federal Deposit Insurance Corporation pursuant to 12 U.S.C. §1818(a).

(14) After representations regarding then pending efforts on the part of the Bank to raise equity capital were made to the Comptroller's Office by Bank representatives on July 17, 1980, Senior Deputy Comptroller for Operations H. Joe Selby, acting in Mr. Homan's absence, modified, by letter dated July 18, 1980 (EXHIBIT E), the requirements of Mr. Homan's July 10, letter. The operative provisions of Mr. Selby's letter of modification are as follows:

This letter reaffirms Mr. Homan's request of July 10, 1980 for \$1.5 million dollars in new equity capital. However, as a result of the meeting and the demonstration of good faith efforts by the Board to restore the bank to a sound operating footing with an adequate capitalization, I am agreeable to modifying the letter of July 10, 1980, by removing the 90 day limitation under the following conditions:

1. Authorized but unissued stock as proposed is sold within 30 days from 7/17/80 for the specified \$548,975 and injected into the bank as equity capital.
2. The bank will be examined as soon as possible, and a conclusion reached regarding its condition, including the adequacy of its capital, will be transmitted to the Board of Directors. If that conclusion results in the need for additional equity capital, the Board of Directors will be asked to submit a plan to accomplish it within a timeframe set by this office.
3. If the authorized but unissued stock is not sold within the 30 day limitation the original time limitation stated in Mr. Homan's letter of July 10, 1980 is reinstated.

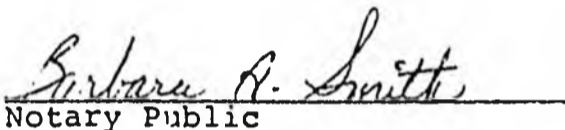
(15) The condition of the Bank as accurately reflected in the above reports of condition, reports of examination and comparisons to its peer group banks leads me to conclude that an immediate capital injection is necessary to prevent the insolvency of the Bank. Any delay in completing the initial

capital injection as directed in Mr. Selby's July 18, 1980  
letter to the Bank's Board of Directors will cause immediate,  
substantial and irreparable harm to the Bank.



William E. Martin  
Deputy Comptroller for  
Special Surveillance

Subscribed and Sworn to before me this 7<sup>th</sup> day of August,  
1980.




Notary Public

My Commission expires on December 14, 1980



- (I) Graph, relating SNB's total capital trend to peer group trend;
- (J) Graph, relating SNB's assets to total capital ratio to peer group ratio;
- (K) Graph, relating SNB's risk assets to equity capital ratio to peer group ratio;
- (L) Graph, relating SNB's equity capital trend to peer group trend;
- (M) Graph, relating SNB's deposits of federal funds to total capital ratio to peer group ratio;
- (N) Letter to Board of Directors of SNB from Paul M. Homan, dated July 10, 1980; and
- (O) Notice of Changes dated August 10, 1979 served on SNB.

IN TESTIMONY WHEREOF, I  
have hereunto subscribed  
my name and caused my  
Seal of Office to be  
affixed hereto at the  
Treasury Department in  
the City of Washington,  
District of Columbia,  
this 7th day of August,  
1980.

  
Comptroller of the Currency

## Uniform Interagency Bank Rating System

### Composite Rating

The five composite ratings are defined and distinguished as follows:

#### Composite 1

Banks in this group are sound institutions in almost every respect; any critical findings are basically of a minor nature and can be handled in a routine manner. Such banks are resistant to external economic and financial disturbances and capable of withstanding the vagaries of business conditions more ably than banks with lower composite ratings.

#### Composite 2

Banks in this group are also fundamentally sound institutions but may reflect modest weaknesses correctible in the normal course of business. Such banks are stable and also able to withstand business fluctuations quite well; however, areas of weakness could develop into conditions of greater concern. To the extent that the minor adjustments are handled in the normal course of business, the supervisory response is limited.

#### Composite 3

Banks in this group exhibit a combination of weaknesses ranging from moderately severe to unsatisfactory. Such banks are only nominally resistant to the onset of adverse business conditions and could easily deteriorate if concerted action is not effective in correcting the areas of weakness. Consequently, such banks are vulnerable and require more than normal supervision. Overall strength and financial capacity, however, are still such as to make failure only a remote possibility.

#### Composite 4

Banks in this group have an immoderate volume of asset weaknesses, or a combination of other conditions that are less than satisfactory. Unless prompt action is taken to correct these conditions, they could reasonably develop into a situation that could impair future viability. A potential for failure is present but is not pronounced. Banks in this category require close supervisory attention and financial surveillance.

#### Composite 5

This category is reserved for banks whose conditions are worse than defined under number 4 above. The volume and character of weaknesses are such as to require urgent aid from the shareholders or other sources. Such banks require immediate corrective action and constant supervisory attention. The probability of failure is high for these banks.

II. LETTER TO THE BOARD OF DIRECTORS

The solvency of your bank is being seriously threatened. Capital has been depleted from massive loan losses and unprofitable operations. Immediate corrective action is required in order to remain a viable institution. Objectives and priorities with proper communications to employees and close monitoring and follow up by the Directorate and management will be required. The injection of capital from an outside group, if successful, will provide a more substantial base and allow time to remedy this grave situation.

The loan portfolio continues to deteriorate from the extremely poor condition that was disclosed at the last examination. Total classified assets increased to \$2,881M (165% of Gross Capital Funds (GCF)) from \$1,977M (102% GCF). In addition, other assets mentioned total \$624M (36% GCF). Delinquencies are also inordinate; up substantially to 18% of the portfolio or \$3,623M. The severity of the classifications is of major concern. Losses amount to \$398M with Doubtful representing an additional \$236M. For the year, your bank has written off \$725M in loans with only \$9M recovered. Causes have been identified as: Lack of technical competence of former senior loan officers; excessive lending authority; failure to follow the bank's lending policy; insufficient administrative overview; and the depressed local economy. A new lending team has been established; however, it has taken time to become familiar with all the problem credits. Better direction of the loan officer staff will require establishing and communicating clear cut objectives, defining roles, delegating authority and demanding accountability.

Violations of law are too numerous, with most dealing with lending limits per 12 USC 84. Many are due to lack of attention. Because of diminishing capital management must become more familiar with pertinent laws. Notification of corrective action on all violations should be sent to the addressees listed on the cover page of this report.

The bank has failed to provide for an adequate loan loss reserve. In fact, the losses charged to the reserve this examination resulted in a \$151M deficiency. A recommended minimum charge to this reserve from earnings - considering the probable loss inherent in the remainder of the loan portfolio and the current recessed economy - would be \$467M. This charge would bring the reserve to \$305M or 1.69% of the total net loans outstanding.

The major factor for the bank's estimated earnings loss for 1979 of one million dollars is loan losses. However, other factors are also present and contribute to this year's large deficit. A lack of attention to the matching of asset and liability maturities has resulted in a low yielding fixed rate loan portfolio dependent on high rate, volatile, market sensitive deposits. This has resulted in inadequate interest spreads, causing a loss of earnings and a dependence on purchased funds to maintain liquidity. Other elements include prior reliance on loan service or fee income, high occupancy expense and various nonrecurring items such as legal expenses. Steps taken to improve this situation have not provided sufficient results. A concerted effort to improve asset quality and mix plus restoration to a core-deposit base are keys to the bank's recovery.

The erosion of capital from the above discussed problems has produced a deficiency that can not support the bank's asset structure. Continuance of these adverse trends will result in impairment of capital stock in the near future. A private placement that is being solicited would provide a temporary - though not permanent - relief. Although this injection is considered a reasonable expectation by the Board, a program must be addressed that will provide stability so that the bank can again become a competitive, growing and viable institution.

This General examination was conducted in accordance with standard examination procedures of the Office of the Comptroller of the Currency. Financial information as of October 26, 1979 was used and updated as appropriate. The comments and criticisms

Continued

LETTER TO THE BOARD OF DIRECTORS - Continued

in the body of this report have been reviewed with management and must receive your immediate attention.

The problems confronting the bank are very serious and can result in insolvency. A unified earnest effort by the directorate and management is essential to bring about corrective action.

Examiner-in-Charge

*Mel Ekstrom*

Mel Ekstrom

By

*M. B. Adams*

M. B. Adams

2 Regional Administrator of National Banks

AGREEMENT BY AND BETWEEN  
THE SECURITY NATIONAL BANK  
ANCHORAGE, ALASKA  
AND  
THE OFFICE OF THE COMPTROLLER  
OF THE CURRENCY

WHEREAS, the Security National Bank, Anchorage, Alaska (hereinafter BANK), and the Office of the Comptroller of the Currency of the United States of America (hereinafter COMPTROLLER), wish to protect the interests of the depositors, other customers, and shareholders of the BANK and, toward that end, wish the BANK to operate safely and soundly and in accordance with all applicable laws, rules and regulations; and

WHEREAS, the COMPTROLLER, through his appointed National Bank Examiner, has criticized certain practices of the BANK in Examination Reports or letters to the BANK as being unsafe and unsound, within the meaning of the Financial Institutions Supervisory Act of 1966 (12 U.S.C. §1818); and

WHEREAS, in the Report of Examination of the BANK, dated May 31, 1979 (hereinafter REPORT OF EXAMINATION), and incorporated herein by reference the same as if fully set forth, the COMPTROLLER, through his appointed National Bank Examiner, has cited certain violations of law, rule or regulation applicable to the BANK;

NOW, THEREFORE, IT IS HEREBY AGREED, between the BANK, through its duly elected and acting Board of Directors, and the COMPTROLLER, through his duly authorized and acting Representative, that commencing no later than the effective date of this Agreement, or as shall otherwise be specified in the several Articles of this Agreement, the BANK shall operate at all times in compliance with the Articles of this Agreement.