

1969-70

HOUSE SPECIAL COMMITTEE ON MONETARY INVESTMENT

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MONETARY INVESTMENT, HOUSE 1969-70
Special Committee on

Gene Guess, Chrm.

Bill Ray

Eugene Miller

Wendell Kay

Tom Fink

Bon Rettig

Dick Borer

The minutes and supplementary materials in this notebook are from the House Special Committee on Monetary Investment, 1969-70. However, some of the supplementary materials also relate to Senate Special Committee on Monetary Investment, 1969-70 (see membership listed below.)

INVESTMENT AND MONETARY POLICY
SENATE Special Comm. on 1969-70

Ziegler, Chr.

Brad Phillips

Joe Josephson

John Butrovids

John Radar

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House Monetary Committee
February 18, 1970

Members Present: Representatives Borer, Kay, Miller, Fink,
Chairman Guess and Russ Mulder

Rep. Kay moved to approve the principal 90% support plus the establishment of a fund to purchase school bonds. Motion was seconded by Rep. Miller.

Whether to take over the existing school bond indebtedness or make grants was discussed.

Rep. Kay amended his motion to state that they approve the principal 90% support and take over existing bond indebtedness. Rep. Miller seconded the amendment.

Rep. Guess said if there was any objection to the second part of the motion he would like to hold it in abeyance until all of the members were present.

Rep. Kay said they could possibly put \$75 million in a fund to retire bonds so school districts are free of obligation, or deposit money in state banks which would let them have the money on a long term basis and make some long term loans.

Rep. Fink said in the future he would rather make grants or some other equitable method. They could pay up to 80 or 90 per cent of the costs and any fancy costs the school districts would pay for. It was mentioned that this committee should come up with a formula and appropriate what it is going to take in the next 12 months.

Rep. Fink stated that they could pick up the indebtedness and put it in a sinking fund.

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Rep. Guess inquired what he would do with the sinking fund reserve as far as deposits are concerned.

Rep. Fink stated the idea is that the Department of the Treasury would use it primarily to deposit in banks and we give it to them at 5% interest and they loan it out at 7%. You could use the excess interest each year and keep as much principal as is outstanding and this way the local governments are relieved of that debt as it is a sinking fund. It was mentioned we should write a \$72 million check and pay off the indebtedness.

Rep. Guess said he didn't think you could assume the obligation without a vote of the people.

Rep. Fink suggested they appropriate to pay it off. That the Attorney General should be asked if it can be done.

Rep. Guess said it should possibly be on a 50-50 basis and disagreed on the necessity for a sinking fund.

Rep. Fink stated it should be appropriated so that local government will know they are going to get their money each year. Also that they could legally assume the debt and hold the money.

Rep. Kay stated he thinks it would be more advantageous to pick up 50% of the bonds, and he is in favor of a legal assumption without a vote if they can do it.

Rep. Miller mentioned the two alternatives are a fund or pay off the bonds.

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Rep. Guess mentioned the issue is if you picked up all of the bonds in the past, are you going to pick up all the bonds in the future.

Rep. Fink stated that two years ago an issue was passed for \$6 million for a two year period. Now we are talking about the next two years.

Rep. Guess asked if they would rather have it subject to annual appropriation. Also that they were talking about a permanent fund just for past debts at this time.

Rep. Guess inquired of Rep. Borer the banking standpoint of depositing the \$6 million in a bank.

Rep. Borer stated it would serve two things. It would serve to provide the long term money that the banks are looking for and the banks would know what point in time they would be losing these monies on a definite basis. He also mentioned that present interest rates on bonds are not more than 5%.

(Russ Mulder was requested to inquire of the local governments the effective interest rates on their bond issues.)

Construction was then discussed.

Rep. Borer said the relationship of the bonding that is presently in existence and proposed bonding should be tied to the potential tax base - in other words in Anchorage it will be 15% of the total tax base. Whenever the debt exceeds a certain point, we would pick up the tab for the rest but we will put certain guidelines on it.

Rep. Kay mentioned it would be better to give the first 10% and let local school districts go from there.

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A discussion on whether they should go on a square footage basis or per student basis followed.

Rep. Borer said it should be tied to the potential tax base.

Rep. Kay inquired if there was sufficient uniformity in taxing throughout the state to make the formula fair.

Rep. Fink mentioned that if the school districts don't bond they are penalized. The more debt you have the better you come out.

Rep. Borer mentioned we agree with the concept if we can agree that this is the approach we should take and straighten out the other later.

It was agreed the construction allocation on aid to construction would be based on the ability of each district to pay.

The meeting was adjourned.

HOUSE MONETARY COMMITTEE MEETING
February 23, 1970

Members Present: Representatives Borer, Kay, Rettig, Fink,
Chairman Guess and Russ Mulder

Each member was asked by Chairman Guess to give his opinion on where he stands regarding direct appropriation vs. general obligation bonds vs. revenues.

Representative Fink stated he did not feel any general obligation bonds should be issued this year but an appropriation should be made for what is needed. He mentioned the market was too high and investments are too unsure at this time.

Representative Borer mentioned there is \$195,000,000 in bond bills. He felt that with the vast needs that we have up here that every avenue should be kept open just as long as it can be in every way to go. He believes there is a very real cash flow problem and wants to use capital bonding. He also felt some combination would be best, and felt we should borrow as much as we can.

Representative Kay said we are basically facing a large package of pork. His own inclination would be to weed out the projects that actually require good bonding sense. He is not convinced that it is wise to borrow when it seems that every aspect of the thing is speculative. He felt that where a project is definitely needed and agreed on, we should pay cash.

Representative Rettig did not agree that we should pay off our current indebtedness or make provision for it because provision for it is already made. He said we are going to be borrowing for a long time in the future and \$900,000,000 really is not very much money. If we pass up an opportunity to do what we should be doing to improve our bond rating, I think we will be defaulting badly. He said if we can obtain a Triple A bond rating then we can look forward to some improvement to our municipalities.

He mentioned there is a lot to be said for appropriating if we cannot improve our bond rating. He believes our obligation is to do what is necessary to achieve a better bond rating.

Representative Guess mentioned that he believed a combination of some kind might possibly be the best.

A general discussion followed. It was mentioned that the normal increase in the State budget has been ranging between 10-15% each year and this year the increase was 60%.

There was some general agreement that if we couldn't get more than six per cent return on the bonds, not to sell them.

Representative Kay said he would like to vote for the projects we actually need and nothing more.

Representative Guess said he didn't see how we could start chopping out projects.

Representative Rettig mentioned it seems that so much of what we are deciding has to depend on what some of the answers from other committees were. He also suggested all of the bonding bills and the amounts be listed and then appear before the Administration and go over the list one by one and ask if they want to bond for each specific one or dip into the \$400,000,000.

The Ferry System Bonds were discussed briefly. It was mentioned they had lost one bond issue already and were behind with their plans.

Representative Rettig said we could talk about the ferry system if we had some federal support such as 95% which they have for the roads. He has never had any problem getting a stateroom or any problem getting aboard and didn't feel we could afford to build just for the peak season.

Representative Kay mentioned that he would be for borrowing if he could be convinced that we could make money borrowing.

ASHA was then discussed. It was mentioned that we either would have to appropriate for ASHA or increase the interest bonds because they need those buildings.

Representative Rettig said he couldn't go along with ASHA. Representative Kay agreed with him.

Representative Guess suggested a combination appropriation bond for ASHA that might be put into a public improvement account and have it written in language similar to the bond issues.

Representative Borer mentioned that Mr. Ray has a bill being prepared that is going to solve the ASHA problem. He also said an appropriation bill could be written in general language showing a bonding bill for general projects and leave it up to the Governor which projects he wants. You could also put into the Act that it could be reappropriated over and over again.

Representative Guess said the idea of appropriating in that kind of language reserving only the total amount should be explored.

Representative John Sweet asked for the floor and asked why they didn't go to the people and ask whether they wanted this improvement and how they wanted to pay for it - by bond or appropriation. There is a greater chance of improving the bond rating by being frugal rather than spending. After improving the bond rating, they should bond because it can be done cheaper than appropriating.

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State buildings were discussed briefly and it seems the issue is whether the State should rent buildings or build their own.

Representative Rettig mentioned the Usury Law which expires December 31, 1970. He said it must be reckoned with and thinks we ought to reinstate the 8 per cent ceiling on family mortgages and no ceiling on anything else. It was mentioned that a \$250,000,000 fund should last permanently for all housing loans.

The meeting was adjourned.

HOUSE MONETARY COMMITTEE MEETING
February 24, 1970

Members Present: Representatives Fink, Borer, Kay, Rettig, Miller, Chairman Guess, and Russ Mulder. Speaker Kerttula was present for a portion of the meeting.

Chairman Guess summarized the previous meeting by saying they came to a tentative conclusion that it might not be the best policy to go the ASHA route at this time but making a direct appropriation into a continuation account might be a way of handling it. Also the Committee did not come to a conclusion on general obligation bonds but decided to wait until after hearing the rating people tomorrow. If the rating is not what we think it should be then the general idea is to do a lot of picking and choosing of general obligation bonds to go out.

Representative Rettig mentioned there are kickers put in by some of the people who want to bid and these should be looked into and we should find out if this practice is being used.

Chairman Guess said if so, after we hear the rating meeting, he would like to discuss net effective interest as opposed to the interest stated on the bonds.

House Bill 510 was discussed.

Representative Fink said money could be made available in any one of three ways - by buying FHA and VA mortgages; making deposits in commercial institutions in the State for purposes of making loans and put restrictions on what they pay us and what they can charge; and set up our own charter bank. The Bank of North Dakota has such a program and it was decided to get the President of the bank on the phone in a conference call to answer questions. (Russ Mulder was requested to get copies of this program for each member of the Committee.)

Representative Kay mentioned he would like to review the present law for all loans above \$100,000. For loans below that figure, offer \$150,000,000 to the banks at 5 1/2 per cent and put a limit of 7% on loans up to \$100,000. This would make money available for housing and small commercial loans. He said he was thinking only of next year because after that we don't know where the interest rate will be.

Representative Rettig said he didn't know of any bank that would accept \$150,000,000 from one depositor. To create something temporary and cut off outside money is not very good policy. He said he did not see how we can give outsiders an advantage over Alaska institutions, and doubted that we can justify depositing money in Alaska banks at 5 1/2 per cent. He said these proposals all come back to whether we should invest in Alaska loans directly. Loomis & Kennedy recommended that \$200,000,000 be limited to single families. Our limited means require us to confine it to some classification of loan like that. It would take care of about five years of single family mortgages. Thereafter it would limit at \$22,000,000 per year. He would suggest \$250,000,000 which would last about five years and recommended we accept seven per cent and allow the banks 1/2 per cent for servicing.

Representative Kay said it should be confined to loans of less than \$100,000. It was also suggested that the rate be taken off except on consumer financing.

Representative Miller said our direst need is local single housing. He said he could not see a ten per cent loan for housing at all and that people cannot build houses at ten per cent.

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Representative Borer Suggested subsidizing the interest loans down to 8%.

It was mentioned that the Administration should be called over to give their opinion on interest rates.

There will be a meeting with the bond rating people at 2:00 p.m. Wednesday, February 25, 1970 and an evening meeting Wednesday.

The meeting was adjourned.

HOUSE MONETARY COMMITTEE MEETING
February 27, 1970 - 1:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Rettig, Miller.

Guests Present: Robert Ogden, Executive Secretary Alaska Medical Association
Lowell Swartz, Health Facilities
Larry Sullivan, Coordinator Comp. Health Planner
Jack Scollard, Administrator Juneau Hospital
Vice President Alaska Hospital Association
Myrton Charney, Juneau Borough Chairman

The meeting was called to order by Chairman Guess who stated the subject of the meeting was State aid to hospitals.

A memo regarding suggested health facilities loan fund and a report of the 1970-1980 estimated hospital bed need were passed out to committee members and a copy of each is attached to these minutes.

Representative Rettig asked for an explanation of the word "catchment" which was used in the report. It was described as an area of less than 200,000 people, a portion of whom are in need of mental health care.

Mr. Scollard stated this fund would open up a source of funding which is now difficult to obtain through banks and loan agencies and so forth. He mentioned that the rates of interest are so high that communities cannot afford to pay these high rates to borrow. He said if this becomes law it will reduce interest rates to the burroughs. He said at the Juneau Hospital it was figured that \$10 per day per patient is used for interest alone. This is based on the present patient load. He said the figure could be reduced to \$7 per patient for interest if the interest rates could be reduced. He said bonds have been authorized for their present building program and the first half sold to HUD at 4 1/2 per cent.

Representative Rettig asked if \$50,000 per patient was the current average cost of constructing a hospital at this time. It was mentioned that in Fairbanks the cost was \$86,000 per patient and in Juneau the cost per patient was \$68,000. The lower figure was used because some hospitals would just add new wings or facilities to provide for more patients and the cost wouldn't be the same as for total new construction. It was mentioned that perhaps a higher figure should be used in figuring a long range plan to allow for inflation.

Representative Borer asked if the interest cost per patient was based on 4 1/2 per cent they are now getting from HUD. He was told it was based on 7 1/2 per cent on one half of the unissued portion of the bonds.

Representative Fink inquired what interest rate this group was recommending. It was mentioned that Hill-Burton is figuring a loan rate at 3 per cent. He also asked if they were suggesting that the state continue to match Hill-Burton and then in addition to that we have a loan fund to meet the costs of the sponsors share, and who would determine the ability to repay this sort of program. Mr. Scollard said this would be determined by the Legislature.

Representative Rettig inquired if the State's matching ratio of \$17,487,000 was intended to be a loan or a grant. Mr. Swartz stated that it is the grant as taken in our Hill-Burton as it is now over this eleven year period. He also said the Federal ratio is 40% but that the Federal doesn't give enough money for them to use 40%. He said they had the ratio but never have enough money to carry it out. Mr. Scollard said that Juneau is picking up 42% of the costs here.

Chairman Guess asked for a definition of Health Centers. Mr. Swartz explained these as facilities for mentally retarded, disturbed people and people needing some sort of care like that. He said they were talking about diagnostic and treatment centers, not private doctors' clinics. He said that in some of the very small areas that if there can be some facility of even one or two beds that it might possibly attract physicians.

Chairman Guess said that simply because hospitals are non profit doesn't mean they can't make a profit and inquired if there would be some sort of procedure so that we know any profit would be plowed back into that hospital. Mr. Swartz answered that it would be plowed back into the hospital system but could not say where the funds would be distributed - that is, into which hospital.

Chairman Guess asked what about hospitals that are presently in operation that do not need more beds but need aid in operating costs. Mr. Scollard answered that one of the ways to aid operating costs would be to be able to secure lower interest rates which would allow interest money to be spent on other things.

Representative Rettig asked if uncollectible accounts were a problem of hospital costs and whether these problems were being recognized by local governments. Mr. Scollard said they were a problem but that one of the problems regarding patients brought in by the police department was that the police department was not responsible until that person was legally incarcerated. Many of these patients are not in a position to pay and we are passing these charges on to other patients and we have no other recourse.

Representative Rettig asked if the problems in Nome more or less prevailed due to the system. Mr. Scollard said it was his understanding that one of Nome's problems is the diversion of Indian patients to mental health facilities. It would save money if these people could be treated in their own areas.

House Monetary Committee Meeting
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Representative Fink said in the area of construction we should have beds for hospitals based upon the population. He would like to see a Bill rather than a memorandum. It should include this concept of necessary beds and that we loan whatever is necessary at a certain rate and that we should tie in the local government approval. Don't want to be building when we don't need it.

Representative Borer mentioned that in Cordova they have a policy that in no way will they try to collect legally. He inquired what the policy was in Juneau. Mr. Scollard replied they were taken to small claims court by their Burrough attorney. He stated he didn't think it was inappropriate at all to approve of reasonable controls when you are using public funds.

Representative Miller mentioned that a few years ago a law was passed giving the right of lien and asked if they had any way of saying no when the police brought patients to their door. Mr. Scollard said no, because this puts the policeman in the position of deciding who needs medical aid. Mr. Miller said there should be some type of compensation to the hospitals for this type of patient.

Representative Miller said that when we bring this thing down to the local basis, he wondered what price per capita would be needed to cover incidentals such as this and if a per capita would work. He said he was thinking of population and allowing the same as fire departments, police departments, etc.

Representative Rettig mentioned looking into a system of air ambulances because it seems like a better job could be done for small communities at a smaller cost. Mr. Scollard said this would be much cheaper in various areas rather than maintaining a facility.

Mr. Larry Sullivan mentioned that he was going to California in the next two weeks and would be discussing these same problems there. He said he would present a report when he gets back from California.

Mr. Swartz mentioned the Governor is getting letters constantly from small areas begging for health facilities.

The meeting was adjourned at 2:30 p.m.

There will be a committee meeting Monday evening, March 2, 1970, 7:30 p.m. with the hospital people to finish the discussion.

HOUSE MONETARY COMMITTEE MEETING

March 2, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Miller and Kay

Others Present: Myrton Charney - Juneau Borough Chairman
Lowell Swartz, Health Facilities
Jack Scollard, Administrator Juneau Hospital - V.P. AHA
Representative Helen Beirne
Representative Ernie Haugen

The meeting was called to order by Chairman Guess.

Representative Fink said he had a memo from the Commission of Health and Welfare saying they would like to assist the Legislative Affairs in drafting a bill rather than drafting it themselves.

Chairman Guess asked what the general feeling was regarding a revolving fund for construction.

Rep. Fink said he was generally in favor of it being tied to population and bed need and some formula for construction costs with low or mid-low interest rates for hospitals and health centers. That we could make loans to cover the amount of the sponsors.

There was some discussion regarding the number of beds to built in the first year. Mr. Swartz said that at least 50% of the beds are needed in the Anchorage and Fairbanks areas because that is where most of the doctors are located and many people from outside areas are funneled into those areas.

Use of the \$20,000,000 fund was discussed. Mr. Swartz said it would be in conjunction with the Hill-Burton fund or if there were no federal money available if projects came in, a project could be put together with federal money and state money or strictly state money. If a town could not get their own money they could come to this fund and borrow at a reasonable rate.

A discussion regarding HUD money brought out the fact that HUD money is hard to obtain because it is a revolving fund and there isn't always money available. Also HUD likes to spend smaller amounts in many communities. It was brought out that any deprived area could qualify for EDA funds except that EDA would like to place their money in utility projects, etc., rather than hospitals.

It was mentioned that loans would be extended over a period of approximately twenty years and that repayments would begin within one year to replace money into the revolving fund.

Mr. Swartz said a bill just released regarding Hill-Burton funds would provide for \$1,000,000 in grants and a little over \$1,000,000 for loans. He said President Nixon has asked for strictly a loan program in his 1971 budget.

House Monetary Committee Meeting
March 2, 1970

It was generally agreed that one good way of handling and dispensing all of the various revolving funds being set up would be to have one group appointed for this purpose.

The idea of a revolving fund on a loan basis containing \$20,000,000 for construction loans was generally agreed upon.

It was pointed out that if hospitals could obtain construction loans at a low interest rate, it would aid them in their operating costs.

A grant of \$1,000 per bed per year was discussed as being an aid to operating costs as it would make up for some of the uncollectible accounts or it could be spent on health services, etc. It was generally agreed that the concept of \$1,000 per bed per year was as far as we should go this year.

Medical aids to doctors were discussed. This is a program where a trained person confers with an M.D. from a small area regarding people who are ill. The M.D. then prescribes over the radio or telephone and the aide treats the patient. After a certain length of time, a follow up is made to determine whether the patient needs further medical care. Mr. Swartz said these medical aides are paid for by U. S. Public Health Service and that the State of Alaska has nothing along that line at this time.

Interest rates on the revolving fund loan program were discussed. It was pointed out that HUD is now 5 1/4% and Hill-Burton is 3%. It was suggested the interest rate be tied to the existing rate on HUD money. Rep. Beirne said that 4 1/2 per cent seems to be the rate mentioned in other committees as being satisfactory.

A retroactive provision was discussed whereby bonds could be called in and money obtained at a lower interest rate. It was generally agreed that a retroactive policy would not be the best but hospitals needing money for construction which was not yet funded would qualify.

Chairman Guess said he would get these measures drafted.

A general discussion was held regarding future agenda for this Committee. Subjects mentioned were the old folks bill; House Bill 282; Water, sewer; housing; Governor's investment package; Agriculture.

The sewer, water matter will be the topic of tomorrow's meeting with someone from the Administration to be here.

The meeting was adjourned at 9:10 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 3, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay and Miller.

Others Present: John Beard

The meeting was called to order by Chairman Guess. The subject of discussion was Senate Bill 377.

John Beard presented facts concerning this Bill. He said the purpose of this Bill is to pick up the additional 20 to 22 per cent of federal funding that is available. A provision of this Bill makes it retroactive to July 1, 1967. He will present to the Committee a written report of all the data concerning percentages the State will need for construction and a resume of his talk.

Mr. Beard pointed out that they didn't know how many projects would be applied for in the next few years but said they did know that we need the extra 20% federal funding. Also that they were trying to make money available as soon as possible in as many places as possible.

There was some discussion as to whether the money would be available before January 1, 1970 and it was mentioned that bond anticipation could be sold as soon as this was approved. Also that in this Bill until the federal money is actually available the state can give a no interest loan to a local government.

It was mentioned that the Revenue Sharing Practice in some of these areas would give them some of the needed funds. This is \$2.00 per person.

Chairman Guess said he would like to take the figures and relate them to some of the problems some of the cities are having. Also that he would ask members of the Municipal League (who are in favor of this Bill) to send out telegrams and get some opinions about this legislation.

It was mentioned that Senate Bill 391 was imperative for this to work. Otherwise they would not be able to get federal money.

Mr. Beard was asked to get a figure on the amount needed for the next five years if this goes direct appropriation.

Rep. Borer said the ideal way to approach this is for the state to put up these matching funds and then through revenue sharing make a per capita to the various communities to pick up this 25%.

This matter will be taken up again when the Committee has had a chance to review Mr. Beard's report.

The meeting was adjourned at 9:10 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 4, 1970 - 1:00 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay and Miller

Others Present: Bill Sheffield of Sheffield Enterprises representing tourism.

Mr. Sheffield gave testimony on a proposed piece of legislation which was worked on last year by the various people involving the tourist trade. It is a plan that would be acceptable to get some funds into the banks to have some ready source of funds for industry which would include tourism. He said there was an estimated 14 to 18% growth rate in tourism in the next five years. They wanted to build more accommodations which would be patterned after those of the State of Rhode Island. A study made by EDA and paid for by the federal government indicated there are now 4825 first class hotel rooms in Alaska. By the end of 1970 we will need 1475 rooms just to take care of the tourists; 1200 additional by 1972 and 2225 by 1975 or a total of 5000 more first class rooms by 1975. He estimated the study was probably a bit conservative.

This plan would be on the order of a state guarantee bank program with a revolving fund which should have \$50,000,000 available. A maximum of \$1,000,000 per loan would be imposed. This would require the individual to have 25% of the funds himself so that he would be borrowing \$750,000. He suggested a three man board be appointed by the Governor to approve the loans which would include somebody from industry on the board. This Board would then approve the loan and give 85% of the 75% that they are going to loan so the bank has 15% participation of the loan. The state would put money on deposit at whatever rate of interest they want to charge the bank and the bank could charge any rate they wanted. The terms would be 20 to 25 years. This should include a "bail out" clause so that the borrower could not go out and bail himself out of a bad loan and use the state money to do it with. He said in this plan that the availability of the money would be more important than the interest rate.

It was pointed out that a maximum loan for this state probably should be \$1,250,000 and that some controls should be set up as to how the people borrowing would build. Mr. Sheffield said the average aged tourist is 65 years of age and they want first class conditions. Also that many small towns could not make tourist facilities available because they would need a very long time to pay back a loan and because the tourist season is short. He said there should be some sort of campaign to lengthen the tourist season. Also that if motels were built in small communities, these could be used for other purposes such as schools in the wintertime or other community needs. He pointed out that they were turning down many group tours because there were not facilities to take care of a bus load of people at one time.

There was some discussion regarding whether this plan would hurt the people in business now by allowing some new person to come in and build better facilities under better borrowing conditions. Mr. Sheffield said he didn't think this would matter if the Board felt he could make a living and would be able to pay back the bank. Also that at the cost of construction today, they would not be in a position to shade several dollars off the price of accommodations.

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A discussion then followed regarding the possibility of the state building resort facilities at some of the beautiful areas in Alaska and then leasing them to someone. Mr. Kay said he was thinking of a facility such as Timberline Lodge at Mt. Hood, Oregon.

Mr. Sheffield said he felt this would be entirely another project but said he would not object if it were added to the bill that the state could build resort type facilities at certain places and in fact would be very much in favor of it.

It was mentioned that EDA has a program where communities can borrow money for tourist facilities and can build it and then lease it back to an operator. That perhaps that could be tied in with a program like this.

It was pointed out that there should also be something done for the people who live in Alaska such as making camper facilities available. Mr. Fink said we have never given the Parks and Recreation any money for this type of development.

Chairman Guess said he would invite Economic Development and Parks and Recreation over at the same time to see whether or not they had a plan. Mr. Miller said he would like to have Dale Wellington over then, too.

The meeting was adjourned at 2:20 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 5, 1970 - 2:00 p.m.

Members Present: Chairman Guess, Speaker Kerttula, Representatives
Fink, Miller, Rettig

Others Present: Representatives Metcalf, Holm, Deveau
Mr. Fritz Hall, President of Kenai Burrough

The meeting was called to order by Chairman Guess. The purpose of the meeting was stated as being to hear testimony from Mr. Hall regarding the Kenai school construction program.

A summary discussion was held concerning this Committee's tentative policy on school construction. Concerning bonded indebtedness the tentative decision was to establish a sinking fund to pay off the indebtedness and also to deposit it in banks which would give the banks a length of time on the amortization of bonds. This Committee did not come up with any figure but thought construction would be based on need and square footage per student. Also that provision would be made for impact areas, possibly a 5% consideration.

Speaker Kerttula mentioned that the Naknek Burrough was having acute problems because they have bonded themselves to the limit to build a high school.

Mr. Hall was then introduced and testified that the people on the Kenai Peninsula had gone through a \$15,000,000 program in the last three years, \$9,000,000 of which was cash. He said the proposed bill for school construction would take care of the bonded indebtedness of the schools that went the bonding route. They would like to be compensated in some way for the \$9,000,000 they paid in cash and suggested that perhaps the bill could include bonded indebtedness and cash. He said they raised their taxes and also put into effect a sales tax to get the cash.

Mr. Hall felt their taxes would go up again if they did not get some help with this problem and felt the State would be directly to blame for this. He said that if they did receive some compensation they could go ahead with some of the rest of their building program. He said they needed several more schools in the Kenai Burrough.

Mr. Hall was asked if he quarreled with the idea that his burrough had built without any idea of reimbursement at all and that they received some compensation from the state in matching support, etc. and whether he could determine how much of the \$9,000,000 has already come from the State. He could not answer that latter part and did not quarrel with the first part.

It was pointed out that some of the older communities were a lot worse off than the Kenai Burrough because they had paid 100% of the costs. It was suggested the only way to make a determination would be to examine the contributions of actual cash from each burrough.

It was also pointed out that a burrough that pays 25 mills and has a 5% sales tax is paying more compared with their ability to pay than the Kenai Burrough and should be compensated for the millions of dollars they have paid. Also that a community such as this has not only bonded their schools but have put out a lot of cash also. The only way you could make a compensation would be to go back five or ten years and equate the whole thing and pay accordingly to everyone.

Representative Metcalf said he shared Mr. Hall's feelings on this matter and said the Kenai Burrough was very budget minded and spent a lot of time considering whether to bond or to pay cash. He didn't feel they should be penalized completely and should be reimbursed for some of the cash they had put out.

Representative Deveau said a formula could be devised for reimbursement by starting out with fixed facts, putting in all the variables including the costs of living in different areas and then set aside a certain amount for the education of each child in Alaska. The areas that don't tax themselves should not benefit.

Speaker Kerttula requested that Mr. Hall have a written statement prepared from the burrough regarding his testimony and presented to the Committee.

Rep. Fink said he would like to have the staff make up a list of each school district and show what their millage rate is.

The meeting was adjourned at 3:00 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 9, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Rettig, Kay, Miller
Russ Mulder (Legislative Affairs)

The meeting was called to order by Chairman Guess. A summary of tentative committee concepts followed. Generally these were:

Approved the concept of shared revenues.

School construction - Agreed to establish a sinking fund reserve for existing indebtedness and on future construction to give aid on a formula based on need.

Water, sewer - Agreed to support the program submitted on the Senate side, supported by the Governor. (It was suggested that these be made into house bills just for the purpose of consideration - costing and so forth.)

Hospitals - Agreed to establishment of a \$20,000,000 revolving fund based on the ten year construction program plus \$1,000 per bed on revenue sharing.

Representative Rettig said he was not a party to these tentative agreements and would like to know how they affected the current year's budget.

Bonding - Generally agreed to ASHA bond appropriation.

Single family housing and rural housing were discussed. It was pointed out that the state does not have any tool to purchase FHA's and they should have such a means. This could be a fund. It was pointed out that a fund of \$250,000,000 would handle the needs of the state for five years if it were confined to the needs of single family dwellings. Approximately \$40,000,000 to \$50,000,000 is the annual need. This fund would liquidate itself in a short time and if more money was needed then bond. It was suggested that the state be satisfied with a yield of 7 1/2%. It was also mentioned that it would be advisable to put this into a separate fund so it could bond itself separately later.

During the discussion it was pointed out there are three general areas of housing need. These are rural areas, urban areas and the areas that are somewhere in between rural and urban needs. It was mentioned the State should be thinking about putting \$1,000,000 into fifty small areas. It was suggested conventionals be taken care of through bank deposits.

Representative Kay asked if anybody liked a plan to put money in the bank to be loaned at a certain per cent. He suggested the money be loaned to the banks at 6% and authorize them to loan it at no more than 7%. It was pointed out that the banks could not loan at this rate. The question was raised as to whether this money would all be going into the Anchorage and Fairbanks communities. Mr. Kay said the money would go wherever you deposit it. Mr. Rettig pointed out that no bank would accept a \$100,000,000 or \$250,000,000 deposit from one depositor.

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Representative Rettig said Alaska was in a position to influence the interest rate and we should be doing it.

Representative Kay said the only way you are going to get into those rural areas is through some state program similar to the State VA. You could easily have the same kind of a program limited to areas where there is no FHA or conventional.

It was requested that representatives from the VA, FHA and ASHA be invited to a meeting to determine what is available and what areas they do and do not cover.

Representative Rettig said he would get a bill drafted setting up a homeowners loan fund in Alaska of \$250,000,000 and confine it to single family housing at rates not to exceed 7 1/2% interest.

It was generally agreed that with the high interest rate money this committee must come up with an answer to the problem. Mr. Kay said the discussion would indicate that at least a considerable portion of the committee would like to see a sizeable fund aimed at housing and aimed at influencing the interest rate.

Miller

Representative/felt that the state would be getting more by investing in housing in this state than if you sent the money out.

Interest rates and collateral will be the topic of the next meeting.

The meeting was adjourned at 9:00 p.m.

(Russ Mulder was asked to pull the various bills pertaining to this. He was also asked to get together with Rep. Fink and make a rough draft bill regarding school construction.)

HOUSE MONETARY COMMITTEE MEETING
3/10/70 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay, Rettig

Others Present: Speaker Kerttula, Representative Sweet and Russ Mulder

The meeting was called to order by Chairman Guess. The subject of the meeting was collateral.

Three categories of collateral discussed were (1) no collateral at all, (2) 100% collateral and (3) a 30% collateral pool.

It was mentioned that collateral was desirable because of the magnitude of public funds deposited in relation to all other funds in the bank. That if one depositor wanted his money (a very large sum) he could break the bank unless there were some kind of restrictions placed on the deposit. Also that aside from protecting funds collateral could be used as a policy tool to direct funds into certain areas. A deposit may be made on any conditions acceptable to the depository. Someone has to assume loss on loans to be made and the depositor would also have to be a party to the losses that may result.

It was pointed out that the pool arrangement of collateral requires the banks to report regularly and if one bank gets in trouble the other banks would cover. Mr. Fink didn't think safety was a factor because any bank that gets in trouble is going to get bought out and the depositor would always be protected.

Mr. Fink felt that if we are going to require collateral there is no point in giving banks any money at all to put in bonds. If they have the money in bonds it isn't doing anybody any good except the banks. He felt the state could buy its own bonds and make a better deal.

Mr. Borer pointed out that if they don't have the cash from the state the banks would have to keep back cash of their own and would not be able to make as many loans. It was also pointed out that banks could not afford to loan the money on a 2% spread.

Mr. Fink suggested that an organization be created within the state with credit men hired to make the decisions. He felt there is a big enough function to give some organization a focal point for all these items.

The problem of competency in making evaluations on loans by the state was discussed. Some felt a political entity would be less effective than a commercial bank.

Mr. Kay felt there was some agreement that perhaps buying loans was the best route but that there would still be large sums of money on deposit and the question was still whether to have collateral or not. He wondered if there wasn't some place in between making no deposits at all and making some.

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3/10/70 - 2 -

Speaker Kerttula pointed out that if a new state instrument was to be created with the least problems and opposition it would be better to start out by purchasing some loans and also deposit some money with the banks. Then if it proved that this agency was more effective and better for the state you could draw more over into this fund later.

Mr. Rettig suggested they consider a program of purchasing residential loans in the amount of \$250,000,000 and that they tentatively figure to deposit \$100,000,000 on the 30% collateral arrangement.

The meeting was adjourned at 9:10 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 11, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Kay, Miller, Rettig and Borer.

Others Present: Representative Holm and Russ Mulder

The meeting was called to order by Chairman Guess. The subject of the meeting was to complete the discussion on collateral.

The Administration contends that if we do not establish categories of collateral that the money will not find itself into those categories and the banks will end up making more money but not getting the money into the areas of need.

It was pointed out that if loans were purchased by the state it would solve the problem of credit availability and would not compete with commercial banks.

Regarding 100% collateral Mr. Rettig said he favored a separate fund with a positive amount with bonding authority with GO bonding privileges to increase the fund in the future. These would be tax free bonds of the state. Would be able to beat the FNMA by 200 basis points. That it could be a real milestone in the home financing in the nation. It would be received with open arms by the administration because it does devise a way of getting more reasonable financing into the home borrowing.

Loans other than housing loans were mentioned such as boat loans, business loans, etc. Representatives Miller, Fink and Kay were in favor of not limiting the fund to housing alone. Mr. Fink thought there should be one department to make all the loans.

Repurchase agreements were mentioned and Mr. Borer said we should check with the FDIC. He believes there is a means whereby they can pledge loans on a collateral basis with the state demanding substitution.

It was mentioned the Senate took conventionals out of Senate Bill 403 and that was the whole purpose of the bill. Chairman Guess mentioned the possibility of putting conventionals back into the Senate Bill with either statutory or mandatory required regulations and then as another arrangement setting up a fund to purchase loans.

Mr. Rettig suggested that if a portfolio becomes more than 1/2 of 1 per cent delinquent that regulations provide that that particular seller is cut off until he brings it back down to that 1/2 per cent. The originator reserves the right to replace money on delinquent loans to reinstate himself.

It was agreed that Senate Bill 403 as amended holds the only answer. Mr. Rettig pointed out that the Amendment to 403 was suggested by the Savings and Loan industry.

Mr. Fink stated he thought money should be deposited with Savings and Loans as well as with banks.

The meeting was adjourned at 9:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 12, 1970 - 1:00 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay and Miller

The meeting was called to order by Chairman Guess. He summarized the previous meetings on collateral by saying that it was generally agreed to the establishment of a purchase fund with the proposal that Mr. Rettig had on 1/2 of 1 per cent on delinquencies.

A discussion followed regarding the delinquency limitation. It was generally agreed that all credit should be cut off if one category goes bad. That when the figure on delinquency was reached, the entire credit would be cut off.

Mr. Borer stated he thought that whatever portion went into single family housing loans should not exceed the FHA regulations. He believed the FHA limit was \$50,000.

It was also mentioned that conventional housing loans should not exceed the FHA limits either.

Whether to set a certain amount of money for each category or set priorities was discussed.

It was mentioned that the proposed \$250,000,000 as a revolving fund would serve housing and commercial loan needs for two or three years so this would lessen the need for categorizing.

The Investment Committee arrangement was discussed. It was suggested that legislative direction would be given to the portion we make available if we want the organization to buy the mortgages. Also that a limit would have to be set so that the Finance Committee would keep a certain number of dollars available.

Chairman Guess said either a dedicated fund arrangement or a constant revision was the only way you can give legislative direction.

It was suggested that the Investment Committee purchase these various loans in Alaska and over and above that this money could be used for some other purpose.

Selective collateral was discussed. It was suggested there is no need to have selective collateral but there was a need to reduce the collateral in some way.

\$50,000,000 for five years with no collateral was mentioned.

It was brought out that when we start buying loans that we are committing the money for as much as thirty years.

Mr. Kay said that is why he would like to have a ceiling on this program. Because they might want to invest it in some other things.

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It was suggested the statute that is laid out for real estate loans be used.

The question was asked if there was any need to put these various means of collateral in the collateral law. It was suggested that the normal categories be left in without the law changed.

It was suggested we could put \$72,000,000 directly into the banks and tell them we will accept GO's at 100% collateral and municipals at 50%. This would encourage the purchasing of municipals.

It was also pointed out that by the use of a fund the monies will be directed into housing.

It was also suggested a provision be made for the Savings and Loan organizations. That deposits be given to them as well as to the commercial banks.

Mr. Miller stated it would have to be provided that the residences get preference.

Mr. Fink stated that the Investment Committee would have to be told at what rates they must buy.

The meeting was adjourned at 2:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
3/13/70 1:00 p.m.

Members Present: Chairman Guess, Representatives Rettig, Borer, Kay and Fink

Others Present: Speaker Kerttula, Representative Sweet, Russ Mulder
Harold Grindle, Ass't Executive Director, ASHA
Jack Tinsley, Deputy Director, Dept. of Veterans Affairs
Claude Millsap - FHA
Robert Schenker - ASHA

The meeting was called to order by Chairman Guess. He stated this committee is trying to find some method to create the availability of money for housing. We want to ask your ideas and particularly help us define your jurisdictions and work with us in attempting to devise a program or to fill the gaps or add to what you have.

(The following is a resume of questions asked by the Committee and answers given by the various housing representatives.)

Fink: We are interested as far as FHA is concerned in purchasing your insured mortgages. Either through state funds or using them as collateral for state policies.

Kay: Is there an ample ready FHA insured loan market now available for those through FNMA.

Millsap: Yes. You're speaking now of 207.

Kay: Would the state be adding anything then to the encouragement of single family housing by buying those mortgages?

Millsap: Only one basis that is even possible to consider it and that would be in the event that these funds were not available on a federal basis.

Fink: Is there any money available under FHA at 7% with no discount?

Millsap: The market is limited by the bid price that FHA through FNMA markets those insured loans that they purchase.

Fink: Then the state would definitely serve a function if we were to purchase these at 7% with no discount?

Schenker: It would directly relate to the purchaser, too, which would help the individuals because this is an out of pocket expense that a developer has.

Kay: What about your other programs - you indicated there was another one. ASHA subsidized 221-D.

Schenker: 235 and 236 are the ones the national focuses on at the present time. Most of these sponsorships under 235 or 236 could be on the basis of non-profit corporations or religious organizations. There are no

235 funds available anyplace in the United States. That is eliminated for us at the moment. 236 funds are not available. The only way they could become available is if Congress would make a supplemental appropriation. Since the President cut back basically on public works and other things this had a direct effect upon housing appropriations to these various programs. We are limited not only here but we are in a very competitive area as far as any funds that do become available.

Kay: At the present time there is nothing particular that we could do in the way of purchasing loans to encourage these programs?

Commissioner Kubley: With the SBA's we can mainly help apartment houses and businesses. We have FHA for urban housing and Farmer's Home Loans for the rural. We have covered the whole gambit of housing.

REMOTE HOUSING

Fink: In 235 or one from the Federal Government for interest when money does become available it appears that it is going to be difficult for Alaska to get any of the money because of the \$900,000,000 fund. Until this myth is destroyed I am sure Mr. Schenker will comment on this \$1,000,000 remote housing problem they have being instituted. Because of the \$900,000,000 I think our program to assist the various needs of the state are very important to break this myth.

Schenker: FHA loans pledged to low income houses. It requires a subsidy to purchase that loan so there isn't any of that money available. It is an area we could go into but it would be more in the nature of grants.

Grindle: ASHA remote housing program. We have a remote housing program that is not exactly public housing program. It is usually the type of housing where you develop some kind of federal assistance. We have done other things for example in Nome. We have various ways we can work things out for remote housing, depending on the circumstances. It is dependent on Farmer's home to take out the mortgage.

Fink: We felt that in the areas of FHA, VA's and conventionals in the cities we could provide a real avenue for money at reasonable rates. What can we do in rural housing and what can we do in lower middle incomes.

Schenker: The state could support this thing and replace the Farmer's Home Loan Administration. For communities of 5,000 or less the state could have a model program appropriating it through ASHA. ASHA could administrate this. It would really fill a gap.

Guess: Is this tied in with Senate Bill 512?

Schenker: All he has done with that Bill is to state the State should and could replace the \$1,000,000 in case the federal program does not do it.

It was felt that someone from Farmer's Home Loan program should be brought in to testify. It was suggested that the regional man from Portland, Oregon, be invited.

Kubley: Farmer's Home Loan sells notes. We could buy their notes but there is no guarantee that the money would come back into housing in Alaska. They do make loans on the basis of income. It was indicated there was approximately \$2,000,000 coming into the state for this housing per year. (This is what a representative of Farmer's Home Loan from Kenai had told the Commissioner.)

Kerttula: Is there anything before us now that would allow for an economic spinoff for a program that would allow for the upriver systems to actually mill and ship down the timber for construction of housing in the lower river areas. It seems to me that it is a natural impetus for the lumber industry. Is there anything where you could set up a loan program or a grant program for the actual physical facilities.

Grindle: I think the benefits that you would create in the industry would be lost in efficiency in the cost factors in the unit. There would not be enough demand in the remote housing in the next five to ten years to warrant setting this up.

Housing in Bethel was discussed. It was pointed out that there were 200 houses there and approximately 115 were vacant because the sewer and water facilities had not yet been made available due mainly to the weather.

Fink: Regarding ASHA - What programs do you now have in regard to housing in the rural areas - are they meeting their problem - is there money available or can the state be of any assistance in helping you do whatever you are trying to do.

Grindle: ASHA has several programs in remote housing. Federal authorization was for \$10,000,000 with one million per year. We are working this year on our second million of that authorization. Those \$2,000,000 will help to build 320 houses and it has been a good program.

Fink: Have you truly met the need of those villages where you have built?

Grindle: No, we haven't, actually. We could get much broader usage of the program. We have 127 applications right now.

Fink: Do you have the ability to double your program? Mr. Grindle answered yes.

Guess: Is your program limited to federal participation?

Schenker: We get \$100,000 from the state each year to defray the costs of the program. That comes under the federal appropriation. The one thing I would like to say in regard to the authorization is that there is a program before the legislature for a generous appropriation of \$3,000,000 to assist this program. If that should come out of the House and become law and be passed by the people of the state it could provide over the next several years the replacement of that money the federal government may not appropriate through the original authorization.

It seems to me that one of our projects should be to restore that program with the federal government as it was originally intended. There is no way that program will be restored because of our \$900,000,000. Maybe in the Senate but never in the House for appropriation. The problem with remote housing has not changed. It has become more severe since the federal government gave that authorization. I think the Legislature should address itself to the problem that if we take this thing over completely ourselves that we may find ourselves holding the bag totally with state funds where we could have gotten the federal funds back again. You just wonder how far you should go to show your intent with your own \$900,000,000. How long is Alaska going to be regarded as being so wealthy that it doesn't have to have federal funds at all? The things you people do in this session are going to be very significant. Either forgetting about federal aid entirely or partially or what have you. I don't think we should give up that \$10,000,000 of federal money.

Fink: Do you think \$1,000,000 annually would be the right level for remote housing? Mr. Schenker replied probably should be \$2,000,000.

HUD money is available but is limited. Are we using every federal program for housing that is available? Mr. Grindle thought that regarding rural housing they were. The program at Hoonah is a BIA mutual program.

Fink: Under the rural housing under the various programs you are working with now - is there anything you feel the state ought to do to assist you in these programs? Mr. Grindle replied he thought the state should make certain that the program continues.

Kerttula: On this \$3,000,000 it will take the better part of the year for it to be effective. Do you need funds in the meantime for the same purpose? Mr. Schenker replied they found out in December that they were going to have federal money for this year. They will need the state money about the time it becomes available.

Millsap: An indication by the State of Alaska that they intend to help remote and rural housing in the State of Alaska would be a great indicator and I think it would help me as FHA director to get more commitments for the urban and metropolitan areas of our state.

URBAN HOUSING

Grindle: Regarding ASHA. We need more housing in Anchorage. The approach to low income housing is changing and we haven't pursued that because it will put that responsibility in the FHA. If that happens we hope the FHA will continue their present policy of making the market investigations which will save us about \$15,000 in survey costs. I think our programs in the low income housing level have been highly successful as far as HUD is concerned. We have been given very fair treatment.

Millsap: The services of HUD through the FHA program are meant really as an encouragement. ASHA builds low income housing for people. That is based upon the percentage of their income level to qualify. The next step would be to put them into either a better apartment or home ownership. In order to analyze the program at the present time we don't really have any pressure on upper income housing. Our problems exist down to what I would call the moderate income level where we could produce housing for marketability based upon somewhere in the area of \$27,000 to \$30,000. We have problems with interest and the point system. What you have to consider is how you can get a person into a home for the lowest down payment. At what limits should those payments be set? That is the major problem.

Fink: In the area of urban housing you felt that HUD was doing a good job but didn't seem to think it was enough. Did you indicate the state might become involved over and above what HUD is doing?

Schenker: I think so but I think you should very carefully study what the state participation should be in supplanting or aiding federal programs. When you are tying into a major program you should understand the consequences of that major program. There is no doubt about it, Alaska needs more housing.

Fink: Does anybody have a projection as to what the needs are?

Schenker: You people need a real comprehensive study by people who are expert in the knowledge of federal programs and parlay that information into a state program - one that will fit into your ability to fund it.

It was mentioned that the area not being touched was the area of housing for people who make \$10,000 or less because they cannot afford to make payments on expensive houses. Mr. Tinsley said there wouldn't be many veterans who will be discharged in the next two years who can afford \$49,000 homes.

STATE VA

Fink: You stated that you had a large number of veterans who would be discharged in Alaska in the next two years. I assume that you indicated you could use some more money for VA loans. How much money do you have in your revolving fund now and how much more do you think you could use.

Finsley: Our revolving fund is usually kept down to a bare minimum because right now we are processing applications as they come in.

Kubley: We feel that the Governor has requested \$750,000 and that is adequate for handling loans as they come in. Our backlog usually has run \$750,000 and right now we feel that that amount would take care of us.

Chairman guess requested that each of the various representatives at the meeting write a letter to the Committee as to what they thought we could do to aid them in their present housing program. Each said they would write a letter to the Committee.

The meeting was adjourned at 3:00 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 16, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Rettig, and Miller
Russ Mulder of the Legislative Agency

Others Present: Speaker Kerttula, Representative Sweet
George Morrison - Commissioner, Department of Revenue
Walter Kubley - Commissioner, Department of Commerce
Roger Cremo - State Bond Council - Attorney at Law

The meeting was called to order by Chairman Guess.

Commissioner Morrison presented an exhibit entitled "Department of Treasury New Organization Charts, Statement of Function and Responsibility" to Committee members and a copy of this is attached to these minutes.

The concept of the Treasury Department itself as opposed to expansion of the Department of Revenue to handle the fund was discussed. Mr. Morrison said the merit to having them separate is simply because they believed the size of the fund demanded it and that it should be managed by a cabinet level officer. He also stated that they would be able to pay the people doing the work more in a separate division because they were starting at a higher level. They would be starting with a commissioner level.

Mr. Morrison was asked to define "Debt Management". He said this is one of the parts that furnishes the staff to the Bond Committee. In the past the Bond Committee has had some difficulty in getting proper cash forecasts. Debt refers to the debt of the state.

It was pointed out that it would be easier to get a qualified man to handle the \$900,000,000 if he were given the title of commissioner rather than director.

There was some discussion as to whether banking and securities should be included under the Department of Treasury. Mr. Borer asked to have a vote to see whether the Committee members felt there were two functions in regulating the money, those being collecting income and investment. A vote was not taken but each Committee member present indicated they favored separating the two functions. That collection of revenue was a full time job and investment was another. When asked, Mr. Cremo said his personal opinion was that there should be two departments and that he did not understand how the regulation of banks and securities got into the Department of Treasury.

Mr. Rettig felt that if we are going to have to employ people at rates that we are unable to pay under our formula, that it would make sense to start this off as a state bank which manages this money of the state. It would become a state bank with a board of directors at whatever salary they have to pay.

There was some discussion regarding how the monies would be transferred over to the Department of the Treasury. Mr. Cremo said that a letter dated February 27, 1970 from Robert W. Ward to Robert H. Ziegler would explain this.

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A copy of this letter which is attached to copies of the bills that have been reworded to show the changes (Senate Bills 401, 402, 403, 404 and SJR 74) is attached to these minutes. Mr. Kubley also presented to the Committee a paper explaining the changes the the Committee Substitutes, a copy of which is attached to these minutes. Copy of letter addressed to Gene Guess from Robert H. Ziegler dated March 12, 1970, is attached to these minutes also.

Some discussion followed regarding these Bills. Mr. Rettig said the word "surplus" should be defined. Mr. Guess also asked what "current demands" meant. Mr. Cremo said "demand" is used apparently to mean the same thing as "obligated to pay". Whatever monies are not needed to make required payments is "surplus" and may be invested.

The question was raised as to why you could not have stocks in the general fund. Mr. Cremo said that at a given time if the Treasurer wanted money to meet a given payment, he would have to hope that the stock market was at a high so he wouldn't have to take a loss.

There was also some discussion as to whether it was possible to have some provision so that the money could be rotated back and forth between the general fund and the permanent fund. It was pointed out that the permanent fund is a fund that the Legislature could not get money from. Mr. Cremo said the two could not be intermingled in any way. Also you would be interfering with your fund manager and wouldn't be giving him maximum power. He wouldn't want to manage the fund anymore.

This meeting was to be continued March 17, 1970, but circumstances prevented it from being held.

The meeting was adjourned at 9:30 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 19, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Kay, Borer
Russ Mulder - Legislative Affairs

Others Present: Mr. George Morrison - Commissioner, Department of Revenue
Mr. John Beard - Legislative Assistant
Mr. T. K. Downes - Commissioner, Department of Administration

The meeting was called to order by Chairman Guess. He stated the Committee had generally agreed that the function of collecting revenue and investment of revenue should be split and that the regulatory function of banking should be left in Commerce.

Commissioner Morrison said the Committee Substitute for 402 was almost identical to the original as amended. That they were pleased with the Committee Substitute and their recommendation would be to present the Bill and pass it. He said with regard to Mr. Rettig's suggestion that the word "surplus" be changed to "funds" or "monies" on Line 12 of the Committee Substitute would be agreeable.

Mr. Boere thought we should add to CS 402 with regard to commercial paper "maturing in not over 'x' number of years from date of purchase". This was because all of the investments of surplus funds which are needed in short term should be tied to a relative time limit. There was general agreement that this should be combined with #4 and putting a maturity date on industrials.

Discussion of CS 404 - permanent fund was then held. Mr. Beard pointed out that on Page 3 in the original 404 an error was made and Lines 13 and 15 should have the code section changed from 250 to 060. It was pointed out that 404 ties directly into SJR 74 and would not function without SJR 74.

Mr. Guess asked what type of investment policy could be expected if this were a permanent fund rather than a statutory permanent fund.

Mr. Morrison replied that if it does not pass it is going to cost \$25,000,000 per year in interest. We are going to be investing on a temporary basis. You can only use a long term management concept with a permanent fund. You cannot use it with a season to season temporary fund.

There was some discussion as to whether legislators should be on the Advisory Committee. Mr. Borer pointed out that every transaction that has taken place since the oil fund has come into being is available for informative purposes. It was generally agreed that some type of informative liason between the Investment Committee and the Legislature were necessary. Mr. Kay stated that he was against any legislative participation at all and that the Advisory Committee should be much smaller. That the State of Washington consists of only three members.

Collateral was then discussed. Mr. Guess stated that there was general agreement of the Committee that using selective collateral was not that effective in creating money because of the insecurity of the state deposits and the time fluctuation. Also we would allow a small percentage to go

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uncollateralized as the Senate did. The general feeling was we should have 100% collateral. This would create more money by allowing the Commissioner of Treasury up to a certain amount of unencumbered balance to purchase bank loans from the various organizations of the state. Mr. Fink added that if the banks are only going to purchase bonds we could purchase them ourselves.

Mr. Morrison said they wanted collateral for the safety of public funds. That besides safety the money could be directed into certain areas.

The idea of meeting credit demands by purchasing loans ourselves with certain limitations on delinquencies was mentioned. Commissioner Downes said that if a foreclosure had to be made, it should be done by someone in the business of foreclosing loans and not by the state. He didn't think the state should get into any situation that would tell the banks what they should do with their money.

Senate Bill 403 was briefly discussed and Mr. Borer said he was bitterly opposed to it because of the January 1, 1970 date.

Savings and Loans were mentioned and Mr. Morrison said it was his opinion that they should be entitled to the same treatment as the banks. It is the Federal regulation rather than State that causes the problem. We simply have to make a decision as to whether we should make a special provision or whether we should make a blanket provision to cover everything--that they should all be treated equally and that collateral should be required for safety.

The pool concept of collateral was mentioned, and Commissioner Downes said this is unworkable in Alaska because of the relation of state deposits to total deposits.

It was mentioned there are two states in the U. S. that have no collateral.

The meeting was adjourned at 9:45 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 20, 1970 1:00 p.m.

Members Present: Representatives Fink, Borer, Miller
Russ Mulder - Legislative Affairs

Others Present: Robert Ward - Secretary of State
Henry Pratt - Executive Assistant
John Beard - Legislative Assistant

The meeting was called to order by Representative Fink who acted as Chairman.

Mr. Fink stated that the general concensus of the Committee was to appropriate for ASHA.

The Administration still supported their package of Bills however Mr. Ward said the Administration has three major projects that require somewhere around \$24,000,000 to complete. These are an office building in Anchorage, Anchorage highway project and office building in Juneau. Mr. Ward said they were asking that these three crucial programs be allowed to go ahead. He mentioned if it hadn't been for the interest rate limitation that they would be underway now.

It was asked if we appropriated \$24,000,000 for those three projects and go G O on the rest leaving it discretionary to the Governor if it would be acceptable to the Administration. They answered it wouldn't be acceptable because that isn't part of the program.

Regarding G O bonding vs. cash it was pointed out that some projects require more than a one year appropriation. Also that direct appropriation doesn't give the people the right to vote. Also that ASHA is not a debt of the state.

Mr. Borer mentioned that the Committee generally favored the G O route.

It was mentioned that debt service seems to be increasing at a very substantial rate.

It was mentioned if we go the bond route then the state will owe about \$300,000,000 and there will be very little surplus in the fund.

Mr. Borer said he would like to see something on the relationship between the current budget as opposed to cash on hand at the end of the fiscal year compared with the ratio of the budget and cash on hand in other years. For example \$245,000,000 - \$900,000,000 in relation to "x" number of dollars budget - "x" cash on hand.

The Administration was asked to get information for the Committee on what they considered priorities in their budget. It was agreed that Russ would get this information from the Senate Finance Committee and if there wasn't sufficient information, that the Administration would provide whatever else the Committee needed.

The meeting was adjourned at 2:00 p.m.

(This meeting to be continued March 21, 1970)

HOUSE MONETARY COMMITTEE MEETING
March 21, 1970 10:00 a.m.

Members Present: Representatives Fink, Borer, Miller

Others Present: Robert Ward - Secretary of State
Henry Pratt - Executive Assistant
B. L. McMurtrey - Deputy Commissioner, Dept. of Commerce

The meeting was called to order by Representative Fink who acted as Chairman.

Mr. Fink said he thought there might be some merit to appropriating for the issues that wouldn't have a good chance of passing on the ballot and use G O's for the other ones.

Mr. Ward said when you are talking about the spread between ASHA and G O bonds interest rates, ASHA bonds have been selling better for the last few issues and their rating has gone up. He said it was his understanding that this Committee was purely against ASHA bonds as against direct appropriation as a matter of cost and the difference of ceilings.

They again mentioned they had taken some hard looks at the ASHA program in general and there are the three main projects they want.

It was mentioned that if we appropriated this year rather than bonding that didn't mean that in a couple of years from now we should take the same route.

Mr. Ward said if there is concern about the uncertainty in the future regarding income and revenue why didn't it make sense to have the additional revenue source coming back from investments that you have because of money surplus you have invested. You pick up an additional revenue source to increase your revenue picture and at the same time you are not having so much of a demand on the general fund to have to spend so much.

Mr. Pratt pointed out that perhaps this Committee was going to have to dovetail the whole package to get a concept that you can look at. If you have \$900,000,000 in the bank that is spendable that is one thing. If you have \$400,000,000 in the bank that is another thing. If you appropriate even more on top of the \$242,000,000 and you only have a \$250,000,000 balance that is something else again. Mr. Ward said the rationale for the program didn't have anything to do with the \$900,000,000.

Mr. Pratt said it is really based more on revenue income against the present budget including capital expenditures and debt service on \$147,000,000. If you remove the \$500,000,000 and say that is a permanent fund and you can't appropriate from it, under the present budget we will have close to \$400,000,000 at the end of 1971. It will drop each succeeding year if things go the way they have with a 15 to 20% increase in budget. If that is the case you aren't going to have much of that \$400,000,000 left when you get down to 1975. It is going to be pretty well gone. Predicated on their package there would be enough of a surplus a bill could be fashioned so we would not be in financial trouble in 1975. He said if we keep the \$500,000,000 in there and you are talking about \$900,000,000 obviously we

are talking about a different set of facts. That if you still assume the same percentages and everything else and even prorate the \$140,000,000 you are still going to have a healthy balance at the end of 1975 and you don't have to worry about financial troubles. If there is going to be no permanent fund that is one set of facts.

It was pointed out that their revenue projections as well as future projections as far as expenditures are concerned are based on existing law plus the proposals that they have submitted. If the law is changed to effect those proposals, there are certain parts of the program that are changed. This concluded their testimony.

DIVISION OF VETERANS' AFFAIRS

Mr. McMurtrey said at this particular time they were loaning money only for housing and not making business loans.

Mr. Miller said he hoped we would end up in the veterans' program with an interest rate that will cause the veterans to go to the veterans' association for their loans.

Mr. McMurtrey said that \$750,000 would carry the program without a doubt but if the interest rate goes down and you raise the limit to \$50,000 they might need as much as \$25,000,000. That it would be difficult to guess how much they might need.

Mr. Fink said one of the things the Committee has talked about and somewhat agreed to is that in the investment program of the state we may very well direct them to buy VA loans in which case if we gave them \$100,000 it would be plenty. That they could make loans in that amount and sell them and repeat this process indefinitely.

Mr. McMurtrey said the majority of the loans they make are for remodeling and improving. His thinking regarding the rate of interest was that it should be in line with the federal veterans.

Duplexes were discussed as being desirable in that the veteran would be able to pay the loan off much easier.

There was some discussion regarding taking the business loans out of the state veterans' program but no agreement was reached.

There was general agreement that single unit housing should be raised to \$37,500 and duplexes up to \$50,000.

Mr. McMurtrey said he would get figures on how much money they would need if the interest rate were lowered to 6% and other figures the Committee might need regarding any change in the veterans' program.

The meeting was adjourned at 12:00 noon.

HOUSE MONETARY COMMITTEE MEETING
March 23, 1970 - 1:00 p.m.

Members Present: Chairman Guess, Representatives Fink, Rettig, Miller, Borer
Russ Mulder - Legislative Affairs

Others Present: Representative John Sweet

The meeting was called to order by Chairman Guess who stated the topic of the meeting would be interest rates. That last years Bill would expire December 31, 1970 and we could extend it as it now is or modify it.

Mr. Fink said if we were going to extend it someone should show us that it brought some money into the state. We should know how much was loaned last year and how much came in from outside.

It was suggested a limit be put on the amount of money that the state had in each bank so that it would be invested within the state or put outside on state investments. There was also some discussion regarding investment capital that will come from the outside. It was pointed out that it takes a long time to build up outside investment capital and once it is lost, it is very difficult to get back.

Mr. Rettig said that as far as interest ceiling is concerned the only areas we can limit are those in which the state is prepared to furnish the money. If we are going to have a limit on residential mortgages than the state has to be prepared to buy them.

Mr. Fink presented a rough draft of a proposed Bill for the Committee to consider. A copy of this is attached to these minutes.

Mr. Rettig's suggestions regarding the draft were that Number (1) should be 7 1/2% for FHA's. Number (2) should be changed to Federal VA.

Mr. Fink suggested a \$100,000 to \$200,000 limit on Number (5).

The residence requirement was discussed but no decision was reached as to whether it should or should not be left in. Mr. Guess mentioned that on Page 2 of the proposed draft that if the residence requirement were taken out Concepts #2 and #3 would also have to be taken out. It was suggested that Item #4 on Page 2 be changed to read "closing fees" rather than "closing cost" and "service fee" rather than "collection fee".

There was some discussion regarding FHA refinancing. Mr. Fink thought it would be difficult for anyone to refinance their FHA loans. Mr. Miller thought they would be allowed to refinance. Mr. Rettig felt there would be very little refinancing of FHA loans.

Mr. Fink was asked if he was making concurrent legislation on low cost or remote housing and replied that he was not.

The meeting was adjourned at 2:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 23, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Miller, Kay,
Rettig. Russ Mulder - Legislative Affairs

Others Present: Representative Sweet

The meeting was called to order by Chairman Guess.

Russ Mulder stated that he had contacted the Farmers' Home Loan in Portland and had been advised that they do not sell mortgages at all. They just sell notes and they are insured in that the government will pick them up if they fall delinquent.

A discussion of Mr. Fink's proposed draft followed.

Mr. Kay said he was in favor of 6 1/2% interest rate with no limit on anything above \$500,000 or whatever the figure.

Mr. Fink said it is mandatory for the state to buy but not mandatory for the banks to sell to the state. He would rather not get involved in direct loans.

Mr. Borer said from the commercial end of it the installment credit is taken care of but going into the other areas he didn't like to see it limited in this manner.

Mr. Fink said the intention was to get real estate only because it is easier to police. If you want to get involved in other types of mortgages you are getting into some pretty risky areas.

Mr. Guess said he thought we had agreed on that when we said we were not going into the selected collateral and that was to leave commercials out of it.

Mr. Fink said if we could free up that money for the banks they would have money for their commercial loans.

Mr. Miller said one thing that was not covered was the mechanical payback. He thought when these loans are made the state should have something to say so far as when the payments start.

Mr. Guess said some areas covered by collateral were left out of this draft and that the interest rates were not realistic.

Mr. Kay mentioned that he had been told by some bankers that this program was a very good one.

Mr. Rettig again presented his views regarding the draft. They were that Number (1) should be 7% FHA; (2) Federal VA 7 1/2%; (3) Alaska Veterans 7 1/2% or 7% and (4) conventionals 7 1/2 with 1/2 point for servicing. Put a ceiling of 8% on home mortgages. Eliminate Number (5) altogether.

It was asked what would influence the banks to take this liquid portion and loan it to people who need the money in everyday situations.

House Monetary Committee Meeting
March 23, 1970 - 7:30 p.m. - 2 -

It was pointed out that if we go into this liberalized collateral the first 15% of the banks deposits are free. That is one place where the state can influence where the money can go. That will go a long way in taking care of the short term borrowing market. If we have this collateral free arrangement and require that at least 50% of that amount be placed in Alaska loans you will find that institutions will be going out competing for loans in a short time. This is regarding commercial loans.

Mr. Fink said he was in favor of No. (1) FHA being 6 1/2%; (2) Federal VA 7%; (3) State VA 6 1/2%; (4) 7% and (5) 7 1/2%.

A suggestion of \$250,000 limit on Number (5) was made.

Mr. Guess said the bill would be drafted leaving the interest rates blank and the limit blank on Number (5). Mr. Fink said he thought the one year residency should be included and also that perhaps a new 3A or Number 4 should be added to include the agriculture revolving fund. Again it was requested the terminology on Page 2, No. 4 should be changed to "closing fee" instead of "closing cost" and "collection fee" to "service fee".

It was asked whether the draft should recite the loans were to be on a monthly amortization schedule. The general concensus was no.

Mr. Borer said this draft was a beautiful deal for the banks. That for every million dollars that you make available on this program the banks will make 40% more net after taxes. He was requested to enlarge upon this and he will present the Committee with some figures and an explanation.

Mr. Sweet mentioned that putting these interest rates as low as 6% would benefit relatively few compared with what everyone else in the state is paying. He said the general fund is going to suffer.

Mr. Rettig said he recommended we adopt House Bill 766 and put our name on it.

Mr. Fink said we should have a resolution for the Federals to come up with some FHA money in their 235 and 236 programs.

Branch banking was brought up including foreign and alien banks. Generally the Committee was not receptive to taking the time to discuss this matter at this time. Mr. Fink said he would bring it up again at a later time.

Mr. Rettig thought we should find out what the Natives are going to do in the way of taking care of their own housing needs. Also that mobile homes were a possibility for remote areas.

The meeting was adjourned at 9:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 24, 1970 8:00 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay, Rettig,
Miller. Russ Mulder - Legislative Affairs

Others Present: Representatives Haugen, Cornelius, Tillion, McGill, Deveau
Harold Grindle, Ass't Executive Director, ASHA
Robert Schenker - ASHA

The meeting was called to order by Chairman Guess.

Mr. Grindle and Mr. Schenker were present to comment on the Farmer's Home Loan program in relation to remote housing.

Mr. Fink said he had talked by telephone with Mr. Sawyer in Portland who is with the Farmer's Home Loan Program. Mr. Sawyer commented they do not issue loans. These are notes of borrowers. They sell notes which are the same as mortgages and these are 100% guaranteed by the Federal Government. They are better than VA or FHA in that they are paying the rate which is the market rate. Borrower pays only five or less per cent interest based on ability to pay and the Federal Government subsidizes. They have notes that run three to five years and notes that run over ten years. We could buy only notes on Alaska property. ASHA is making a series of these loans in the Nome area. ASHA promoted them. Mr. Fink said he thought this was the best answer he had heard for bush housing.

Mr. Grindle commented that the limitation on these would be 5,500 or less population and someplace where you would be able to get fee title. He said Farmers Home Loan actually sells notes but the monies go back into a national pot. He thought we should assure ourselves that if any were financed by this method that the money would revolve back into Alaska.

Mr. Kay suggested in our Bill we say that funds will be available so long as the funds are reinvested in Alaska.

Mr. Schenker indicated this could be a project of ASHA but they would need a substantial appropriation to handle it. Also that it would be desirable to have a resolution by the Legislature to this effect and thus give more impetus to the project.

Mr. Grindle mentioned that they did not want to get into a position of competing with banks in small areas with regard to interim financing.

Mr. Schenker mentioned to the Committee the importance of getting some action before too late in April on the two Bills they have raising interest rate on ASHA Bonds. He said that unless they received an interest increase to at least 6 3/8% by the middle of April because of the recent federal increase of allowable interest the State would lose out on three low cost housing programs pending throughout the state.

The Committee Council was directed by the Chairman to include the concept of the Farmers Home Loan program into the Bill being drafted and to prepare a resolution asking ASHA to go into this program.

HOUSE BILLS 777 and 778

Mr. McGill said he believed if funds were set up for research fisheries could be rebuilt and would be an asset to the state in creating jobs and bringing income back into the state.

Mr. Rettig pointed out that Alaska's potential to feed most of the world is very great and leadership in this field could place Alaska in a position of undisputed leadership nationally and internationally. He felt this would take a period of years to develop and also that this would give Alaska another industry that could step in and take the place of oil when it is gone. He felt this program should be as broad as our other programs.

There was some discussion as to lack of program of the Fish and Game and the fact they had been hampered by the Legislature. Also that they could not get qualified personnel to come to Alaska. There were several reasons for this, being shortage of particular biologists, lack of sufficient salary to attract them and the fact that Alaska has a political reputation around the country regarding this department and the biologists won't come to the state.

Mr. Fink felt we should make an appropriation for what they want this year and have them come back next year and tell us what they are interested in and what kind of permanent setup they need.

Some other Committee members felt they should have some kind of guarantee that they will have the kind of resources to build the kind of program they want in the future.

The Committee was in general agreement with the program and the problem was whether to set aside a fund or merely to legislate.

Mr. Kay felt this was a very important program that should be encouraged and should be a permanent program.

Chairman Guess said they would ask someone from the Department of Fish and Game to be present at the meeting on March 25, 1970 to present their views and their program.

HOUSE BILLS 726 and 727

Mr. Cornelius stated that he agreed with the concept of the Bill the Committee had previously been discussing (House Bill 778) and felt that commercial fishing loans should be included and also Agriculture Revolving Fund sometime in the future in the Committee's package.

He said there was a real need for the State to establish a revolving fund for modernizing the equipment the fishermen now have. He said there were two things wrong with H.B. 726 and they were on Page 2, Line 2, instead of a \$300,000 limit make it \$50,000 and run it longer than ten years and on Page 2, Line 6, change \$300,000 to \$200,000.

Mr. Cornelius said one of the problems that fishermen have when they obtain a loan is that the terms are not long enough.

Mr. Haugen said the Bureau of Fisheries do not have any money in their loan program now. He said the purpose of this fund would be if they could not get a loan from the banks then they could get a loan here at rates and terms that were more desirable. He said he would like to see it confined to existing vessels and not for purchasing new ones. Also that the fishermen were entitled to as much consideration as anyone else.

Mr. Fink asked Mr. Borer if we were to buy conventional boat loans on a 75% basis with the bank holding 25% if this would put money into the fishing industry.

Mr. Borer answered it might but the Bill says the State will take the first loan.

Mr. Fink thought some kind of temporary loan program might have some merit. He thought there might be a big problem in freezing the loans to include only used vessels.

Mr. McGill pointed out that there is definitely a need to maintain the boats the fishermen now have. That yearly maintenance and keeping equipment up to date were serious and expensive problems. Also that canneries used to make loans but they don't want their money tied up in boats anymore.

Mr. Cornelius requested we continue the testimony in a day or two as he would like to have some fishermen from Kodiak come in to comment on bank loans.

The chairman scheduled this for 1:00 p.m., Friday, March 27, 1970.

The meeting was adjourned at 10:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 25, 1970 - 1:00 p.m.

Members Present: Chairman Guess, Representatives Borer, Miller, Rettig, Fink
Russ Mulder - Legislative Affairs

Others Present: Ed Huizer - Deputy Commissioner, Dept. of Fish and Game
Roy Rickey, Director Div. Commercial Fisheries
Rupert Andrews, Director, Div. Sport Fish
Representatives Tillion and McGill

The meeting was called to order by Chairman Guess. The above named people from the Department of Fish and Game were here to testify regarding House Bills 778 and 777.

Mr. Huizer spoke in favor of the Bills and said they would give them the assurance of a continuing program to enable them to develop a long range program for the benefit of Alaska. He said the U. S. is lagging very far behind in marine sciences and oceanography. That Alaska should be a leader in the marine field. He felt the approach taken by HB 778 would enable us to be a leader in the field of marine sciences. This would include all aspects of fish - sport through commercial. He said they would need \$970,000 in the next fiscal year which would allow them to engage in an active program in 1970-71 and start on a basic staffing of their program. He said \$1,500,000 in HB 536 were expanded program totals.

Mr. Huizer said it would take two years before they were staffed and could develop a good program and more than two years before there would be any real results on a long range program. He presented a memorandum to the Committee regarding Fishery Rehabilitation Program which is attached to these minutes. He said that more than half their budget went for research in the commercial fish area. That they do not have the money to engage in pure research.

Mr. Rettig mentioned that this Bill was developed without any concept of the Department of Fish and Game.

Mr. Huizer said their long range program would include by itemization the tools, mechanics and equipment they would need for the long range program.

Mr. Andrews pointed out that their most recent study indicated sport fishing was contributing \$20,000,000 to the economy of the State annually.

Mr. Fink pointed out that perhaps purchasing boat loans could be included in the overall plan of this Committee to purchase loans.

Mr. Huizer said he would not be anxious to undertake any lending function in the Department of Fish and Game.

The meeting was adjourned at 2:20 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 25, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Rettig, Miller, Borer
Russ Mulder - Legislative Affairs

Others Present: Representatives Sweet, McGill

The meeting was called to order by Chairman Guess. House Bills 778 and 777 were again discussed.

Mr. Fink suggested passing HB 778 except taking out the fund and making an appropriation of \$1,000,000 this year. Take out Section 2. Take all of Section 3. Delete investment of working fund where it has to do with investments.

Mr. Rettig said he was in favor of using some of the windfall monies to insure the development of renewable research industries. That this would indicate to these people some evidence of long range planning. Some of these programs are going to take ten to fifteen years to achieve results and the department needs to have some assurance they will be able to continue a long range program.

Mr. Fink suggested we put in the purpose that this is a long range project and he felt there was no danger that this wouldn't be appropriated for year after year.

Mr. Rettig suggested they make the dedication subject to legislative review once every five to ten years. He was in favor of a paragraph being added setting out the continuing long range feature.

Fishing loans were discussed briefly.

Mr. Miller suggested they go through the program that we set up previously of a reasonable interest rate through the banks and we buy the paper.

Mr. Guess said he felt the same and add it as a category of those allowable loans.

Mr. Guess then mentioned that he was going to bring before the Committee a correlary bill on low cost and low income remote housing.

Russ Mulder was asked to make a Bill saying that the State can only deposit its money with banks that supply the state banking director with a quarterly collateral statement of each branch or such information as the Commissioner may require and that filing of these reports would be a condition of these deposits. This was in regard to HB 681.

The meeting was adjourned at 8:30 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 26, 1970 - 1:30 p.m.

Members Present: Chairman Guess, Representatives Rettig, Borer, Kay, Fink, Miller
Russ Mulder - Legislative Affairs

Others Present: Representatives Cornelius, Deveau

The meeting was called to order by Chairman Guess. Mr. Cornelius was present to testify regarding House Bills 726 and 727, and House Bills 709, 710, 711 and 712.

Mr. Cornelius explained the purpose of House Bills 726 and 727. He felt that the administration of this program should be within the Department of Fish and Game. Mr. Guess advised him that the Department of Fish and Game had indicated to this Committee that they were not interested in administering this program. A general discussion of these Bills followed.

Mr. Cornelius then presented the Committee with a resume of the purposes of House Bills 709, 710, 711 and 712. Copies of the resumes are attached to these minutes.

Mr. Cornelius said one of the provisions was that it called for a vote of the people. In examining the Bill it was pointed out that apparently this provision had been left out of the draft. (709)

Mr. Kay said with reference to the proposed Substitute for HB 711 he would hate to see the roads, airports, etc. taken away from the Legislature.

Mr. Cornelius said both Bills had a lot of merit in setting aside a fund that will not be dissipated and would be revenue producing which would provide money without digging into the general fund. He said there were some Wall Street firms who would like to send representatives to speak before this Committee regarding these Bills. He said some of the Wall Street firms had indicated this could be one of the finest financing methods for Alaska. He requested that if this Committee did not wish to make recommendations on these Bills that they refer them to Finance.

A few general topics were then brought up by the Committee.

Mr. Fink said on the ASHA interest raising Bill several of the Committee would like to recommend the limit to urban renewal and housing at 6 3/4%.

Mr. Miller said he would like to see some recommendation come out of this Committee regarding the State VA program. This would include raising the limit on single housing to \$37,500 and \$50,000 for duplexes. Mr. Guess said a recommendation would be worked out on the VA. He said there were 12 or 13 Bills being drafted and about five or six were finished.

Mr. Rettig said regarding Mr. Fink's proposed draft he thought it would provide answers to a lot of things. He mentioned that conventional lending requires 25% on the part of the originators and a member of S & L cannot sell unless they are a participant of FSLIC.

Mr. Guess asked what the Committee wished to do regarding Bills that had not reached this Committee as yet. Whether we wanted to make recommendations

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March 26, 1970 - 1:30 p.m.

or leave it up to Finance. The general concensus was that we should make specific recommendations whether we had the bills or not. Mr. Fink said we should particularly make recommendations on direct appropriation and G O Bonds. Also that we should make a recommendation for ASHA before the April 10, 1970 deadline.

The meeting was adjourned at 2:20 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 30, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Kay, Miller, Rettig
Russ Mulder - Legislative Affairs

The meeting was called to order by Chairman Guess. He announced to the Committee an agenda for the various matters pending before them. This will be typed and a copy presented to each of them.

Mr. Fink requested that wires be sent or telephone calls be made requesting the various banks who have not replied with loan reports to submit them immediately.

A Bill entitled, "An Act creating a Department of the Treasury; defining its powers and duties; and providing for an effective date" was discussed by the Committee.

Mr. Miller moved to put this bill out "do pass" with the deletion of No.(4), Page 1; adding revisions and transfers of functions; and changing No. (1), Page 1, to read "deposit, manage and account for all funds of the state and funds committed by law to its administration;". All agreed.

The Committee then began a discussion on a Bill entitled, "An Act providing for the investment of state money; and providing for an effective date".

It was mentioned that boat loans had been left out of this bill.

Page 1, Line 14, a motion was made by Mr. Miller to adopt the word "shall" instead of "may". Mr. Fink, Kay, Miller and Rettig voted yes. Mr. Borer voted no.

Page 1, Line 14, Mr. Fink moved to leave in the figure "\$300,000,000". No vote was taken but there was general agreement on this. Mr. Rettig suggested we put in there a ratio of some sort. Mr. Miller said if it becomes a problem the Legislature will revise it and take care of it. Mr. Guess suggested leaving the \$300,000,000 in and come back to it if it needs to be changed.

It was also suggested the word "revenue" on Page 1, Line 11, be changed to "treasury". Lines 11 through 15, Page one would read: "***(b) of this section, when the commissioner of treasury determines that there are funds in the state treasury above an amount sufficient to meet current demands, up to \$300,000,000 of such funds shall first be used to continuously invest in any of the following:".

It was suggested that the word "insured" on Page 1, lines 18 and 20, be changed to "guaranteed". Also to add the word "fund" after the word "revolving" on Page 1, Line 21.

Interest rates were then discussed for Numbers (1), (2), (3), and (4). Mr. Rettig moved we accept 7% gross for all of them. Mr. Borer seconded the motion Mr. Guess and Mr. Rettig voted yes. Mr. Miller, Kay, Fink and Borer voted no.

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March 30, 1970 - 7:30 p.m. - 2 -

Mr. Fink moved we accept 6 1/2 per cent gross for those four. Mr. Kay seconded the motion. Mr. Kay, Miller, Fink and Guess voted yes. Mr. Rettig and Borer voted no.

Number (5) on Page 1, Line 29, was then discussed. Mr. Kay moved that this line be changed to read "(5) Other secured loans not exceeding \$75,000". A vote was taken and Mr. Rettig, Borer, Kay and Miller voted yes. Mr. Fink voted no. It was also agreed to change "25 per cent" on Page 2, Line 3, to "33 1/3 per cent". Mr. Miller moved that we adopt 7 1/2 per cent for Number (5). A vote was taken and Mr. Miller, Guess, Borer and Kay voted yes. Mr. Fink did not vote.

Mr. Rettig added that we should set forth some standards for buying.

The meeting was adjourned at 10:00 p.m.

HOUSE MONETARY COMMITTEE MEETING

March 31, 1970 - 1:00 p.m.

Members Present: Chairman Guess, Representatives Fink, Kay, Miller, Rettig, Borer
Russ Mulder - Legislative Affairs

Others Present: Mr. L. C. Coffman, President, Alaska Federal Savings and Loan
Association of Juneau

The meeting was called to order by Chairman Guess. Discussion was continued on "An Act providing for the investment of state money; and providing for an effective date". A copy of this draft is attached to these minutes.

Mr. Fink suggested taking the parentheses out of Lines 4 and 5, Page 2, but leaving the content there.

He also suggested changing No. (1), Line 8, Page 2, to read, "(1) be on real estate in the state; or on other security under (a) 5."

Mr. Kay suggested the language for No. (3), Line 12, Page 2, be, "have no initial closing fees or initial service fees which exceed one half of one per cent."

There were no objections to No. (5) on Page 1.

The resident requirement was then discussed. Mr. Fink moved to strike the words, "with at least one year's physical presence;" from Lines 23 and 24, Page 2. Everyone voted yes.

Mr. Lee Coffman was then called to testify regarding the savings and loan organizations. He said he thought this was a fine thing the Committee was doing for housing. He said there was a small regulatory problem with regard to savings and loan organizations in that under their regulations they are allowed to sell only if they are a participant of FDIC. This is a federal law. He pointed out that he did not see any reference in the proposed legislation to the quality of the loans or who would decide which loans to buy. He said he was worried about the state's $66 \frac{2}{3}$ per cent interest. Also that a loan cannot be determined good or bad until after at least two years. He suggested setting up some very strict regulations for loans. Mr. Coffman presented copies of House Bill 326 (Washington) which the State of Washington had just passed regarding savings and loan service corporations. A copy of this bill is attached to the minutes. He said the service corporation would be formed under the corporate laws of the State of Alaska. This would take the state out of the mortgage business and they would merely be investing. He said that if the corporation bought a lot of bad loans and went broke, the insurance would then pay off the State of Alaska. This would have some advantages as the state would be dealing with one entity and the state would also have insured investments. He added to the discussion that his organization could sell total mortgages to the state.

Mr. Fink suggested as a solution to the savings and loan problem that if federal regulations don't allow them to participate, we purchase 100% of their loans in an amount not to exceed \$10,000,000 with June 1, 1971 as the termination date and that any one loan cannot exceed 80% of the value of the property. It was also decided to require the top 20% to be insured.

House Monetary Committee Meeting
March 31, 1970 - 1:00 p.m.

Mr. Kay summed it up by saying this would be \$10,000,000 for one year; the top 20% would be insured; there would be a maximum 80% value of the loan; and this would cover 100% of the loan. Everyone was in favor of this.

The discussion then returned to the proposed draft regarding investment of state money.

Mr. Kay suggested adding a Paragraph (3) at the bottom of Page 2. This paragraph would read, "Closing costs mean appraiser fees, legal fees, title insurance and other legitimate out-of-pocket expenses permitted by the commissioner."

Mr. Borer suggested that on Page 2 a new paragraph (6) be added between Lines 21 and 22, reciting that if it is a loan specified in (a) (1), (2), or (3), it must originate from a financial institution licensed under state banking laws.

"Investments besides loans" on Page 3 were then discussed. It was pointed out that the first four categories on Page 3 came from Senate Bill 402.

It was decided to delete the words "bonds, notes, and bills which constitute" from No. (1), Line 7, Page 3.

It was also decided to change No. (4), Line 13, Page 3, to read, "Corporate obligations of prime or equivalent quality, as rated by a nationally recognized rating organization."

Mr. Fink requested that this change be made subject to seeing just what that covers. Russ Mulder was asked to find out if in fact all of them are rated or which ones are not.

Mr. Kay suggested adding after the word "safety" on Line 21, Page 3, the words, "governed by the prudent man rule." Mr. Kay, Borer, Guess and Miller voted yes.

The meeting was adjourned at 3:10 p.m.

HOUSE MONETARY COMMITTEE MEETING
March 31, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Miller, Kay
Russ Mulder, Legislative Affairs

Others Present: Speaker Kerttula

The meeting was called to order by Chairman Guess. The discussion continued regarding, "An Act providing for the investment of state money; and providing for an effective date."

It was suggested adding a Paragraph 5 to Page 3 which would include the principal of Senate Bill 404 which would allow corporate securities with the objective of maximum long term total return.

It was agreed to change (b), Lines 17 through 19, Page 3, to read, "b) Investment policy shall be formulated by the treasurer, advised by a committee appointed by the governor."

It was agreed to change the words "the committee" in Line 20, Page 3, to "they".

It was agreed to change the language beginning on Line 20, Page 3 and ending at the end of Line 3, Page 4, to read, "In formulating investment policy they shall consider maximum income and safety governed by the prudent man rule, and the benefit to the private and public sectors of the economy including increased housing and commercial credit, stimulated business activity, increased employment, support of the market for state and local bonds, and increased public revenue, together with the possible inflationary effect of the investment."

It was agreed to strike No. (4) from Page 4.

Mr. Fink moved that we repeal Sec. 37.10.085. There were no objections.

Mr. Guess suggested that we put No. (3) on Line 12, Page 2, in as the Committee had discussed (closing fees shall not exceed one half of one per cent) subject to Mr. Fink calling and getting opinions from other bankers and subject to Mr. Rettig voting to take it out.

The Committee then discussed "An Act providing for the collection and deposit of state money and the collateralization of deposits of state funds; and providing for an effective date."

Mr. Borer asked unanimous consent that this Committee make a very short bill just repealing the collateral requirements and leaving it to the discretion of the treasurer. This was agreed.

The meeting was adjourned at 9:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
April 1, 1970 - 11:00 a.m.

Members Present: Chairman Guess, Representatives Borer, Miller, Rettig, Kay, Fink
Russ Mulder, Legislative Affairs

Others Present: John Beard - Legislative Assistant
Richard Freer, Director of the Division of Budget and Management
Senator Joseph Josephson

The meeting was called to order by Chairman Guess.

Mr. Freer was called to testify regarding Senate Bills 429 and 430. Mr. Freer said this legislation was patterned after model legislation directed toward the concept of program budgeting. He said the new concept gets away from the old line item budgeting and makes it a planning process. Also that the new proposal would give departments more latitude in day to day spending of funds but also makes them more responsible for reporting what they have done. This program would create closer liason between planning and budgeting. It would merge the two functions.

Discussion followed on the two bills. Regarding Senate Bill 430, Mr. Kay moved to delete Sections 37.35.030 on Page 2 and 37.35.070 on Page 6. The vote was as follows: 37.35.030 - Rettig and Borer No. Miller, Kay, Fink, Guess, yes. 37.35.070 - Rettig and Borer No. Miller, Kay, Fink, Guess, yes.

Regarding Senate Bill 429, Mr. Borer moved that this Committee unanimously accept the house version. Everyone voted yes.

Veterans Loans. Mr. Guess said there were three issues regarding veterans loans. They were raising the amount in housing, raising the amount in business, whether we should keep the ten year residence requirement and the necessity for an additional appropriation in a revolving fund.

Mr. Fink moved that we approve \$37,500 limit for single family housing and up to \$55,000 on multiple housing.

Mr. Borer moved to amend the motion to include up to \$55,000 for business loans also.

The vote on the amendment was as follows: Borer, Kay, Guess, yes. Fink, Miller, Rettig, no.

The vote on the motion was as follows: Guess, Miller, Kay, Fink, Rettig, yes. Borer, no. The motion was carried.

A vote was taken on business loans up to \$50,000. Guess, Miller, Kay, Borer, yes. Fink, Rettig, no.

(An adjournment from 12:00 noon to 1:00 p.m. was taken.)

Mr. Miller moved we move the time limit back to eight years on veterans loans. The vote was as follows: Guess, Miller, Kay, Fink, Borer, yes. Rettig absent.

Asha - Mr. Guess said we would need to make a recommendation on what to do with the various ASHA projects. He said the bill that has come out of the Finance Committee puts everything in ASHA up to 7%.

Mr. Kay said he wanted it divided and was opposed to a lease program. Mr. Guess said he was going for a combination of 7% or an appropriation. Mr. Borer and Mr. Miller agreed that was their feeling also.

Mr. Fink moved we pass the bill out to appropriate ASHA - straight appropriation - same language as bonds. The vote was as follows: Fink, Miller, Kay, yes. Mr. Guess and Borer would pass if there was a modification with a combination of direct appropriation. Mr. Rettig absent.

Senate Bill 437 - G O Bond, improve. remote housing program.

Mr. Guess asked about establishing a revolving fund so we can get projects for HUD. Mr. Fink said he would buy that. He was in favor of appropriating \$3,000,000 if federal money doesn't come through.

Legal Rate of Interest - House Bill 766

Mr. Fink moved we introduce a bill containing Section 2/only of House Bill 766. The vote was: Mr. Fink, Kay, yes. Guess, Rettig, Miller, Borer, no.

Mr. Rettig said he would like to suggest a ceiling rate of 8% on these loans that we have covered by the state investment policy and let the rate seek its own level in the State of Alaska.

Mr. Kay said he would like to strike the word "four" on Page 1, Line 12, and insert "three". Mr. Rettig objected. This was put in the form of a motion and a vote was taken. The vote was: Fink, Kay, yes. Guess, Rettig, Borer, Miller, no.

A motion was made to accept the Committee Substitute for House Bill 766, with a one year limitation. The vote was Guess, Miller, Rettig, Borer, yes. Kay and Fink, no.

Urban and Rural Housing
Sponsor Substitute for Senate Bill No. 512 - Alaska/Development Corporation

Senator Joseph Josephson was called to testify regarding this bill. He said a \$1,000,000 appropriation bill was being drafted by the Legislative Affairs Agency, for remote housing.

He said Sponsor Substitute for 512 would encourage non-profit sponsors and we would benefit from the federal programs which allow for non-profit sponsors to get low and moderate income housing. He said factory housing had been deleted by the Senate development cost fund provision. He said they were trying to get the maximum benefit from federal programs.

Mr. Kay asked if he objected putting this in ASHA. Mr. Josephson said he did not object and that he thought it was clear that the Administration would prefer it to be in ASHA.

HOUSE MONETARY COMMITTEE MEETING
April 1, 1970 - 3 -

Mr. Josephson said the only thing different in the Substitute is the deletion of factory housing and the deletion of the words "rental or" on Page 9, Line 20. Also on Line 3, Page 3, Public Law 86-372 would be deleted and they would insert Public Law 90-448 (The Housing urban development fund of 1968).

Mr. Guess said he would suggest to the Committee that if we decided to go along with an idea like this that we fund it through direct appropriation of \$2,000,000 and forget the \$1,000,000 G O Bond. He said this particular bill as amended would satisfy him.

Mr. Kay moved this Bill as amended, deleting the factory housing and putting in the item on Page 8 (Public Law 90-448) be approved as a Committee Substitute. The vote was: Guess, Kay, Miller, yes. Borer, no recommendation; Rettig, no recommendation at this point; and Fink do not pass unless amended. This same vote will also be on the appropriation bill.

Revolving fund on HUD projects was then discussed.

Mr. Fink said that \$2,000,000 or \$3,000,000 would be needed in the Juneau area this year.

Mr. Rettig said he would like to find out the financial condition of ASHA.

Mr. Kay said he would approve a \$5,000,000 revolving fund to ASHA.

Mr. Borer said it would have to be a "floating" thing.

Mr. Fink moved we approve to make the sum of \$5,000,000 available to ASHA but to leave it in the general fund until it is needed. The vote was: Fink, Kay, Miller, Guess, Rettig, yes. Borer, no recommendation.

House Bill No. 769 - Local Government Bonding

This Bill will be sent back to Local Government.

General topics were discussed very briefly. Mr. Rettig said with regard to the proposed modification of Alaska Development Corporation that he felt the only way we can make this work is to inject some new money into it and create a whole new format for it and change its name.

Mr. Guess said the real issue is whether we want to get into development loans more than we have.

Mr. Fink said he thought we decided we were not going to go into this area and leave it until next year.

Mr. Rettig said something should be done to encourage lending institutions to get more active in certificates of deposit and promote some projects such as ski resorts, etc.

The meeting was adjourned at 4:00 p.m.

HOUSE MONETARY COMMITTEE MEETING
April 1, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Borer, Rettig, Miller, Kay
Russ Mulder, Legislative Affairs

Others Present: Speaker Kerttula

The meeting was called to order by Chairman Guess.

Revenue Sharing

The Committee previously agreed to allow \$1,000 per bed per year for hospitals. Mr. Miller felt that if we are going to take care of health in the large cities we should take care of it in the small areas with clinics only. This would be publicly owned clinics.

Mr. Guess suggested approving \$4,000 per year local sharing on non-profit clinics.

Mr. Miller moved we accept the program with that included. Mr. Rettig objected.

Mr. Guess said that one town would not qualify for both.

Mr. Rettig stated he was against revenue sharing.

A vote was taken: Miller, Kay, Borer, Fink, Guess, yes. Rettig, no.

State Aid for Local Schools

Mr. Miller moved this one out "do pass" plus the hospital arrangements we talked about. The vote was: Miller, Guess, Kay, Fink, Borer, yes. Rettig, no.

Proposed House Bill 802 - Alaska State Development Corporation

Speaker Kerttula testified regarding this bill. He said he thought it was the responsibility of this Committee to provide for a resource development program.

After considerable discussion, Mr. Kay agreed to draft another bill to cover this proposal. Everyone agreed, including Mr. Kerttula.

Senate Bill 378 - School costs of equalization

Mr. Guess mentioned that this Committee had agreed to support the Governor's Senate Bill.

Mr. Fink suggested we write a letter to the Finance Committee saying we favor blank %.

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Mr. Guess suggested introducing the bill with a letter saying that we support the 90% concept.

Mr. Kay made a motion to move the bill out with individual recommendations and a letter saying we support 90%. The vote was: Miller, Kay, Fink, Guess, Borer, Rettig, yes.

School Construction - State Aid for

Mr. Guess stated we had discussed the concept of \$72,000,000 sinking fund and paying the present debt.

Mr. Fink said House Bill 487 assumes the debt; House Bill 488 sets up the fund; and House Bill 489 makes the appropriation.

Mr. Guess mentioned that the Senate route is appropriation of 50% of the school bond debt and an annual appropriation.

It was decided to consider this bill after we had considered the next bill on construction.

School Construction

Mr. Fink explained the aid formula is based upon the number of students in each school district and square footage per student. It is a formula taken from Oregon.

He said there should be an appropriation for new schools and thought the amount would be approximately \$35,000,000 in the next fiscal year. He said this was based on need. The schools who have no need wouldn't get any. The schools that had a need for new construction would get some. Also that the local government would be paying the cost of the land.

Mr. Miller moved to approve 60% of the index factor. Everyone voted yes.

Mr. Guess said he would go on an annual appropriation. Will go no recommendation on the sinking fund.

Mr. Kay moved this bill out "do pass". The vote was: Fink, Kay, Miller, Guess, yes. Rettig, no. Borer, do not pass in present form.

Mr. Kay moved we pass out House Bills 487, 488 and 489 "do pass" on the package of three as is. The vote was: Fink, Kay, Miller, yes. Rettig, Borer, no. Guess, do pass if it is an annual appropriation.

House Monetary Committee Meeting
April 1, 1970 - 3 - 7:30 p.m.

Water - Sewer - Senate Bill 377 and Senate Bill 441

Mr. Guess summarized by saying that Senate Bill 377 is the House Committee Substitute. Senate Bill 441 is the bond bill for \$2,000,000 appropriation and \$8,000,000 in bonds. That we could go appropriation or G O or a combination.

Mr. Fink moved we pass Senate Bill 377 out. The vote was: Rettig, Guess, Fink, Borer, Miller, Kay, yes.

A motion was made to move Senate Bill 441 out with \$8,000,000 bond. The vote was: Guess, Borer, Rettig, Miller, yes. Fink and Kay, no. Fink said he will sign for direct appropriation.

Act authorizing state loans for hospitals, etc.

Mr. Guess explained this is construction and there is a bill and an appropriation. \$20,000,000 in a revolving loan fund.

A motion was made to amend the interest rate to 5%. The vote was: Fink, Kay, Guess, yes. Borer, Rettig, Miller, no.

Mr. Fink moved the bill out "do pass" with \$20,000,000 revolving/fund and 5% interest. The vote was: Fink, Kay, Miller, Rettig, Guess, yes. Borer, no recommendation.

Bond Guaranty Fund.

The Bond Guaranty Fund was mentioned and it was decided not to consider this subject.

Transportation and Capital Improvement Authorities

Mr. Fink moved we table these two items. Everyone voted yes.

Fisherman's Development Bill

This is the proposed Committee Substitute for House Bill 778. This takes into consideration the purpose that this would be a continuing program.

Mr. Rettig said he would go for 778 without an appropriation. Would go for 1 1/2 million dollars. That would be adequate for this year. It is not adequate for the long pull. The whole program is scuttled with the substitutes. Will not support either of these substitutes. The way they are written this would be in addition to the budget. It sets up the working fund.

Mr. Miller moved House Bills 777 and 778 out "do pass". Everyone voted yes.

House Monetary Committee Meeting
April 1, 1970 - 4 - 7:30 p.m.

University of Alaska

House Bills 718 and 719. Mr. Guess said the sponsor had requested that we move these two bills to finance.

Mr. Miller moved to put them out "do pass" with individual recommendation. Mr. Kay voted do pass and Mr. Fink voted do pass with an appropriation put in 719.

G O Bonds

Mr. Guess read a list of these that the Senate had passed over to The House. They were:

Senate Bill 431	Capital Improvements - Airports
Senate Bill 432	Recreational Facilities
Senate Bill 437	Alaska Remote Housing
Senate Bill 440	Hospital Construction Programs
Senate Bill 441	Water and Sewerage systems
Senate Bill 442	State correctional buildings
Senate Bill 466	Highways and Roads

Those not passed over to the House as yet were:

Senate Bill 433	Pioneer Home - Anchorage
Senate Bill 434	Remote Housing - State Employees
Senate Bill 435	Provide Highway Maintenance facilities
Senate Bill 436	U. of A. Capital Improvements
Senate Bill 438	State Buildings for Dept. of Publ Safety.
Senate Bill 451	School Construction
Senate Bill 465	Ferry System

Mr. Guess took a vote on moving the bonding bills into finance with a "do pass" recommendation. The vote was Guess, Borer, Miller yes. Rettig said yes with some exceptions. Kay and Fink, no.

The final decision on voting for the bonds was:

Borer: Do pass on all.
Fink: No on all.
Miller: Do pass on all.
Kay: No recommendation on all.
Rettig: Do pass on all except 433, 436, 451 and 465. No recommendation for those four.
Guess: Yes on all.

It was agreed that after the package is all put together the Committee review it one more time.

The meeting was adjourned at 11:00 p.m.

HOUSE MONETARY COMMITTEE MEETING

April 9, 1970 - 7:30 p.m.

Members Present: Chairman Guess, Representatives Fink, Kay, Borer, Rettig, Miller, Speaker Kerttula, Russ Mulder - Legislative Affairs

The meeting was called to order by Chairman Guess. A summary regarding all of the bills was passed out to Committee members. Mr. Guess mentioned there was no relation to cash flow. He thought the Finance Committee would be in a better position to establish the relationship to cash flow than this Committee.

Mr. Guess mentioned the bill on modification of the Development Corporation had not been drafted. It was agreed that Mr. Kay and Mr. Guess would do this on the weekend and the Committee would waive referral to the Finance Committee.

Mr. Borer mentioned that if the \$200,000,000 that is ground into this package of bills doesn't come through, taxes would have to be raised. He thought we should consider the alternatives if the pipeline doesn't come through.

Mr. Guess suggested a press conference be held April 10, 1970. The time was tentatively set for 1:30 p.m.

The Committee was asked to meet at 9:00 a.m., April 10, 1970, to sign the recommendations on the bills.

The meeting was adjourned at 8:30 p.m.

MINUTES OF SPECIAL MONETARY COMMITTEE MEETING
May 18, 1970 - 4:00 p.m.

Members Present: Chairman Guess, Representatives Kay, Miller, Fink,
Borer, Rettig

Others Present: Jim Campbell, President of Anchorage Chamber of Commerce
Russ Haun, Max Hodel

The purpose of the meeting was to hear the delegation from the Anchorage Chamber of Commerce regarding their stand on not spending the \$900 million and using only interest from it for needs of the state.

Mr. Campbell said their purpose was simply to restate their original position "not to spend any of the \$900 million." He also stated that both his group and the Fairbanks Chamber passed resolutions urging the legislature not to spend any of the \$900 million. He said they had taken a survey in Anchorage and that four out of every five people interviewed had expressed a desire to have the \$900 million invested and use the interest for needed programs.

Though asked specifically which programs they would recommend the legislature set aside, the delegation steadfastly refused to say, stating that that was a matter for the legislators to decide. Mr. Campbell said, "It is for us to say we think there is still time to establish some kind of permanent fund in line with the original concept. It is not for us to tell you how, just to tell you we're willing to tighten our belts."

The delegation was also questioned regarding who was paying for the costs of the campaign. They admitted that the Anchorage Chamber of Commerce was paying for it but refused to say how much was being spent. Mr. Campbell said they would submit a recap of the costs of the campaign to the Committee when the totals were made.

The Anchorage delegation said it favored the North Slope pipeline road suggested by the Governor but that all the money invested in the road should be firmly secured and repaid with interest. He said they were not in favor of the Governor's contract with TAPS.

The delegation had no constructive program to offer along with the campaign not to spend any of the \$900 million and said it was not their intention to be critical of legislators and apologized if anyone construed their method as being offensive.

Appreciation was expressed by some members of the body for the Anchorage Chamber's participation in this matter. Speaker Kerttula said on behalf of the House, "We appreciate these gentlemen coming here this afternoon and there are two sides to this issue and perhaps you have come away with a little more and perhaps we have too."

The meeting was adjourned at 5:00 p.m.

Subpoenas Issued For Anchorage Chamber Group

JUNEAU (AP) — House Speaker Jalmar Kerttula, D-Palmer, this morning issued subpoenas for five members of the Anchorage Chamber of Commerce's Committee for Fiscal Responsibility.

The subpoenas required the five to appear this afternoon before the House Special Monetary Committee to testify as to what they think the legislature should do in regard to the state budget.

The House's assistant sergeant-at-arms and a state trooper were sent to the Juneau Airport after the committee members. They were instructed to request the presence of the five at this afternoon's meeting before serving the subpoenas. Service

would occur only if any of the five did not agree to appear.

Named in the subpoenas were Jim Campbell, Anchorage chamber president; Claire Banks, executive secretary; Jo Anne Miller, chairman of the chamber's legislative committee; Russ Hahn and Max Hodel.

Kerttula ordered the subpoenas be prepared after Rep. Tom Fink, R-Anchorage, announced this morning that the Anchorage group had cancelled a scheduled appearance before the House Monetary Committee this morning to return to Anchorage.

The group has been plugging for the legislature to refrain from spending any of its \$900 million oil lease revenue, and

came to Juneau to testify before the Senate Finance Committee Wednesday.

At the Senate hearing, the group urged preservation of the \$900 million, but sidestepped questions from the legislators about how to adjust the state budget to accomplish this.

They announced this morning that they had to return to Anchorage without talking to the House committee.

Fink said, "I was looking forward to benefiting from their advice, and I'm damned mad."

The speaker of the house has authority to issue subpoenas, and he did. However, Rep. Jess Harris, R-Anchorage, objected to the move saying "It's a kind of frivolous action."

Rep. Wendell Kay, D-Anchorage, responded, "They have mounted a publicity campaign aimed at getting us to do an impossible thing. I think they owe us the courtesy of coming to us and telling us what they want us to delete from the budget."

He continued, "Do they want us to delete the school foundation program? If so, I think they should tell us. Do they want us to delete the \$13 million for purchase of Anchorage general obligation bonds? If so, I think they should tell us. Do they want us to eliminate the addition of 80 new state troopers? If so, I think they should tell us."

Kay said it was grossly, maliciously, viciously unfair for them to wage this type of campaign and then leave town without telling us specifically what they want.

Anchorage Delegation Urges State Thrift

JUNEAU (AP) — The Anchorage Chamber of Commerce, capping a recent intensive media campaign, Wednesday appeared before the Senate Finance Committee to urge the legislature to save the \$900 million.

However, the chamber representatives ducked questions on whether they would be willing to sacrifice the Senate's proposed \$69 million school support program or other programs to preserve the oil lease funds.

Jim Campbell, president of the Anchorage chamber, said both his group and the Fairbanks chamber passed resolutions urging the legislature "not to spend any portion of our \$900 million."

Campbell said that "four out of five of the men on the street" when asked, replied "this is what we want."

Campbell said, "Possibly it is not the legislature's fault at all. We don't feel there's been any overall planning. Maybe we can sit back a year. We're willing to tighten our belts a little."

Jo Anne Miller said the chamber's campaign "wasn't

meant for harassment of this body. It is a public education program to get the public to realize they can't get all they want right away."

Sen. Jan Kostlosky, R-Palmer, asked if the chamber wanted "to cut out all the capital improvement programs for the two cities."

Max Hodel said, "I'm not saying that at all... we're not equipped with the information to answer that."

However, he said that last year's budget was \$63 million and indicated the legislature should increase the budget this year to the extent that the some \$70 million in interest money could provide.

Sen. Nick Begich, D-Anchorage, asked Campbell, who is also a member of the borough assembly, if he would be willing to "scrap 378 (the school support bill) and add 13 to 15 mills to local taxation. Begich said the foundation program was the equivalent of the 13 to 15 mills in value to Anchorage.

Campbell replied, "The key to this is the word planning."

Begich said that \$20 million of the proposed school program cuts into the \$900 million and "\$10 million of that goes to Anchorage alone."

Campbell didn't respond. Sen. Lowell Thomas, R-Anchorage, said, "we're going to have to spend some of that money on programs you want. There's a certain amount of investment we have to make in our kids."

Hodel said, "There could well be things in that budget that could be deleted."

He said he favored putting the entire \$900 million in a constitutionally permanent fund.

Sen. Terry Miller, R-Fairbanks, said, "I really don't think there's much danger this year" in cutting deeply into the oil lease money. However, Miller said, the real problem is financing the state's needs until the north slope oil goes into production, which could be as late as 1977 or 1978.

Anchorage Chamber Again Urges Thrift

By BOB MOTTTRAM

Associated Press Writer

JUNEAU (AP) — After being threatened with subpoenas a delegation from the Anchorage Chamber of Commerce made an appearance before a special House committee Thursday to ask the lawmakers to keep their hands off the \$900 million oil lease fund.

The committee had cancelled its morning appearance before the House Special Monetary Affairs Committee but House Speaker Jalmar Keritula, D-Palmer, issued subpoenas. The chamber groups then changed their plans and agreed voluntarily to appear.

The outcome of the meeting was indecisive, however. The chamber group held with its plea that the oil lease money not be budgeted but left the means of keeping the money intact to the lawmakers.

The chamber's committee for fiscal responsibility has been waging an advertising campaign aimed at inducing the legislature to keep the state's lease sale revenue intact. Purpose of Thursday's meeting was for legislators to pin down the chamber members as to what appropriations they would like to see deleted from the state budget in order to keep the money intact.

fact.

They said the campaign was not intended to embarrass anyone.

Under questioning were Jim Campbell, Anchorage chamber president, Russ Hahn and Max Hodel.

"It is for us to say we think there still is time to establish some kind of permanent fund in line with the original concept," Campbell said. "It is not for us to tell you how, just to tell you we're willing to tighten our belts."

Whether or not there still was time was an open question. The House Finance Committee's version of the budget is expected to reach the House floor by the end of this week.

The Anchorage delegation said it favored the North Slope pipeline road that Gov. Keith Miller has suggested be built by the state. But Campbell added that "all the money invested in the road should be firmly secured and repaid with interest. We're not in favor of the governor's contract with TAPS."

The governor's proposed agreement with the Trans Alaska Pipeline System calls for repayment only under certain conditions and makes no provision for interest payment.

Is That So . . . ?!

The Fairbanks and Anchorage Chambers of Commerce appear to be taking diametrically opposed stands on the question of whether or not the state should build that \$120 million road to the North Slope. The Fairbanks Chamber earlier sent a delegation to Juneau to lobby for the road and now is planning to send another. The Fairbanks people anticipate the appropriation will clear the Senate but another lobbying effort will be needed to get it through the House where the going is expected to be rough. The Anchorage Chamber, while not taking a stand directly on the question of road construction, has been waging a vigorous campaign to keep the \$900 million from last September's North Slope oil lease sale intact, which if successful would mean no funds for the road.

Anchorage Delegation Urges State Thrift

JUNEAU (AP) —The Anchorage Chamber of Commerce, capping a recent intensive media campaign, Wednesday appeared before the Senate Finance Committee to urge the legislature to save the \$900 million.

However, the chamber representatives ducked questions on whether they would be willing to sacrifice the Senate's proposed \$69 million school support program or other programs to preserve the oil lease funds.

Jim Campbell, president of the Anchorage chamber, said both his group and the Fairbanks chamber passed resolutions urging the legislature "not to spend any portion of our \$900 million."

Campbell said that "four out of five of the men on the street" when asked, replied "this is what we want."

Campbell said, "Possibly it is not the legislature's fault at all. We don't feel there's been any overall planning. Maybe we can sit back a year. We're willing to tighten our belts a little."

Jo Anne Miller said the chamber's campaign "wasn't

meant for harassment of this body. It is a public education program to get the public to realize they can't get all they want right away."

Sen. Jan Koslosky, R-Palmer, asked if the chamber wanted "to cut out all the capital improvement programs for the two cities."

Max Hodel said, "I'm not saying that at all . . . we're not equipped with the information to answer that."

However, he said that last year's budget was \$53 million and indicated the legislature should increase the budget this year to the extent that the some \$70 million in interest money could provide.

Sen. Nick Begich, D-Anchorage, asked Campbell, who is also a member of the borough assembly, if he would be willing to "scrap 378 (the school support bill) and add 13 to 15 mills" to local taxation. Begich said the foundation program was the equivalent of the 13 to 15 mills in value to Anchorage.

Campbell replied, "The key to this is the word planning."

Begich said that \$20 million of the proposed school program cuts into the \$900 million and "\$10 million of that goes to Anchorage alone."

Campbell didn't respond.

Sen. Lowell Thomas, R-Anchorage, said, "we're going to have to spend some of that money on programs you want. There's a certain amount of investment we have to make in our kids."

Hodel said, "There could well be things in that budget that could be deleted."

He said he favored putting the entire \$900 million in a constitutionally permanent fund.

Sen. Terry Miller, R-Fairbanks, said, "I really don't think there's much danger this year" in cutting deeply into the oil lease money. However, Miller said, the real problem is financing the state's needs until the north slope oil goes into production, which could be as late as 1975 or 1976.

Anchorage Chamber Again Urges Thrift

By BOB MOTTRAM

Associated Press Writer

JUNEAU (AP) —After being threatened with subpoenas, a delegation from the Anchorage Chamber of Commerce made an appearance before a special House committee Thursday to ask the lawmakers to keep their hands off the \$900 million oil lease fund.

The committee had cancelled its morning appearance before the House Special Monetary Affairs Committee but House Speaker Jalmar Kerttula, D-Palmer, issued subpoenas. The chamber groups then changed their plans and agreed voluntarily to appear.

The outcome of the meeting was indecisive, however. The chamber group held with its plea that the oil lease money not be budgeted but left the means of keeping the money intact to the lawmakers.

The chamber's committee for fiscal responsibility has been waging an advertising campaign aimed at inducing the legislature to keep the state's lease sale revenue intact. Purpose of Thursday's meeting was for legislators to pin down the chamber members as to what appropriations they would like to see deleted from the state budget in order to keep the money in-

tact.

They said the campaign was not intended to embarrass anyone.

Under questioning were Jim Campbell, Anchorage chamber president; Russ Hahn and Max Hodel.

"It is for us to say, we think there still is time to establish some kind of permanent fund in line with the original concept," Campbell said. "It is not for us to tell you how, just to tell you we're willing to tighten our belts."

Whether or not there still was time was an open question. The House Finance Committee's version of the budget is expected to reach the House floor by the end of this week.

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The governor's proposed agreement with the Trans Alaska Pipeline System calls for repayment only under certain conditions, and makes no provision for interest payment.

Subpoenas Issued For Anchorage Chamber Group

JUNEAU (AP) — House Speaker Jalmar Kerttula, D-Palmer, this morning issued subpoenas for five members of the Anchorage Chamber of Commerce's Committee for Fiscal Responsibility.

The subpoenas required the five to appear this afternoon before the House Special Monetary Committee to testify as to what they think the legislature should do in regard to the state budget.

The House's assistant sergeant-at-arms and a state trooper were sent to the Juneau Airport after the committee members. They were instructed to request the presence of the five at this afternoon's meeting before serving the subpoenas. Service

would occur only if any of the five did not agree to appear.

Named in the subpoenas were Jim Campbell, Anchorage chamber president; Claire Banks, executive secretary, Jo Anne Miller, chairman of the chamber's legislative committee; Russ Hahn and Max Hodel.

Kerttula ordered the subpoenas be prepared after Rep. Tom Fink, R-Anchorage, announced this morning that the Anchorage group had cancelled a scheduled appearance before the House Monetary Committee this morning to return to Anchorage.

The group has been plugging for the legislature to refrain from spending any of its \$900 million oil lease revenue, and

came to Juneau to testify before the Senate Finance Committee Wednesday.

At the Senate hearing, the group urged preservation of the \$900 million, but sidestepped questions from the legislators about how to adjust the state budget to accomplish this.

They announced this morning that they had to return to Anchorage without talking to the House committee.

Fink said, "I was looking forward to benefitting from their advice, and I'm damned mad."

The speaker of the house has authority to issue subpoenas, and he did. However, Rep. Jess Harris, R-Anchorage, objected to the move saying "It's a kind of frivolous action."

Rep. Wendell Kay, D-Anchorage, responded, "They have mounted a publicity campaign . . . aimed at getting us to do an impossible thing. I think they owe us the courtesy of coming to us and telling us what they want us to delete from the budget."

He continued, "Do they want us to delete the school foundation program? If so, I think they should tell us. Do they want us to delete the \$13 million for purchase of Anchorage general obligation bonds? If so, I think they should tell us. Do they want us to eliminate the addition of 50 new state troopers? If so, I think they should tell us."

Kay said it was "grossly, maliciously, viciously unfair for them to wage this type of campaign and then leave town without telling us specifically what they want."

Is That So . . . ?!

The Fairbanks and Anchorage Chambers of Commerce appear to be taking diametrically opposed stands on the question of whether or not the state should build that \$120 million road to the North Slope. The Fairbanks Chamber earlier sent a delegation to Juneau to lobby for the road and now is planning to send another. The Fairbanks people anticipate the appropriation will clear the Senate but another lobbying effort will be needed to get it through the House where the going is expected to be rough. The Anchorage Chamber, while not taking a stand directly on the question of road construction, has been waging a vigorous campaign to keep the \$900 million from last September's North Slope oil lease sale intact, which if successful would mean no funds for the road.

House Monetary Group's Bill Package Introduced

By TOM BRILEY

Associated Press Writer

JUNEAU (AP) — The House Special Committee on Monetary Investment Friday produced a package of 33 bills and two resolutions which would make use of up to \$422 million of the \$900 million received at last year's oil lease sale.

One of the major measures in the package would provide that up to \$300 million be invested in mortgages on property within Alaska at "reasonable" interest rates below current market rates.

Rep. Gene Guess, the Anchorage Democrat who chaired the committee, noted that the bill also would allow broad latitude in the investment of the remainder of the state's excess revenues.

Guess said, "the object of the committee was to design an investment package where the initial preference for the investment would be in the state of Alaska, as opposed to investments outside."

He also said, "the appropriation or expenditure portion of

the package is designed to place funds in areas of what the committee considered grave need, such as in public facilities, remote housing and fisheries research."

All of the measures were referred on to the House Finance Committee.

"I fully realize," Guess said, "that the finance committee is going to have to relate the proposed package to the current budget as well as to projected income and expenditure figures before we take final action."

He noted that there were other contingencies, such as whether a bill to place a moratorium on lease sales is enacted.

Guess said a major item on which the committee was "absolutely unanimous" was the establishment of a department of treasury, which would be responsible for investment of excess revenues.

He said he felt "the responsibility of investment is properly in the executive, under guidelines laid out by the legislature."

The major outlay of money — a total of about \$91 million

would be in the area of state aid for school construction. One proposal would call for the state to takeover the bond payments of local school districts, and another would provide help for future construction.

Other significant proposals contained in the package would:

—Expand and increase the revenue-sharing program started last year.

—Set up a \$20 million revolving fund to make loans for hospitals and related health facilities.

—Set up a program of grants and loans for development of water and sewage systems.

Create three separate programs, involving about \$5.4 million to start, to aid in the area of low and moderate income housing.

—Provide for a \$5 million revolving fund which would be used to make advances pending receipt of federal funds for projects approved by the U. S. Department of Housing and Urban Development.

—Set up a \$1 million fisheries research and development fund.

—Establish a department for planning and budgeting in the Office of the Governor.

Late Friday Rep. Ron Rettig, an Anchorage Republican who was a member of the committee, issued a news release in which he was generally critical of the package.

One of Rettig's comments was: "I deeply regret the committee's rejection of the establishment of permanent funds for the conservation of the state's capital funds such as the governor's permanent fund measure."

4-13-70

Rettig Files Minority Report On Monetary Committee's Package

Anchorage banker Ron Rettig submitted the following minority report after the House Special Monetary Committee, of which he is a member, produced a package of fiscal legislation late last week. The report has been edited.

This committee was formed Feb. 2, 1970, with the following House members: Gene Guess, D-Anchorage, chairman; Bill Ray, D-Juneau; Tom Fink, R-Anchorage; Dick Borer, R-Cordova; Gene Miller, D-Fairbanks; Wendell Kay, D-Anchorage; Ron Rettig, R-Anchorage.

The committee met about four times each week, and all members attended regularly except Mr. Ray, who declined to attend after the first three or four sessions. It is not clear whether he withdrew from membership on the committee or just became frustrated and gave up.

It was not until the eighth or ninth week that we got down to the consideration of actual legislation. Until the meetings were merely mini-seminars on philosophy. Under pressure originating in Republican caucuses, the committee finally undertook a crash program of action

on measures.

The 28-bill package introduced in the House this afternoon is largely the product of two or three cram sessions. The General Obligation bond package involving in excess of \$140 million received only brief mention in committee.

During the 10 weeks of more than 40 meetings, testimony was heard from only about a dozen persons; no public hearings were held on any subject.

The committee has held no meetings since the 28 bills were drafted. None of the bills have been available for examination by committee members.

With the exception of the housing mortgage investment bill, HB 821, and the feeble halting approach to fisheries improvement program, (HB 820 and HB 829), the committee did little more than suggest some me-too additions to the governor's program, with even deeper incursions into the \$900 million.

Except as to interest rates, the mortgage investment measure is similar to the Little Fannie Mae program I suggested last fall and which was reported in detail in the Anchorage

(Continued on page 8)

...Rettig Report

(Continued from Page 4)

Times at that time. The measure introduced by the committee provides for the purchase of residential mortgage loans bearing rates not exceeding 6½ per cent . . .

With current prevailing mortgage rates of 9½ per cent it appears that a rate of 7½ per cent would be far more appropriate for state funds:

Further, I believe such a program should be limited to loans on owner-occupied one to four-family dwellings. As written, the rates are so low and the permitted loan classifications so broad (commercial loans, etc.) that funds would soon be exhausted.

The committee rejected my suggestion for a broadly based permanent fund for fisheries research, rehabilitation and development.

HB 777 and HB 778 which I prepared and had introduced through the House Resources Committee would ensure, through the establishment of a \$100 million permanent fund, the continuing expansion of this job-oriented industry . . .

It is well within the capability of the state through these two bills to make certain that, by the time oil is gone, fishing and the fishing industry can mean more for the well-being of Alaskans than even the great oil industry...

The committee gave no attention whatever to the inflationary influences of the vast spending programs recommended, nor did the committee bother to consider the consequences that may result if the pipeline should not be built.

I deeply regret the committee's rejection of the establishment of permanent funds for the conservation of the state's capital funds such as the gov-

ernor's permanent fund measure (SB 404).

The committee departed sharply from its consistent position of rejection of permanent funds when it adopted... a permanent or single purpose fund to assume bonded debt of school districts.

These measure would provide a fund of \$72,121,157 to pay interest and principal installments on previously issued school district bonds. If these should become law an immediate windfall of at least \$15 million would accrue to bond holders.

We are advised by bond authorities this could do nothing to improve future bond ratings of the districts and would hurt the state's bond rating.

I am afraid it would make the state appear rather silly in the eyes of bond investors. A far better approach would be to appropriate annually for the debt service.

Thankfully, all bills now go to the House Finance Committee for in-depth study and correlation with the state's overall budget and financial considerations.

Back of Alaska 123 254567

Monetary Committee Of House Winding Up Its Deliberations

JUNEAU (AP)—Rep. Tom Fink said today the House Special Monetary Committee has "substantially finished its deliberations," and will introduce about 20 bills, including one which would have the state invest up to \$300 million in mortgages on property within Alaska.

Fink, an Anchorage Republican who serves on the committee, said the group made "two or three basic decisions."

First, he said, it determined that the \$900 million from last year's oil lease sale "should be used to meet the needs of the state." And he said the committee decided that the money should not be locked up in a permanent fund, as proposed by Republican Gov. Keith Miller.

He said the committee "determined that we should get maximum use out of the fund," and said it also decided that "any monies the state had available for investment should be invested in Alaska."

Fink issued a lengthy news release, and the items he listed totaled about \$470 million.

Rep. Gene Guess, the Anchorage Democrat who chairs the committee, called Fink's statement "a bit premature." But he said it was a "pretty good summary of what the committee did."

Guess said, "The bills are being costed out and related to projected revenues and cash flow."

He said he hoped to get a committee report of his own ready by tomorrow.

Fink said that "probably the most important bill" was the one to allow the state to invest in mortgages, with a 6.5 per cent limit on the interest on home loans and a 7.5 per cent ceiling on non-home loans.

He said that within a year the state could be expected to invest \$100 million in mortgages.

Fink said the committee approved the governor's proposals for a new cabinet-level Department of Treasury and the formation of a Planning and Budget Division.

The lawmaker said the group

recommended an appropriation of some \$33 million to build projects previously approved for the Alaska State Housing Authority to construct. Fink said a direct appropriation "will result in a considerably lower cost for state office space."

However he said the group also passed out "with mixed recommendations" the governor's \$147 million bond package. Fink said he was against such, "since we have a large amount of money and could directly appropriate for whatever capital improvements are necessary at this time."

Fink said the committee recommended the removal of any requirements of collateral for state deposits in Alaska banks.

He said the group "substantially increased" the revenue sharing program started last year, and endorsed proposals for the state to pick up a large chunk of school construction costs.

This would include the assumption by the state of local districts' bonded debt.

Fink said the committee approved the "general concept" of the state paying 90 per cent of the cost of basic education.

He said a \$20 million hospital loan fund was approved, and also a \$5 million revolving fund for ASHA, to be used while the agency awaits federal approval for projects.

Other legislation which he said was approved included increases in the maximums on veterans' loans, the administration's \$10 million water and sewer assistance proposal and a \$54 million housing package.

Although he disagreed with the decision, Fink said, the committee approved a one-year extension of the existing interest law, which now places a 10 per cent ceiling on mortgages and business loans. Fink said the limit should not be that high.

The House Special Monetary Committee is expected to bring out its package of bills this week after long, arduous work.

The Senate Monetary Committee has sent its bills on to the Senate Finance Committee as they were ready, and it has operated within a more limited scope than its House counterpart.

Introduction of the House monetary package into the legislative mill turns loose a group of measures that still require consideration by both houses and their respective finance committees.

1970

MISC.

House Monetary Group's Bill Package Introduced

By TOM BRILEY

Associated Press Writer

WASHINGTON (AP) — The House Special Committee on Monetary Investment Friday produced a package of 33 bills and two resolutions which would make available up to \$422 million of the \$1.2 billion received at last year's oil lease sale.

One of the major measures in the package would provide up to \$300 million be invested in mortgages on property within Alaska at "reasonable" interest rates below current market rates.

Rep. Gene Guess, the Alaska Democrat who chaired the committee, noted that the package would allow broad participation in the investment of the proceeds of the state's excess oil revenues.

Guess said, "the objective of the committee was to design an investment package where the special preference for investment would be in the state of Alaska, as home state investments outside Alaska."

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the package is designed to place funds in areas of what the committee considered grave need, such as in public facilities, remote housing and fisheries research.

All of the measures were referred to the House Finance Committee.

"I fully realize," Guess said,

that the finance committee is going to have to relate the proposed package to the current budget as well as to projected income and expenditure figures before we take final action.

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S. J. PETERSON

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It was not until the eighth or ninth week that we got down to the consideration of actual legislation. Until the meetings were merely mini-seminars on philosophy. Under pressure originating in Republican caucuses, the committee finally under-

took on measures.

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During the 10 weeks of more than 40 meetings, testimony was heard from only about a dozen persons; no public hearings were held on any subject.

The committee has held 10 meetings since the 28 bills were drafted. None of the bills have been available for examination by committee members.

With the exception of the housing mortgage investment bill, HB 321, and the feeble halting approach to fisheries improvement program, (HB 3 and HB 329), the committee did little more than suggest some me-too additions to the governor's program, which even deeper incursions into the \$300 million.

Except as to interest rate the mortgage investment measure is similar to the Little Point Mac program I suggested last fall and which was reported in detail in the Anchorage

Retting Report

(Continued from Page 4)

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With current prevailing mortgage rates of 9 1/2 per cent it appears that a rate of 7 1/2 per cent would be far more appropriate for state funds.

Further, I believe such a program should be limited to loans on owner-occupied one to three family dwellings. As written the rates are so low and permitted loan classification

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recommended an appropriation of some \$33 million to build projects previously approved for the Alaska State Housing Authority to construct. Fink said a direct appropriation "will result in a considerably lower cost for state office space."

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Other legislation which was approved included increases in the maximums veterans loans, the administration's \$10 million water and sewer assistance proposal and a \$8 million housing package.

Although he disagreed with the decision, Fink said the committee approved a one-year extension of the existing interest law, which now places a 10 per cent ceiling on mortgages at business loans. Fink said the limit should not be that high.

The Senate Monetary Committee has sent its bills on to the Senate Finance Committee as they were ready, and it has operated within a more limited scope than its House counterpart. Introduction of the House monetary package into the legislative mill means large groups of measures that still require con-

1970 - 1980 Estimated Hospital Bed Need

No attempt was made to project the communities in which hospital construction would take place due to lack of adequate statistics.

The population figure was adjusted to exclude the native and military populations. The Hill-Burton minimum factor of 4.5 beds per 1,000 population was used to estimate the number of beds needed each year. Using current figures plus known construction 713 beds were determined to be available in 1969. A median figure of \$50,000.00, per bed was used to compute the costs.

Under current Hill-Burton guidelines and assuming that the Hill-Burton Act will still be in existence in the years 1970 to 1980 without change the total cost of \$58,290,000.00 would be broken down as follows:

Federal	1 million per year	11,000,000.00
State matching ratio at 30 %		17,487,000.00
Project Sponsors Share		29,803,000.00
Total Bed Cost		<u>58,290,000.00</u>

<u>YEAR</u>	<u>POPULATION</u>	<u>BED NEED-ADDITIONAL</u>	<u>BED COST</u>
1970	262,700*	471	23,550,000
1971	275,300	54	2,700,000
1972	288,400	58	2,900,000
1973	302,000	63	3,150,000
1974	316,200	63	3,150,000
1975	331,000	78	3,940,000
1976	350,000	85	4,250,000
1977	362,400	54	2,700,000
1978	378,100	72	3,600,000
1979	400,400	99	4,950,000
1980	414,500	68	3,400,000

* Population projections from Stanford Research Institute.

In accordance with Federal Law the State has been divided into (7) Catchment Areas for the purpose of determining need and priorities for Construction of Community Mental Health Centers and Construction of Facilities for the Mentally Retarded. These areas are:

- Area 1 - Ketchikan Catchment Area -
Election Districts 1 and 2
- Area 2 - Juneau Catchment Area -
Election Districts 3, 4 and 5
- Area 3 - Anchorage Catchment Area -
Election Districts 6, 7, 8, 9, 10 and 13
- Area 4 - Kodiak Catchment Area -
Election Districts 11 and 12
- Area 5 - Bethel Catchment Area -
Election Districts 14 and 19
- Area 6 - Fairbanks Catchment Area -
Election Districts 15 and 16
- Area 7 - Nome Catchment Area -
Election Districts 17 and 18

Under P.L. 88-164, Title I, Alaska receives \$100,000 per year for Construction of Facilities for the Mentally Retarded and \$100,000 per year for Construction of Community Mental Health Centers. The matching ratio is (40%) Federal and (60%) Sponsor.

Estimated cost of a center is \$500,000 in northern part of the State and about \$300,000 in southeast. In general these are non-income producing centers.

5 Centers at \$500,000	\$2,500,000
2 Centers at \$300,000	600,000
Cost of 7 Centers	<u>\$3,100,000</u>
Federal Share at 40%	1,240,000
Community Share at 60%	1,860,000

We recommend that consideration be given to the proposal that a sufficient and reasonable fund be set aside and made available to local communities at a reasonable rate of interest for use in construction of capital improvements, including hospital and health facilities.

Respectfully submitted,

/S/ Joseph M. Ribar, MD

Joseph M. Ribar, MD, Acting Chairman

Recommendation of the Health and Welfare Facilities Committee of the State Comprehensive Health Advisory Council accepted by the council as a whole at its meetin January 23, 1970.

SUGGESTED HEALTH FACILITIES LOAN FUND

**Supported By:
Alaska Hospital Association
Alaska Medical Association**

"An Act relating to providing loan funds to public and non-profit agencies at low interest for the purpose of assisting in the Construction, Acquisition, Modernization, Equiping and other Capital Improvements of Hospitals, Health Centers, Mental Health Centers, Nursing Homes and other Health related facilities."

Requirements for construction, modernization, equiping and other Capital Improvements shall comply with regulations as they are now established or will be established by the State of Alaska, Department of Health and Welfare and/or appropriate federally sponsored construction programs such as, Hill-Burton, Mental Health Centers and Facilities for Mentally Retarded.

In view of anticipated needs of the State according to current studies of the Department of Health and Welfare, projected to 1980 and in consideration of other anticipated health needs, it is suggested that a 20 million dollar revolving loan fund be established and that this fund be increased or decreased annually by the Legislature on a need basis.

It is requested that this bill, if submitted include retroactive provisions to provide relief for communities with hospitals now under construction.

KEITH H. MILLER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 6, 1970

The Honorable Gene Guess
Chairman, House Monetary Policy
Committee
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Chairman:

In response to your request for a resume of my remarks to the Committee last evening, I am forwarding three copies of the material prepared by the Department of Health and Welfare relative to Governor Miller's sewer and water program as proposed in Senate Bills 377 and 441. I trust that you will find in this material a concise summary of the provisions of Senate Bill 377. The material also identifies the State cost occasioned by the provision extending section (a) grants to projects begun after July 1, 1967 and the additional Federal funds that would become available for those projects.

As I advised the Committee last night, cities and boroughs responding to a Stanford Research Institute survey of capital improvement projects over the next five years reported a total water and sewer budget of \$130 million. State participation in these projects under Senate Bill 377 would average \$6.5 million per year over the next five years. To this should be added, during the first year, \$3.5 million to fund the State's share in projects begun after July 1, 1967. Governor Miller proposes that the program be initially funded through a \$2 million general fund appropriation and an \$8 million bond issue (Senate Bill 441).

The enclosed material includes a fiscal note prepared by the Department estimating a cost of \$11 million for fiscal year 1971 and \$18 million for each of the two following years. Discrepancies between the Department's estimates and the Stanford Research survey stem, in large measure, from the Department's anticipation that many projects will be accelerated to meet the 1972 "deadline" established by the Department of the Interior. The fiscal note assumes, in short, that most of the construction projected by SRI over a five-year period will in fact be undertaken during the first three years.

March 6, 1970

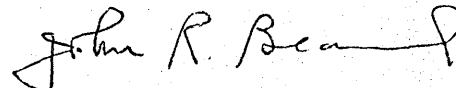
Senate Bill 377 is intended to extend State assistance to communities in the construction of such improvements as are necessary to provide a water supply both adequate and safe for consumption needs. The term "water system" is intended to include collection and impoundment facilities as well as distribution systems. No definition of the term is felt to be necessary, although an amendment to insert the word "supply" after the word "water" on line 25 might enhance the clarity of the term.

It is our intention that the term "sewerage systems" be limited to facilities for the collection and disposal of waste--that is, that they be of the "sanitary" as distinguished from the "storm" sewer variety. In this regard, I would note that the bill proposes to add a new section to AS 46.05. The definition of "sewerage system" provided in that chapter is consistent with the Administration's intent. See AS 46.05.230(6) and (7).

The Committee expressed concern that the bill as drafted may fail to condition the State grant upon adequate approval of the project. With regard to section (a) grants, the bill is clear in its requirement of project approval by the FWPCA. Moreover, all sewerage projects funded under the bill would be subject to Department review and approval under the terms of AS 46.05.160.

There is no similar provision for approval of water system projects except, perhaps, an assumption that any project receiving Federal funding has also received Federal review and approval. AS 18.05.040(11) authorizes the Department to require submission of plans for review; but it is questionable that that statute would authorize the Department to withhold funds available under the Senate Bill 377 program, should the Department disapprove of the project or plans. (I would observe, however, that water supply projects would be subject to applicable provisions of AS 46.15.) For this reason, the Committee might wish to add the following sentence at the end of section (b): "Systems shall be constructed according to plans and specifications approved by the Federal agency, if any, which gives the most monetary assistance or, if none, by the department."

Sincerely yours,



John R. Beard
Legislative Assistant

Enclosures

DEPARTMENT OF HEALTH AND WELFARE POSITION PAPER

RELATIVE TO SENATE BILL NO. 377

+ 441

~~441~~ H & W

The Department of Health and Welfare urges enactment of Senate Bill 377 to provide a 25% State grant toward all municipal sewage treatment systems and the lesser of, 25% of the estimated cost or 50% of the estimated cost not borne by the Federal Government of all municipal water systems and municipal sewerage systems not including sewage treatment.

In the case of sewage treatment and interceptor and outfall sewers, the State grant of 25% will entitle the municipal applicant to a matching grant from the Federal Water Pollution Control Administration (Department of the Interior) of 50% of eligible project costs instead of the present 30% (under P.L. 84-660, as amended), and if the sewage treatment project is part of an approved areawide comprehensive plan, the 50% can be increased by 10% to 55% of eligible project costs. If this measure is made retroactive to July 1, 1967 (the date the reimbursement provision was added to the Federal Statute) an additional four million dollars in Federal funds will be granted to those communities which initiated sewage treatment construction since that date.

In some of the Federal construction grant programs for water systems or for sewer systems other than sewage treatment, the Federal grant may approach or even exceed 75%. For this reason, Governor Miller has suggested that for grants other than for sewage treatment, the State assistance be limited to the lesser of 25% of the estimated cost or half the non-Federal portion of the project cost. Thus, a project without Federal assistance would still receive a 25% grant and a project with heavy set Federal support would still require at least a small local contribution.

In the water supply and sewage collection projects, these State funds might be used by municipalities to match Federal contributions of a number of agencies. The U. S. Geological Survey participates in water supply investigations preparatory to water system development, usually on a 50-50 basis. Other Federal agencies which participate in water distribution and sewage collection system construction are the Departments of Housing and Urban Development, Agriculture through the Farmers Home Administration and Commerce through the Economic Development Administration.

Inasmuch as the annual Federal allocation to Alaska under the sewage treatment grant program is limited (\$0.9 million in FY 68 and FY 69 and anticipated \$1.6 million in FY 70), S.B. 377 provides interest-free

loans to local governments in the amounts of the Federal grants when Federal grant funds have been exhausted at the time the municipality applies. These loans will be repaid as additional Federal funds become available in subsequent years, since reimbursement of the Federal share is authorized when the applicant proceeds with construction using non-Federal funds.

The Water Quality Standards for Interstate Waters, adopted by the State pursuant to the Water Quality Act of 1965 and approved by the Secretary of the Interior, specify that all communities must have installed sewage treatment plants by 1972. This State grant program will enable most cities and boroughs to meet this deadline or at least to begin construction. The State thus will minimize the number of places where a time extension must be sought from the Department of the Interior.

In view of the high construction costs in Alaska and mounting interest rates, few Alaskan cities and boroughs can afford community water and sewer systems at this time. This 25% grant program will bring the local participation cost within reach of most communities since it also will generate the added Federal financial assistance noted above.

MEMORANDUM

TO: The Honorable Jan M. Koslosky
Alaska State Senate

FROM: J. W. Betit
Commissioner
Department of Health and Welfare

SUBJECT: Senate Bill 377

DATE: February 23, 1970

This memorandum is to provide additional background on financing for SB 377 as requested in your recent conversation with Mr. Anderegg, Director, Division of Environmental Health. Where no State funds are available as is presently the case, an Alaskan municipality can apply for a Federal Water Pollution Control Administration (FWPCA) construction grant of 30% of eligible sewage treatment plant costs. If the proposed plant is part of an approved comprehensive plan for a metropolitan area, the Federal grant can be increased by 10%, to 33% (Anchorage and Soldotna grants have been 33%).

If the State will provide 25% of the treatment plant cost, the Federal grant is increased to 50%, or to 55% if it is part of an area-wide master plan. In tabular form, the cost breakdown is:

	<u>Present</u>	<u>Proposed</u>
Federal Grant	30% or 33%	50% or 55%
State Grant	0	25%
Local Contribution	70% or 67%	25% or 20%

The attached computation shows that just under \$4 million will be required to provide for 25% State grants for sewage treatment retroactively during the period July 1, 1967 through June 30, 1970. The computation also shows that this retroactive State grant will bring in an additional \$3.3 million in Federal funds to the four Alaskan

February 23, 1970

municipalities, which monies they otherwise will lose. Since Federal sewage treatment plant grants can be reimbursable, additional State grant funds beyond the \$0.8 million, plus authority to lend the 50% Federal share, will enable more projects to get underway as we endeavor to have as many municipalities as possible meet the 1972 deadline of the Alaska State Plan.

The above discussion deals entirely with treatment of sewage. SB 377 also provides for State grants toward construction of sewage collection and toward community water systems. Several Federal agencies (Housing and Urban Development, Economic Development Administration, Farmers Home Administration, U. S. Geological Survey, among others) offer grants on a variety of terms and amounts. If the State grant for these projects were also a fixed 25%, it is apparent that a Federal grant greater than 75% would enable a municipality to profit from the program and it was determined that the maximum State grant should be half the non-Federal support in such cases. At the other extreme where Federal support of a project is entirely lacking, it was determined that 25% State support should be a maximum. These conditions were responsible for the wording of paragraph (b) of the bill.

If I can provide any additional information, please let me know.

JHB/JAA/be

Attachment: Cost to State to Increase
Federal FWPCA Grant

cc: Environmental Health Division

COST TO STATE TO INCREASE FEDERAL FWPC GRANT TO 50% OR 55%

Projects Under Construction Since July 1, 1967

Project No.	Name	Federal %	Federal Grant	Federal Cost to Increase to 50% or 55%	Estimated Total Eligible Cost
21	Craig	30	\$ 12,610	\$ 8,450	\$ 42,225
22	Anchorage	30	4,149,880	3,106,820	13,194,000
23 <i>Seldovia</i>	Soldotna	33	240,900	160,600	730,000
24	Valdez	30	48,000	32,000	160,000
			<u>\$ 4,451,440</u>	<u>\$ 3,307,870</u>	<u>\$ 14,126,225</u>

25% State Matching Grant ----- \$ 3,531,556

1970 Appropriation for Alaska \$ 1,600,000
 Increased Grant to Anchorage 724,880
 (figure included above)

Available Federal Funds at 50% \$ 875,120

25% State matching----- 437,560

Amount of State funds required for projects 7/1/67 through 6/30/70----- \$ 3,969,116

FISCAL NOTE
Second Session - Sixth State Legislature

COPIES: THE CHAIRMAN OF THE COMMITTEE MAKING THE REQUEST, POUCH V
THE LEGISLATIVE FINANCE COMMITTEES' STAFF, POUCH Y
THE DIVISION OF BUDGET & MANAGEMENT, POUCH C
RETAIN A COPY FOR YOUR FILES

Grants and Loans for water supply and sewerage systems

subject HB SB 377
requested by _____
referred to _____ date of request _____
completion date requested _____ date received _____

EXPENDITURE DETAIL	FY71	FY72	FY73
100 PERSONAL SERVICES			
200 TRAVEL			
300 CONTRACTUAL SERVICES			
400 COMMODITIES			
500 EQUIPMENT			
600 LAND AND STRUCTURES			
700 GRANTS, CLAIMS & SHARED REVENUE	\$11,000,000	\$18,000,000	\$18,000,000

TOTAL

FUNDING DETAIL	FY71	FY72	FY73
FEDERAL RECEIPTS			
SPECIAL FUNDS			
UNRESTRICTED GENERAL FUND RECEIPTS	\$11,000,000	\$18,000,000	\$18,000,000

Man Months
Permanent Positions
Temporary Positions

FISCAL ANALYSIS

Approximately four million dollars of the eleven million to be appropriated for FY71 will be required to provide 25% State matching grants for sewage treatment to Craig, Anchorage, Soldotna, Valdez for projects placed under construction since July 1, 1967. These grants will produce additional Federal grants of approximately 3.5 million dollars which will be lost if the program should be made effective July 1, 1970 instead of July 1, 1967. Inasmuch as the 1.6 million dollar Alaskan allocation from the Federal Water Pollution Control appropriation will be committed fully for FY71 and FY72, the loan provision of Paragraph(a) of the Bill will be needed to permit sewage plant construction to continue without delay.

It is not possible at this time to specify the order in which Alaskan cities and boroughs will be ready for above assistance. Figures are based on engineering reports prepared during the past five years and now on file in the Division of Environmental Health. Engineering estimates are approximate and construction costs have increased between 7 and 10% per year for some time. Federal grants for other than sewage treatment are not awarded on a strict formula basis and it thus is not possible to ascertain in advance how much Federal grant to the community will be induced by the above appropriation.

DATE January 19, 1970

SIGNATURE James A. Anderregg (22)
NAME & TITLE James A. Anderregg, Director

File
MEMORANDUM

State of Alaska **RECEIVED**

JAN 26 1970

TO: F. J. KEENAN
Director

Office of the
Commissioner

DATE : January 22, 1970

FROM: HOWARD J. GREY, Chief
Water Resources Section

SUBJECT: Comments on Senate
Bill No. 377

Senate Bill 377 is intended to make funds available to the Department of Health and Welfare for State participation in federally funded water and sewer construction projects. The State's participation will allow communities to receive a larger percentage of federal funds for these projects. Without State participation, the percentage of total construction costs borne by the federal government are much lower.

As a sidelight, this matter was the subject of a resolution by the State's Water Resources Board at their last meeting. A copy of the resolution, 69-5, is attached for your review. The resolution was passed unanimously by the Board. Should the opportunity arise, I would recommend that we support this bill.

HJG:po
Attachment

RESOLUTION REGARDING STATE PARTICIPATION
IN GRANTS FOR WATER POLLUTION CONTROL

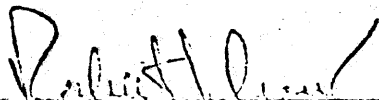
WHEREAS, the populated communities of Alaska are required to provide for treatment of human and industrial wastes under the Federal Water Pollution Control Act and the State Water Quality Plan; and,

WHEREAS, construction of adequate sewage treatment facilities is generally beyond the financial capability of the local communities; and,

WHEREAS, the federal grant program allows increased federal financial support in those cases where the State provides grant assistance to local communities;

NOW, THEREFORE BE IT RESOLVED that this board recommends to the Governor that legislation be introduced to authorize maximum state financial participation in construction grant programs under the Federal Water Pollution Control Administration in order that local communities may take advantage of expanded federal grants-in-aid and research programs.

PASSED AND APPROVED this 16th day of December, 1969.


ROBERT L. CROW, Chairman

CHRIS CHRISTENSEN
Petersburg, Alaska

DAVID VANDERBRINK
Homer, Alaska

CARL HEFLINGER
Fairbanks, Alaska

GLENN W. REID
Petersburg, Alaska

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF HEALTH AND WELFARE

OFFICE OF THE COMMISSIONER

POUCH H—JUNEAU 99801

MEMORANDUM

TO: John Beard, Legislative Assistant
Office of the Governor

FROM: J. W. Betit, Commissioner *JWB*
Department of Health and Welfare

SUBJECT: Senate Bill No. 377

DATE: January 23, 1970

H & W file

With reference to S.B. 377, an Act concerning grants and loans for water supply and sewerage systems, I strongly recommend that you initiate efforts to change the year in line 15 to read 1967 instead of 1966 as included in the present bill. In our discussions with Mr. Charles Merriner and yourself, it was pointed out that the reimbursement provision in the Federal Statute became effective on July 1, 1967. The provision to make Federal grants of 50% of eligible project costs, however, was not begun until July 1, 1967. Thus, the use of the 1967 date in the bill is defensible on the grounds that state grants to communities which initiated construction after June 30, 1967 would also gain increased Federal participation in the projects. The use of the 1966 date as presently contained in the bill might be construed to be arbitrary in that it might just as well have read 1960 or some other date.

I understand that Mr. Anderegg has conferred with Mr. Merriner regarding the desirability of this change.

JWB:JAA:smb

cc: Division of Environmental Health

State of Alaska
DEPARTMENT OF EDUCATION

Suggested Minimum Elementary Space Requirements

	1	2	4	6	8	10	12	14	16	18	20	22	24
Classrooms	1	2	4	6	8	10	12	14	16	18	20	22	24
Max. ADM	20	40	100	150	200	250	300	350	400	450	500	550	600
Gr. per teacher	8	4	2	2	1	1	1	1	1	1	1	1	1
(1) Instn. Areas	896	1,792	3,784	5,376	7,168	8,960	10,752	12,544	14,336	16,128	17,920	19,712	21,504
Library	---	---	---	---	600	750	900	1,050	1,200	1,450	1,500	1,500	1,500
Admin., includes) Offices)	---	---	350	525	700	875	1,050	1,225	1,400	1,575	1,750	1,925	2,100
Tchr. workspace) Tchr. lavatories) Health services) Tchr. room)													
Toilet Areas	144	200	300	450	600	750	900	1,050	1,200	1,350	1,500	1,650	1,800
Service Areas) Heating) Cstdl. storage) Custodial shop)	60	120	300	450	600	750	900	1,050	1,200	1,350	1,500	1,650	1,800
Corridors	160	320	800	1,200	1,600	2,000	2,400	2,800	3,200	3,800	4,000	4,400	4,800
General Storage	40	80	200	300	400	500	600	700	800	900	1,000	1,100	1,200
(2) Play shed	---	600	600	---	---	---	---	---	---	---	---	---	---
(3) Multipurpose #1	---	---	---	3,880	3,880	---	---	---	---	---	---	---	---
(4) Multipurpose #2	---	---	---	---	---	5,850	5,850	5,850	5,850	5,850	---	---	---
(5) Multipurpose #3	---	---	---	---	---	---	---	---	---	---	8,500	8,500	8,500
Total Area	1,300	3,112	6,334	12,181	15,548	20,435	23,452	25,969	29,185	32,403	37,670	40,437	43,204
8% Wall Allowance	104	249	506	975	1,244	1,635	1,876	2,077	2,335	2,604	3,014	3,237	3,456
Grand Total	1,404	3,361	6,840	13,156	16,792	22,070	25,328	28,046	31,520	34,007	40,684	43,674	46,660
Sq. Ft. per pupil	70	84	68	87	84	88	84	80	79	75	81	79	77

KEEP FILE OVER!

multiple

- (1) Standard classroom 28' X 32' allows 30 sq. ft. per child clear space.
- (2) Play shed is 30' X 40' but is counted as 1/2.
- (3) Multipurpose room #1 provides 40' X 60' play area, 20' X 40' area for stage, and 17' X 40' area for kitchen.
- (4) Multipurpose room #2 provides 50' X 80' play area, 20' X 50' area for stage, and 17' X 50' area for kitchen.
- (5) Multipurpose room #3 provides above items but allows general court area to be divided for double classes. Schools with 20 or more classrooms should be considered community centers and designed for a degree of public use.

Note: (a) The recommended maximum capacity for standard classrooms is 25 pupils.

(b) The recommended maximum capacity, for schools with less than four classrooms and/or in which multiple grades are taught, is 20 pupils.



Alaska State Legislature
Senate

JUNEAU ALASKA

March 12, 1970

Chairman Gene Guess
House Special Committee on Investment
and Monetary Policy
Alaska State Legislature
Capitol Building
Juneau, Alaska 99801

Dear Representative Guess:

Copies of this letter are transmitted herewith for you to disperse, if you would be so kind, among the members of your Special Committee on Investment and Monetary Policy.

You and I are both well aware that both Committees have had some stormy times and that the problems are by no means resolved. However, I thought it would be appropriate at this stage of life to advise the House members what we have done in the Senate in the hope and expectation that we might prevent and eliminate needless duplication of effort.

With reference to the three bills we have introduced as of March 10, 1970, they are:

- (1) Committee Substitute for Senate Bill 402. This bill is an administration bill and the only changes incorporated therein were proposed by the administration. It deals with the type of security in which the state can invest its short term funds.
- (2) Committee Substitute for Senate Bill 403. This bill pertains to collateralization which to some members of the Committee, myself included, appears to be a rather complex subject. It is not a perfect bill and I doubt that we will ever have a perfect bill. It does, however, represent a compromise among the commercial banks, the mutuals and the savings and loans. Every bank in the state will be receiving a copy of the bill with the request that comments be made, not as to whether they wholeheartedly endorse the bill, but as to whether they can live with it. In other words, no universal accolades are expected. The Committee has

requested the Rules Committee to retain the bill until all banks in the state have had an opportunity to make their objections, if any, known. Since I do not profess to be an expert in this field, I have urged every Senator who has any questions about the bill to reduce them to writing and submit them to me as soon as possible. If I don't have the answers, I can soon obtain them.

- (3) Committee Substitute for Senate Bill 404. This bill deals with the permanent fund concept. In this bill, the Committee has departed rather drastically from the original administration bill. The chief change lies in the fact that the Committee unanimously felt that the permanent fund investment committee should have more legislative representation than that proposed by the executive. In addition, the Committee does not intend to create a Department of the Treasury. We felt that the creation of another cabinet office was totally unnecessary. Likewise, we eliminated from the original bill the mandatory provision which would require the committee to hire a fund evaluator. Under the Committee Substitute bill, such an individual may be hired at any time by the committee should that be their desire. The other major substantive change was that we inserted a public disclosure provision which would require all members of the committee to periodically file reports of their equity transactions.

Additionally, on Friday, March 13, we will introduce the companion appropriations bill for Senate Bill 404; the five Senate members are far from united in their thinking about how much money should be put in the permanent investment fund, but it is certainly accurate to state that the recommendations range from \$300,000,000 to \$750,000,000. Inasmuch as the bills introduced on the Senate side are all going to go routinely to Senate Finance, I personally don't feel that any particular significance should be attached to our recommendations, for by the time these bills clear Senate Finance, the Senate itself, and, hopefully, the House, we will be lucky if we can recognize the bare bones of the original bills.

We are advised that your Committee intends to introduce legislation which will make a portion of the \$900,000,000 available to Alaskans for utilization of long term residential loans at low interest rates. Since you have already undertaken this chore, my current inclination is to wait until your bill comes to the Senate. Once again, I am sure you will recognize that anything we do in connection

DEPARTMENT OF TREASURY

NEW ORGANIZATION CHARTS

STATEMENT OF FUNCTION AND RESPONSIBILITY

November 25, 1969

INTRODUCTION

Attached organizational charts are in accordance with the Department of Administration memorandum on this subject dated August 11, 1967. These charts represent the original organization of the Department of the Treasury.

OFFICE OF THE COMMISSIONER

The responsibilities of the Commissioner of Treasury are set forth in AS 44.47 (new). Duties include banking, management, investment and accounting for of all State funds; redemption of all State warrants; AS 37.10 which relates to accounting for State money and deposit in the proper fund; the investment and sale of U.S. Bonds and other securities and the sale of bonds held as investments; AS 37.15 which relates to the State Bond Committee (under Chapter 15, State Bonding Act); AS 43 which relates to bonds, the collection and deposit of money, collateral requirements, indorsements of warrants or checks, limitation on powers and accounts, embezzlement; AS 14.25 which relates to the custody and investment of the Teacher's Retirement Funds; and AS 39.35 which relates to investments of the Public Employees Funds. Other duties include AS 06.05 as regards the enforcement and regulation of bank and trust companies under the Alaska Banking Code; AS 06.30 as regards administration of the Alaska Savings Association Act; AS 45.55 as regards enforcement of the Alaska Securities Act; AS 34.55 as regards the administration of the Uniform Land Sales Practices Act and AS 6.20 as regards the administration of the Alaska Small Loans Act.

DEFINITION OF DIVISION FUNCTIONS

PORTFOLIO MANAGEMENT - Investment, evaluation, record keeping and reporting. Continuous review of portfolios as regards market, investment percentage and classification; close liaison with Receipts Management and Debt Management Divisions as regards economic situation and outlook, money market and receipts outlook, management of San Francisco Field Office.

1. Fixed Income Section - Fixed income (debt) status evaluation. Evaluation results to division director, record keeping, amount, type, status, location and security control. Close liaison with Receipts Management and Debt Management Divisions.
2. Equities Section - Equities (common stock) status evaluation. Evaluation results to director; record keeping, status, type, location and purchase control. Close liaison with Receipts Management and Debt Management Divisions. Equities traders staffed in San Francisco Field Office.

RECEIPTS MANAGEMENT - Banking and accounting for of all State funds, redemption of all State warrants, investment of short-term cash excess, reporting, liaison with Portfolio Management and Debt Management Divisions.

1. Receipts Processing Section - Banking and accounting for of all State funds. Adjustments, summarization and depositing by type, status and statistical reporting.
2. Warrant Redemption Section - Redemption of all State warrants, payment to bank for warrants, status and statistical reporting, warrant stale dating, redeemed warrant storage, redeemed warrant retrieval upon authorized request.
3. Cash Flow Section - Deposits, cash flow charting and analysis, statistical and status reporting.
4. Short-Term Investments Section - Investment of funds temporarily surplus to the State's need, financial and investment reporting.

DEBT MANAGEMENT - Long-range planning, evaluation of bond requirements, projection, liaison with Portfolio Management and Receipts Management Division, Legislative research.

1. Economics Section - Forecasts, trends, statistical accumulations; development of economic indicators.
2. Forecasting Section - Long-range planning, investment requirements, bond requirements, financial needs, planning projections, revenue estimating.
3. Budget Analysis Section - Short, medium and long-range budget expenditure, analysis, expenditure status, reporting.

BANKING AND SECURITIES - Regulation and control of bank and trust companies, regulation of mutual savings banks, administration of the Alaska Savings Association Act, enforcement of the Alaska Securities Act, administration of the Uniform Land and Sales Practices Act, regulation of the Alaska Small Loans Act.

ADMINISTRATIVE SERVICES - Accounting, fiscal, administrative services, data processing services.

1. Fiscal Services Section - Uniform accounting system, budget preparation, purchasing, records management, property management, procurement, disbursement, legislative research, general files maintenance.
2. Personnel Section - Payroll, personnel.
3. Data Processing Section - Preparation of conceptual and detailed data processing design, implementation of approved designs, coordination and liaison between user and computer systems, operational maintenance of computer systems.

DEPARTMENT OF TREASURY

ORGANIZATION DEFINED

November 25, 1969

CONCEPTS

The formulation of a Treasury Department such as the one described in the attached Statement of Function and Responsibility and organizational flow charts shows the effects of highly specialized requirements. As a result, the overall salary levels of the employees involved are considerably higher than would be expected and the numbers of supporting clerical staff are conspicuous by their absence.

Two basic concepts were ultimately considered after bouncing a wide array off the walls. The first of these concepts considers the development of complete treasury capability in house and within State of Alaska personal services. The other concept deals with counselor or advisor contractual personnel working on a full-time basis, for the State which results in a somewhat lower level of expertise resident within the personal services of the State of Alaska. Our analysis considered the costs of obtaining in-house expertise and found the requirement to be \$50,000 or more per each individual manager in each of the technical areas (Portfolio, Receipts and Debt Management). We also explored the possibility of hiring contractually a qualified counselor with primary emphasis on Portfolio Management and with secondary emphasis on Counseling, Receipts and Debt Management and with an intent to hire in-house, people competent in background which would allow training and progress to the necessary performance level. The attached flow chart and Statement of Function Responsibility recommend the latter approach to forming the Department of the Treasury. This approach is that the State contractually hire a qualified Counselor (It is recognized that his services will cost somewhere between \$100,000 and \$500,000 annually;) to provide specific technical services in Portfolio Management and counselor services in Receipts and Debt Management. The concept also involves the retaining of a contractual specialized external audit organization (now being filled by Blyth & Company) for the purpose of auditing performance at the investment bank level. The concept then also allows for the allocation of specific amounts of money to various investment banks. The control to remain vested in the Commissioner of Treasury through his Portfolio Management Director and as advised by the Investment Counselor. The concept involves the staffing of Portfolio, Receipts and Debt Management Directors at a salary range with a minimum of \$19,860 annually to a maximum of \$26,820 annually.

STAFFING

Staffing for the new Department as indicated by the functions and responsibilities in the chart of organization are as follows:

OFFICE OF THE COMMISSIONER - Commissioner - exempt at the cabinet level;
Administrative Assistant II - partially exempt
as office manager for the Commissioner;

Deputy Commissioner - partially exempt;
Secretary II as secretary and office manager
for the Deputy Commissioner.

SUB TOTAL OF EMPLOYEES 4

PORTFOLIO MANAGEMENT DIVISION - Director - partially exempt (all indications
advise classification of this position);
Assistant Director; Secretary; Analyst for Fixed
Income (Debts); Analyst for Equities (common
stock); Trader for Fixed Income; Trader for
Equities; Trader for Equities; Accountant IV;
Accountant II; Accountant I; Accounting Clerk III;
Accounting Clerk II; Accounting Clerk I; Clerk
Typist II; Statistical Clerk II.

SUB TOTAL OF EMPLOYEES 16

RECEIPTS MANAGEMENT DIVISION - Director - partially exempt (indications are
that this position should be classified);
Assistant Director; Secretary; State Cashier;
Accountant III; Accountant I; Accounting Clerk III;
Accounting Clerk II; Accounting Clerk II; Clerk III;
Clerk II; Accountant IV; Accountant II; Accountant I;
Accounting Clerk II; Accounting Clerk I; Clerk
Typist II; Investment Analyst; Accountant III;
Accountant I; Accounting Clerk II; Statistical Clerk I

SUB TOTAL OF EMPLOYEES 22

DEBT MANAGEMENT DIVISION - Director - partially exempt (indications are that
the position should be classified); Secretary;
Assistant Director; Statistician III; Statistician I;
Statistical Clerk II; Planning Specialist; Planning
Aid IV; Planning Aid II; Statistical Technician;
Budget Analyst III; Budget Analyst II; Budget Analyst
Clerk Typist II.

SUB TOTAL OF EMPLOYEES 14

BANKING AND SECURITIES DIVISION - Director - partially exempt; Administrative
Assistant II; Bank Examiner II; Bank Examiner I;
Clerk Typist II; Securities Examiner II; Securities
Examiner I; Clerk Typist II; Financial Assistant;
Accounting Clerk III; Clerk Steno II; Clerk Typist
II; Clerk II.

SUB TOTAL OF EMPLOYEES 13

ADMINISTRATIVE SERVICES DIVISION - Director - partially exempt; Secretary;
Fiscal Officer; Accountant II; Clerk Typist II;
Personnel Officer; Clerk Typist II; Systems Analyst
III; Programmer III; Programmer II; Programmer I.

SUB TOTAL OF EMPLOYEES 11

TOTAL 80

MANPOWER ANALYSIS

The number of supporting, statistical and clerical staff is entirely contingent upon the amount and type of reporting that will be performed by the investment banks. If the reporting is complete enough so that a straight forward compilation of the various reports from the investment banks into a single integrated report can be accomplished with minimal effort, then the numbers of statistical and clerical personnel can go down. Contingent also is the type of reporting performed and the degree of data processing utilization as regards compilation of the final reports.

The new Treasury Department as envisioned here is again a monitoring and auditing oriented function. Therefore, the numbers of accounting personnel, both professional accountants and bookkeepers (Accounting Clerks) listed are contingent upon the performing of a rather thorough audit of the detail documents provided by the investment banks and a thorough analysis of the investment posture in the State as regards projections, debt status and the management of the portfolio. As the result, the number of accounting and bookkeeping positions support the more thorough audit of supporting documents.

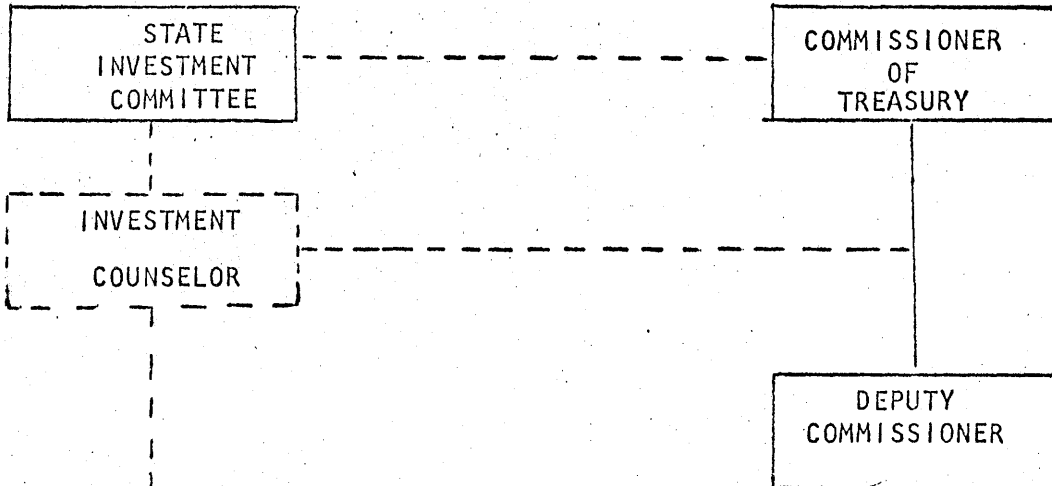
We have provided for a comprehensive Debt Management Division in the belief that although a considerable amount of statistics are available in various offices and files, these statistics are not adaptable to an integrated use requirement. Therefore, staffing of the Debt Management Division provides for the capability to ferret out, consolidate and analyze statistical detail prior to the forecasting/planning function. It is also believed that although the budget requests by the various departments are analyzed quite thoroughly as to justification, standards and overall objectives that the budgets are not analyzed from the point of view of impact upon the money posture of the State. It is believed that an additional analysis and preparation of the budget criterion will be needed before data can be developed to support the forecasting/planning phase. It is also believed that the Debt Management Division is one of the more important functions of the new Treasury Department in that if properly executed, it will provide long-range planning that will assist the Portfolio Manager in getting the most interest possible out of the monies he has to invest.

We have included the banking and securities and small loans function from the Department of Commerce as properly a part of the new Treasury Department. However, there is some consideration as to the proper placement of the Banking Securities Division, whether it should be in line status or as a control board. It is depicted here in line status in an attempt to give it operational security. This, however, poses a problem because the Commissioner of the new Treasury Department will be dealing with banks on one hand and regulating them on the other.

Provision is also made for a complete Administrative Services Division which can provide direct support through requests from other division directors. Experience teaches that personnel matters are best handled by a personnel officer, and fiscal matters are best handled by fiscal officers and provision is made for both. The Administrative Services Division is also responsible for providing data processing supports as requested by other division directors. We can initially see the need for data processing supports as regards statistical

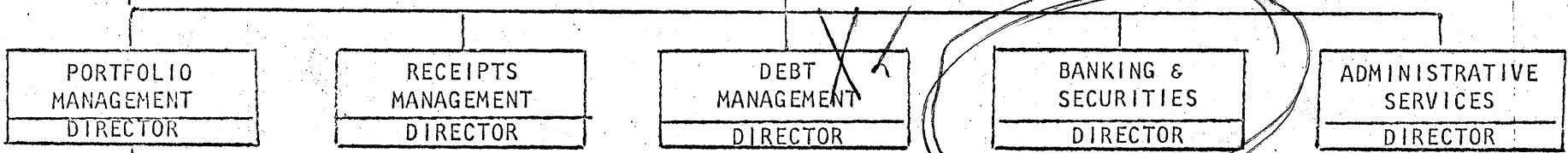
compilations and projections in the Debt Management Division and in supporting investment management reporting and analysis as regards the Portfolio Management Division. Data processing is already an existing requirement as regards warrant redemption in the Receipts Management Division. We can see the requirement for additional data processing supports as regards short-term investment, cash flow analysis and in the timely and prompt processing of receipts.

EXECUTIVE OFFICE

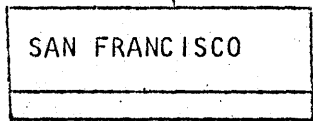


could conflict

LINE DIVISIONS



PRINCIPAL FIELD OFFICES

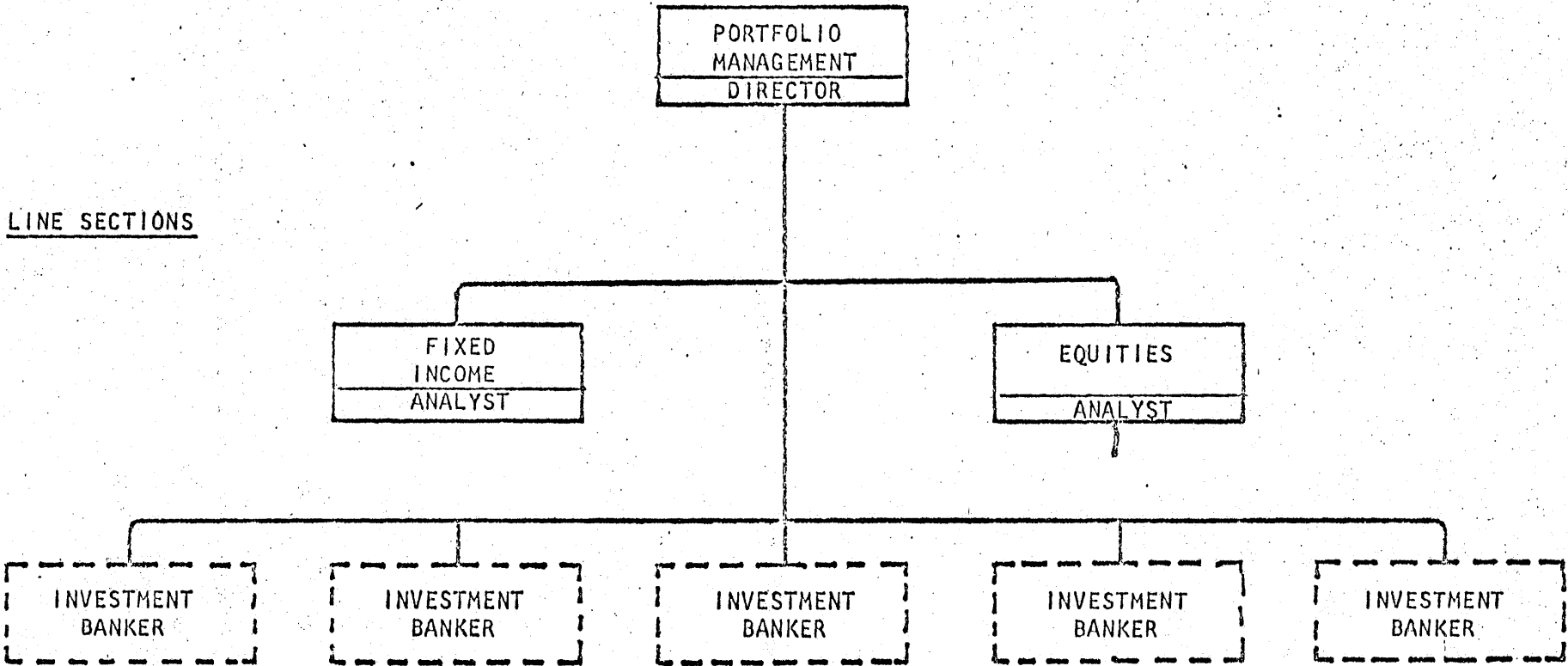


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

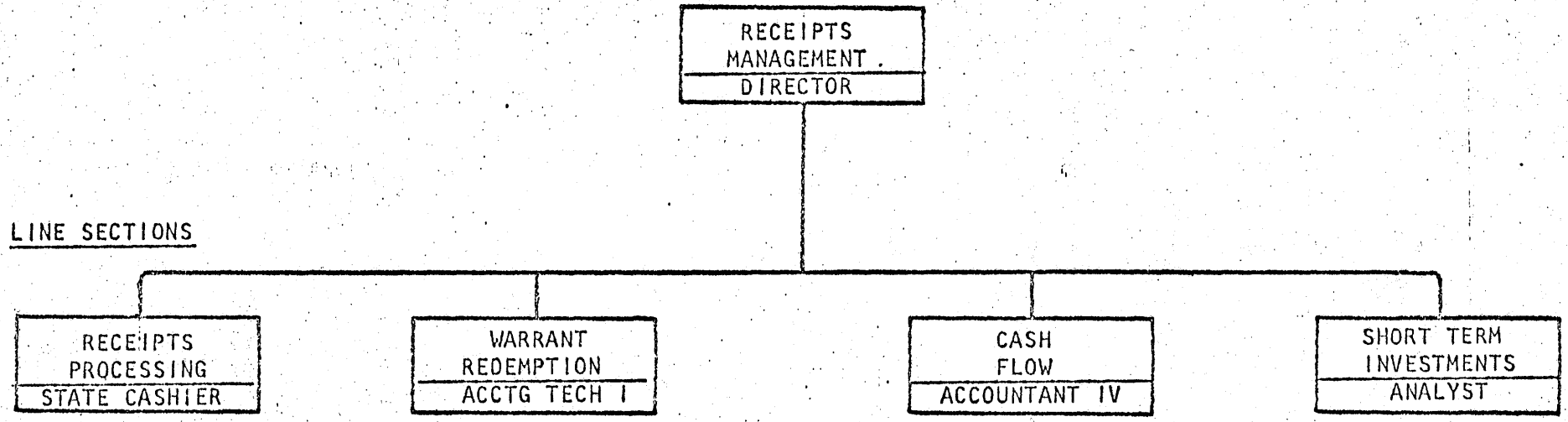


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

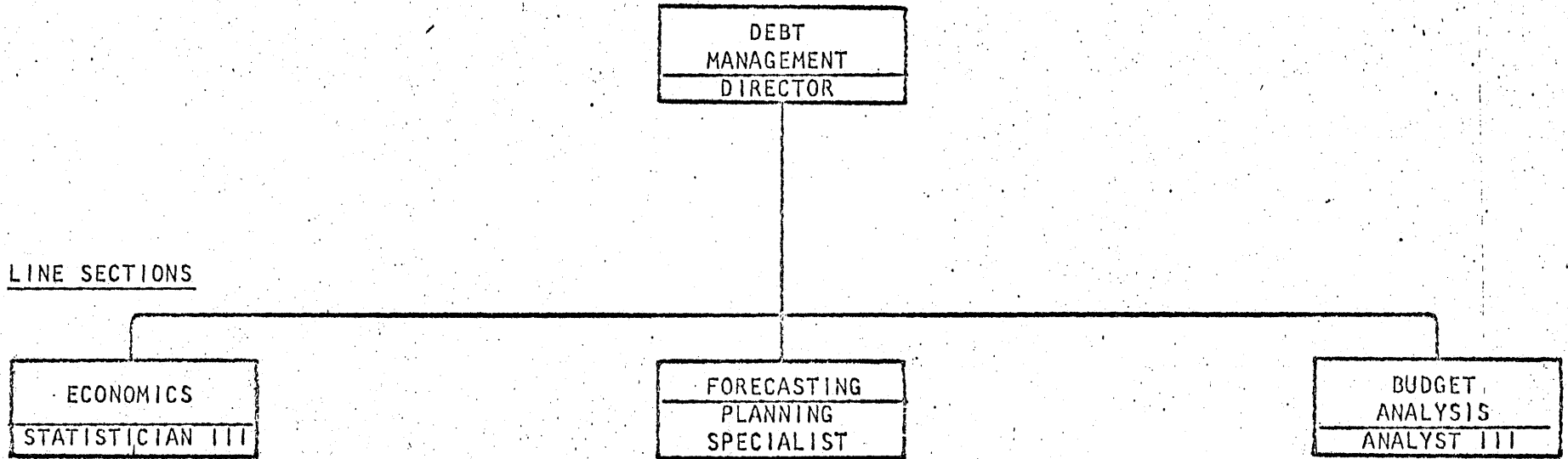


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Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

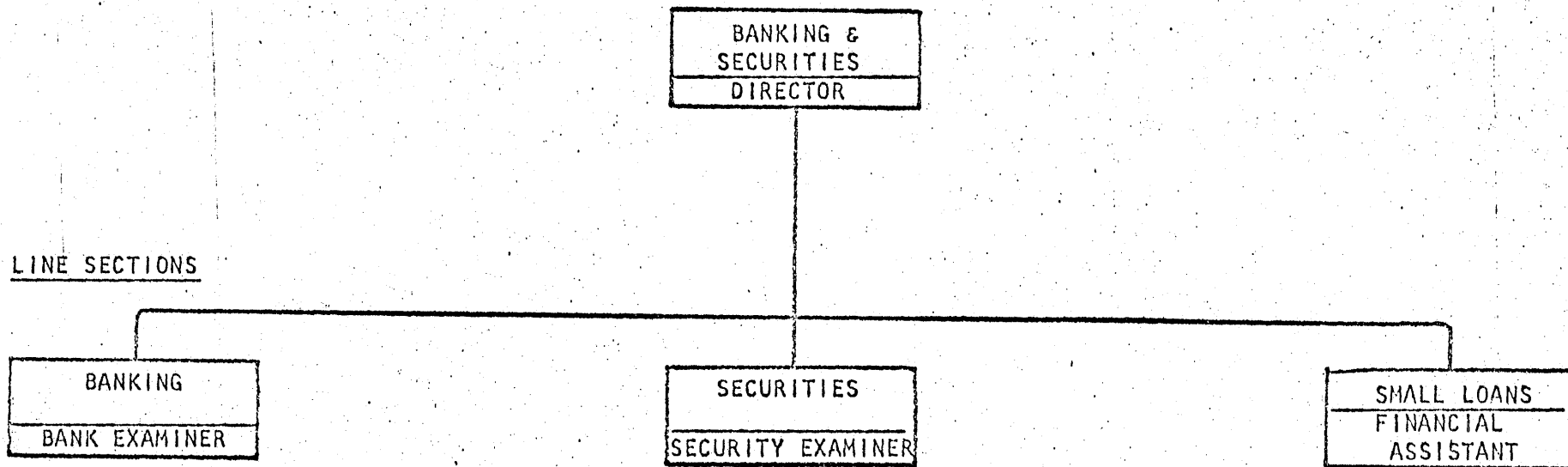


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____



APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

ADMINISTRATIVE
SERVICES
DIRECTOR

LINE SECTIONS

FISCAL
FISCAL OFFICER

PERSONNEL
PERSONNEL OFFICER

DATA
PROCESSING
SYST ANALYST III

APPROVED:

Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

February 27, 1970

The Honorable Robert H. Ziegler
Chairman, Senate Special Investment
Committee
Alaska State Legislature
Juneau, Alaska 99801

Dear Mr. Chairman:

Senate Bills 401, 402, 403, 404, 405 and Senate Joint Resolution 74 embody Governor Miller's recommendations with respect to short- and long-term investment of State funds. The analysis and comment these measures have received since he submitted them to the Senate last month have strengthened his conviction that their passage will place the State on a solid financial basis for meeting the present and future needs of Alaskans. The purpose of this letter is to call your attention to certain drafting errors which were not originally detected in these bills. Refinements are suggested to correct those errors and to clarify other provisions which have given rise to questions of interpretation from the commentators.

Copies of the bills that have been reworded to show the changes are enclosed. The only substantial change is the deletion from Senate Bill 402 of section 37.10.070(a)(5), which would have permitted general fund investment in corporates. Doubts as to the appropriateness of corporate bonds for short-term investment prompt us to recommend this change.

To eliminate any doubt that State funds may be deposited in all financial institutions which receive deposits, a definition of "bank" has been added to Senate Bill 403. Furthermore, Senate Bill 402 (section 37.10.070(b)) has been restructured to demonstrate that investment in bank certificates of deposit may be permissible even though their yield may not be as great as the yield from other permitted investments.

The Honorable Robert H. Ziegler -2- February 27, 1970

We are suggesting that the Alaska Resources Permanent Fund legislation be placed in a chapter separate from the statutes relating principally to the general fund. This will give greater emphasis to the differences between the rules that govern short- and long-term investments.

The withdrawal provision in Senate Bill 404 is changed to state correctly and more succinctly the manner in which withdrawal amounts are to be computed. As revised, this bill would articulate the Governor's intention that a three-year moving average be used after the Fund's second year.

Slight changes in the investment policy and management standards provisions of Senate Bill 404 emphasize that growth of the Fund is the central investment objective and that both equity and fixed-income securities can be appropriate investments.

The bills are predicated on the assumption that the Department of the Treasury will be established and commence operations on July 1, 1970. An original drafting error makes it necessary to correct the effective date provision of Senate Bill 401. Administration of the Alaska Resources Permanent Fund is assigned to the Department of the Treasury by Senate Bill 404, which is also to be effective July 1.

We recommend, however, that the legislation dealing with deposit and investment of general fund monies have immediate effect and for this reason have assigned administration of Senate Bill 402 and 403 to the Department of Revenue. Upon establishment of the Department of the Treasury, these functions should be transferred to that Department.

Senate Bill 402 has been revised to accomplish the transfer of functions immediately upon the establishment of the new department. Substitution of references to commissioners and departments in our present statutes can be left to the Revisor of Statutes, rather than an extensive "housekeeping" bill. An abbreviated "housekeeping" measure is being prepared to cover transitional matters which appear to fall beyond the Revisor's authority.

Sincerely,

Robert W. Ward
Acting Governor

Enclosures

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 401

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a Department of the
7 Treasury; defining its powers and duties;
8 and providing for an effective date."

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

10 * Section 1. AS 44.15.010 is amended by adding a new para-
11 graph to read:

12 (16) Department of the Treasury.

13 * Sec. 2. AS 44 is amended by adding a new chapter to read:

14 CHAPTER 47. DEPARTMENT OF THE TREASURY

15 ARTICLE 1. ORGANIZATION

16 Sec. 44.47.010. TREASURER. The principal executive
17 officer of the Department of the Treasury is the treasurer.

18 Sec. 44.47.020. FUNCTIONS OF THE DEPARTMENT. The
19 department shall

20 (1) manage and account for public employee retire-
21 ment funds (AS 39.35.110), teachers' retirement funds
22 (AS 14.25.180) and the Alaska Resources Permanent Fund
23 (AS 37.12);

24 ∩(1) DEPOSIT, MANAGE AND ACCOUNT FOR ALL FUNDS
25 COMMITTED BY LAW TO ITS ADMINISTRATION;∩

26 (2) deposit, invest and account for funds in the
27 state treasury;

28 (3) ∩(2)∩ redeem all state warrants;

(4) ∩(3)∩ provide staff assistance to the state

1 bond committee;

2 (5) (4) regulate banks, trust companies, savings
3 banks, savings and loan associations, and small loan com-
4 panies within the state;

5 (6) (5) administer the Alaska Securities Act
6 and the Alaska Uniform Land Sales Practices Act;

7 (7) (6) perform all other functions assigned to
8 it by law.

9 ARTICLE 2. OFFICE OF THE TREASURER

10 Sec. 44.47.100. POWERS AND DUTIES OF THE TREASURER. (a)

11 The treasurer shall

12 (1) supervise the performance of the functions of
13 the department;

14 (2) make an annual report to the governor, to be
15 transmitted to the legislature, detailing the operation of
16 the department;

17 (3) serve as a member and as the chairman of any
18 committee established by law to formulate investment policy
19 for ^{General} funds in the state treasury.

20 (b) The treasurer may, when necessary to carry out the
21 provisions of this chapter

22 (1) establish offices inside or outside of the
23 state;

24 (2) enter into contracts;

25 (3) promulgate regulations;

26 (4) borrow money on behalf of the state in antici-
27 pation of revenue as provided in AS 43.08.010.

28 Sec. 44.47.110. BOND. Before taking office the
29 treasurer shall furnish a bond to the state. The bond shall

1 be approved by the attorney general and filed with the
2 Department of Administration, and a copy of it shall be
3 filed in the attorney general's office. The conditions of
4 the bond shall be that the treasurer will faithfully dis-
5 charge the duties of his office, keep a strict, true and
6 correct account of all money disbursed by him, that he will
7 properly account for it and will pay over to his successor
8 or other person entitled by law to receive it, all money or
9 property in his custody or control, in accordance with law;
10 or, upon default by the treasurer, the parties executing the
11 bond will pay to the state and others injured all damages,
12 costs, and expenses resulting from the default. The surety
13 on the bond shall be a surety company authorized to transact
14 business in the state. All premiums for the treasurer's bond
15 shall be paid by the state. The amount of the bond shall be
16 \$200,000, but if for any reason the governor and the Depart-
17 ment of Administration consider the bond insufficient, they
18 shall notify the treasurer of that fact, and the treasurer
19 shall give an additional bond with sufficient sureties, with-
20 in the time and in the amount which the governor and the De-
21 partment of Administration consider necessary for the protec-
22 tion of the state.

23 Sec. 44.47.120. DEFINITION. In this chapter "department
24 means the Department of the Treasury.

25 * Sec. 3. This Act takes effect July 1, 1970. [ON THE DAY
26 AFTER ITS PASSAGE AND APPROVAL OR ON THE DAY IT BECOMES LAW WITH-
27 OUT APPROVAL.]

28

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 402

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act providing for the investment of

7

surplus state funds; and providing for an

8

effective date."

9

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

10

* Section 1. AS 37.10.070 is repealed and re-enacted to read:

11

Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a) When

12

the commissioner of revenue determines that there is in the

13

state treasury a surplus above an amount sufficient to meet

14

current demands, the surplus may be invested in any of the

15

following:

16

(1) bonds, notes, and bills which constitute direct

17

obligations of the United States;

18

(2) obligations of agencies and instrumentalities

19

of the United States;

20

(3) bank certificates of deposit which are secured

21

as to the payment of principal and interest in accordance

22

with Alaska law;

23

(4) commercial paper of prime or equivalent quality

24

as rated by a nationally recognized rating organization, which

25

is issued by corporations organized and operating in the

26

United States with assets in excess of five hundred million

27

dollars;

28

⌈(5) BONDS, NOTES, DEBENTURES AND OTHER EVIDENCE

OF INDEBTEDNESS OF CORPORATIONS.⌋

(b) Investment policy shall be formulated by a committee, consisting of the governor or his designee, the commissioner of revenue, the commissioner of commerce, and the commissioner of administration. In formulating investment policy the committee shall consider maximum income and safety. [~~c~~] In determining the amount and term of investments in bank certificates of deposit, [IN ADDITION TO THE CONSIDERATIONS IN PARAGRAPH (b),] the committee also shall consider

(1) the character of the management, the amount of capital, the amount of total deposits, and the amount of State of Alaska deposits of the bank in whose certificates of deposit the investment is to be made;

(2) the indirect benefit to the private and public sectors of the economy in terms of increased housing and commercial credit, stimulated business activity, increased employment, support of the market for state and local bonds, and increased public revenue, which might result from the investment; [AND]

(3) the probable inflationary effect of the investment;
and

(4) the extent to which such indirect benefits tend to offset the difference, if any, between the income available from investments in bank certificates of deposit and other permitted investments.

(c) [~~d~~] The Department of Revenue, with the consent of the committee, may enter into contracts for services providing investment advice, custody of securities, and execution of transactions, in or out of the State of Alaska.

1 IN THE SENATE

2 SENATE BILL NO. 403

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the collection and deposit of
7 state money and the collateralization of deposits [OF
8 STATE FUNDS]; and providing for an effective date."

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

0 * Section 1. AS 37.10.060 is repealed and re-enacted to read:

1 Sec. 37.10.060. COLLECTION AND DEPOSIT OF STATE MONEY. (a) The
2 purpose of this section is to provide for the collection and deposit
3 of state money and to require the collateralization of state deposits,
4 in a manner which will tend to stimulate the economy of the State of
5 Alaska.

6 (b) The Department of Revenue shall receive from other departments
7 and safely keep all money of the state which is not entrusted by law
8 to some other office.

9 (c) State funds deposited in a bank shall be secured in accor-
0 dance with the provisions of this section.

1 (d) To secure a deposit of state funds the depositary bank shall
2 pledge eligible collateral by delivering it to any bank or Federal
3 Reserve Bank or branch designated by the department, or to the trust
4 department of a depositary bank approved by the department. [AND]
5 The depositary bank shall furnish evidence satisfactory to the depart-
6 ment that the state has a perfected security interest in the collateral.

7 (e) The following, while not in default, if issued,

1 made, or created after January 1, 1970, constitute eligible
2 collateral the market value of which, or when it has no
3 recognized market value the unpaid principal balance of
4 which, may never be less than 75 per cent of the amount of
5 state deposits it secures:

6 (1) mortgages insured by Federal Housing
7 Administration on Alaska real estate improved by not more
8 than four residential units;

9 (2) the guaranteed portion only of loans guaran-
10 teed by the Small Business Administration;

11 (3) fishing vessel mortgages and loans insured by
12 the Department of Interior;

13 (4) notes insured by Farmer's Home Administration,
14 the proceeds of which are used to finance projects in Alaska;

15 (5) mortgages guaranteed by Veteran's Administra-
16 tions of the United States on improved Alaska real estate;

17 (6) mortgages guaranteed by Division of Veteran's
18 Affairs of the State of Alaska on improved Alaska real estate;

19 (7) the insured portion only of loans to Alaska
20 residents who are students in colleges or vocational schools
21 if the loans are insured either by federal insurance or by a
22 state agency or private nonprofit institution or organization
23 administering a student loan insurance program in accordance
24 with a formal agreement with the commissioner of education
25 under the provisions of the Higher Education Act of 1965 or
26 the National Vocational Student Loan Insurance Act of 1965.

27 (f) The following bonds, while not in default, if
28 issued after January 1, 1970, constitute eligible collateral
29 the market value of which may never be less than 50 per cent

1 of the amount of state deposits it secures:

2 (1) general obligation bonds and revenue bonds of
3 the State of Alaska;

4 (2) bonds of Alaska State Housing Authority;

5 (3) general obligation bonds of incorporated
6 cities or organized boroughs of Alaska;

7 (4) University of Alaska revenue bonds and bonds
8 of the University of Alaska Heating Corporation.

9 (g) Conventional mortgages on improved Alaska real
10 estate, while not in default, if created after January 1,
11 1970, constitute eligible collateral the market value of
12 which, or when it has no recognized market value the unpaid
13 principal balance of which, may never be less than 100 per
14 cent of the amount of state deposits it secures.

15 (h) Collateral eligible on January 1, 1970, to secure
16 deposits of the United States constitutes eligible collateral
17 under this section and its market value may never be less
18 than 100 per cent of the amount of state deposits it secures.
19 The commissioner of revenue [TREASURER] may promulgate
20 regulations approving as eligible collateral under this
21 section additional securities which become eligible to
22 secure deposits of the United States after January 1, 1970.

23 (i) The department may deposit funds, when it considers
24 it necessary to do so, in solvent banks outside the state in
25 accordance with this section.

26 (j) The department may deposit funds in banks inside
27 or outside the state in active accounts without interest for
28 the purpose of paying state warrants, in accordance with
29 this section.

1 (k) The determination of the commissioner of revenue is con-
2 trolling as to whether offered collateral conforms to the requirements
3 of this section [,] and as to whether loans or mortgages conform to
4 the statutes under which they are made.

5 (l) Unless otherwise indicated "department" as used in this
6 section means the Department of Revenue.

7 (m) "Bank" as used in this section and in section 070 of this
8 chapter means a financial institution which receives deposits.

9 * Sec. 2. AS 43.05.150(b) [43.05.150] is repealed. [AND RE-ENACTED TO
10 READ]

11 [SEC. 43.05.150. COLLECTION OF MONEY. THE DEPARTMENT OF REVENUE
12 SHALL DEMAND, SUE FOR, COLLECT, RECEIVE, AND TRANSMIT TO THE DEPARTMENT
13 OF THE TREASURY ALL MONEY OF THE STATE WHICH IS NOT BY LAW ENTRUSTED TO
14 THE CARE AND CUSTODY OF SOME OTHER OFFICE.]

15 * Sec. 3. This Act takes effect on the day after its passage and approval
16 or on the day it becomes law without approval.

17

18

19

20

21

22

23

1 IN THE SENATE

2 SENATE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Resources Permanent
7 Fund and providing for its administration; and pro-
8 viding for an effective date."

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

10 * Section 1. AS 37 [37.10] is amended by adding a new chapter to read:

11 CHAPTER 12. ALASKA RESOURCES PERMANENT FUND.

12 ARTICLE 1. ADMINISTRATION.

13 Sec. 37.12.010. [37.10.200.] PURPOSE. The purpose of this Act is
14 to provide a method by which funds surplus to current and foreseeable
15 needs may be invested to appreciate as a source of future state revenues

16 Sec. 37.12.020. [37.10.210.] ALASKA RESOURCES PERMANENT FUND.

17 There is created a permanent fund known as the Alaska Resources
18 Permanent Fund to which appropriations may be made from time to time.

19 Sec. 37.12.030. [37.10.220.] INVESTMENT POLICY. The treasurer
20 shall invest the fund for [WITH THE OBJECTIVE OF] maximum long-term
21 [LONG TERM] total return.

22 Sec. 37.12.040. [37.10.230.] MANAGEMENT STANDARDS. The treasurer,
23 in managing the fund, shall exercise the judgment and care under the
24 circumstances then prevailing which men of ordinary prudence, discretion
25 intelligence, and experience exercise in the management of their own
26 affairs not in regard to speculation but in regard to the permanent
27 disposition of their funds, considering probable income, [AS WELL AS
THE] probable appreciation, [GROWTH] and safety of their capital.

1 Sec. 37.12.050. [37.10.240.] POWERS. The powers of the state with
2 respect to the investments are all of the powers which a natural person
3 has in dealing with his own property including but not limited to the
4 power to invest, reinvest, purchase and purchase at a premium, sell
5 and sell at less than cost, exchange, convey, transfer, lease, lease
6 back and otherwise dispose, register securities, vote securities, give
7 proxies, exercise conversion privileges, subscription rights and other
8 options, consent or otherwise participate in corporate reorganization
9 or other changes affecting corporate securities, pay assessments or
10 charges, enforce and compromise claims, make, execute, acknowledge
11 and deliver documents of transfer, conveyances and other instruments
12 necessary or appropriate to carry out such powers.

13 Sec. 37.12.060. [37.10.250.] FUNCTIONS OF THE TREASURER. The
14 treasurer shall:

15 (1) Act as custodian of the investments and provide for
16 their safekeeping [SAFE KEEPING];

17 (2) Collect the interest, dividends, rents, and other in-
18 come of the fund and collect principal and the proceeds of the sale
19 of investments;

20 (3) Manage the fund, and in so doing exercise the state's
21 powers respecting the investments;

22 (4) Maintain adequate accounts and records;

23 (5) Prepare and submit a monthly report to the governor and
24 the state investment advisory committee disclosing a detailed summary
25 of investments purchased, sold, exchanged, conveyed, transferred,
26 leased, and otherwise acquired or disposed of, and stating the invest-
27 ments acquired or disposed of, dates of transactions, the prices paid
28 and received, any gain or loss, and the names of the brokers, dealers,
29 or contractors who engaged in the transactions;

1 (6) Cause an annual audit of the fund by a licensed certi-
2 fied public accountant who is not an employee of the state and submit
3 the auditor's report to the governor and to the state investment ad-
4 visory committee;

5 (7) Cause an annual examination of the fund by a qualified
6 fund evaluator. The evaluator's report shall include an evaluation
7 of current investment practices and of specific investments of the fund
8 in light of the investment objective and management standards of the
9 fund. The report shall be submitted to the governor, the state invest-
10 ment advisory committee, and the legislature.

11 Sec. 37.12.070. [37.10.260.] CONTRACTS. (a) The treasurer may
12 contract with one or more qualified persons in the state or elsewhere

13 (1) to perform the functions specified in sec. 250⁰³⁰(1) - (3)
14 of this chapter; except that when contracts are made with respect to
15 the function specified in sec. 250⁰³⁰(3) of this chapter, [ARE CONTRACTED
16 NO FEWER THAN] three or more fund managers shall be engaged [;] and
17 separate portions of the fund shall be allocated to each of them;

18 (2) to provide the treasurer [COMMISSIONER] with advice and
19 other services;

20 (b) Contracts may provide for reasonable compensation and reim-
21 bursement of expenses.

22 Sec. 37.12.080. [37.10.270.] ANNUAL DETERMINATION OF MARKET VALUE.
23 At the end of each fiscal year, after deducting from the fund for the
24 purpose of computation the expenses of administration of that year, the
25 treasurer shall determine the market value of the fund.

26 Sec. 37.12.090. [37.10.280.] WITHDRAWALS. (a) Expenses of adminis-
27 tration shall be paid out of the fund.

(b) Sixty days after the end of each fiscal year, whether or not
provided by income and capital appreciation, an amount in cash, or

1 securities at market value as of the date of transfer, or both, equal
2 and limited to five per cent of the mean average of the determined
3 market value of the fund at the end of that fiscal year and the deter-
4 mined market values of the fund at the ends of the two (necessarily,
5 none and one, at the ends of the first and second fiscal years,
6 respectively) preceding years shall be withdrawn from the fund and
7 transferred to the general fund.

8 [(b) SIXTY DAYS AFTER THE END OF EACH FISCAL YEAR AN AMOUNT,
9 WHETHER OR NOT PROVIDED BY INCOME AND CAPITAL APPRECIATION, SHALL BE
10 WITHDRAWN FROM THE FUND AND TRANSFERRED TO THE GENERAL FUND. THE
11 AMOUNT SHALL BE IN CASH OR SECURITIES AT MARKET VALUE AS OF THAT DATE,
12 OR BOTH, AND SHALL BE CALCULATED IN THE FOLLOWING MANNER:

13 (1) WITH RESPECT TO THE FIRST FISCAL YEAR, THE AMOUNT SHALL
14 BE EQUAL AND LIMITED TO FIVE PER CENT OF THE DETERMINED MARKET VALUE OF
15 OF FUND AT THE END OF THAT YEAR;

16 (2) WITH RESPECT TO THE SECOND FISCAL YEAR, THE AMOUNT SHALL
17 BE EQUAL AND LIMITED TO FIVE PER CENT OF THE MEAN AVERAGE OF THE DETER-
18 MINED MARKET VALUE OF THE FUND AT THE END OF THAT YEAR AND THE DETER-
19 MINED MARKET VALUE OF THE FUND AT THE END OF THE FIRST YEAR;

20 (3) FOR THE THIRD FISCAL YEAR AND FOR EACH SUCCEEDING FISCAL
21 YEAR, THE AMOUNT SHALL BE EQUAL AND LIMITED TO FIVE PER CENT OF THE
22 MEAN AVERAGE OF THE DETERMINED MARKET VALUE OF THE FUND AT THE END OF
23 THE TWO PRECEDING YEARS.]

24 (c) There shall be no other withdrawals from the fund.

25 Sec. 37.12.100. [37.10.290.] TRANSFER TO FUND. Upon the effective
26 date of an act appropriating to the fund, the amount appropriated shall
27 be transferred to the fund in cash, or securities at market value as
28 of that date, or both.

ARTICLE 2. STATE INVESTMENT ADVISORY COMMITTEE.

1 Sec. 37.12.200. [37.10.300.] STATE INVESTMENT ADVISORY COMMITTEE.
2 There is, within the Department of the Treasury, the State Investment
3 Advisory Committee comprised of the treasurer, who shall serve as
4 chairman, the commissioner of administration, the commissioner of
5 commerce, the commissioner of economic development, the commissioner of
6 revenue, the president of the Senate, the speaker of the House of
7 Representatives, and two members of the public appointed by the governor
8 to serve at his pleasure.

9 Sec. 37.12.210. [37.10.310.] FUNCTION. The committee shall advise
10 the treasurer with respect to the administration of the Alaska Resources
11 Permanent Fund.

12 Sec. 37.12.220. [37.10.320.] QUORUM. Five members of the committee
13 constitute a quorum for the conduct of business at a meeting.

14 Sec. 37.12.230. [37.10.330.] EXPENSES. The two members from the
15 public receive no pay but are entitled to the travel expenses and per
16 diem authorized for members of boards and commissions.

17 ARTICLE 3. GENERAL PROVISIONS.

18 Sec. 37.12.300. [37.10.340.] DEFINITIONS. As used in this chapter

19 (1) "treasurer" means the principal executive officer of the
20 Department of the Treasury;

21 (2) "expenses of administration" means the amount incurred
22 during the fiscal year in accordance with contracts for managerial,
23 advisory, legal, appraisal, accounting, auditing, performance evalua-
24 tion [EVALUATIONS], custodial, execution of transactions, brokerage,
25 and other services;

26 (3) "fiscal year" means the fiscal year of the fund, which
27 is the period July 1 to June 30;

28 (4) "fund" means the Alaska Resources Permanent Fund and
29 includes income and capital appreciation;

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(5) "investments" means the property of the fund and includes cash;

(6) "manage", with respect to the fund, includes but is not limited to selection of classes of investments, selection of investments from within those classes, and the acquisition, retention, disposition, and exchange of investments;

(7) "maximum long-term total return" ["MAXIMUM TOTAL LONG TERM RETURN"] means an investment policy which has as its central objective growth of the fund [CAPITAL] over the long term, [;] whether through income or capital appreciation;

(8) "permanent" when applied to the fund means that it shall have perpetual existence, not be subject to invasion or diversion, and be kept intact except for withdrawals as provided in sec. 090 of this chapter;

(9) "committee" ["COMMITTEE OR ADVISORY COMMITTEE"] means state investment advisory committee.

* Sec. 2. This Act takes effect July 1, 1970.

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE JOINT RESOLUTION NO. 74

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the
6 Constitution of the State of Alaska
7 establishing the Alaska Resources
8 Permanent Fund.

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

10 * Section 1. Article IX of the Constitution of the State of
11 Alaska is amended by adding a new section to read:

12 Sec. 15. ALASKA RESOURCES PERMANENT FUND. The Alaska
13 Resources Permanent Fund created by the Second Session of the
14 Sixth Legislature, including any additions by appropriations,
15 shall be permanent and not subject to appropriation. It shall
16 be invested for maximum long-term total return. Investments
17 shall be made in accordance with the standards observed by
18 men of ordinary prudence, discretion, intelligence, and
19 experience, when investing, and not speculating with, their
20 own funds. Income becomes part of the fund. An amount equal
21 and limited to five per cent of its market value shall be
22 withdrawn from the fund annually and thereafter be subject to
23 appropriation for general purposes. No other withdrawals may
24 be made from the fund, except for payment of expenses of
25 administration.

26 * Sec. 2. The amendment proposed by this resolution shall be
27 placed before the voters of the state at the next state-wide
28 election in conformity with sec 1. art. XIII of the Constitution
29 of the State of Alaska, and the state election laws.

A. Senate Bill 401

There is no Committee Substitute for Senate Bill 401. The Governor's final product (long form) had been transmitted to the Chairman of the Senate Special Investment Committee by letter of February 26.

B. Senate Bill 402

There is a Committee Substitute for Senate Bill 402. It does not differ, however, in material respect from the Governor's long form of Senate Bill 402.

C. Senate Bill 403

There is a Committee Substitute for Senate Bill 403. That Committee Substitute differs substantially from the long form proposed by the Governor. The differences are as follows:

1. The title of the act in the Committee Substitute retains the words "of State funds" and the Governor's form does not contain those words.
2. Section 37.10.060(c) contains two extra sentences in the Committee Substitute.

3. Section 37.10.060(d) in the Committee Substitute permits any bank to serve as pledgee of collateral whereas the Governor's form requires that the Department of Revenue approve a bank used as pledgee.
4. Section 37.10.060(e) ^{and (f)} /in the Committee Substitute version does not require that the collateral have been created after January 1, 1970, but the Governor's version does contain such a requirement.
5. Section 37.10.060(e)(1) - the Committee Substitute lists as eligible collateral any FHA insured mortgage whereas the Governor's version limits FHA mortgages to those on real estate improvement by more than four residential units.
6. Section 37.10.060(e)(7) - the Committee Substitute, line 20, differs slightly from the Governor's version.
7. Section 37.10.060(f) - Committee Substitute contains a reference to stock and does not contain a time limitation. The Governor's version does not contain the reference to stock but does have a time limitation.
8. Section 37.10.060(f)(5) appears on the Committee Substitute but not on the Governor's version.
9. Section 37.10.060(g) on the Governor's version pertains to conventional mortgages, but the entire subsection does not appear on the Committee Substitute.

10. Section 37.10.060(g) on the Committee Substitute differs in several respects from its counterpart (h) in the Governor's version. The January 1, 1970, reference is eliminated by the Committee Substitute. That date as used a second time in (h) of the Governor's version does not appear in the Committee Substitute. Also, the Committee Substitute empowers the Commissioner by regulation to make any additional securities eligible collateral.
11. Section 37.10.060(l) differs from its counterpart (m) in the Governor's version by defining the word "bank" differently.

SENATE BILL 401, 402, 403, 404, 405, & SJR 74

Senate Bill 404

There are considerable differences between Committee Substitute for Senate Bill 404 and the Governor's version as transmitted to the Senate Special Investment Committee on February 27.

1. The title of the Act defers in the two versions in that in the Governor's version, Alaska Resources Permanent Fund is capitalized.
2. The Governor's version breaks Chapter 12 down into three articles. The Committee Substitute does not use an article breakdown.

3. Section 37.12.010 (Purpose)

In the Committee Substitute it refers to the Act as Sections 10-180 and the Governor's version merely refers to the Act.

4. Section 37.12.020 (Alaska Resources Permanent Fund) defers in that the fund name is capitalized in the Governor's version only.
5. The Committee Substitute contains Section 37.12.030 (Alaska Fund Investment Committee).

6. Section 37.12.040 (Terms of Members Appointed of the Public and their Removal).

7. Section 37.12.050 in the Committee Substitute (Investment Policy) defines investment policy differently from the way it is defined in the Governor's version (37.12.030) and uses committee instead of the word treasurer.

8. Section 37.12.080 (Functions of the Committee)

In the Committee Substitute has as its counterpart 37.12.060 in the Governor's version the latter refers to treasurer rather than committee.

9. Section 37.12.080 (5) in the Committee Substitute requires less distribution of the monthly report than it does in the Governor's version

10. 37.12.080 (6) in the Committee Substitute requires less distribution of the annual CPA Audit than does the Governor's version.
11. Section 37.12.090 (Conflict of Interest and Public Disclosure) is peculiar to the Committee Substitute.
12. Section 37.12.110 (Expenses) in the Committee Substitute refers, of course, to the authoritative committee and mentions three public members. The Governor's version at 37.12.230 mentions two public members.
13. Section 37.12.120 (Executive Director) is peculiar to the Committee Substitute.
14. Section 37.12.130 (Contracts) has its counterpart in 37.12.070 of the Governor's version. The former reference to the committee and the latter to the treasurer.
15. 37.12.140 (Annual Determination of Market Value and Report) in the Committee Substitute requires some reporting in addition to determination of market value, only the value determination function is questioned in the Governor's version at 37.12.080.
16. Section 37.12.150 (Reports) is peculiar to the Committee Substitute
17. Section 37.12.170 (Transfer to Fund) in the Committee Substitute capitalizes the word "Act" whereas the Governor's version at 37.12.100 does not.
18. Section 37.12.180 (Definitions) in the Committee Substitute defers from the Governor's version at 27.12.300 in that the Committee Substitut does not define "Treasurer" but the Governor's version does. Also, the Committee Substitute does define Investment Manager and the Governor version does not.
19. 37.12.180 (1) (Definitions) defines "Committee" to be the

"Alaska Fund Investment Committee;" whereas the Governor's version defines "Committee" to mean "state investment advisory committee."

20. Section 37.12.180 (7) in the Committee Substitute defines "Long-term Total Return" differently from the way that "Maximum Long-term Total Return" is defined in the Governor's version.

21. Section 37.12.180 (2) in the Committee Substitute defines "Expenses of the Administration" in the Governor's counterpart of that definition the word "Evaluation" is in the singular but the Committee Substitute has it in the plural.

22. Section 37.12.180 (4) in the Committee Substitute defines "Fund" to mean the "Alaska resources permanent fund;" whereas the Governor's version of that definition does use capitalization.

23. In the Committee Substitute for the effective date, it is the day after passage and approval, but in the Governor's version, the effective date is July 1, 1970.

24. Senate Bill 405 has not been the subject of a Committee Substitute but two proposed amendments are attached to the bill changing the amendment appropriated from \$500 million to either \$300 million or \$750 million.

25. Senate Joint Resolution 74. The only difference between the Governor's re-worked version of this resolution and the original SJR 74 is that the Governor suggested that the word "Total" be added to the expression "Maximum Long-Term Return."

STATE INVESTMENTS

The state may invest its funds in ~~stocks~~, bonds or mortgages, etc. However, it must purchase mortgages on resident property on a continuing basis in preference to purchasing other investments *up to a maximum of \$300,000,000.*

The mortgages and terms which are to be purchased on a first preference are:

1. FHA mortgages bearing the market rate but not to exceed 6%.

2. Farmers Home Administration mortgages bearing the market rate but not to exceed 6%.

3. State of Alaska Veteran's Administration *Alaska Veterans Administration* loans bearing the market rate but not to exceed 6%.

4. Conventional residential mortgages bearing the market rate but not to exceed 6% with the originating financial institution retaining at least 25% of the mortgage but in no case shall the originating financial institution retain less than the mortgage that it already has. The 6% applies only to that part of the mortgage bought by the state.

5. Conventional mortgages bearing the market rate but not to exceed 7% with the originating banks retaining at least 25% of the mortgage but in no case shall the originating financial institution retain less than the mortgage that it already has. The 7% applies only to that part of the mortgage bought by the state.

To be a qualified mortgage, the mortgage must be within the following categories:

1. Be on real estate in Alaska.
2. Have as a mortgager an Alaskan resident.
3. Have as a mortgager a corporation in which at least 51% of the stock is owned by Alaskan residents.

4. The closing cost on the mortgage may not exceed 1/2 of 1% and the collection fee may not exceed 1/2 of 1%.

5. The mortgage must be legal for the originating financial institution except that the bank's legal limit will apply only to the retained portion by the bank. A legal mortgage for other financial institutions must be within the legal requirements of a state bank.

6. The originating institution must certify the loan papers are correct and in compliance with the law as part of the purchase.

The state has the authority to issue regulations in furtherance of this act.

DEFINITIONS:

Resident: a person domiciled in Alaska with at least one year's physical presence.

A financial institution: a lending entity operating under the national banking laws, the state banking laws, the state mutual banking laws, the state savings and loan laws, the federal savings and loan laws, and other mortgage lenders licensed to do business in this state.

WSJ 3/23/70

Decline in Money-Market Quotes Eases Pressure Supporting Record Prime Rate

By EDWARD P. FOLDESSY

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK — The downtrend in money-market interest rates is alleviating the heavy pressure that has kept the nation's banking system from reducing the prime rate, the minimum fee on corporate loans.

Major banks have had a record 8½% prime rate since last June. A number of smaller banks reduced their rates beginning in February, but the big banks called the moves premature.

Principally, the money-center institutions argued that their own cost of obtaining lendable funds was too high in relation to the prime rate, and that loan demand, although off from the torrid pace of late 1969, was still a threatening factor.

In recent days, however, the cost picture has changed dramatically. Rates have fallen sharply on three key sources of banks funds:

Commercial paper, Eurodollars and Federal funds.

In two of these areas, rates have moved below the prime rate. For instance, Federal funds, the reserves that banks lend each other, usually overnight, have been at an average rate of about 7¼% for the past two weeks or so. For most of the year the rates have averaged around 9% and in some cases reached as high as 12%.

Commercial Paper Rates

Commercial paper issued by bank affiliates currently is being sold at rates ranging from about 7¼% to 8¼%. Such issues, basically, are unsecured promissory notes; proceeds from the sales are used to buy loans from the portfolios of the affiliated banks. As recently as two weeks ago, the going rate on bank-related

paper was about 8½%. Prior to then, the rates had ranged to as much as 9¼%.

Eurodollar rates, while still above the prime rate, have fallen dramatically. Eurodollars are dollars held outside the U.S. Banks in major U.S. money centers have relied heavily on such funds for their domestic needs. Recently, such funds have been trading at less than 9%, in contrast to the 10% and more rates common throughout most of last year.

Perhaps most significant for the commercial banks has been the rate reductions registered on commercial paper issued by financial and industrial corporations. Such paper is sold mainly to other companies and thus provides in essence a system whereby corporations borrow from each other, bypassing the banks.

The going rate on such paper dropped to about 7½% Friday after hovering above 8½% on active maturities until early this month. Bankers had been concerned that a reduction in the prime rate to below the prevailing commercial paper rates would cause corporations to switch their borrowings from the paper market to banks. Should paper rates remain at

their current levels or fall further, banks would be given considerable leeway in setting the prime rate.

But banks may want to wait until at least the April 15 tax-payment date before taking action on the prime rate in order to get a better idea of loan demand.

The latest tax-payment date, last Monday, produced relatively heavy loan demand on banks, but according to bankers, created no real strains.

Bankers' Acceptances

In money-market developments Fridays, several dealers lowered their rates on bankers' acceptances by ¼ percentage point.

These included M&T Discount Corp. and New York Hanseatic Corp. Both posted scales of 7½% bid, 7¾% offered on acceptances due in one to 180 days. Bankers' acceptances primarily are bills to finance the export, import, transfer or storage of goods. They are termed accepted when a bank guarantees their payment at maturity.

One key benefit to banks of the general decline in interest rates is that it is allowing ne-

THE WALL STREET JOURNAL
Monday, March 23, 1970

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gotiable certificates of deposit to become competitive with other money-market instruments. CDs represent deposits left with banks for a specific period of time. Because banks aren't permitted to pay more than 6¼% to 7½% (depending on maturity), such CDs haven't been attractive to investors who could get higher rates on other money-market instruments.

While the CD ceiling rates are generally still below most other money market rates, banks in recent weeks have been able to find "buyers" for a moderate amount of certificates. Until the Federal Reserve clamped down tightly on credit, beginning late 1968, CDs had been a principal means banks used to obtain lendable funds.

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MEMORANDUM

State of Alaska
DEPARTMENT OF FISH AND GAME

NICKEY

TO: The Honorable Bob Palmer
Senator
Alaska State Legislature

DATE : February 19, 1970

FROM: Wallace H. Noerenberg
Commissioner
Department of Fish and Game

SUBJECT: SB #413, Fishery Rehabilitation
Program

As requested, I am submitting the following brief write-up which covers the essential points discussed during the Senate Resources Committee hearing on SB 413 on February 3, 1970.

The natural fisheries habitat of the State of Alaska is largely unimpaired by pollution or encroachment by man and his activities; therefore, the potential productivity of the natural fisheries habitat can be realized without large-scale manipulation of the freshwater habitat. In view of this fact, the first priority of the Department of Fish and Game has been, and still is, to achieve the potential productivity of the natural habitat through applied management techniques and manipulations of the various fisheries. Until the potential productivity of the natural habitat has been achieved, rehabilitation and enhancement has been given second priority by the Department.

We do not wish to imply by this statement of priorities that we are ignoring rehabilitation and enhancement activities. However, we have directed our efforts in another field, namely regaining the optimum productivity of the natural habitat that we already have in such abundance.

The Department's FY 70-71 budget request, as approved by the Governor, has \$538,000 committed to basic rehabilitation and enhancement programs. These include:

- 1) Southwest Kodiak Island Rehabilitation Program: \$85,000 for improvements to the fish-way at Frazer Lake, and \$143,000 for continuation of the existing red salmon stocking and rehabilitation of Frazer Lake and Akalura Lake (50% PL 89-304, 50% General Fund) including Kitoi Hatchery functions.
- 2) Rehabilitation of Eyak Lake near Cordova: \$150,000, which would provide for fisheries rehabilitation and other benefits for this lake whose basic hydrologic regimen was upset by the 1964 earthquake.
- 3) Neck Lake Study, SE Alaska: A request for \$20,000 additional funding to cover basic rehabilitation studies in conjunction with the existing Coho-King Salmon Research project.

- 4) Bear Lake Project, Seward: \$22,000 for the continuation of the Sport Fish Division silver salmon rehabilitation project. (D-J 75%, Fish and Game Fund 25%).
- 5) Prince William Sound Earthquake Rehabilitation: \$71,000 Federal and State funds to continue the present stream rehabilitation program. (75% PL 89-304, 25% General Fund, including Montague restocking).
- 6) Pink salmon transplant program, SE Alaska: \$47,000 to provide a fish transplant scow to be used in transplanting mature pink salmon from one stream where they may be surplus to another where they are needed. (75% PL 90-551, 25% General Fund).

In addition to the above specific programs, the Sport Fish Division has a continuing program concerning rehabilitation and restocking of small roadside lakes to provide better sport fishing for anglers. Also, a number of specific rehabilitation projects have been undertaken in the National Forests in conjunction with the Forest Service.

Throughout the years since 1949, the staff of the Territorial Department of Fisheries and the Department of Fish and Game have accumulated a large file of potential rehabilitation projects involving both lake and stream systems. For most of these projects, however, only the most cursory field examinations have been made and no comprehensive effort has been made to establish project priorities or to conduct detailed engineering and biological feasibility studies. In other words, the potential is there, but we are not ready to execute a logical and long-range rehabilitation program. The reasons for this situation, of course, relate to the aforementioned priorities of the Department, and the severe budgetary limitations under which the Department normally operates. It has been common practice for the Administration to impose fixed budget ceilings on the various departments and we, of necessity, have tailored our budgeting and planning activities in accord with these limitations, and in accord with our basic priorities. The Department essentially continued this system for FY 1970-71 despite the absence of an Administration ceiling this year.

In recent years, new concepts regarding hatchery utilization, and improved natural and artificial spawning channels have been developed by the Canadians in British Columbia, by the other Pacific coast states and by federal agencies. We have watched these developments with interest, many of which have been experimental and on a large scale involving large sums of money, but have not been in a position to directly engage in similar activities. Nor could we on a moment's notice, as we do not have the additional basic engineering and biological staff to plan, initiate and carry out such large scale projects. Department of Fish and Game biologists and engineers have inspected many of these facilities in Canada and the states, and we hope to be able to benefit in the future from both the successes and failures experienced by the other agencies.

With regard to SB 413 (and the companion HB 536), we do not wish to leave the impression that we are negative or unreceptive to the ideas and basic purposes of these bills. And we are appreciative of the interest of the Legislature in a rehabilitation program. We have adopted, however, what we consider to be a logical approach to the development of a new large-scale program, namely, start on a moderate scale and provide for long-range planning, staffing and feasibility studies so that a comprehensive, well thought out long-range policy can be formulated. Our approach to the House and Senate bills is to develop in essence two separate programs:

- 1) A short-range action program, and
- 2) The initiation of the long-range comprehensive program.

The short-range action program would include those projects for which the Department can either initiate field work in 1970-71 or enlarge existing field programs. Short-range projects should include those involving a minimum of experimentation and having the greatest chance of success. Aside from those projects listed at the end of this memo, we are reluctant at this time to name specific projects since we have not had full opportunity to evaluate and select those projects for which the greatest need exists and for which favorable results will be most certain. In this regard, we should all keep in mind the fact that the entire gamut of rehabilitation and enhancement ideas is a long way from becoming an exact science. Too many unknowns still exist for even those projects which may appear to be open and shut cases.

The short-range action aspect of the rehabilitation program is, as we see it, of secondary importance in the total scheme of things. Of primary importance is the development of a comprehensive department policy. This is the long-range part of the program and entails the establishment of a basic planning, engineering, biological and supervisory staff to accomplish the following objectives, which are not necessarily listed in order of priority:

- 1) Review and critically evaluate the large numbers of potential rehabilitation and enhancement projects already on file.
- 2) Work with the Departmental biological and engineering staff to make sure that better projects have not been overlooked in the past.
- 3) Review and evaluate in detail the experimental and production enhancement projects underway in British Columbia and the other states.

- 4) Work with the staffs of the other agencies to take advantage of the expertise possessed by them.
- 5) Formulate for Departmental review and approval, the basic concepts and long-range priorities for the rehabilitation program.
- 6) The engineering, biological and planning group will work closely with the present management and research staff members of the Department in regard to all aspects of the program.

We are very much of the opinion that the establishment of this new group is essential to the success of the program because the present staff is already overworked and would simply not have the time and opportunity to work in a sustained fashion on a large new assignment. This assignment, if imposed on the present staff, would result in a piece meal - disjointed job which would place a severe handicap on the new program from the very outset.

A major concern of the Department with regard to staffing is the difficulty we will experience in obtaining qualified new-hire engineers and biologists. We know we will have little luck in attracting qualified and experienced Alaskans from other state and federal agencies because of our poor competitive situation regarding pay scales and other benefits. Non-residents, who may be qualified professionally, will be lacking in Alaskan know-how and perspective. And finally, to assign our present staff members to the new positions will well serve the new program, but will severely handicap our existing basic management and research programs.

In summary, it is not realistic to seek a large appropriation for the first year for a new program which will require a significant number of new positions.

Our experience with the additional \$301,000 appropriated by the 1968 Legislature for new general fund fishery research programs is still too fresh in mind to warrant optimism that staffing and programs could be accomplished in one year for programs totaling seven to ten times more than the 1968 addition.

With regard to the \$301,000 add-on programs, we are now almost fully staffed again. We have yet to recover from the large-scale manpower shifts resulting from the establishment of the 12 new positions required by the new program.

Major policy decisions must be made before the Department embarks on a long range comprehensive rehabilitation program. These include (again not in order of priority):

- 1) Should we follow the shotgun approach, wherein many small scale projects are undertaken from one end of Alaska to the other; or should we concentrate on a very limited number of major projects. The shotgun approach probably will be the least efficient, most costly, most difficult to administer, and least likely to show significant results.

Concentration on a few major projects would be more efficient and would have the chance of providing demonstrable and significant returns, but also would be the most costly should these failures occur.

- 2) Should our major effort be on a production basis or an experimental basis? The answer to this may not be too difficult in view of fiscal limitation and the practical need to show results. However, we may wish to plan for both production and experimental facilities in order to achieve a balanced program.
- 3) Decisions will have to be made regarding priorities by geographic area, fishing pressures and special needs. Thus with a record pink salmon run forecast for Kodiak in 1970, we would understandably be reluctant to undertake pink salmon enhancement programs at this time on Kodiak Island. On the other hand, the Department will be well justified in undertaking projects which would provide additional sport fishing for the already large and growing population of the Anchorage - Cook Inlet area. Many similar examples can be cited, and they all should be considered before formulation and departmental approval of the specific aspects of the program.
- 4) Species involvement other than for the predominant salmonids and chars must be fully considered in establishing the overall program.

In conclusion, we should keep in mind the fact that many specific rehabilitation and enhancement projects will make use of capital improvements. These will require continuing annual operation and maintenance expenditures of time and money in direct proportion to the cost of the project. Thus, if we have expended \$3,000,000 for capital improvements, we will require 10 to 15 percent of this amount each year for operation and maintenance, or roughly \$300,000 to \$450,000.

Attached to this memorandum is a Table which presents in simplified terms the Department's proposed rehabilitation program for FY 70-71. It essentially consists of two parts: 1) the establishment of a basic planning and investigative staff which will serve both the Sport Fish and Commercial Fish Divisions on a statewide basis; and 2) an action program of projects to be undertaken in FY-1970-71.

We recognize that there will be some difficulty experienced in filling many of these positions, especially in the engineering and specialty fields. We hope therefore included a 20% vacancy factor for biological and clerical positions and a 50% vacancy factor for the other positions.

The Honorable Bob Palmer

- 6 -

February 19, 1970

This proposed budget makes sense only when considered in the context that it is the initial step of a comprehensive long-range program. The Department is, as time permits, continuing with its long-range evaluation with the goal of preparing a complete rehabilitation-enhancement program spanning the time period from its inception (FY 70-71) to the establishment of the full program (year unknown).

cc: House Resources
Office of the Governor

Attachment

ALASKA DEPARTMENT OF FISH AND GAME
Rehabilitation Program, Preliminary Budget for Fiscal Year 1970-71

Activity	Planning Staff		Programs		Total Cost ^{1/}
	Personnel	Cost	Project	Cost	
<u>Headquarters</u>					
	Biometrician	\$30,000			
	Engineer	\$30,000			
	Hydrologist	\$25,000			
	Limnologist	\$25,000	Rehabilitation of red		
	Supervisory Biologist	\$30,000	salmon lake (area		
	Secretary I	\$10,000	unassigned)	\$ 80,000	\$230,000
<u>Commercial Fisheries</u>					
Region I					
	FB IV	\$25,000	Pink salmon		
	CT II	\$ 7,000	transplant	\$125,000	\$157,000
Regions II & III					
	FB IV	\$25,000	PWS rehabilitation	\$121,000	
	CT II	\$ 7,000	Humpy Creek	\$ 6,000	\$159,000
Region IV					
	FB IV	\$25,000	Kitoi Facility		
			i) Brood Stock	\$ 20,000	
	CT II	\$ 7,000	ii) Rearing	\$130,000	\$182,000
<u>Sport Fisheries</u>					
	FB IV (2)	\$50,000			
	CT II	\$ 7,000	Rehabilitation of		
	Temporary	\$10,000	twenty lakes	\$200,000	\$267,000
Vacancy Factor ^{2/}		(\$96,000) ^{2/}		-----	(\$ 96,000) ^{2/}
Subtotals		\$217,000		\$682,000	\$899,000
Administrative Overhead (7%)		\$ 15,000		\$ 48,000	\$ 63,000
Totals		\$232,000		\$730,000	\$962,000

^{1/} Total planning and program costs.

^{2/} Twenty percent vacancy factor for all positions except for Biometrician, Engineer, Hydrologist and Limnologist for which fifty percent was allowed. Vacancy factor was subtracted from salary costs.

MEMORANDUM

State of Alaska
DEPARTMENT OF FISH AND GAME

TO: Honorable W. I. Palmer, Chairman
Senate Resources Committee

DATE : March 16, 1970

FROM: Wallace F. Noerenberg *WFW*
Commissioner

SUBJECT: SB 413, Expanded Fishery
Research, Development and
Rehabilitation Program

During our last meeting with the Senate Resources Committee, the Department's proposed fishery rehabilitation program (my memo dated February 19, 1970) was discussed in some detail. As a result of that session, your committee concluded that it desired to pursue a broader approach to the problem, instead of only pure rehabilitation. The Department was subsequently requested to prepare a revised program in line with the Committee's conclusions.

Attached to this memo is our suggested program, which is intended to supplement the one submitted on February 19. Each of the five projects in the program is briefly discussed and the suggested level of funding for FY 1970-1971 has been provided. A more detailed write-up for the first program, (Susitna River Basin Salmon Investigations) is being prepared, and will be submitted to you as soon as possible.

The total funding required for FY 1970-1971 for the five projects in the expanded program is \$339,000.

1) SUSITNA RIVER BASIN SALMON INVESTIGATIONS

The Susitna River drainage encompasses 52% of the Cook Inlet Basin, and the river is the most important single contributor to the Cook Inlet area salmon runs. At present there is insufficient knowledge of the river and its salmon runs, which in recent years have been subjected to increased fishing pressure from both commercial and sport fishermen.

The proposed study will be a cooperative effort by the Division of Sport Fish and Commercial Fish, utilizing new staff biologists as well as the knowledge, experience and time (when commensurate with existing duties) of the present staffs.

The project will be divided into three phases as follows:

1. Intensified aerial and float surveys to determine the major spawning and rearing areas for all species of salmon.
2. A comprehensive literature review to compile all pertinent data on the Susitna River basin, and to assist in formulating the methods and procedures for the implementation of phase three.
3. An intensive enumeration, test fishing, and tag-recovery program to acquire knowledge of the magnitude and timing of escapement by species, and the life histories of the Susitna River salmon populations.

The objective of the project, which of necessity must be of a long range nature, will be to provide the data necessary to manage the Susitna River salmon runs for the greatest benefit of all users of the resource.

The estimated level of funding for fiscal 1970-71 is \$120,000.

2) DEVELOPMENT OF A POSITIVE AND RELIABLE FIELD TEST FOR CLAM TOXICITY

The immense coastal areas of Alaska contain a diversified clam resource of potentially great value. However, the fact is that many species of Alaska clams are known to produce and retain in their systems a toxic organic alkaloid commonly known as Paralytic Shellfish Poison (PSP). PSP is present in many species in varying concentrations depending on seasonal, geographic and other considerations. At present the most commonly used method to determine the level of PSP in clams is a laboratory bio-assay technique involving live mice. This test involves lengthy delays and is time consuming and expensive, thus preventing the prompt determination in the field of the current level of PSP toxicity in a given population of clams.

The development of a positive and reliable field test for PSP would provide a giant step toward the utilization of Alaska's clam resource. Once such a test has been devised and perfected, a follow-up study should be undertaken to developing a technique wherein the toxin can be eliminated or neutralized to the satisfaction of State and Federal health officials.

Phase 1 of this project for fiscal year 1970-71 calls for the development of a contract with a qualified organic chemist to work on the problem of the field test for PSP. The problem is acknowledged to be a difficult one, and positive results can not be guaranteed. However, we consider that the problem is not unsurmountable and the ultimate benefits will far outweigh the relatively modest cost of the project.

The estimated level of funding for fiscal 1970-71 is \$25,000.

3) SHARK CONTROL AND UTILIZATION PROGRAM

It has been brought to the department's attention many times since the advent of statehood that a serious problem exists in depredations by sharks, of salmon and fishing gear in the troll and long line fleet.

The department has for several years conducted a limited experimental shark fishing program to alleviate in part these serious depredations.

In the Cross Sound area alone, the estimated loss of silver salmon was 60,000 in one year, which including the loss of troll gear, amounted to \$125,000. By the middle of August, the trollers are forced out of the area due to the high number of sharks and their effect on fishing success.

An expanded program is proposed, to determine if a more effective method of shark elimination can be developed. The area of operation planned is from Yakutat to Cape Muzon and the time of operation will be from June 1 until September 30.

The development of a market for the shark meat will be a part of this program and will be investigated in conjunction with the new section proposed in #5 of this memo.

There is also the possibility of developing a sport fishery on the salmon shark which would help to control their numbers. Similar species are popular sport fish on the Atlantic Coast.

The estimated level of funding for fiscal 1970-71 is \$50,000.

4) EXPANDED STATEWIDE HERRING RESEARCH AND MANAGEMENT PROGRAM

The existing Southeastern Alaska herring research program, now in its first year (69-70 FY), was implemented in response to recurring biological, economic, and political questions. These questions concerned (1), the now defunct Southeastern Alaska herring reduction fishery (2), the bait fishery required for the continuance of other fisheries and (3), the increasing demand for the highly valuable herring spawn on kelp, and herring roe. The recent expansion of the herring spawn fishery in the form of "sac roe", to other areas has added another dimension to the problem.

Fisheries of this latter type, now occur in Kodiak, Prince William Sound, Cook Inlet, and Togiak and may well be imminent elsewhere.

The rational regulation of these fisheries must be based upon knowledge not now possessed: What is the abundance of each year class? Is the herring population made up of many comparatively small but independent stocks that intermingle, or do these smaller stocks remain discrete entities? What is the rate of recruitment into the fishery, and to what extent can individual stocks be fished without danger of depletion? To what extent, if any, do inshore stocks contribute to the offshore catches by Russia or Japan?

To find answers to these and other questions it is proposed that the present herring program be expanded by assigning a Fishery Biologist to each of the four areas mentioned, plus one to the existing Southeastern Alaska fishery. These people will collect the necessary catch data, and the biological information required for better understanding of local herring fisheries. Data to be collected will be outlined by the present herring project leader, and after collection will be sent to him for organization into an annual report and subsequent analysis.

The estimated level of funding for the proposed expansion of the program is \$69,000.

5) ESTABLISHMENT OF A FISHERY PRODUCT AND MARKET DEVELOPMENT SECTION

There are many species of finfish, shellfish and other fishery resources in the waters of the State of Alaska that are not utilized at this time. The lack of utilization is primarily due to the lack of a market for the product.

Considerable assistance could be provided to local Alaska fishermen who would be interested in harvesting the unused resources. The answer most often heard from the fishermen regarding the undeveloped fisheries is: "We cannot find a market for the product that will allow us to fish for them on an economically feasible basis".

The last three words are the major restraint in this thinking.

It is suggested that if such a staff were available in the Division of Commercial Fisheries we could provide a real impetus to the development of new fisheries.

Some of the species that are now commercially utilized at a very low level, or not at all, by Alaska fishermen are spot shrimp, whitefish, sheefish, octopus, sharks, abalone, ocean perch, smelt, yellowfin sole, Alaska pollock, clams and many others.

There are problems other than marketing related to harvesting some of these species, such as the clam toxicity problem, which is discussed in #2 of this memo.

It is essential that this staff work closely with the U.S. Bureau of Commercial Fisheries, (particularly their branch of Market Development) Alaska fishermen and the processing industry. This would not be a duplicate service by the Department but a complimentary one that could advise interested individuals or groups in any area of the State.

This section should include a fisheries economist, a products technologist, a market development expert plus a field supporting staff. All members of the staff would stay abreast of the most recent developments in marketing techniques, product handling, market sources, funding sources, and any other information concerning the field.

Subsequent development of this section would depend on the trend indicated by the direction of success.

The estimated level of funding for fiscal 1970-71 is \$75,000.

6) YUKON-KUSKOKWIM SALMON ESCAPEMENT STUDIES

This proposal deals mainly with increasing our knowledge of yearly escapement magnitudes and trends of the Yukon and Kuskokwim River king and chum salmon. Because of the vast sizes of the drainages involved, in addition to the turbid water conditions of many of the salmon spawning streams, total escapement information will be very difficult to obtain until a completely new enumerating method is developed. Therefore we propose to determine good escapement indices by establishing several counting stations in selected important tributaries.

Basically, the project will involve the establishment of at least four weir counting stations. Tentatively, these are planned for the Holitna and Aniak River systems of the Kuskokwim River and the Salcha River, tributary to the Yukon River. The location of the fourth site will be dependent upon reconnaissance surveys conducted in the summer of 1970.

Total escapements will be obtained at each site in addition to information regarding age, sex and size of salmon. Escapement quality as well as magnitude is very valuable in assessing management practices especially for king salmon which are subjected to highly selective fisheries. The weirs will be of metal pipe frame construction and will incorporate use of both upstream and downstream traps to facilitate counting and sampling of fish.

Preliminary studies regarding this project have already been made as a counting tower was established on the upper Holitna River system in 1969. This project was successful in obtaining a total count of the king, chum and red salmon escapement in the Kogruklu River in the Kuskokwim River drainage. Our observations indicate that a weir structure would be feasible and would enhance our monitoring of escapement quality and magnitude.

Funding will provide three new positions: a project leader (F.B. IV), his assistant (F.B. III) and a Clerk Steno II.

The estimated level of funding for fiscal 1970-71 is \$98,000.

BUDGET INSTRUCTIONS
GENERAL FUND

(1.5%)

	F.Y. 1970-71	F.Y. 1971-72	F.Y. 1972-73	F.Y. 1973-74	F.Y. 1974-75
Carry Forward Balance	\$ 903,646.60	\$ 900,437,900	\$ 863,496,700	\$ 787,694,400	\$ 718,556,100
ESTIMATED REVENUES					
Unrestricted General Fund Receipts	239,070,500	238,467,500	238,676,700	291,056,500	347,609,700
TOTAL FUNDS AVAILABLE	\$ 1,142,717,100	\$ 1,138,904,400	\$ 1,102,174,400	\$ 1,079,750,900	\$ 1,066,165,300
LESS:					
Operating Budget - 15% Annual Increase	714,974,600	744,920,000	784,300,000	376,900,000	375,900,000
Shared Taxes - 15% Annual Increase	3,998,500	3,795,000	4,364,000	5,018,000	5,770,000
Capital Improvements - Level Projection	24,006,100	24,000,000	24,000,000	24,000,000	24,000,000
Disaster Relief		407,200	1816,000	5,276,800	-
Percentage Change in Fund Balance		- 4.1%	- 8.8%	- 8.8%	- 8.8%
Note: Operating Budget includes debt service	\$ 900,437,900	\$ 863,496,700	\$ 787,694,400	\$ 718,556,100	\$ 655,495,300

(209a)

	F.Y. 1970-71	F.Y. 1971-72	F.Y. 1972-73	F.Y. 1973-74	F.Y. 1974-75
Carry Forward Balance	\$ 903,646.600	\$ 900,437,900	\$ 853,798,700	\$ 751,794,400	\$ 638,156,100
ESTIMATED REVENUES					
Unrestricted General Fund Receipts	239,076,500	238,427,500	235,676,700	292,056,500	347,609,200
TOTAL FUNDS AVAILABLE	\$ 1,142,723,100	\$ 1,138,865,400	\$ 1,089,475,400	\$ 1,043,850,900	\$ 985,765,300
LESS:					
Operating Budget - 20% Annual Increase	714,971,600	751,920,000	309,500,000	371,400,000	445,700,000
Shared Taxes - 15% Annual Increase	379,850,000	379,500,000	436,400,000	501,800,000	577,000,000
Capital Improvements - Level Projection	74,006,100	74,000,000	74,000,000	74,000,000	74,000,000
Disaster Relief		459,700	1,816,000	521,680,000	-
Percentage Change in Fund Balance		- 5.3%	- 11.8%	- 15.1%	- 20.8%
Note: Operating Budget includes debt service					
	\$ 900,437,900	\$ 850,798,200	\$ 751,794,400	\$ 638,156,100	\$ 505,795,300

MUNICIPAL FISCAL YEAR 1970-71
000 OMITTED

PS PROPOSED	PEER FUND	SURPLUS	BUDGET	GO BONDS	ASHA				
	8 500000	8 400436	8 244219	8 147700	8 23056				

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

KEITH H. MILLER, GOVERNOR

POUCH M—JUNEAU 99801

February 25, 1970

Mr. Russell E. Mulder
Deputy Director
Legislative Affairs Agency
State of Alaska
Pouch Y
Juneau, Alaska 99801

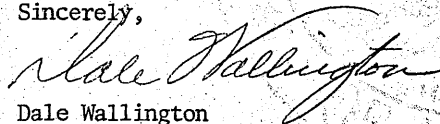
Dear Mr. Mulder:

Your letter to Commissioner Kelly dated February 12, 1970 requesting information from this Department in regard to the Alaska Agricultural Loan Act has been referred to me for reply.

The information you requested in items 1 through 6 are shown on the attached spread sheet with response numbers keyed to like question numbers in your letter.

In item 7 of your letter you requested suggestions that we might have to make the loan funds more viable. We recommend that the limits be raised on short term loans to \$10,000; chattel loans to \$100,000; and real estate loans to \$150,000.

Sincerely,



Dale Wallington
Deputy Commissioner

Attachment

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
AGRICULTURE REVOLVING LOAN FUND

FEBRUARY 13, 1970

OUTSTANDING LOANS—JANUARY 31, 1970 (1)

\$1,488,086.88

DELINQUENT LOANS - JANUARY 31, 1970 (5)

<u>AREA</u>	<u>OUTSTANDING BALANCE</u>	<u>AMOUNT DELINQUENCY</u>	<u>PERCENTAGE</u>
Matanuska	\$615,123.16	\$202,830.08	32%
Kenai	312,291.71	121,131.84	38%
Tanana	433,186.33	182,875.67	42%
Other	90,409.30	31,298.18	34%

<u>OTHER ITEMS</u>	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>	<u>1968-69</u>
LOANS ISSUED (2)	\$574,331.98	\$218,987.56	\$279,161.68	\$117,107.57	\$313,612.84
PRINCIPAL RECEIVED (3)	356,392.38	253,047.24	162,796.60	183,497.20	242,143.97
INTEREST RECEIVED (3)	59,823.19	48,251.48	56,029.53	62,216.65	74,775.13
LOANS CHARGED OFF (4)	27,944.06	-0-	26,000.00	1,400.00	-0-
 <u>INCOME (6)</u>					
INTEREST ON LOANS	\$ 59,823.19	\$ 48,251.48	\$ 56,029.53	\$ 62,216.65	\$ 74,775.13
SALE REPOSSESSED PROPERTY	-0-	-0-	47,763.31	95.00	11,255.00
REPAYMENT LOANS RECEIVABLE	356,392.38	253,047.24	162,796.60	183,497.20	242,143.97
FROM RETIREMENT FUNDS	302,127.63	65,000.00	42,000.00	-0-	-0-
TRANSFER FROM GENERAL FUND		-0-	45,000.00	45,000.00	300,000.00
 <u>EXPENSES (6)</u>					
ADMINISTRATION EXPENSE	\$ 22,238.62	\$ 26,018.61	\$ 26,027.57	\$ 35,092.41	\$ 36,716.94
INTEREST EXPENSE	20,229.14	26,812.03	25,611.04	24,948.03	12,812.44
LOSSES ON LOANS	499.00	4,000.00	-0-	8,033.60	8,474.74
REPAYMENT OF FHA PARTICIPA- TION LOAN	1,663.24	2,266.49	2,466.22	1,398.57	2,142.84
LOANS RECEIVABLE ISSUED	574,331.98	218,987.56	270,161.68	117,107.57	313,612.84
LOANS REPAYED RETIREMENT FUND	48,074.92	93,375.75	14,665.00	105,206.27	246,309.30
PROPERTY REPOSSESSED	27,944.06	-0-	26,000.00	1,400.00	-0-

House Bills 709 and 710

On a related subject, the possibility occurred to me of your creating a port and airport authority, not only to build and finance the capital improvements required in this area, but also to assume responsibility for efficient operation and management of such facilities and their related operations. The capital improvements could be financed through a Port and Airport Authority Fund of the Alaska Capital Improvement Corporation, or the authority itself could be created as a public corporation, handling its bond investments in exactly the same manner as the Alaska Capital Improvement Corporation. In this instance, of course, most of the facilities could be financed through revenue bonds issued by the Port and Airport Authority or by that fund in the Alaska Capital Improvement Corporation. In addition to the security and attraction I indicated earlier for the corporation bonds, the revenue aspects of the bonds would be an additional attraction, perhaps providing even more favorable preferential rates of interest. An example would be the almost immediate need for a port facility at Valdez, the southern terminus of the TAPS Pipeline. Another need might be for improvement and modernization of the port of Juneau for its growing transportation requirements, or perhaps a port facility to accommodate the needs of the pulp plant, some 42 miles north of Juneau at Echo Cove in Berners Bay. This would strictly be a commercial lease back to the pulp plant, if it served the economic needs of the state. The port in this case would make the revenue aspects of the bonds an absolutely safe investment, over and above 100% security of the original investment fund, since the permanent nature of the pulp plant would insure many years of revenues. The needs of Valdez and at Juneau and other places, even possibly including ferry construction, could all be combined for financing and management purposes under one Port and Airport Authority. The revenues from the profitable facilities could be used to back other bonds for needed facilities that could not support financing on their own, but here again, the interest earnings on the investment fund alone should be adequate to cover the entire debt financing of the non-revenue operations, if the fund is properly managed.

House Bills 711 and 712

Basically, the idea would be to create a capitol improvement fund, which would be administered by a public corporation perhaps called the Alaska Capitol Improvement Corporation. In consideration of the constitutional prohibition against earmarking funds and the constitutional requirement for continually placing bond issues for capital expenditures before the electorate, the public corporation would appear to be a necessary vehicle to efficiently accomplish the desirable objectives of capital improvement. The board of directors should probably be chaired by the Governor or Secretary of State and consist of the Commissioners of Administration, Revenue, Commerce, Public Works and Economic Development.

In any event, if part of the \$900 million received from oil lease bonus payments last fall were appropriated by the legislature for placement in the capital improvement fund of the Alaska Capital Improvement Corporation, this money could be invested in government securities, "prime" commercial paper, and highest grade corporate bonds and stocks. The fund and its investment earnings could then be used as the security for special bond obligations of the public corporation issued for specified capital improvements as authorized by referendum or perhaps by a test case without referendum.

Because of the 100% security, these special bond obligations would be very high grade and would probably sell at lower interest rates than general bond obligations of the state. Accordingly, we have a vehicle that would actually be a money maker for the state. The invested capital improvement fund would draw high interest; the bonds would sell at low interest rates, and the profit derived from this difference would exceed the debt service for payment of interest and repayment of principal on the special bond obligations, if it were properly administered. As long as the investment fund would bring greater interest income than the debt service on the bonds, it would be folly to dissipate the principal or corpus of the capital improvement fund. The fund would secure more bonds from time to time as past bonds were paid off by the investment earnings and by additional income derived from some of the revenue-producing capital improvements constructed.

Now, let me suggest another and very meaningful utilization of the Alaska Capital Improvement Corporation which I have suggested that could well be the most important single act of this legislative session, so far as the municipalities and boroughs of the state are concerned. It is exceedingly difficult and oftentimes impossible for local governments, particularly the small ones, to sell their bonds, even at extremely burdensome or exorbitant interest rates. Thus, the financing of local municipal or borough bonds in Alaska would be of great help to the overburdened local government.

My recommendation would be to create a second fund in the corporation, a Municipal Bond Investment Fund. In this instance, the legislature would appropriate funds, say \$100 million, to the Alaska Capital Improvement Corporation for placement in the Municipal Bond Investment Fund. The corporation would again invest these funds in government and grade AA or AAA corporation securities at favorable rates or interest, then issue its own special bond obligation to derive income with which to purchase municipal bonds of the local governments, charging them the same rate of interest it was required to pay on its own bond obligation. Thus, it would be a non-profit operation of the corporation to assist the municipalities. As the principal and interest on the municipal bonds was repaid to the Alaska Capital Improvement Corporation, it would be used to repay the principal and interest on the bonds of the corporation, there would be a wash-out or simply a return from the municipalities adequate to retire the bonds of the corporation. The earnings from the Municipal Bond Investment Fund would come from investment revenues of the original money appropriated by the legislature. For example, if \$100 million were appropriated by the legislature for the fund and invested in Blue Chip Securities that brought 7-1/2% interest, the earnings in one year would be \$7,500,000. Thus the fund would continue to grow.

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attach to Minutes

BY THE RULES COMMITTEE
BY REQUEST OF THE SPECIAL
COMMITTEE ON MONETARY
INVESTMENT

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the investment of state money;
7 and providing for an effective date."

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

9 * Section 1. AS 37.10.070 is repealed and re-enacted to read:

10 Sec. 37.10.070. INVESTMENT IN LOANS. (a) Subject to the pro-
11 visions of (b) of this section, when the commissioner of ^{treasury} ~~revenue~~
12 determines that there ^{are funds} ~~is~~ in the state treasury ~~((a surplus)), ((money))~~
13 ~~or ((funds))~~ above an amount sufficient to meet current demands, up
14 to \$300,000,000 ^{if such funds shall be used} ~~or it ((may)) or ((shall))~~ first be used to continuously
15 ^{invest in} ~~purchase~~ any of the following:

16 (1) Federal Housing Administration ~~((insured))~~ mortgages,
17 ~~((bearing)) or ((at)) the market rate but not exceeding~~ ___ per cent;

18 (2) Federal Veterans Administration ^{guaranteed} ~~((insured))~~ mortgages
19 ~~((bearing)) or ((at)) the market rate but not exceeding~~ ___ per cent;

20 ** \rightarrow (3) Alaska Veterans Administration ^{guaranteed} ~~((insured))~~ mortgages
21 and agricultural revolving ^{fund} ~~loans~~, ~~((bearing)) or ((at)) the market~~
22 rate but not exceeding ___ per cent;

23 (4) conventional residential mortgages ~~((bearing)) or ((at))~~

24 the market rate but not exceeding ___ per cent if the originating
25 ^{when the original bank} financing institution retains at least 25 per cent of the mortgage
26 and no less than the mortgage that it already had (the ___ per cent
27 applies only to that part of the mortgage purchased by the state);
28 and

29 (5) ^{other secured loans (this would be best)} conventional mortgages, not exceeding \$ 75,000

** new subsection will be added for ^{Farmers} Federal Home Administration notes.
There is this amount.

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1 per mortgage, ((bearing)) or ((at)) the market rate but not exceeding
2 ___ per cent if the originating financial institution retains at
3 least ^{33 1/3} ~~25~~ per cent of the mortgage and no less than the mortgage that
4 it already had (the ___ per cent applies only to that part of the
5 mortgage purchased by the state).

6 (b) To qualify as a mortgage or loan which can be purchased by
7 the state under (a) of this section, it must

8 (1) be on real estate in the state *or on a mortgage*

9 (2) have as a mortgagor an Alaska resident ^{(a) 5-17} or a corporation
10 in which at least 51 per cent of the stock is owned by Alaska
11 residents; ~~domestic~~ *have no initial service fees (see notes)*

12 (3) ~~not have either closing fees or service fees which~~ *initial (see notes)*
13 exceed one-half of one per cent;

14 (4) be legal for the originating financial institution
15 except that a bank's legal loan limit shall apply only to the portion
16 of the mortgage retained by the bank (a legal mortgage for other
17 financial institutions must be within the legal requirements of a
18 state bank); and

19 (5) have had its loan papers certified by the originating
20 financial institution as correct and in compliance with law as part
21 of the purchase.

22 (c) In this section

23 (1) "resident" means a person domiciled in the state with
24 ~~at least one year's physical presence; and~~

25 (2) "financial institution" means a lending entity
26 operating under the national banking laws, the state banking laws, the
27 state mutual banking laws, the state savings and loan laws, the
28 federal savings and loan laws, and other mortgage lenders licensed
29 to do business in the state.

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* Sec. 2. AS 37.10 is amended by adding a new section to read:

Sec. 37.10.075. INVESTMENTS BESIDES LOANS. (a) When the commissioner of revenue determines that there is in the state treasury ~~((money or ((funds)))~~ which are not being used to purchase mortgages on a continuous basis as provided for in sec. 70 of this chapter, ~~((it))~~ or ~~((they))~~ may be invested in any of the following:

(1) ~~bonds, notes, and bills which constitute direct obligations of the United States;~~

(2) obligations of agencies and instrumentalities of the United States;

(3) bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska law;

(4) ~~commercial paper of prime or equivalent quality, as rated by a nationally recognized rating organization, which is issued by corporations organized and operating in the United States with assets in excess of \$500 million.~~
Corporate obligations
admission of R.V.

(b) Investment policy shall be formulated by ^{admission of R.V.} a committee, consisting of the governor or his designee, the commissioner of revenue, the commissioner of commerce, and the commissioner of administration.

In formulating investment policy, ^{they} the committee shall consider maximum income and safety ^{as required by the prudent man rule} ~~in determining the amount and term of investments~~

~~in bank certificates of deposit, the committee also shall consider~~ ^{the}

(1) the character of the management, the amount of capital, the amount of total deposits, and the amount of State of Alaska deposits of the bank in whose certificates of deposit the investment is to be made;

(2) ^{the} ~~the indirect~~ benefit to the private and public sectors of the economy in terms of increased housing and commercial credit, stimulated business activity, increased employment, support of the

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*possible
or { inflationary effects ✓
investments
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market for state and local bonds, and increased public revenue, which might result from the investment;

(3) the probable inflationary effect of the investment; and

(4) the extent to which such indirect benefits tend to offset the difference, if any, between the income available from investments in bank certificates of deposit and other permitted investments.

(c) The Department of Revenue, with the consent of the committee, may enter into contracts for services providing investment advice, custody of securities, and execution of transactions, in or out of Alaska.

* Sec. 3. AS 37.10.085 is ~~amended to read:~~

~~Sec. 37.10.085. FINANCIAL AID TO CORPORATIONS BY STATE OR POLITICAL SUBDIVISIONS. Except as permitted by statute, neither [NEITHER] the state nor a political subdivision of the state may~~

- ~~(1) make a subscription to the capital stock of a corporation;~~
- ~~(2) lend its credit for the use of a corporation; or~~
- ~~(3) borrow money for the use of a corporation.~~

* Sec. 4. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.

TELEGRAM

1929 Communications Group (ACG) USAF
FEDERAL BLDG. ALAS 137 PHONE 6-7477
KETCHIKAN, ALASKA

V

CR4073 PDC

KETCHIKAN ALASKA 25 308P PST

1970 MAR 25 PM 3 37

STAN CORNELIUS POUCH B

JUN

EARLY PASSAGE OF HOUSE BILLS 726 AND 727 COULD MEAN
MUCH TO ALASKA FISHERMAN WE SUPPORT BILLS 726 AND 727
AND LOOK FORWARD HOPEFULLY TO THEIR PASSAGE SOUTHEASTERN
ALASKA GILLNETTERS ASSOCIATION INCORPORATED BOX 667
KETCHIKAN ALASKA 99901

JACK P JACOBSEN

726 727 726 727

(33).

V

TELEGRAM

1929 Communications Group (493) USAF
4th AF, 1929 TFW, TACOM 6-7477
JUNEAU, ALASKA

V

1970 MAR 25 .PM 1 14

CHIA006 PDB

SITKA ALASKA 25 110P PST

REP STAN CORNELIUS 2503

POUCH B JUN

SOUTHEAST ALASKA TROLLERS ASSOCIATION STRONGLY RECOMMENDS
THAT HB726 AND 727 BE GIVEN MAXIMUM SUPPORT AND HIGHEST
PRIORITY. ESTABLISHMENT OF REVOLVING LOAN FUND WOULD
PROVIDE SUPPORT TO COMMERCIAL FISHERMEN AND FISHING
INDUSTRY THAT IS LONG OVERDUE

ELVIN ROTTLUFF, CHAIRMAN

HB726 727

(14).

HOUSE BILL NO. 326

State of Washington
41st Legislature
Second Extraordinary Session

by Representatives Bledsoe, Chatalas,
Shera, Leckenby, Charette and
Pardini

Read first time January 17, 1970, and referred to Committee on
Financial Institutions and Insurance,

1 AN ACT Relating to the investment of funds; adding a new section to
2 chapter 39.60 RCW; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4 NEW SECTION. Section 1. There is added to chapter 39.60 RCW
5 a new section to read as follows:

6 Notwithstanding the provisions of any other statute of the
7 state of Washington to the contrary, it shall be lawful for the state
8 of Washington and any of its departments, institutions and agencies,
9 municipalities, districts, and any other political subdivision, or
10 any political or public corporation of the state, or for any execu-
11 tor, administrator, guardian, or conservator, trustee or other fidu-
12 ciary, to invest its funds or the monies in its custody or possession,
13 eligible for investment, in notes, bonds, or debentures of savings
14 and loan associations, banks, mutual savings banks, savings and loan
15 service corporations operating with approval of the Federal Home
16 Loan Bank, ~~and corporate mortgage companies;~~ PROVIDED, That the ^{Notes}
17 bonds or debentures are rated not less than "A" by nationally recog-
18 nized rating agency, or are insured or guaranteed by an agency of the
19 federal government or by private insurer authorized to do business
20 in the state: PROVIDED FURTHER, That the ^{Notes} bonds and debentures in-
21 sured or guaranteed by a private insurer shall also be backed by a
22 pool of mortgages equal to the amount of the ^{Notes} bonds or debentures.

23 NEW SECTION. Sec. 2. This act is necessary for the immediate
24 preservation of the public peace, health and safety, the support of
25 the state government and its existing public institutions, and shall
26 take effect immediately.

27 NEW SECTION. Sec. 3. If any provision of this act, or its

1 application to any person or circumstance is held invalid, the re-
2 mainder of the act, or the application of the provision to other
3 persons or circumstances is not affected.

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FEDERAL HOME LOAN BANK
600 STEWART STREET SEATTLE, WASHINGTON 98101



OF SEATTLE
PHONE (206) 624-3980

March 27, 1970

Mr. L. C. Coffman, President
Alaska Federal Savings and Loan
Association of Juneau
P. O. Box 1447
Juneau, Alaska 99801

Dear Lee:

We have now been informed that the General Counsel has concluded that the Federal Home Loan Bank Board does not have sufficient legal authority to permit Federal savings and loan associations to collateralize savings deposits and that a change in the present statutes would be required to permit such collateralizing. It is not possible to estimate the period of time which might be required to gain appropriate Congressional action.

We were pleased to have an opportunity to review Senate Bill 403. This is constructive legislation and the provisions of the bill should materially assist our member savings and loan associations and savings banks to increase substantially the volume of their financing of homes for Alaska citizens.

Sincerely yours,

JOHN M. KLEEB
President

JMK/sg

cc: Thomas K. Downes, Commissioner, Department of Administration
Walter Kubley, Commissioner, Department of Commerce
George A. Morrison, Commissioner, Department of Revenue
John Robertson, Director of Banking, Department of Commerce
The Honorable Robert H. Ziegler, Chairman, Special Committee on
Investment and Monetary Policies
The Honorable Vance Phillips, Alaska Senate

like effect as personal service on such bank or trust company. Such power of attorney shall be irrevocable so long as any such liability shall remain outstanding against such bank or trust company in this state. Upon receipt of such notice or process, it shall be the duty of the said secretary of state forthwith to forward the same by registered or certified mail to such bank or trust company at the address stated in the said power of attorney, and such bank or trust company shall comply with the provisions of chapter 6-05, in so far as the provisions of said chapter pertain to banks or trust companies.

Source: S. L. 1953, ch. 98, § 2; R. C. 1943, 1957 Supp., § 6-0826.

6-08-27. Resident place of business, branch office or agency not authorized—Acts prohibited.—The provisions of sections 6-08-25 through 6-08-28 shall not be construed to permit a bank or trust company, organized and doing business under the laws of any other state, territory, or district than the state of North Dakota, including a national bank doing business in any other state, to establish in this state a place of business, branch office, or agency for the conduct of business as a fiduciary.

No bank or trust company organized and doing business under the laws of any state or territory of the United States of America, or of the District of Columbia, other than the state of North Dakota, or a national bank doing business in any other state, territory, or district, shall act in a fiduciary capacity in this state, except pursuant to the provisions of sections 6-08-25 through 6-08-28.

Source: S. L. 1953, ch. 98, §§ 3, 4; R. C. 1943, 1957 Supp., § 6-0827.

6-08-28. Penalty.—Any bank or trust company violating any provisions of sections 6-08-25 through 6-08-28 shall be guilty of a misdemeanor and, upon conviction thereof, shall be subject to a fine of not exceeding ten thousand dollars, and may, in the discretion of the court, be prohibited thereafter from serving in this state in any fiduciary capacity.

Source: S. L. 1953, ch. 98, § 5; R. C. 1943, 1957 Supp., § 6-0828.

CHAPTER 6-09

THE BANK OF NORTH DAKOTA

Section		Section	
6-09-01	Purpose and establishment of Bank of North Dakota.	6-09-03	Industrial commission may acquire property by purchase or eminent domain—Investments in banking house and furnishings limited.
6-09-02	Industrial commission to operate Bank — Business of Bank.		

Section		Section	
6-09-04	Commission to employ manager and other employees — Expenditures limited to appropriations.	6-09-20	Mortgage and note payable to manager of bank—Receipts — Recording — Satisfaction and discharge.
6-09-05	Removal and discharge of appointees.	6-09-21	Sale and assignment of note and mortgage—Extension of payments limited.
6-09-06	Capital of Bank.	6-09-22	Assignment of note and mortgage to state treasurer — Payments—Satisfactions.
6-09-07	State funds must be deposited in Bank of North Dakota.	6-09-23	Partial release and satisfaction of mortgages assigned to state treasurer.
6-09-08	Nonliability of officers and sureties after deposit.	6-09-24	Partial payments—Sale and assignment of mortgages assigned to state treasurer.
6-09-09	Deposits may be received from any source — Deposits to credit in other banks.	6-09-25	State treasurer may lease lands acquired through foreclosure of Bank mortgages—Oil and gas leases.
6-09-10	Guaranty of deposits—Exemption from all taxation.	6-09-26	Name in which business conducted and titles taken — Execution of written instruments.
6-09-11	State bank deposits in Bank of North Dakota available funds — Bank a clearing house.	6-09-27	Civil actions on Bank transactions—Name of parties — Service — Venue — Audit board provisions inapplicable.
6-09-12	Interest rates fixed by commission—Time deposits—Limitations—Charges for services.	6-09-28	Surety on appeal, attachment, claim and delivery, and other cases where undertaking required, not required of Bank of North Dakota.
6-09-13	Collection items must be paid to Bank of North Dakota at par—Violation a misdemeanor.	6-09-29	State examiners to make examinations and reports.
6-09-14	Bank of North Dakota may deposit in any bank.	6-09-30	Repayment of moneys appropriated for Bank to state.
6-09-15	Bank may transfer funds to other state departments — Loans — Real estate loans limited—Obtaining additional funds.	6-09-31	Sale of land held by state treasurer as trustee for state—Repealed.
6-09-16	Funds transferred to state departments—How credited by state treasurer.	6-09-32	Bank may adopt rules governing sales.
6-09-17	Department of accounts and purchases to issue warrants against transferred funds.		
6-09-18	Real estate loans—Application — Appraisal — Action on loans.		
6-09-19	Conditions of real estate mortgage — Extension of payments.		

6-09-01. Purpose and establishment of Bank of North Dakota.—For the purpose of encouraging and promoting agriculture, commerce, and industry, the state of North Dakota shall engage in the business of banking, and for that purpose shall maintain a system of banking owned, controlled, and operated by it, under the name of the Bank of North Dakota.

Source: L. L. 1919, S. L. 1919, S. L. 1920, S. L. 1921, S. L. 1922, S. L. 1923, S. L. 1924, S. L. 1925, S. L. 1926, S. L. 1927, S. L. 1928, S. L. 1929, S. L. 1930, S. L. 1931, S. L. 1932, S. L. 1933, S. L. 1934, S. L. 1935, S. L. 1936, S. L. 1937, S. L. 1938, S. L. 1939, S. L. 1940, S. L. 1941, S. L. 1942, S. L. 1943, S. L. 1944, S. L. 1945, S. L. 1946, S. L. 1947, S. L. 1948, S. L. 1949, S. L. 1950, S. L. 1951, S. L. 1952, S. L. 1953, S. L. 1954, S. L. 1955, S. L. 1956, S. L. 1957, S. L. 1958, S. L. 1959, S. L. 1960, S. L. 1961, S. L. 1962, S. L. 1963, S. L. 1964, S. L. 1965, S. L. 1966, S. L. 1967, S. L. 1968, S. L. 1969, S. L. 1970, S. L. 1971, S. L. 1972, S. L. 1973, S. L. 1974, S. L. 1975, S. L. 1976, S. L. 1977, S. L. 1978, S. L. 1979, S. L. 1980, S. L. 1981, S. L. 1982, S. L. 1983, S. L. 1984, S. L. 1985, S. L. 1986, S. L. 1987, S. L. 1988, S. L. 1989, S. L. 1990, S. L. 1991, S. L. 1992, S. L. 1993, S. L. 1994, S. L. 1995, S. L. 1996, S. L. 1997, S. L. 1998, S. L. 1999, S. 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Source: S. L. 1919, ch. 147, § 1; 1925 Supp., § 5192a1; R. C. 1943, § 6-0901.

Cross-Reference

Bank of North Dakota entitled to records of state banks, see § 6-01-20.

Constitutionality.

The due process clause is not violated by the act creating the Bank of North Dakota, on the ground that taxes are imposed for private purposes. *Green v. Frazier*, 253 US 233, 64 LEd 878, 40 SupCt 499, affirming 44 NW 395, 176 NW 11.

The issuance of bonds and levying of a tax on all nonexempt property in the state to build and operate state-owned industries and utilities do not violate

the fourteenth amendment. *Green v. Frazier*, 253 US 233, 64 LEd 878, 40 SupCt 499, affirming 44 ND 395, 176 NW 11.

Federal Capital Stock Tax.

The Bank of North Dakota is subject to the federal capital stock tax. *State of North Dakota v. Olson*, 33 F 2d 848, appeal dismissed in 280 US 528, 74 LEd 594, 50 SupCt 88.

Separate Agency of State.

The Bank of North Dakota may function as a separate agency of the sovereign power of the state. *Sargent County v. State*, 47 ND 561, 182 NW 270, explained in 58 ND 643, 227 NW 52.

6-09-02. Industrial commission to operate Bank—Business of Bank.

—The industrial commission shall operate, manage, and control the Bank of North Dakota, locate and maintain its places of business, of which the principal place shall be within the state, and make and enforce orders, rules, regulations, and bylaws for the transaction of its business. The business of the Bank, in addition to other matters specified in this chapter, may include anything that any bank lawfully may do, except as it is restricted by the provisions of this chapter. This provision shall not be held in any way to limit or qualify either the powers of the industrial commission granted by nor the functions of said Bank as defined in this chapter.

Source: S. L. 1919, ch. 147, § 2; 1925 Supp., § 5192a2; R. C. 1943, § 6-0902.

Borrowing Money.

This section gives the Bank of North Dakota power to borrow money. *Sargent County v. State*, 47 ND 561, 182 NW 270.

Federal Capital Stock Tax.

The Bank of North Dakota is subject to the federal capital stock tax. *State of North Dakota v. Olson*, 33 F 2d 848, appeal dismissed in 280 US 528, 74 L Ed 594, 50 SupCt 88.

6-09-03. Industrial commission may acquire property by purchase or eminent domain—Investments in banking house and furnishings limited.

—To accomplish the purposes of this chapter, the industrial commission shall have authority to acquire by purchase, lease, or by exercise of the right of eminent domain, all requisite property and property rights, and may construct, remodel, and repair buildings. It shall not invest more than ten per cent of the capital of the Bank in furniture, fixtures, lands, and buildings for office purposes.

Source: S. L. 1919, ch. 147, § 3; 1925 Supp., § 5192a3; R. C. 1943, § 6-0903.

Cross-Reference.

Property of Bank of North Dakota need not be insured in state fire and tornado fund, see § 26-24-05.

6-09-04. Commission to employ manager and other employees.—Expenditures limited to appropriations.—The industrial commission shall obtain such assistance as in its judgment may be necessary for the establishment, maintenance, and operation of the Bank. To that end, it shall appoint a manager, and may appoint such subordinate officers and employees as it may judge expedient. It may constitute such manager its general agent in respect to the functions of said Bank, but subject, nevertheless, in such agency, to the supervision, limitation, and control of the commission. It shall employ such contractors, architects, builders, attorneys, cashiers, tellers, clerks, accountants, and other experts, agents, and servants as in the judgment of the commission the interests of the state may require, and shall define the duties, designate the titles, and fix the compensation, within legislative appropriation, and the bonds of all such persons so engaged. Subject to the control and regulation of the commission, the manager of the Bank shall appoint and employ such deputies, cashiers, tellers, and other subordinates, and such contractors, architects, builders, attorneys, clerks, accountants, and other experts, agents, and servants, as he, in his judgment, shall deem required by the interests of the Bank. The total compensation of such appointees and employees, together with other expenditures for the operation and maintenance of the Bank, shall remain within the appropriation lawfully available in each year for such purpose. All officers and employees of the Bank engaged upon its financial functions, before entering upon their duties, shall furnish respectively good and sufficient bonds to the state in such amount and upon such conditions as the commission may require and approve. The bond of the manager shall not be less than fifty thousand dollars, and such bond shall be filed with the secretary of state.

Source: S. L. 1919, ch. 147, § 4; 1925 Supp., § 5192a4; R. C. 1943, § 6-0904.

6-09-05. Removal and discharge of appointees.—The industrial commission may remove and discharge any and all persons appointed in the exercise of the powers granted by this chapter, whether by the commission or by the manager of the Bank, and any such removal may be made whenever in the judgment of the commission the public interests require it. All appointments and removals contemplated by this chapter shall be made as the commission shall deem fit to promote the efficiency of the public service.

Source: S. L. 1919, ch. 147, § 5; 1925 Supp., § 5192a5; R. C. 1943, § 6-0905.

6-09-06. Capital of Bank.—The Bank shall be opened and shall proceed to transact business whenever there shall be delivered to the industrial commission bonds in the sum of two million dollars issued by the state as may be provided by law for such purpose. The fund

procured by the
and shall be
Source: S. L. 1919,
Supp., § 5192a6; R.
Due Process of Law
The issuing of b.
enterprises by the
the state does not
law as guaranteed
stitution. Green v. F.
176 NW 11.

6-09-07. State
All state funds, an
institutions shall
persons having co
Source: S. L. 1919,
November 2, 1920,
255; 1925 Supp., §
§ 6-0907.

Cross-References.
Money received by
mission from insolvent
men deposited in Bank.
State funds to be
see § 21-04-02.
State health depart
to transfer unclaimed
years, see § 23-01-14.
State scholarship f
student loans, see ch. 13

County Funds.
This section does not
of the county commi
nate legal depositories
placing of county fun
Kopriva v. Larson, 48 M.
626.

Depository Bond.
The enactment of

6-09-08. Nonliabil
ever any of the publi
in the Bank of No
having control ther
official shall be exc
such funds while so
Source: S. L. 1919, ch.
Supp., § 5192a8; R. C. 1943,

procured by the negotiation and sale of such bonds hereby is designated and shall be known as the capital of said Bank.

Source: S. L. 1919, ch. 147, § 6; 1925 Supp., § 5192a6; R. C. 1943, § 6-0906.

Due Process of Law.

The issuing of bonds in aid of public enterprises by the proper authority of the state does not deny due process of law as guaranteed by the federal constitution. *Green v. Frazier*, 44 ND 395, 176 NW 11.

Federal Capital Stock Tax.

The Bank of North Dakota is subject to the federal capital stock tax. *State of North Dakota v. Olson*, 33 F 2d 842, appeal dismissed in 280 US 528, 74 L Ed 594, 50 SupCt 88.

6-09-07. State funds must be deposited in Bank of North Dakota.—All state funds, and funds of all state penal, educational, and industrial institutions shall be deposited in the Bank of North Dakota by the persons having control of such funds.

Source: S. L. 1919, ch. 147, § 7; I. M., November 2, 1920, § 1; S. L. 1921, p. 255; 1925 Supp., § 5192a7; R. C. 1943, § 6-0907.

Cross-References.

Money received by public service commission from insolvent grain warehousemen deposited in Bank, see § 60-04-08.

State funds to be deposited in Bank, see § 21-04-02.

State health department authorized to transfer unclaimed fees after three years, see § 23-01-14.

State scholarship revolving fund for student loans, see ch. 15-62.

County Funds.

This section does not repeal the power of the county commissioners to designate legal depositories and direct the placing of county funds. *State ex rel. Kopriva v. Larson*, 48 ND 1144, 189 NW 626.

Depository Bond.

The enactment of this section in

1919 canceled depository bond previously executed and terminated liability of sureties. *City of Dickinson v. Dakota Nat. Bank of Dickinson*, 52 ND 204, 202 NW 279.

Bond given by depository of county funds under ch. 56, Laws 1921 was not terminated by ch. 199, Laws 1923. *Golden Valley County v. Lundin*, 52 ND 420, 203 NW 317.

Duty of State Treasurer.

It is the duty of the state treasurer to deposit all state and state institutional funds which come into his possession in the Bank of North Dakota. *State ex rel. Lemke v. District Court of Stutsman County*, 49 ND 27, 186 NW 381.

Industrial Commission Funds.

Funds of the industrial commission cannot be placed legally in any depository except the Bank of North Dakota. *State v. Gammons*, 64 ND 702, 256 NW 163.

6-09-08. Nonliability of officers and sureties after deposit.—Whenever any of the public funds hereinbefore designated shall be deposited in the Bank of North Dakota, as hereinbefore provided, the official having control thereof and the sureties on the bond of every such official shall be exempt from all liability by reason of loss of any such funds while so deposited.

Source: S. L. 1919, ch. 147, § 8; 1925 Supp., § 5192a8; R. C. 1943, § 6-0908.

6-09-09. Deposits may be received from any source—Deposits to credit in other banks.—The Bank of North Dakota may receive deposits from any source, including the United States government, and any foreign or domestic individual, corporation, association, municipality, bank, or government. Funds may be deposited to the credit of the Bank of North Dakota in any bank or agency approved by the industrial commission.

Source: S. L. 1919, ch. 147, § 9; 1925 Supp., § 5192a9; R. C. 1943, § 6-0909.

6-09-10. Guaranty of deposits—Exemption from all taxation.—All deposits in the Bank of North Dakota are guaranteed by the state. Such deposits shall be exempt from state, county, and municipal taxes of any and all kinds.

Source: S. L. 1919, ch. 147, § 10; 1925 Supp., § 5192a10; R. C. 1943, § 6-0910.

6-09-11. State bank deposits in Bank of North Dakota available funds—Bank a clearing house.—Funds deposited by state banks in the Bank of North Dakota shall be deemed "available funds" within the meaning of that term as used in section 6-03-37 of this title. For banks that make the Bank of North Dakota a reserve depository, it may perform the functions and render the services of a clearing house, including all facilities for providing domestic and foreign exchange, and may re-discount paper, on such terms as the industrial commission shall provide.

Source: S. L. 1919, ch. 147, § 11; 1925 Supp., § 5192a11; R. C. 1943, § 6-0911.

6-09-12. Interest rates fixed by commission—Time deposits—Limitations—Charges for services.—The industrial commission, unless otherwise limited by law, from time to time shall fix the rates of interest allowed and received in transactions of the bank. Such rates shall be as nearly uniform and constant as practicable, and shall not be fixed or changed to work any discrimination against or in favor of any person or corporation. In respect to time deposits received by the bank, transactions may be reasonably classified as to the amounts and the duration of time involved, and a reasonable differentiation of interest rates based on such classification may be allowed. When interest is allowed on any deposits the interest rate thereon shall not be more than six per centum per annum. The industrial commission also shall fix reasonable charges, without unjust discrimination, for any and all services rendered by the bank.

Source: S. L. 1919, ch. 147, § 12; 1925 L. 1947, ch. 110, § 1; 1957 Supp., § 6-0912; S. 0912.

6-09-13. Collect par—Violation a n items of exchange bills to the state department of either bank or banking a remitted for at par Bank of North Dakota corporation who shall be guilty of a misdemeanor.

Source: S. L. 1919, ch. 147, § 13; 1925 Supp., § 5192a13; R. C. 1943, ch. 112, § 13; 0913.

Clearance of Checks at There is no law requiring to clear checks at par, etc.

6-09-14. Bank of North Dakota may within or without the industrial commission

Source: S. L. 1919, ch. 147, § 14; 1925 Supp., § 5192a14; R. C. 1943, § 6-0914.

6-09-15. Bank may not—Real estate loans by of North Dakota may not utilities, industries, etc. and such funds shall not make loans to counties, state, or to state or its rules and regulations. It shall not make loans to or private corporation, who are residents of the recorded first mortgage in amounts not to exceed make loans to any individual loans are secured by the commission or by any lien to exceed ninety per cent thereof. The Bank shall of its capital, nor shall its deposits on real estate

6-09-13. Collection items must be paid to Bank of North Dakota at par—Violation a misdemeanor.—All checks and other instruments and items of exchange payable on demand issued in payment of public bills to the state of North Dakota and its political subdivisions or any department of either sent by the Bank of North Dakota to any state bank or banking association in North Dakota, for collection, shall be remitted for at par by such state bank or banking association to the Bank of North Dakota if good on the day presented. Any person or corporation who shall violate any of the provisions of this section shall be guilty of a misdemeanor.

Source: S. L. 1919, ch. 147, § 13; 1925 Supp., § 5192a13; R. C. 1943, § 6-0913; S. L. 1949, ch. 112, § 1; 1957 Supp., § 6-0913.

vided in and limited by this section. McLaughlin Oil Co v. First State Bank of Buffalo, 79 ND 525, 57 NW 2d 860.

Law Review.

Clearance of Checks at Par.

There is no law requiring state banks to clear checks at par, other than as pro-

Bank Check Transactions in North Dakota, Custom v. Law, 24 Bar Briefs, State Bar Assn. of N. Dak. 199.

6-09-14. Bank of North Dakota may deposit in any bank.—The Bank of North Dakota may deposit funds in any bank or banking association within or without the state upon such terms and conditions as the industrial commission shall determine.

Source: S. L. 1919, ch. 147, § 14; 1925 Supp., § 5192a14; R. C. 1943, § 6-0914.

6-09-15. Bank may transfer funds to other state departments—Loans—Real estate loans limited—Obtaining additional funds.—The Bank of North Dakota may transfer funds to other departments, institutions, utilities, industries, enterprises, or business projects of the state, and such funds shall be returned with interest to the Bank. It may make loans to counties, cities, or other political subdivisions of the state, or to state or national banks, on such terms and under such rules and regulations as the industrial commission may determine. It shall not make loans or give its credit to any individual, association, or private corporation, except that it may make loans to actual farmers who are residents of this state, if such loans are secured by duly recorded first mortgages on real estate in the state of North Dakota in amounts not to exceed one-half the value of the security, and it may make loans to any individual, association, or private corporation if such loans are secured by warehouse receipts issued by the industrial commission or by any licensed warehouse within the state in amounts not to exceed ninety per cent of the value of the commodities evidenced thereby. The Bank, however, shall not loan more than thirty per cent of its capital, nor in addition thereto, more than twenty per cent of its deposits on real estate security. Additional funds that may be

required for such real estate loans shall be procured from the sale of state bonds as may be provided by law.

Source: S. L. 1919, ch. 147, § 15; 1925 Supp., § 5192a15; R. C. 1943, § 6-0915. I. M. November 2, 1920; S. L. 1921, p. 255; 1925 Supp., § 5192a26; R. C. 1943, § 6-0915.

Loans to Banks and Political Subdivisions.

The Bank of North Dakota may loan money not only to political subdivisions, but also to state and national banks. Sargent County v. State, 47 ND 561,

182 NW 270, explained in 58 ND 643, 227 NW 52, 53.

Loans to Individuals.

Loans to individuals are prohibited except upon real estate and warehouse receipts. State v. Dakota Nat. Bank of Dickinson, 52 ND 98, 261 NW 851.

Real estate loans to nonresident farmers are prohibited. Hendrickson v. Syverson, 82 NW 2d 827.

6-09-16. Funds transferred to state departments—How credited by state treasurer.—All funds transferred to other departments, institutions, utilities, industries, enterprises, or projects of the state, by the Bank of North Dakota, shall be placed to the credit of such institutions, utilities, industries, enterprises, or projects by the state treasurer subject to their respective orders.

Source: S. L. 1919 Sp., ch. 46, § 1; 1925 Supp., § 5192a16; R. C. 1943, § 6-0916.

6-09-17. Department of accounts and purchases to issue warrants against transferred funds.—The department of accounts and purchases shall prepare and issue warrants signed by the state auditor against money transferred by the Bank of North Dakota to other departments, institutions, utilities, industries, enterprises, or projects of the state in the manner provided for the transfer of funds derived from the payment of taxes or otherwise.

Source: S. L. 1919 Sp., ch. 46, § 2; 1925 Supp., § 5192a17; R. C. 1943, § 6-0917; S. L. 1959, ch. 372, § 5.

Note.

The provisions of this section are not effective until July 1, 1961. For the law effective until July 1, 1961, see the equivalent section of the North Dakota Revised Code of 1943.

6-09-18. Real estate loans—Application—Appraisal—Action on loans.—The industrial commission shall prescribe the forms of application for a mortgage loan on real estate, and shall provide for appraisal of the proposed security. Thereupon, the Bank shall determine promptly whether to grant or refuse any part or all of any loan.

Source: S. L. 1919, ch. 147, § 16; 1925 Supp., § 5192a18; R. C. 1943, § 6-0918.

6-09-19. Conditions of real estate mortgage—Extension of payments.—Every such real estate mortgage shall contain an agreement providing

for the repayment of a fixed number of payments on the loan at a rate of real estate loan a charge for administration per cent per annum constituting the interest amounts to be applied not less than ten per cent of one or more principal, or the payment regular installment the mortgagor's real estate under said mortgage may be extended for all installments such payments were made whether a mortgage installment under the Source: S. L. 1919, ch. 147, Supp., § 5192a19; R. C. 1943, § 6-0919.

6-09-20. Mortgagee's Recording—Satisfaction of note or other obligation of the Bank of North Dakota as mortgagee and payee and delivered in conformity with this chapter. After the lands therein described are delivered to the management of the Bank, or shall be held, payments upon the mortgage shall be made if it shall have been fully discharged the mortgagee with a satisfaction thereon. Source: S. L. 1919, ch. 147, Supp., § 5192a20; R. C. 1943, § 6-0920.

6-09-21. Sale and assignment of payments limited.—Every other obligation thereby secured payment to the Bank of North Dakota and assignment, the man-

for the repayment of the loan on an amortization plan by means of a fixed number of annual installments sufficient to cover; first, a charge on the loan at a rate not exceeding the interest rate in the last series of real estate loan bonds issued by the state of North Dakota; second, a charge for administration and surplus at a rate not exceeding one per cent per annum on the unpaid principal, said two rates combined constituting the interest rate on the mortgage; and, third, such amounts to be applied on the principal as will extinguish the debt in not less than ten years nor more than thirty years. Advanced payment of one or more annual installments, for the reduction of the principal, or the payment of the entire principal, may be made at any regular installment date. In case of a crop failure which reduces the mortgagor's reasonable crop income by one-half, all payments under said mortgage, in the discretion of the industrial commission, may be extended for one year upon condition that on the payment of all installments such further annual payment shall be made as will pay the interest, with interest thereon, for the years for which no payments were made. The industrial commission shall determine whether a mortgagor is entitled to an extension of the payment of any installment under the provisions of this section.

Source: S. L. 1919, ch. 147, § 17; 1925 Supp., § 5192a19; R. C. 1943, § 6-0919.

6-09-20. Mortgage and note payable to manager of Bank—Recitals—Recording—Satisfaction and discharge.—Every such mortgage, and the note or other obligation thereby secured, shall run to "the manager of the Bank of North Dakota, his successors in office or his assigns," as mortgagee and payee, and shall contain a recital that it is executed and delivered in conformity with and upon the conditions expressed in this chapter. After having been recorded in each county in which the lands therein described are situated, every such mortgage shall be delivered to the manager of the Bank and together with said note or other obligation, shall be held by the manager as a part of the assets of the Bank, or shall be disposed of otherwise as hereafter provided. If so held, payments upon the note or the obligation secured by said mortgage shall be made to the Bank of North Dakota, and whenever it shall have been fully paid, the manager promptly shall satisfy and discharge the mortgage lien of record and deliver the canceled mortgage, with a satisfaction thereof, to the person entitled to receive it.

Source: S. L. 1919, ch. 147, § 18; 1925 Supp., § 5192a20; R. C. 1943, § 6-0920.

6-09-21. Sale and assignment of note and mortgage—Extension of payments limited.—Every such mortgage, together with the note or other obligation thereby secured, may be sold and assigned upon the payment to the Bank of the full value thereof, and upon such sale and assignment, the manager may endorse either with or without

recourse. In that case, payments upon said note or other obligation shall be made to the person entitled to receive them. Each such assignment shall be made subject to the provisions concerning extension of the time of payments on account of crop failures as provided in section 6-09-19, and the subsequent action of the industrial commission in that regard shall be binding upon the assignee of such mortgage, except that after assignment of such mortgage, extensions of payments for a yearly period shall be limited in total number to not more than one for every period of five years or fraction thereof during which such mortgage has to run after the date of assignment.

Source: S. L. 1919, ch. 147, § 19; 1925 Supp., § 5192a21; R. C. 1943, § 6-0921.

6-09-22. Assignment of note and mortgage to state treasurer—Payments—Satisfactions.—Every such mortgage, together with the note or other obligation thereby secured, may be assigned, and upon order of the industrial commission shall be assigned, to the state treasurer of the state of North Dakota as security for bonds issued or to be issued by the state as provided by law. In case of such assignment, all payments due upon said note or other obligation shall be made to the state treasurer, and he shall hold or disburse such money as may be provided by law. If while any such mortgage so assigned to the state treasurer is in his hands, the note or obligation thereby secured shall have been paid fully, the state treasurer shall so certify to the manager of the Bank, who shall proceed thereupon to satisfy said mortgage in the same manner as though said note or other obligation had been paid directly to the Bank. In case of such assignment to the state treasurer of any such mortgage, the provisions contained in section 6-09-21 respecting extensions on account of crop failure shall be effective and shall be applied.

Source: S. L. 1919, ch. 147, § 20; 1925 Supp., § 5192a22; R. C. 1943, § 6-0922.

6-09-23. Partial release and satisfaction of mortgages assigned to state treasurer.—The industrial commission, when it appears to be for the best interests of the state, may authorize the state treasurer and the manager of the Bank of North Dakota to issue a partial release and satisfaction of any mortgage that has been assigned by the manager of the Bank of North Dakota to the state treasurer, in trust, upon payment of accrued interest and a proportionate amount of the principal secured by any such mortgage.

Source: S. L. 1929, ch. 89, § 1; R. C. 1943, § 6-0923.

6-09-24. Partial payments—Sale and assignment of mortgages assigned to state treasurer.—The industrial commission, when it appears for the best interests of the state, may authorize the acceptance of

partial payment of the principal due on any note secured by a mortgage assigned to the state treasurer on other than installment due dates without requiring payment of advance interest, and it also may authorize the sale and assignment of any such mortgage, the endorsement of the same without recourse, and the delivery of the note thereby secured when the full amount of such mortgage has been paid.

Source: S. L. 1929, ch. 89, § 2; R. C. 1943, § 6-0924.

6-09-25. State treasurer may lease lands acquired through foreclosure of Bank mortgages—Oil and gas leases.—The state treasurer, as trustee, through the Bank of North Dakota, acting as his agent, and with the written approval of the industrial commission, may make a valid lease of any portion of the lands to which title is acquired by foreclosure of mortgages taken by the Bank of North Dakota and assigned to him under this chapter, for such time and upon such terms as the industrial commission shall direct, and he shall have power, as such trustee, and when so directed, to make separate leases thereof covering mineral or oil and gas rights on such land, and any sales of such land thereafter made shall be made subject to any leases so granted. The net proceeds of rentals accruing from such leases shall accrue to the real estate bond payment fund. Any deed or contract for deed shall be executed by the treasurer of the state of North Dakota as trustee.

Source: S. L. 1929, ch. 89, § 3; R. C. 1943, § 6-0925.

6-09-26. Name in which business conducted and titles taken—Execution of written instruments.—All business of the Bank shall be conducted under the name of "The Bank of North Dakota." Title to property pertaining to the operation of the Bank shall be obtained and conveyed in the name of "The State of North Dakota, doing business as The Bank of North Dakota." Written instruments shall be executed in the name of the state of North Dakota, signed by two members of the industrial commission, of whom the governor shall be one, or by the manager of the Bank of North Dakota within the scope of his authority so to do as defined by the industrial commission.

Source: S. L. 1919, ch. 147, § 21; 1925 Supp., § 5192a23; R. C. 1943, § 6-0926.

6-09-27. Civil actions on Bank transactions—Name of parties—Service—Venue—Audit board provisions inapplicable.—Civil actions may be brought against the state of North Dakota on account of causes of action claimed to have arisen out of transactions connected with the operation of the Bank of North Dakota upon condition that the provisions of this section are complied with. In such actions, the state shall be designated as "The State of North Dakota, doing business

as The Bank of North Dakota," and the service of process therein shall be made upon the manager of the Bank. Such actions may be brought in the same manner and shall be subject to the same provisions of law as other civil actions. Such action shall be brought, however, in the county where the Bank of North Dakota shall have its principal place of business, except as provided in sections 28-04-01, 28-04-02, 28-04-03, 28-04-04 and 28-04-05. The provisions of sections 54-14-01 and 54-14-06 shall not apply to claims against the state affected by the provisions of this section.

Source: S. L. 1919, ch. 147, § 22; 1925 Supp., § 5192a24; R. C. 1943, § 6-0927.

Garnishment.

Garnishment proceedings may be maintained by the county against various state and national banks to recover redeposits made by the Bank of North Dakota. Sargent County v. State, 47 ND 561, 182 NW 270.

Venue of Action.

Action against the Bank of North

Dakota, agent for the state treasurer as trustee for the state, to have taxes assessed against certain land adjudged to be valid liens, was properly brought in the county in which the land was located. Cavalier County v. Gestson, 75 ND 659, 31 NW 2d 787.

Law Review.

Counterclaims and Third-Party Practice under the North Dakota Rules, 34 N. D. L. Rev. 7.

6-09-28. Surety on appeal, attachment, claim and delivery, and other cases where undertaking required, not required of Bank of North Dakota.—Provisions of law requiring that a surety or sureties be given on undertakings in actions on appeal, attachment, claim and delivery, and other cases in which an undertaking is required, shall not be applicable to the state of North Dakota, doing business as the Bank of North Dakota, as the party seeking such relief. It shall be required to give its own undertaking without surety and to reimburse the adverse party when required by law.

Source: S. L. 1929, ch. 90, § 1; R. C. 1943, § 6-0928.

6-09-29. State examiners to make examinations and reports.—The state examiner, personally or through deputy examiners, shall visit the banking department of the Bank of North Dakota at least once annually, and shall inspect and verify the assets in its possession and under its control with sufficient thoroughness to ascertain with reasonable certainty whether the valuations are carried correctly on its books. He shall investigate its methods of operation and accounting. He shall report the results of each such examination and investigation to the industrial commission as soon as practicable, and shall furnish one copy to the legislative assembly at its next ensuing session upon request.

Source: S. L. 1919, ch. 147, § 23; 1925 Supp., § 5192a25; R. C. 1943, § 6-0929; S. L. 1947, ch. 109, § 1; 1957 Supp., § 6-0929.

Examination.

It is not a duty of the state auditor to examine the Bank of North Dakota. State ex rel. Kozitzky v. Waters, 45 ND 115, 176 NW 913.

The authority
of the state B.

6-09-30. Repealed.
The industrial
make provision
the general fund
under approval
of the Bank of
assembly.

Source: S. L. 1919,
Supp., § 5192a27.

6-09-31. Sale
Repealed by am.

6-09-32. Bank
Dakota may not
necessary for the
deferred, and in
of selling and dis
for the state of N

Source: S. L. 1919,
1943, § 6-0932.

Section	
6-10-01	License req. for dep.
6-10-02	License fee
6-10-03	Limit on li.
6-10-04	Agent must be directed.

6-10-01. License partnership, assoc. by law, shall emp. moneys for the pay to the state exam.

Source: S. L. 1919,
1943, § 6-1001.

The authority to examine the books upon the state examiner. *Sargent County v. State*, 47 ND 561, 182 NW 276.

6-09-30. Repayment of moneys appropriated for Bank to state.—The industrial commission, out of the earnings of the Bank, shall make provisions for accumulating a fund with which to replace in the general fund of the state all amounts received by the commission under appropriations to make possible the organization and operation of the Bank, in such manner as may be directed by the legislative assembly.

Source: S. L. 1919, ch. 147, § 24; 1925 Supp., § 5192a27; R. C. 1943, § 6-0930.

6-09-31. Sale of land held by state treasurer as trustee for state.—Repealed by omission from this code.

6-09-32. Bank may adopt rules governing sales.—The Bank of North Dakota may make such rules and regulations as shall be by it deemed necessary for the manner, place, and time of payment of the principal, deferred, and interest payments, and for other conduct of the business of selling and disposing of lands owned by the state treasurer as trustee for the state of North Dakota.

Source: S. L. 1943, ch. 205, § 2; R. C. Cross-Reference. 1943, § 6-0932.

Auditor's certificate on conveyance to Bank of North Dakota, see § 11-13-14.

CHAPTER 6-10

AGENTS FOR DEPOSITS

Section		Section	
6-10-01	License required to act as agent for deposits.	6-10-05	Rules and regulations.
6-10-02	License fee—Bond.	6-10-06	Duty of examiner.
6-10-03	Limit on license.	6-10-07	Revocation of license.
6-10-04	Agent must deposit funds as directed.	6-10-08	Penalty.

6-10-01. License required to act as agent for deposits.—No person, partnership, association, or corporation, except as otherwise authorized by law, shall engage in the business of receiving, as agent for another, moneys for the purpose of deposit in a bank, without first having applied to the state examiner and received a license so to do.

Source: S. L. 1943, ch. 89, § 1; R. C. 1943, § 6-2601.

~~thereafter upon the expiration of such ten-year period, the cashier or managing officer of any such banking institution shall turn the balance in such accounts over to the state examiner who shall issue his receipt therefor. The banking institution shall then be relieved of all liability on such accounts. The state examiner shall deposit such funds with the state treasurer who shall distribute such funds to the county in which the bank previously holding such account was located and the county treasurer shall credit such funds to the county welfare fund.~~

Source: S. L. 1961, ch. 111, § 1.

*from 196
supplement*

CHAPTER 6-09—THE BANK OF NORTH DAKOTA

Section		Section	
6-09-03	Industrial commission may acquire property by purchase or eminent domain—Investment in banking house and furnishings.	6-09-15	Bank may transfer funds to other state departments — Loans — Real estate loans limited.
6-09-04	Commission to employ president and employees — Expenditures limited to appropriations.	6-09-15.1	Loans to general fund authorized.
6-09-05	Removal and discharge of appointees.	6-09-27	Civil actions on Bank transactions — Name of parties — Service—Venue—Audit board provisions inapplicable.
6-09-07	State funds must be deposited in Bank of North Dakota.	6-09-29	State examiners to make examinations and reports.

6-09-03. Industrial commission may acquire property by purchase or eminent domain—Investment in banking house and furnishings.— To accomplish the purposes of this chapter, the industrial commission shall have the authority to acquire by purchase, lease or by exercise of the right of eminent domain, all requisite property and property rights, and may construct, remodel, and repair buildings. It shall invest in furniture, fixtures, lands and buildings for office purposes only in accordance with legislative appropriation.

Source: N.D.C.C.; S. L. 1961, ch. 112, § 1.

6-09-04. Commission to employ president and employees—Expenditures limited to appropriations.—The industrial commission shall obtain such assistance as in its judgment may be necessary for the establishment, maintenance, and operation of the Bank. To that end, it shall appoint a president, and may appoint such subordinate officers and employees as it may judge expedient. It may constitute such president its general agent in respect to the functions of said Bank, but subject, nevertheless, in such agency, to the supervision, limitation, and control of the commission. It shall employ such contractors, architects, builders, attorneys, cashiers, tellers, clerks, accountants, and other experts, agents, and servants as in the judgment of the commission the interests of

The state may require, and shall define the duties, designate the titles, and fix the compensation, within legislative appropriation, and the bonds of all such persons so engaged. Subject to the control and regulation of the commission, the president of the Bank shall appoint and employ such deputies, cashiers, tellers, and other subordinates, and such contractors, architects, builders, attorneys, clerks, accountants, and other experts, agents, and servants, as he, in his judgment, shall deem required by the interests of the Bank. The total compensation of such appointees and employees, together with other expenditures for the operation and maintenance of the Bank, shall remain within the appropriation lawfully available in each year for such purpose. All officers and employees of the Bank engaged upon its financial functions, before entering upon their duties, shall furnish respectively good and sufficient bonds to the state in such amount and upon such conditions as the commission may require and approve. The bond of the president shall not be less than fifty thousand dollars, and such bond shall be filed with the secretary of state.

Source: N.D.C.C.; S. L. 1969, ch. 121, § 1.

6-09-05. Removal and discharge of appointees.—The industrial commission may remove and discharge any and all persons appointed in the exercise of the powers granted by this chapter, whether by the commission or by the president of the Bank, and any such removal may be made whenever in the judgment of the commission the public interests require it. All appointments and removals contemplated by this chapter shall be made as the commission shall deem fit to promote the efficiency of the public service.

Source: N.D.C.C.; S. L. 1969, ch. 121, § 2.

6-09-07. State funds must be deposited in Bank of North Dakota.—All state funds, and funds of all state penal, educational, and industrial institutions shall be deposited in the Bank of North Dakota by the persons having control of such funds or shall be deposited in accordance with constitutional and statutory provisions.

Source: N.D.C.C.; S. L. 1965, ch. 203, § 40.

6-09-15. Bank may transfer funds to other state departments—Loans—Real estate loans limited.—The Bank of North Dakota may transfer funds to other departments, institutions, utilities, industries, enterprises, or business projects of the state, and such funds shall be returned with interest to the Bank. It may make loans to counties, cities, or other political subdivisions of the state, or to state or national banks, and may participate with state or national banks in loans being made by them, on such terms and under such rules and regulations as the industrial commission may determine. It may invest its funds in bonds, notes or debentures of any corporation duly incorporated under the laws

of any state of the United States and recognized rating service approved, provided that such investments shall not exceed ten percent of the combined capital, surplus and undivided profits of the Bank, and shall not otherwise make loans or investments to any partnership, association, or private corporation, except to actual farmers who are residents of the state, and such loans shall be secured by duly recorded first mortgages on real estate in North Dakota in amounts not to exceed one-half the value of the property, except United States insured and guaranteed by law. The Bank, however, shall not invest more than ten percent of its capital, nor in addition to the amount of its deposits on real estate security.

Source: N.D.C.C.; S. L. 1967, ch. 91, § 1; 1969, ch. 122, § 1.

6-09-15.1. Loans to general fund.—The state treasurer and the director of the state industrial commission may purchase, the state industrial commission may make loans in amounts not to exceed five million dollars to the state general fund, for a period not exceeding nine months in duration, and the industrial commission may prescribe the conditions under which such funds are available to meet legislative appropriations for periods of seasonally low tax collections, or for other withdrawals or expenditures occur.

Source: S. L. 1965, ch. 92, § 2.

6-09-18. Real estate loans—Application—Repealed by S. L. 1967, ch. 91, § 1.

6-09-19. Conditions of real estate mortgages—Repealed by S. L. 1967, ch. 91, § 2.

6-09-20. Mortgage and note payable to the state—Recording—Satisfaction and discharge—Repealed by S. L. 1967, ch. 91, § 2.

6-09-21. Sale and assignment of notes and mortgages—Payments limited.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-22. Assignment of note and mortgage—Satisfactions.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-23. Partial release and satisfaction of mortgages—Repealed by S. L. 1967, ch. 91, § 2.

6-09-24. Partial payments—Sale and assignment to state treasurer.—Repealed by S. L. 1967, ch. 91, § 2.

of any state of the United States rated at "A" or higher by a nationally recognized rating service approved by the industrial commission, provided that such investments shall not be made to exceed forty percent of the combined capital, surplus and undivided profits of the Bank. It shall not otherwise make loans or give its credit to any individual, association, or private corporation, except that it may make loans to actual farmers who are residents of this state, if such loans are secured by duly recorded first mortgages on real estate in the state of North Dakota in amounts not to exceed one-half the value of the security and except United States insured and guaranteed loans as specifically authorized by law. The Bank, however, shall not loan more than thirty percent of its capital, nor in addition thereto, more than twenty percent of its deposits on real estate security.

Source: N.D.C.C.; S. L. 1967, ch. 91, § 1; 1969, ch. 122, § 1.

6-09-15.1. Loans to general fund authorized.—Upon application by the state treasurer and the director of the department of accounts and purchases, the state industrial commission may direct the Bank of North Dakota to make loans in amounts at no time exceeding the total sum of five million dollars to the state general fund, for periods of time not exceeding nine months in duration, at such rates of interest as the industrial commission may prescribe, for the purpose of making money available to meet legislative appropriations from the general fund during periods of seasonally low tax collections or periods in which high withdrawals or expenditures occur.

Source: S. L. 1965, ch. 92, § 3.

6-09-18. Real estate loans — Application — Appraisal — Action on loans.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-19. Conditions of real estate mortgage—Extension of payments.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-20. Mortgage and note payable to manager of Bank—Recitals—Recording—Satisfaction and discharge.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-21. Sale and assignment of note and mortgage—Extension of payments limited.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-22. Assignment of note and mortgage to state treasurer—Payments—Satisfactions.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-23. Partial release and satisfaction of mortgages assigned to state treasurer.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-24. Partial payments—Sale and assignment of mortgages assigned to state treasurer.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-27. Civil actions on Bank transactions—Name of parties—Service—Venue—Audit board provisions inapplicable.—Civil actions may be brought against the state of North Dakota on account of causes of action claimed to have arisen out of transactions connected with the operation of the Bank of North Dakota upon condition that the provisions of this section are complied with. In such actions, the state shall be designated as "The State of North Dakota, doing business as The Bank of North Dakota", and the service of process therein shall be made upon the president of the Bank. Such actions may be brought in the same manner and shall be subject to the same provisions of law as other civil actions. Such action shall be brought, however, in the county where the Bank of North Dakota shall have its principal place of business, except as provided in sections 28-04-01, 28-04-02, 28-04-03, 28-04-04 and 28-04-06. The provisions of sections 54-14-01 and 54-14-06 shall not apply to claims against the state affected by the provisions of this section.

Source: N.D.C.C.; S. L. 1969, ch. 121, § 3.

6-09-29. State examiners to make examinations and reports.—The state examiner, personally or through deputy examiners, shall visit the banking department of the Bank of North Dakota at least once annually, and shall inspect and verify the assets in its possession and under its control with sufficient thoroughness to ascertain with reasonable certainty whether the valuations are carried correctly on its books. He shall investigate its methods of operation and accounting. He shall report the results of each such examination and investigation to the industrial commission as soon as practicable, and shall furnish one copy to the legislative assembly at its next ensuing session upon request. Fees for such examinations shall be charged by the state examiner for the examinations in this section provided at the rate of forty dollars per day for the time used by himself or other person designated by him in supervising, filing and corresponding in connection with such report and for the time used by each deputy examiner, or other person or persons in making and otherwise preparing and typing the reports of examinations herein provided for.

Source: N.D.C.C.; S. L. 1965, ch. 82, § 2.

6-09-20. Repayment of moneys appropriated for Bank to state.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-31. Sale of land held by state treasurer as trustee for state.—Repealed by S. L. 1967, ch. 91, § 2.

6-09-32. Bank may adopt rules governing sales.—Repealed by S. L. 1967, ch. 91, § 2.

CHAPTER 6 INDUSTRY

Section	
6-09.1-01	Declaration and public purpose
6-09.1-02	Additional authority to the governor of North Dakota relating to the industrial commission
6-09.1-03	Authority granted to the advisory board of the Bank of North Dakota in the development of a policy for the creation of one hundred million dollar capital

6-09.1-01. Declaration of the legislative assembly of the state of North Dakota of a policy of enlisting the resources of the state for the employment, production, and development of an enlarged tax base, and for the expansion and operating and adopting of a policy to encourage and authorize the expansion of industry in North Dakota and to encourage more industry in North Dakota was created.

Source: S. L. 1969, ch. 121, § 1.

6-09.1-02. Additional authority to the governor of North Dakota shall appoint and remove one or more knowledgeable in banking and industry to the industrial commission to the Bank of North Dakota to be vice chairman, and secretary. Terms shall be for periods of one year. The compensation shall be on a per diem basis.

Source: S. L. 1969, ch. 121, § 2.

6-09.1-03. Authority granted to the Bank of North Dakota to create one hundred million dollar board of the Bank of North Dakota to the industrial commission to the establishment of additional industry in North Dakota, including the activities of public utility, long-term first mortgage, and other activities of the Bank of North Dakota, and to be authorized by the industrial commission.

Source: S. L. 1969, ch. 121, § 3.

CHAPTER 6-09.1—UTILIZATION OF BANK IN
INDUSTRIAL DEVELOPMENT

Section		Section	
6-09.1-01	Declaration and finding of public purpose.	6-09.1-04	Minimum standards to be followed by the Bank of North Dakota in sponsoring first mortgage industrial development loans in cooperation with private lenders for the expansion or creation of additional manufacturing plants.
6-09.1-02	Additional authority granted to the governor of North Dakota relating to the Bank of North Dakota.		
6-09.1-03	Authority granted to the advisory board of directors of the Bank of North Dakota in the declaration of policy for the Bank—Creation of one hundred million dollar capital pool.		

6-09.1-01. Declaration and finding of public purpose.—The legislative assembly of the state of North Dakota hereby declares and adopts a policy of enlisting the help of private enterprise to create more employment, production, and purchasing power for its citizens and an enlarged tax base, and finds that it is and has been its purpose in operating and adopting the provisions of this chapter to sanction and authorize the expansion of the activities of the Bank of North Dakota and to encourage more active use of the purposes for which the Bank of North Dakota was created.

Source: S. L. 1969, ch. 123, § 1.

6-09.1-02. Additional authority granted to the governor of North Dakota relating to the Bank of North Dakota.—The governor of North Dakota shall appoint an advisory board of directors of five persons knowledgeable in banking and finance and in motivating the expansion of industry within and without the state of North Dakota to the Bank of North Dakota. The governor shall appoint a chairman, vice chairman, and secretary of such board and shall define their duties. Terms shall be for periods of from one to four years. The industrial commission shall fix compensation for the board on a daily or monthly basis.

Source: S. L. 1969, ch. 123, § 2.

6-09.1-03. Authority granted to the advisory board of directors of the Bank of North Dakota in the declaration of policy for the Bank—Creation of one hundred million dollar capital pool.—The advisory board of the Bank of North Dakota shall formulate recommendations to the industrial commission of North Dakota relative to the establishment of additional objectives for the operation of the Bank of North Dakota, including the sponsoring, coordination, and assistance to the activities of public officials and private individuals in creating a long-term first mortgage industrial development capital pool of one hundred million dollars; and such advisory board shall act in behalf of the Bank of North Dakota in such other capacity as may be approved by the industrial commission of North Dakota.

Source: S. L. 1969, ch. 123, § 3.

7-01-01. Minimum standards to be followed by the Bank of North Dakota in sponsoring first mortgage industrial development loans in cooperation with private lenders for the expansion or creation of additional manufacturing plants.—The Bank of North Dakota is hereby directed to sponsor with private lenders a statewide program for the expansion or creation of additional enterprises engaged in or to be engaged in the assembling, fabricating, manufacturing, mixing, or processing of any agricultural, mineral, or manufactured product or any combination thereof, first mortgage loans to companies or sponsoring parent corporations who have been in business for at least five years and who can furnish certified balance sheets and profit and loss statements showing an operating profit for at least three consecutive years prior to the date of the loan application.

Source: S. L. 1969, ch. 123, § 4.

TITLE 7—DUMMINS

Chapter

- 7-01 Organization, Qualification and Capital 7-01-04.
- 7-02 Powers and Duties.
- 7-04 Operation of Association.
- 7-05 Examinations and Reports.

CHAPTER 7-01—ORGANIZATION AND CAPITAL

Section

7-01-02.1 License fees payable by each building and loan or building and loan association.

7-01-03.1. License fees payable by each building and loan or savings and loan association.—The secretary of the building and loan or savings and loan association shall collect license fees payable by each building and loan or savings and loan association, at the following rates:

1. Filing articles of incorporation.
2. Filing articles of amendment.
3. Filing articles of merger or consolidation.

or value of authorized share accounts, at the time of filing, if a domestic corporation, above the aggregate number of authorized share accounts of the savings and loan association.

The license fees shall be in the amount of one dollar for each hundred dollars of authorized share accounts.

The license fees payable on an increase in authorized share accounts shall be imposed on the increase in authorized share accounts.

Source: S. L. 1968, ch. 104, § 2.

7-01-04. "Amount of capital" defined.—The amount of capital designated in the articles of incorporation shall be deemed to refer to the par value of the shares of the organization and the organization may be completed only if the amount of capital is not less than fifty thousand dollars and the organization may be completed only if the amount of capital is not less than ten thousand dollars on hand by said association at all times.

Source: N.D.C.C.; S. L. 1961, ch. 113, § 1.

(15%)

	F.Y. 1970-71	F.Y. 1971-72	F.Y. 1972-73	F.Y. 1973-74	F.Y. 1974-75
Carry Forward Balance	\$ 903,646.60	\$ 900,437,900	\$ 863,498,700	\$ 787,694,400	\$ 718,556,100
ESTIMATED REVENUES					
Unrestricted General Fund Receipts	239,070,500	238,676,500	238,676,700	292,056,500	347,609,700
TOTAL FUNDS AVAILABLE	\$ 1,142,717,100	\$ 1,138,904,400	\$ 1,102,174,400	\$ 1,079,750,900	\$ 1,066,165,300
LESS:					
Operating Budget - 15% Annual Increase	214,924,600	247,200,000	284,300,000	326,900,000	375,900,000
Shared Taxes - 15% Annual Increase	3,295,500	3,795,000	4,364,000	5,018,000	5,770,000
Capital Improvements - Level Projection	24,006,100	24,000,000	24,000,000	24,000,000	24,000,000
Disaster Relief		407,200	1816,000	5276,800	-
Percentage Change in Fund Balance		- 4.1%	- 8.8%	- 8.8%	- 8.8%
Note: Operating Budget includes debt service					

BUDGET INSTRUCTIONS
GENERAL FUND

(209%)

2-16-70

	F.Y. 1970-71	F.Y. 1971-72	F.Y. 1972-73	F.Y. 1973-74	F.Y. 1974-75
Carry Forward Balance	\$ 903,646.600	\$ 900,437,900	\$ 853,798,700	\$ 751,794,400	\$ 638,156,100
ESTIMATED REVENUES					
Unrestricted General Fund Receipts	239,070,500	238,427,500	238,676,700	297,056,500	347,609,200
TOTAL FUNDS AVAILABLE	\$ 1,142,667,100	\$ 1,138,900,400	\$ 1,091,474,400	\$ 1,048,850,900	\$ 985,765,300
LESS:					
Operating Budget - 20% Annual Increase	714,974,600	859,900,000	309,500,000	371,400,000	445,700,000
Shared Taxes - 15% Annual Increase	379,850,000	379,500,000	436,400,000	501,800,000	577,000,000
Capital Improvements - Level Projection	74,006,100	24,000,000	24,000,000	24,000,000	24,000,000
Disaster Relief		657,700	1,816,000	527,680,000	-
Percentage Change in Fund Balance		- 5.3%	- 11.8%	- 15.1%	- 20.8%
Note: Operating Budget includes Debt service	\$ 900,437,900	\$ 850,798,200	\$ 761,794,400	\$ 638,156,100	\$ 505,795,300

STATE OF ALASKA

KEITH H. MILLER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M—JUNEAU 99801

February 25, 1970

Mr. Russell E. Mulder
Deputy Director
Legislative Affairs Agency
State of Alaska
Pouch Y
Juneau, Alaska 99801

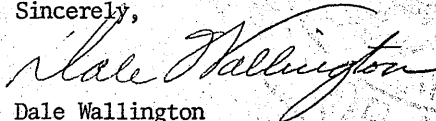
Dear Mr. Mulder:

Your letter to Commissioner Kelly dated February 12, 1970 requesting information from this Department in regard to the Alaska Agricultural Loan Act has been referred to me for reply.

The information you requested in items 1 through 6 are shown on the attached spread sheet with response numbers keyed to like question numbers in your letter.

In item 7 of your letter you requested suggestions that we might have to make the loan funds more viable. We recommend that the limits be raised on short term loans to \$10,000; chattel loans to \$100,000; and real estate loans to \$150,000.

Sincerely,



Dale Wallington
Deputy Commissioner

Attachment

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
AGRICULTURE REVOLVING LOAN FUND

FEBRUARY 13, 1970

OUTSTANDING LOANS—JANUARY 31, 1970 (1) ----- \$1,488,086.88

DELINQUENT LOANS - JANUARY 31, 1970 (5)

<u>AREA</u>	<u>OUTSTANDING BALANCE</u>	<u>AMOUNT DELINQUENCY</u>	<u>PERCENTAGE</u>
Matanuska	\$615,123.16	\$202,830.08	32%
Kenai	312,291.71	121,131.84	38%
Tanana	433,186.33	182,875.67	42%
Other	90,409.30	31,298.18	34%

<u>OTHER ITEMS</u>	<u>1964-65</u>	<u>1965-66</u>	<u>1966-67</u>	<u>1967-68</u>	<u>1968-69</u>
LOANS ISSUED (2)	\$574,331.98	\$218,987.56	\$279,161.68	\$117,107.57	\$313,612.84
PRINCIPAL RECEIVED (3)	356,392.38	253,047.24	162,796.60	183,497.20	242,143.97
INTEREST RECEIVED (3)	59,823.19	48,251.48	56,029.53	62,216.65	74,775.13
LOANS CHARGED OFF (4)	27,944.06	-0-	26,000.00	1,400.00	-0-

INCOME (6)

INTEREST ON LOANS	\$ 59,823.19	\$ 48,251.48	\$ 56,029.53	\$ 62,216.65	\$ 74,775.13
SALE REPOSSESSED PROPERTY	-0-	-0-	47,763.31	95.00	11,255.00
REPAYMENT LOANS RECEIVABLE	356,392.38	253,047.24	162,796.60	183,497.20	242,143.97
FROM RETIREMENT FUNDS	302,127.63	65,000.00	42,000.00	-0-	-0-
TRANSFER FROM GENERAL FUND		-0-	45,000.00	45,000.00	300,000.00

EXPENSES (6)

ADMINISTRATION EXPENSE	\$ 22,238.62	\$ 26,018.61	\$ 26,027.57	\$ 35,092.41	\$ 36,716.94
INTEREST EXPENSE	20,229.14	26,812.03	25,611.04	24,948.03	12,812.44
LOSSES ON LOANS	499.00	4,000.00	-0-	8,033.60	8,474.74
REPAYMENT OF FHA PARTICIPA- TION LOAN	1,663.24	2,266.49	2,466.22	1,398.57	2,142.84
LOANS RECEIVABLE ISSUED	574,331.98	218,987.56	270,161.68	117,107.57	313,612.84
LOANS REPAYED RETIREMENT FUND	48,074.92	93,375.75	14,665.00	105,206.27	246,309.30
PROPERTY REPOSSESSED	27,944.06	-0-	26,000.00	1,400.00	-0-

JOURNAL
SUPPLEMENT

February 28, 1969

No. 7

REPORT OF THE SPECIAL COMMITTEE ON MONEY AND FINANCE

February 24, 1969

Honorable Brad Phillips
President of the Senate
Alaska State Senate
Juneau, Alaska

Dear Mr. President:

Submitted herewith is my report on banking problems prepared in connection with recent hearings of the Special Committee on Banking. In brief, I have recommended:

1. Creation of the Commission on Monetary Policy, as provided for in Senate Bill No. 126 which you and I co-sponsored. Although most witnesses opposed creation of the Commission, I call your attention to the approving comments by state Banking Director John K. Robertson, quoted in the attached report.
2. Alternatively, I am recommending the exemption of all FHA-insured and VA-guaranteed loans from usury law ceilings. The attached report states my reasons in detail. FHA rates tend to influence the interest rates paid by consumers; most of the loans in these categories are for construction in urban areas where genuine competition among financial institutions and lenders takes place; these mortgages are heavily traded and desirable in the secondary mortgage market; unless prompt action is taken, serious consequences will affect our Alaska homebuilding industry and the level of employment in the construction trades.
3. In the case of large loan transactions in which Alaska banks must obtain outside participation because of loan limitations set by law or regulation, I am recommending removal of the state usury ceiling. In such cases, the customer is presumably more sophisticated in his understanding of the money market and is better able to negotiate effectively. Removal of the state usury ceiling for these transactions will aid in Alaska's economic development, in my judgment.
4. I recommend further study of collateralization requirements for the deposit of state funds. This was one of the issues which your Special Committee on Banking was charged to explore. Although we received testimony about the effects on the collateralization requirements on the ability of banks to make loans, we did not hear testimony from the Commissioner of Revenue regarding proposals to ease the collateralization requirements, without jeopardy to public funds. I would favor further consideration of this issue, with a view towards possible relaxation of the requirements for collateralization consistent with prudent fund management.

5. Mr. President, in your capacity as Chairman of the Legislative Council, you heard testimony last month from Mr. Jay Mueller, appearing before the Council on behalf of the Alaska State Mortgage Association with proposals for encouraging home construction and home ownership in our rural communities. As a result of Mr. Mueller's testimony, the Council caused two bills to be introduced in the House of Representatives (HB 41 and HB 42). House Bill No. 41 would provide a program of mortgage insurance in rural Alaska communities. I am recommending favorable action in House Bill No. 41, and early consideration of House Bill No. 42.

6. Senate Bill No. 126 provided a flexible way of setting usury ceilings in relation to prevailing credit conditions, and yet giving a measure of control over interest rate ceilings in the public interest. As a further alternative to Senate Bill No. 126 (the Commission on Monetary Policy legislation), I recommend that the usury rate ceiling be adjusted mathematically to the Federal Reserve discount rate. Enactment of this recommendation would allow an interest rate at this time of 10.5 per cent, but could require reductions in the ceiling if the Federal Reserve discount rate is reduced, or permit increases in the ceiling if the Federal Reserve discount rate is raised in the future. My study indicates that there is a relationship, especially in recent years, between the discount rate and the interest rate charged Alaska consumers, and thus the Federal Reserve discount rate offers a logical foundation to a formula by which the prevailing usury ceiling can be computed. Discount rates are of public record and easily referred to and understood in the financial community.

7. In your charge to the Special Committee on Banking, you requested that we report on the effects of the existing ban on foreign bank holding companies in Alaska. Your committee heard testimony about the interplay of supply and demand, through free enterprise, in the money market. The existing ban on foreign bank holding companies may be philosophically inconsistent with such testimony and, more practically, a factor in making Alaska an area of capital shortage. I believe that consistent with your charge to the Special Committee, additional consideration should be given to this issue at this session of the Legislature.

8. Your committee has not considered the whole field of discount loan interest limitations. I recommend a review of the existing limitations as they apply to the purchase of heavy equipment and machinery, but not as they apply to consumer purchases. Such a review will help our small businesses have competitive opportunities for financing equipment and machinery with businesses in Washington state, and elsewhere in the west. This is especially important if Alaska businessmen are to survive and to participate fully in the great era of economic development that may be approaching.

9. I am introducing today a measure to implement my suggestions regarding relating the usury rate to the Federal Reserve Discount Rate, and exemptions of FHA, VA, and large transactions. In the bill, all changes in existing law would expire on April 1, 1970 unless renewed at the next session. This highlights the emergency nature of the recommendations.

SUPPLEMENT

In closing, I would observe that Alaskans who have concern about the need for establishing rational economic policies that will spur our development, consistent with consumer interests, must appreciate your early leadership in setting up the legislative machinery to explore these problems. The assumption that prevailing usury rate laws protect the consumer is too pat, and my report of today discusses in detail the adverse effects on consumer interests which can actually result from usury limits that render the Alaska financial community non-competitive with lenders in other areas who vie for capital. At the same time, unnecessarily high interest rates can be equally destructive to economic health, a fact which is more commonly understood.

As a member of the Committee, I am extremely grateful to the many Alaskans who testified at our hearings and for the advice and assistance of the witnesses, the administration, and others who share our concern for Alaska's economic health.

Sincerely yours,

s/ Joe P. Josephson
Joe P. Josephson
State Senator

I. THE PROBLEM PRESENTED

A. Adverse effects of existing usury law.

Testimony before your Special Committee on Banking suggests that the existing usury rate of eight percent inhibits seriously the availability of new capital in Alaska. Such testimony was presented not only by members of banking and building industries, but also by Professor Gene Erion and Dr. Victor Fischer of the University of Alaska, by Elmer Gagnon, Director of the Federal Housing Administration in Alaska, and others. The testimony was corroborated by exhibits submitted to members of your Committee.

Since Alaska lenders must compete for funds outside, the existing legal maximum rate of interest retards effective competition, as other states peg their maximum rates at levels more attractive to investors. The Alaska economy suffers adverse effects, some of which will be immediate if relief is not given by this session of the Legislature. The homebuilding industry, according to testimony, will come to a virtual halt, with consequential widespread unemployment in the construction trades.

The assumption that the eight per cent ceiling on interest rates works in the interests of the consumer is too pat. For example, the home buyer is deprived of effective freedom of choice and bargaining power because of a lack of new homes from which to choose; as a result, his ability to negotiate for favorable price and terms is diminished. As landlords comprehend that available shelter spaces are restricted because of a shortage of homes, tenants may find rental rates escalating and poorer service and maintenance provided. When sellers of existing homes are unable to be "cashed out" by buyers, who are unable to refinance, the sellers are likely to insist on higher sales prices as a condition for accepting side notes and junior mortgages.

The large borrower may avoid the limitations of the state usury law by the simple expedient of closing his loan in another state, dealing directly with an outside financial institution. Another adverse effect of unrealistically low usury limits is the encouragement of investment by Alaskans, and the transfer of deposits, to other areas of the country offering better yields on investment.

Moreover, "(a)s interest rate levels rise toward the effective usury ceiling, requirements for the maintenance of 'compensating balances' usually become more stringent and are administered more rigidly. The result of such requirements is to increase the effective rate. Thus if a borrower must maintain a 20 per cent balance in connection with a \$10,000 loan on which he is charged 5 per cent interest, he will be paying \$500 per annum for the use of only \$8,000 or an effective rate of 6 $\frac{1}{4}$ per cent." Crosse, Management Policies for Commercial Banks, p. 208 (Prentice-Hall, Inc., 1962).

The effect of "compensating balances" on the Alaska economy is doubly adverse when the result is to shift deposits from Alaska banks to institutions outside where these balances must be maintained resulting in less capital available in Alaska for loans.

B. Adverse effects of excessive interest rates.

We must examine the other side of the coin as well. If interest

rates are too high, some borrowers are priced out of the market. Small business, especially, may find itself unable to obtain financing at rates commensurate with its ability to repay. In the homebuilding industry, higher interest rates paid by the building materials industry will result in higher home prices as well as higher financing charges.

If small business and marginal operations suffer competitively because of the trend towards higher interest rates sustainable only by stronger competitors, the consequence can be a serious loss in the interplay of competitive forces in the economy, with resultant adverse effects on the consumer in the market place.

Housing costs in Alaska already require a greater proportion of family income than is true elsewhere. Care must be exercised to keep the cost of housing within reasonable limits.

II. THE SOLUTIONS OFFERED.

Your Committee heard various proposals to help give Alaska an adequate supply of capital, consistent with consumer protection.

A. Senate Bill 126

Senate Bill 126, authored by the undersigned and co-sponsored by Senator B. Phillips, would create a Commission on Monetary Policy. Witnesses heard by the Committee representing the banking industry testified against the creation of a Commission. Mr. John Lashley, Vice President of the Pacific National Bank of Seattle, felt that the Commission would be dealing with matters too important to be "dragged before the public view" periodically. Mr. Norman Schwab, representing Associated General Contractors, remarked that the Commission could become a regulatory "monster". Another witness warned that Senate Bill 126, as written, would not allow adequate planning in the formation of commercial relations, since potential investors could never be certain that an existing usury rate would still be effective at a future date when a complicated transaction would be ready for closing; it was

acknowledged, however, that this difficulty might be cured by appropriate amendment to Senate Bill 126.

On the other hand, Mr. John K. Robertson, Director of the Division of Banking, Securities, Small Loans and Corporations of the State of Alaska Department of Commerce has written:

"In theory at least, an economic and credit review board appears to be a sound solution since it would be created for the specific purpose of watching the state economy (including credit demand, money supply and peculiar local situations) and tailoring interest rates accordingly. Senate Bill 126 (by Josephson and Phillips) would create such a board. We have reviewed the bill and believe it to be a sound and equitable approach to adjusting interest rates as well as a means of avoiding future money supply problems."

In his report, Mr. Robertson went on to recommend some specific amendments to improve Senate Bill 126.

I favor enactment of Senate Bill 126 with appropriate amendments. In my judgment, this measure would combine the advantage of flexibility in usury rates, according to the condition of the state economy and by classification of transaction, while retaining a measure of regulatory control in the public interest.

B. Removal of the usury rate (ceiling). I cannot support the suggested absolute removal of any interest ceiling. Your Committee heard testimony from a New England banker that in some of the New England states lacking any usury rate, or having a rate so high as to be meaningless, experience shows that the interplay of "supply and demand" has caused the cost of money to "find its own level", without exorbitant interest rates.

Too little is known about the interplay of supply and demand in Alaska, in my judgment, to warrant the complete removal of the interest ceiling. Indeed, to the extent that any forecast can be made, the very fact of heavy demand for capital investment in Alaska, as described by all witnesses before the Committee, suggests that the weight of this demand would preclude effective interplay with the available money supply, so as to assure reasonable rates.

Furthermore, while the financial institutions may be, as witnesses suggested, highly competitive in the major population centers, I question whether the Legislature can rely safely on market conditions to control potentially excessive interest rates in the rural, or outlying areas, where competition does not exist or may be ineffective.

It should also be remembered that in other states, financial institutions in the major population centers can conveniently service loans to smaller communities; a bank in Providence, Rhode Island, is not greatly inconvenienced by the need to evaluate and service loans anywhere in that state. On the other hand, we cannot depend on the forces of competition to bring about "supply and demand" interaction in remote areas of Alaska which cannot be reached by convenient surface transportation from the major banking communities.

In summary, states which have settled populations, capital surplus, density of population, may furnish no model for Alaska from which to predict the effects on the economy from the removal of any usury ceiling.

Even where competition is prevalent, there is usually no direct rate competition between banks:

"Despite the prevalence of competition, however, direct rate competition between banks serving the same market is rare. In fact, the more competitive a bank's situation, the more is the likelihood that its lending rates will conform closely with those of its immediate competitors. Such a bank cannot long charge higher rates for the same kind of loans without losing many of its best customers. If it offers lower rates it is likely to receive more applications than it can accommodate. It is this fact which explains the prevalence of the so-called 'prime rate'--the rate large banks operating in the national market almost uniformly charge their most desirable customers.

"Rate differentials can be maintained within a competitive lending market only when the quality of collateral services or the conditions of the lending arrangements differ. They can also be deliberately maintained either to persuade some borrowers to seek credit elsewhere or, conversely, to attract certain specific borrowers or types of loans. It is in this area that the policy aspects of the establishment of

interest rates assumes its greatest importance. It is in the light of the general uniformity of rates for comparable kinds of loans that interest rate differentials operate as an impersonal, semi-automatic control mechanism governing the use of bank credit." Crosse, op. cit., p. 206.

C. Raising of the usury rate to twelve per cent. Your Committee was advised by Mr. John Lashley, Vice President of the Pacific National Bank of Seattle, to amend the Alaska usury statute from an eight percent to a twelve percent maximum. Twelve percent is the maximum allowable interest rate in Washington (in non-discount interest transactions). According to Mr. Harry Dye, Vice President of the Seattle Trust and Savings Bank, the twelve percent limit in Washington has existed for many years and there is no present move to raise it, although loans in Washington are closing at effective interest rates close to the statutory ceiling.

Your Committee, however, received testimony from Mr. Daniel E. Stoddard of the Peoples Savings Bank of Providence, Rhode Island, who cautioned that setting a twelve percent limit would induce lending institutions to crowd the twelve percent figure, even without regard to exigencies of the money market. Exhibits presented to your Committee suggest the validity of Mr. Stoddard's warning, since Alaska loans have tended to be made at or near the statutory eight percent maximum even when there was not the present scarcity of credit. Attached to this report are Tables I-IV appended to Dr. Gene Erion's banking study prepared for the Federal Field Committee on Development Planning in Alaska in June, 1968.

Adopting a twelve percent ceiling might tend to cause interest rates to cluster at this ceiling, according to many witnesses including members of the banking industry. It is not clear whether existing credit conditions require an increase of four percent; the increase to twelve percent would be arbitrary, justified only by the fact that this is the existing statutory ceiling in Washington state. Even if the twelve

percent figure is appropriate today, it might well become either excessive or too restrictive next year, and further legislative action would be called for. The dilemma points out, again, why the establishment of a Commission would serve the public interest.

D. Exemption of FHA-insured and VA guaranteed loans from usury law.

As an alternative to the enactment of SB 126, which I favor, I recommend exempting FHA-insured and VA guaranteed loans from Alaska usury laws. I make this recommendation for the following reasons:

1. Director Robertson of the Division of Banking has noted that

"(p)robably the most immediate the obvious problem in our interest rate structure and money supply is seen in the area of FHA insured loans. Late in January of this year the FHA rate was increased from $6 \frac{3}{4}$ to $7 \frac{1}{2}$ and was the third increase in that rate since April of 1968...According to published information by the Federal National Mortgage Association, as of Monday, February 3, the average discounts across the nation were bid on a 3.76 basis. This means that FHA mortgages if they are to sell in the secondary market must be originated on the basis of a 7.80 effective yield to the investor or just 20 basis points under our legal rate. Within the next week the discount rate probably will have reached a point where the lender, in order to make a marketable loan must charge a usurious rate. When this point is reached, the investors are not likely to continue to buy mortgages risking the forfeiture of interest on a usurious loan. As our figures indicate, without the investor the financial institutions in Alaska are in no position to continue making long term real estate loans and most likely will not..."

2. Testimony before your Committee was that unless relief

is given to the homebuilding industry, Alaska will face a catastrophe of "depression" proportions, according to FHA Director Elmer Gagnon. The homebuilding and building supply industries in the major population centers will, for practical purposes, come to a standstill.

3. Because FHA-insured and VA-guaranteed loans are desired in the secondary mortgage market, and because the FHA-insured homes are situated in principal population centers where competition is genuine, and further because FHA rates tend to influence the interest rates paid by consumers, I believe that the Legislature can safely remove the state usury ceiling for these types of transactions.

4. Removal of the statutory ceiling on interest in FHA-insured and VA-guaranteed loan transactions is an immediate step that can be taken right away, with probably a minimum of controversy in the Legislature. Effective and prompt action must be taken if planning can be started for the 1969 construction season.

E. Removal of ceiling on large transactions. The theory of usury laws, which are in derogation of the principle of freedom of contract, is the protection of the borrower whose powers of negotiation are thought to be smaller than the powers of the lender.

The rationale of consumer protection loses force in the case of large transactions, in which the borrower is presumably more sophisticated in his solicitation of capital and better able to negotiate effectively.

Your Committee heard testimony that in large transactions, Alaska banks are often required to seek participation of corresponding banks in other states because of loan limitations set by law or regulation. For example, A. S. 06.05.205(b) prohibits generally any loan by a state bank in a sum exceeding 15 per cent of the bank's combined capital stock and surplus. During the hearings of your Committee, one of the topics of discussion was the feasibility of permitting interest at a rate higher than eight percent as to that portion of a transaction which represents the contribution of outside capital, while restricting interest to the existing statutory maximum as to that portion of a transaction representing the Alaska bank's participation. In general, witnesses testified that such a provision would be cumbersome and discriminatory, resulting in favored treatment of foreign financial institutions.

Instead, I recommend that the usury rate ceiling be removed as to transactions involving loans processed through Alaska financial

institutions but requiring outside participation by corresponding banks or institutional lenders (overlines) because of the legal loan limitations. This recommendation has several meritorious features:

1. Since an objective of the Legislature, acting in the public interest, should be to assure healthy competition in the banking industry, this recommendation would tend to assist smaller banks in Alaska by creating a field of transactions which they can most readily handle through corresponding banks elsewhere; that is, the smaller the bank, the smaller will be the transaction which it could place without regard to usury laws through corresponding banks or institutions outside Alaska.

2. Adoption of this recommendation would not interfere with the philosophy of usury statutes, since smaller borrowers would still have protection from the usury ceiling, while larger borrowers would be able to "shop" for prime rates.

3. The proposal would succeed in attracting outside investment into Alaska.

4. Because of competition among banks for deposits, lenders would still remain motivated to provide money for other types of loans required by depositors but capable of earning only yields within the usury limit.

F. Collateralization of State Funds.

Existing law requires that all state funds deposited must be secured by full collateralization. A.S. 43.05.150 provides, in pertinent part, that a depositary bank

"shall (1) deposit with the department (of Revenue), as collateral security to secure the funds, bonds or other securities which are eligible to secure deposits of the United States, the aggregate market value of which is at all times at least equal to the funds deposited; (2) deposit other good bonds whose aggregate market value is at all times at least 20 per cent more than the deposits secured, and mortgages insured by the United States under the National Housing Act (approved June 27, 1934); or

(3) enter into a bond to the state with a surety company authorized as such as transact business in Alaska as surety on the bond, conditioned that it will safely keep and pay on demand to the department as required by it, all funds of the state deposited with the bank...

I recommend study of the feasibility of reducing collateralization requirements, either by statutory formula or in the discretion of the Department of Revenue or an agency created to exercise such discretion. In addition, I recommend study of other means to secure the funds. Without additional information to substantiate the view that collateralization is unnecessary, I cannot recommend at this time an amendment to A.S. 43.05.150.

7. House Bill 41.

Last month, the Alaska State Mortgage Association (ASMA) presented to Legislative Council "A Plan to Broaden the Availability of Residential Financing to Rural Communities of the State and to Stimulate the Flow of Residential Mortgage Lending Funds into Alaska." At the request of the ASMA, Legislative Council has introduced two measures in the House, HB 41 and HB 44. In the words of ASMA, these bills would provide two "tools" to help meet the demands for residential mortgage financing throughout the State. Since I have recommended removal of statutory interest limitations on FHA-financed and VA-guaranteed mortgages, and have noted that the principal areas where such mortgages will be contracted are the major population centers, it is clear that the Legislature must also address itself to the problems of the rural communities. Enactment of HB 41 and early consideration of HB 44 will help meet this area of need.

House Bill 41 calls for the use of the capabilities of a private enterprise mortgage insurance company, supplemented by the Alaska State Mortgage Association. Lenders would submit applications to the mortgage

insuring company underwriting loans; processing of the applications would be by the company and by ASMA. Cases of default would be processed under the mortgage insuring company's existing structure of operations. ASMA would provide information to assist in servicing insured loans. Claims from lenders would be settled by the mortgage insuring company on the basis of 100% coverage of principal and interest from the date of first default to the date of claim, and would include all expenses incurred by the lender. The mortgage insuring company would sell the foreclosed property through ASMA or through realtors selected by ASMA. ASMA would reimburse the mortgage insuring company for any amounts by which the proceeds of sale fall short of 20% of the claim.

8. Adjustments of Usury Ceiling to Federal Reserve Discount Rate.

The Federal Reserve discount rate is the cost to member banks of reserve funds obtained by borrowing from Reserve banks. These rates are publicly announced.

"The financial community thinks of Reserve Bank discount rates as pivotal rates in the credit market. The key role assigned to them derives largely from the fact that they have been established by the administrative action of a public body having special information and competence to judge whether expansion of bank credit and money is consistent with the economy's over-all cash needs for transactions and liquidity." Board of Governors of the Federal Reserve System, The Federal Reserve System (4th Ed., 1961), p. 46.

"The Federal Reserve discount rate is related to and interacts with interest rates in the market. As was explained earlier, the Federal Reserve discount rate is kept in close alignment with short-term interest rates in order to give member banks either too much or too little incentive for using a facility that is intended to meet banking contingencies and temporary needs for reserve funds." *Ibid.*, p. 121.

A correlation exists between the Federal Reserve discount rates and interest rates charged on loans by Alaska financial institutions, as might be expected from the foregoing citations. Since 1965, the trends of the Federal Reserve discount rates, and the average rate of return on income from

loans by Alaska banks are reflected by the following chart:

<u>Year</u>	<u>Fed. Reserve Discount Rate</u>	<u>Average Rate of Return on Income from Loans</u>	
		<u>National Banks (Alaska)</u>	<u>State Banks (Alaska)</u>
1965	4.0	6.9	7.3
1966	4.6	7.4	7.7
1967	4.2	7.7	7.5
1968	5.2	8.0	7.8
1969	5.25	Unknown	Unknown

Since Alaska institutions deal with others having direct dealings with the Federal Reserve, or with corresponding banks which do, and since the chart above shows that Alaska banks' returns on loans follow trends reflected by the Federal Reserve Discount Rate, one logical means of combining stability and control in the public interest with sufficient flexibility to meet the changing demands of the money market is to establish usury ceilings in terms of a multiple of the Federal Reserve Discount Rate. This suggestion is made also as an alternative, again, to the Commission on Monetary Policy, which would have the same advantages of combining control and flexibility (see SB 126), but which some of the witnesses before your Committee feared as having too great a discretion and too little expertise. Tying the usury ceiling to the Federal reserve discount rate, and using multiples of 1.9, 2.0 and 2.1 as examples, we can see what the usury rate ceiling would have been in Alaska if this approach had been used since 1965:

<u>Year</u>	<u>Fed. Reserve Discount Rate</u>	<u>Ceiling (x 1.9)</u>	<u>Ceiling (x 2.0)</u>	<u>Ceiling (x 2.1)</u>
1965	4.0	7.6	8.0	8.4
1966	4.6	8.74	9.2	9.66
1967	4.2	7.98	8.4	8.82
1968	5.2	9.88	10.4	10.92
1969	5.25	9.975	10.5	11.025

It will be seen that any of the multiples used would have accommodated the average rate of return earned by Alaska institutions on loans, and would have included a differential above that average. It will also be seen that the figures tend to show that a twelve per cent ceiling may be higher than necessary under

existing conditions but could be less than necessary in future. Adopting a ceil based on a multiple of the Federal Reserve discount rate will provide for automa adjustments, upward or downward, that are appropriate to the credit market.

I recommend, therefore that the Legislature modify the existing usury statute to permit interest rates on transactions not made exempt from any ceilin in accordance with the suggestions made above to be at a rate no greater than twice the Federal Reserve Discount Rate.

It should be emphasized that none of the testimony included complaint about bank profits. The thrust of the testimony was simply that the existing us ceiling will fail to attract capital investment in Alaska. Adaptation of the usury ceiling to the Federal Reserve discount rate will help meet the need for capital but supply a built-in safeguard for consumers.

9. Further Activities of Your Committee on Banking. The President of the Senate charged your committee with the duty to consider whether relaxatio of state law prohibiting control of Alaska banks by any outside bank holding companies would serve the public interest and encourage economic development in Alaska. Although some testimony was given on this subject, the question has not been a focal point of your committee's considerations. I believe that this issue should either be dealt with simultaneously with the adjustment of interest rates or, at the minimum, by a supplemental report of your committee at an early date. Among the specific questions that should be answered are: (1) what is the rationale for the prohibition against outside bank holding companies? (2) is the prohibition consistent with contentions that no effective ceiling is needed because there will be an interplay of "supply and demand" and with protests against over-regulation of banking? (3) would the relaxation of the exclusion result in the introduction in Alaska of new investment capital? (4) if so, would there follow any deterioration in customer service? (5) what would be the effects of relaxation at such time as Alaska becomes a capital surplus area?

Discount loans. Implementation of the recommendations outlined herein, or amendment of the eight percent ceiling to twelve percent, will not make Alaska fully competitive in the money market in view of statutory limitations on discount interest. While these limitations may serve some useful purpose in the case of consumer goods, I recommend a review of the limitations as they apply to the purchase of equipment (machinery, tractors, etc.) by commercial borrowers.

State Banking Law. The administration has caused to be introduced proposed amendments to the state banking code. These amendments have been referred to the Committee on Commerce. I recommend consideration of the amendments also in the Special Committee on Banking.

Compensating Balances. Since "Compensating balances", when required, may result in avoidance of the usury rate ceiling, by adding to the borrower's costs, I recommend legislative consideration of requirements for maintenance of "compensating balances" as a condition of a loan, to the extent that the effective cost of borrowing is made to exceed the applicable usury rate.

Legislation on the same subject is pending in the Washington Legislature and has been requested by the undersigned, for possible study and introduction.

Finally, I recommend that all legislative changes in 1969 be temporary in nature, to expire next year unless extended at the next session. This recommendation highlights the emergency nature of the problem and guarantees continuing legislative oversight.

Respectfully submitted,

s/ Joe Josephson
Senator Josephson

Joe P. Josephson
Alaska State Senate
Pouch "V", Juneau

Mr. Kerttula

JOURNAL
SUPPLEMENT

March 26, 1969

HOUSE

No. 3

Honorable Jalmar Kerttula
Speaker of the House
Alaska House of Representatives
Juneau, Alaska

Dear Mr. Speaker:

The majority of your Special Committee on Money and Finance reports herewith on its activities, findings and conclusions. It is our understanding that two minority reports also are being submitted.

Your appointment of this special committee on February 11, 1969, is reflected on page 116 of the House Journal as follows:

"February 11, 1969 .

Members, House of Representatives

On February 6, 1969, the President of the Senate appointed a Special Committee on Money and Finance. It is my feeling that it is necessary that the House appoint a comparable committee. I have discussed these thoughts with the President of the Senate and he agrees.

I therefore appoint the following members of the House to a Special House Committee on Money and Finance:

Representatives	Guess, Chairman
	Jackson
	Croft
	Rettig
	Cornelius

The committee is requested to meet jointly with the like committee of the Senate and work out a schedule of work, and is further requested to submit a final report to the House by the date of March 1.

/s/ J. Kerttula

JALMAR M. KERTTULA
Speaker of the House"

As discussed with you earlier, the assigned final reporting date of March 1 could not be met in view of time-consuming fact and opinion gathering efforts felt necessary by all members of the committee.

The first public hearing on money supply problems in Alaska was conducted as a joint hearing by this special committee and a similar special committee of the Senate. The report of that hearing is expressed in detail in a majority committee report in Senate Journal Supplement No. 6, dated February 27, 1969, and in a minority report in Senate Journal Supplement No. 7, dated February 28, 1969. It is felt the first hearing is fairly and adequately reported in those two supplements and will not be repeated herein. Detail study of both reports is urged for all House members.

On Saturday, March 8, 1969, public hearings were held in Anchorage and Fairbanks.

At the Fairbanks hearing, chaired by Barry Jackson, approximately 30 witnesses testified.

The Anchorage hearing was conducted by Gene Guess, Chairman, with Chancy Croft, Stan Cornelius and Ron Rettig participating. Tom Fink and Senator Joe Josephson also took part in the hearing. The meeting, attended by an overflow crowd in the City Council chambers, was started at 10 a.m. and concluded at 4:30 p.m. with an hour and a half recess for lunch.

Twenty-seven witnesses testified. Those appearing included representatives of labor organizations, builders, suppliers, borrowers, representatives of a politically oriented group, a professor of economics, and non-affiliated general public citizens.

For the most part, testimony offered was general in nature, each witness expressing an opinion either for or against raising the usury limit. Five voiced opposition to any raise in the ceiling; all others, approximately 22, gave opinions favoring raises ranging from one percentage point to complete removal of the ceiling.

Those speaking for organized labor expressed recognition of the need for a raise and suggested an expiration date of December 31, 1970, rather than the April 1 date provided in CSSB 212. Mr. Robert E. McFarland presented a prepared statement which was concurred in by other labor representatives testifying; his statement follows:

"My name is Robert E. McFarland and I am here representing the Western Alaska Building and Construction Trades Council which is made up of the fourteen unions engaged in the construction industry in the Anchorage area as well as the greater part of Western Alaska.

In the matter of consideration of the interest rate problem we are concerned in several different areas. First is the matter of the ability of our members to purchase a new home or to upgrade from one home to another better home. Second is the welfare of our members who work or intend to work in the building materials and supply companies. Third is the matter of the employment of our members in the residential and commercial construction industry.

We favor an increase in the interest ceiling. Distasteful as it is. We have spent many hours of consultation with all components of the construction industry and have come to the conclusion that to meet the building requirements of our economy, it will be necessary to attract the required financing. Our research leads us to believe that a maximum of a 9% ceiling on home construction will be adequate for the foreseeable future. In this connection we would advocate that legislation in this area extend for a period of the present until December 31, 1970, in order to give the home-building industry two building seasons, and realizing that commitments have to be made considerably prior to actual construction.

In the matter of commercial financing, we agree with the position of the Alaska State Federation of Labor as per testimony already made before your committee.

Again our position is distasteful, however, we realize that the

problem is a nationwide problem brought on in an attempt by the government to cool the economy, and while it may not disturb other states too greatly, it certainly doesn't fit the economy of our fast growing state. Thus, our commitment is based on a sense of responsibility to our membership, to the construction industry and to the economic growth of our state.

/s/ Robert E. McFarland"

Under questioning Mr. McFarland testified that rents had been increasing in the Anchorage area because of the housing shortage.

One witness, a contractor and apartment house owner, speaking for lifting the usury ceiling, testified that rents for his apartments had been raised in recent months, stating candidly, "for monetary reasons."

Mr. Joseph E. Shafer, Dean of Economics and Business Administration, testified for an increase in the usury rate that would remain, "somewhat higher than would be the prevailing interest rates used by lending institutions," suggesting such a ceiling should permit a range within which actual interest rates could be accommodated rather than a limited ceiling which would tend toward establishing the prevailing lending rate.

The Fairbanks hearing was conducted by Barry Jackson and Eugene V. Miller participated. The hearing, held in the Chamber of Commerce Log Cabin, commenced at 10 a.m. and lasted three and a half hours.

Thirty-one witnesses testified. Twenty-one were borrowers, contractors, real-estate developers, and small businessmen who found it impossible to borrow to meet the demands of the Fairbanks boom at existing interest rate limits.

Among their witnesses were:

Dr. Don Hampton, who is unable to borrow \$500,000 for an apartment project.

Ed Sanders, contractor, who is unable to conclude construction contracts for offices, apartments and warehouses.

Wayne McConnell, owner of Rewak Apartments, who is unable to borrow for 38 units with 36 on his waiting list.

Bruce Street, apartment owner, who is unable to borrow for a major extension of his existing 52 units; who noted that four years ago in Sacramento he considered 7-1/2% money with 5% service fee "a bargain."

Paul Drake, a developer with property in Colorado and North Dakota, who reported 9 - 9-1/2% interest in those states.

James E. Ward, an officer of Central Supply, which needs loans for the spring inventory, for a new building, and for loans to be available to small builders; who noted that if local borrowers cannot borrow to fill the need, outside investors will move in (as they already are), but who supported the need for some limit. Bill Brand, owner of Plywood Supply and, in Anchorage, of Alaska Building Cache, who supported a complete lifting of interest limits.

Richard Gruel, realtor and former Democratic Speaker of the House, who noted that when FHA was 4-1/2% the standard interest in Alaska was 8%, the limit, and that the 8% limit must be raised; that borrowers generally want some limit and lenders none, that although the bankers may be correct, that CSSB 212 am was practical, political and palatable, and that removal of limitations on FHA and VA would not be significant because of current difficulty in

marketing these mortgages.

Bud Meyers, realtor and developer, who noted the present competition compared to the early '50's when there was virtually no money in Fairbanks at any rate; and who has a major project stymied for lack of financing.

Stan Davis, manager of the Northward Building, who reports 50 to 60 persons a day looking for housing, who stated his company had projects to help meet the desperate housing need but could not get funds; who as chairman of the Fairbanks Chamber of Commerce Legislative Committee favored no limit, and in the alternative, a fixed number of points above the prime or discount rate for an indefinite period.

Wallace Cathcart, owner of an insurance agency, former banker, realtor, and son of a pioneer Fairbanks banker, who pointed out that as his father had attracted outside money at 1% per month, so today higher rates than 8% are needed to attract outside money.

Joe Abel, home planner for Independent Lumber, distributor for Far West, which has contracted for more units in the last month than all of 1968, most of which are held up pending raising of interest limits, about \$500,000 total, with 75% in apartment houses.

Howard Axtell, manager of Independent Lumber, who had just returned from outside to talk to investors who will not loan money in Alaska unless interest rates are raised, and who fears it may be too late even now to attract the capital needed for Fairbanks for the 1969 building season.

Henry Tiffany, a developer who favored a raise tied to a margin above the discount rate rather than a multiple, who borrows in New York because bankers do not operate in a fully competitive market, especially in a small town like Fairbanks, where in addition "the interlocking information level is high" within the financial community, and who noted that the small borrower usually cannot borrow on his own outside and will not refinance when interest levels decline.

Bruce Kennedy, officer of Northern Alaska Development Co., a major developer in Fairbanks and Oregon, who compared the advantages in Oregon, including lower equity requirements and greater competition among lenders, who favored opening Alaska to foreign banks but also a complete lifting of the interest limit, and who is planning for expansion if money is available at a price the corporation can afford to pay, but not otherwise.

Among those who were not strongly in favor of raising interest rate limits were:

Slim Mosher, carpenter, who asked that other alternatives be explored, including (1) allowing outside institutions in Alaska, (2) providing state funds to be channeled through banks, (3) additional funds for the Veterans' Loan Fund and raising the maximum loan limits, and (4) if interest limits are raised, that they not be raised so high as to "kill the boom."

Harold Gillim, plastics manufacturer and former borough chairman, who urged increasing the money supply by (1) expansion of the Veterans' Loan program, (2) reduction of collateral requirements on state deposits, (3) a state secondary mortgage bank, (4) use of oil bonus revenues for economic development, and who opposed any increase in interest rate limits lest it, (1) fuel a boom and bust housing cycle, (2) raise the cost of living, and (3) raise labor rates.

Donn Hopkins, former State Director of Planning, now development consultant to the City of Fairbanks, who urged that if there is any other way to free capital it should be used, such as a state mortgage reinsurance program, since an interest rate hike will raise the cost of living.

Bankers who testified included:

William Green, Alaska National Bank, who discussed only the collateral proposals. Green noted that a flexible requirement would be the best; that 30% collateral would be enough; that because state deposits are short term, reduction of collateral will not directly increase availability of medium and long term money, especially if the reduction is for only one year; that ANB needed \$8 million of outside money in 1969 and if the collateral requirement were zero it would meet only 6 to 8% of their need; that under the best circumstances a bank could loan up to only 25% of the state deposits above collateral requirements; but who nevertheless strongly urged reduction of collateral requirements. In response to a question, Mr. Green urged that the April 1, 1970 cutoff date of CSSB 212 be extended to at least September 1, 1970 in order to not disrupt the 1970 building season.

Walter Sczudlo, First Federal Savings and Loan Association, and operator and part-owner of Fairview Manor Apartments, who noted that he had only \$2 million available to meet the need of \$8 - 10 million for 1969, with only \$1 million from outside sources at 7-1/2% net, and then only for "friendship"; that if the limit is raised, more can be obtained but that he must still sell investors on investing in Alaska and must be competitive. In Florida, 8 to 9% on apartments and in Los Angeles 8 to 8-3/4% is now standard, that 9% will be needed to attract capital to Alaska, 8-1/2% net and 1/2% for servicing, that no limit or 12% is preferable to CSSB 212 as to "regulated institutions", and that the Kay bill would not help the small home builder.

Others who testified included:

Captain Jim Binkley of the Alaska Travel Promotion Association, who pegged the investment needs of the tourist industry at \$100 million during the next five years, who noted the need for local businessmen to participate in the oil boom, and who stated that the ceiling must be lifted until other sources of capital, such as a development bank, can be found.

James S. Couch, Vice Chairman of the 16th Election District Economic Development Committee, which favors an interest rate increase to meet the district's need for housing and economic development, noting the need to allow local participation in the coming development of the North Slope.

Several Fairbanks witnesses, including William Green, Walter Sczudlo and Donn Hopkins have submitted technical comments on the pending legislation by letter, which has been helpful to the committee.

In agonizing over the prospect of interest rate increases the committee concludes that such a course is far less onerous than the following alternatives that are beginning to be felt or seem imminent:

- (1) Unemployment in the home building and private building industry.
- (2) Shortfall in projected state revenues because of depressed construction, general business and employment volume.
- (3) Escalation of residential prices and apartment rentals. Evidence of apartment rental increases are detailed below from a sampling of monthly rentals in the Anchorage area:

Analysis of Rent Sampling
Survey by Home Builders Ass'n
Greater Anchorage Area

<u>Number of Living Units</u>	<u>Size of Units</u>	<u>1967 Rates</u>	<u>Current Rates</u>	<u>Increases</u>
57	Eff.	\$225-250	same	no changes
	1 BR	230-290	same	no changes
	2 BR	330-500	same	no changes
28	1 BR	180	\$200	\$20
	2 BR	210	230	20
38	1 BR	140	170	30
	2 BR	165	190	25
20	1 BR	175	195	20
	2 BR	185	205	20
360	1 BR	No rates quoted		no changes
		No increases since		
	2 BR	1967. Occupancy		no changes
		increased from		
	3 BR	50-60% to 100%.		no changes
	FHA CONTROLLED			
80		No rates reported and		no changes
		no increases since 1967.		
		Occupancy increased		
		from 60% to 100%.		
	FHA CONTROLLED			
18	1 BR	\$240	\$245	\$ 5
	2 BR	295	295	no change
14	1 BR	180	210	30
	2 BR	235	260	25
	3 BR	275	295	20
60	1 BR	No rates and no		no change
	2 BR	increases reported.		
203	Eff.	No rates quoted and		no change
	1 BR	no increases since		
	2 BR	1967.		
12	1 BR	165	180	15
72	1 BR	175	225	50
	2 BR	215	265	50
	3 BR	230	280	50
25	1 BR	235-250	300	65-50
	2-1/2 BR	325-345	475	150-130
	Deluxe	360	520	160

- Note: (1) Total living units reported - 987; all reported 100% occupancy.
 (2) Spot increase in Juneau area reported at \$5 to \$10 per month.
 (3) Kenai area not covered.
 (4) Fairbanks area not covered. Newspaper reports indicate some increases ranging 30-40 & 50%. One case

reported to have increased from \$200 per month to \$175 per week or 279%.

The effect of interest rate increases on monthly mortgage payments is set forth in the following schedule covering various loan amounts:

25 Year Loan
Monthly Payment Increases
for 1/4 of 1% Increase in Rate

<u>Loan Amount</u>	<u>Monthly Insurance</u>
\$ 20,000	\$ 3.30
25,000	4.14
30,000	4.95
35,000	5.79
40,000	6.60
45,000	7.44
50,000	8.33

30 Year Loan

20,000	3.50
25,000	4.38
30,000	5.25
35,000	6.13
40,000	7.00
45,000	7.88
50,000	8.75

- * For monthly increases resulting from a rate increase of 1/2 of 1%, multiply above monthly payment increases by two.
(*) For monthly increases resulting from a rate increase of 1%, multiply by four.

Mr. John Robertson, Director of the Division of Banking and Securities, in testifying before the committee estimated that one hundred million dollars (\$100,000,000) in outside funds would be required to satisfy financing requirements for 1969. While recognizing that raising the usury ceiling would not guarantee the inflow of funds sufficient to fill the need, it is the feeling of the committee that a reasonable increase would at least permit Alaska to compete in the money markets for such money as is available. An article in the American Banker in its issue of March 13, 1969, rather succinctly expresses Alaska's dilemma at this time:

"ANNAPOLIS - Maryland's 8% ceiling on mortgage loans came under attack from money experts as a House of Delegates Judiciary Committee began consideration of a bill to remove all top limits on home mortgage interest charges.

Oliver Jones, executive vice president of the Mortgage Bankers Association of America, told the committee that interest rates will tend to rise for the next 10 years.

He indicated that the group of persons who need mortgage financing is increasing faster than the supply of money available to meet their needs.

Joseph W. Barr, who was Secretary of the Treasury during the closing days of the Johnson Administration, said that the Federal Reserve is "putting a tight squeeze on money that is available" and thus causing interest rates to rise. Mr. Barr is vice chairman, American Security & Trust Co., Washington. According to Mr. Barr, this squeeze was felt necessary because

recent Federal tax increases have had "no appreciable effect in slowing the economy."

To slow the inflationary spiral, a tight money market is expected that will result in making credit "extremely difficult to come by this year", he said. Mr. Barr, a former Indiana congressman who was chairman of the Federal Deposit Insurance Corp. and a Deputy Treasury Secretary before he became secretary, said he was not taking a position on the Maryland bill but only testifying as an expert.

He pointed out that money is so tight that some banks in New York are borrowing in London at 8-1/2% interest. American Telephone and Telegraph bonds yield 7.35%, he added, and cited tax-free municipal bonds that had high interest rates.

The Maryland mortgage ceiling, which had held at 6% for more than a century, was raised to 8% last year. An emergency session was required to clear up a quirk in the law and to allow 8% in Maryland on Veterans Administration and Federal Housing Administration mortgage loans.

Charles F. James, assistant to the general counsel of the Federal National Mortgage Association, said that an instrumentality of the government "auctioned" secondary mortgage money last week at a gross yield of 8.15%.

"Unless Maryland recognizes this and makes some accommodation", he added, "mortgage credit could be adversely affected in Maryland." Mr. James said that he was speaking personally and not in his official capacity, when he advocated removal of the interest ceiling.

Morgan West, president of the Washington Mortgage Bankers Association, asserted that unless Maryland lifts its present ceiling "90 days from now, lending could be at a complete standstill."

The house committee is expected to vote on the measure later this week.

RECOMMENDATIONS

Numerous pieces of proposed legislation dealing with money supply problems have been introduced. The concensus of a majority of committee members is expressed below concerning each bill:

HB 41, Relating to the purchase of mortgages by the Alaska State Mortgage Association.

Recommended for interim study by the Legislative Council.

HB 237 and HB 238, Establishing the Alaska Secondary Mortgage Bank and appropriating for its implementation.

Recommended for interim study by the Legislative Council.

HB 234, Relating to bank holding companies.

Recommended for interim study by the Legislative Council.

Also recommended for interim study: the matter of banks of foreign nationals.

HB 242, An Act appropriating to the veterans' revolving loan fund.

Recommended for passage subject to availability of money in the general fund.

HB 272, Relating to depositing of state funds.

Recommended for passage with technical changes.

HB 235, Relating to the legal rate of interest on certain transactions.

Not recommended for passage.

HB 243, Relating to the collateral security required of depositories of state funds.

Not recommended for passage.

HB 236, Relating to the deposit of state funds in a bank.

Not recommended for passage.

HB 270, Relating to the legal rate of interest on certain loans.

Not recommended for passage.

CSSB 212 am, Relating to the legal rate of interest

Recommended for passage with the following changes:

- (1) Line 18, page 2, after "is" delete "greater than twice" and insert "more than five percentage points above"
- (2) Line 16, page 2, after "until" delete "April 1, 1970" and insert "December 31, 1970"
- (3) Line 22, page 2, after "After" delete "April 1, 1970" and insert "December 31, 1970"
- (4) Line 7, page 3, after "until" delete "April 1, 1970" and insert "December 31, 1970"
- (5) Line 22, page 2, after "Commerce" insert "Conventional mortgage loans covering one to four-family dwellings entered into under provisions of this paragraph shall not include a prepayment penalty provision."

Respectfully submitted,

/s/ Barry Jackson
Barry Jackson

/s/ Stan Cornelius
Stan Cornelius

/s/ R. L. Rettig
Ron Rettig

Honorable Jalmar Kerttula
Speaker of the House
Alaska House of Representatives
Juneau, Alaska

Dear Mr. Speaker:

I concur in the recommendation of the majority of your Special Committee on Money and Finance with the exception of proposed amendment number (1) to CSSB 212 amended. After review of all the testimony and exhibits I recommend the following amendment:

- (1) Line 18, page 2, after "is" delete "greater than twice" and insert "more than four percentage points above".

Respectfully submitted,

/s/ Gene Guess
Gene Guess, Chairman

Mr. Speaker:

In response to your request the following is my report of the Special House Committee on Banking and Monetary Policy. Aside from individual effort by all members of the committee it is the product of 5 different public hearings held in Juneau, Fairbanks and Anchorage, and the testimony of approximately 80 witnesses (see appendix). We heard from bankers and borrowers, consumers and contractors, lumber yards and labor leaders, commerce commissioners and college professors.

Basic Condition

The Alaska economy requires an estimated \$100,000,000 in loans from outside the state to continue its present economic development through this year. [\$300 million is presently being loaned by Alaskan banks (statement of John K. Robertson, Director, Division of Banking, Securities, Small Loans and Corporations, February 10, 1969) and the additional \$100 million must come from outside sources] (testimony of John K. Robertson before the Special Committee).¹

Alaska Economy

Alaska's dependency on outside capital is the result of numerous conditions among the more significant being:

1. Alaska's population is basically young. Only approximately 2.5% of our population is over 65, whereas nationally the figure is about five times that amount. It is the older population which normally produces the savings and trust accounts and estates which produce sizeable supplies of capital.
2. Much of Alaska's capital has been taken outside by non-Alaskan companies and workers who profit from their seasonal participation in Alaska's economy but who take their deposits (and profits) to another state.
3. Resident Alaskan businesses have to date been relatively small and have not been able to use non-institutional methods of financing such as bonds, debentures, etc. The result has been that all financing of such businesses must be borne by lending institutions which makes that money unavailable for other loans.
4. Alaskan deposits tend to fluctuate seasonally as does the Alaska economy. For years now Alaskan banks have experienced a 15% to 20% increase in deposits between the 1st and 3rd quarters and a decrease of almost 10% between the following 4th and 1st quarters.² This fluctuation causes Alaskan banks to place a high priority on liquidity which reduces the long term loan capability of our banks.

1. At least this is the most precise information presented to the committee. Unfortunately no individual besides Mr. Robertson furnished the committee any information in this regard. Of this amount, it is estimated that approximately \$30 million is required for FHA financing, \$25 million for conventional mortgage financing, and \$50 million for overline and other conventional financing.

5. The ratio of public deposits to over-all deposits is inordinately high -- about 30% compared to 9% nationally. As traditional banking practices view these funds as volatile and unstable, some banks exclude these deposits when computing their loan/deposit ratios or the funds available for loans.³ Again, the effect is to diminish further our long term capital supply.

Past Solution

In the past, to a lesser or greater degree, Alaska has been able to obtain additional capital from private sources outside. A certain amount was obtained from the East Coast but the large majority was obtained from the West Coast, primarily the Seattle area. Until recently a substantial differential between the prime commercial loan rate (Ex. 1) and the prevailing Alaska loan rate (which is actually our usury limit) has resulted in our being able to attract this outside supply.

Seattle Economy

While the committee was not presented with detailed information on this subject it was indicated that Seattle itself has been dependent in turn on the East Coast for capital. At the present time Seattle is enjoying an unprecedented boom due in large measure to Boeing expansion and cannot be considered a capital surplus area to the extent it has been for Alaska.

National Economy

It has been the policy of both the Johnson and Nixon Administrations to attempt to slow down the national economy in order to halt the inflationary spiral. Prevailing interest rates at the present time are at the highest level since the Civil War. Moreover, the causes of the boom (the Vietnam war and the previous "war babies" who have come of age and now have families and jobs and want homes and cars) and the inflation (the boom and the record deficit federal spending with its increased demand on the credit market - American Banker, January 10, 1968 page 3) have in themselves been a tremendous demand on the capital supply. In addition, other investments have proven more attractive earning wise (stocks, government securities) than interest income. For example, one large Anchorage bank had a net increase in assets in 1968 of approximately \$9 million but increased loans of only approximately \$1.5 million.

The federal government has attempted to restrain this inflationary increase through a reduction in federal spending, an increase in taxes, and finally by policies of the Federal Reserve

2 and 3. Statement of John K. Robertson to Legislative Council on January 21, 1969.

4. No precise estimate is available but it is probable that the present capital shortage is more acute Alaska wise now because the substantial influx of government investment capital (primarily SBA loans after the 1964 earthquake and the 1967 flood) has greatly subsided.

Board of restricting money supply (Guide for Investors, Spring, 1969, Merrill, Lynch, Pierce, Fenner & Smith, page 3). Both a tool and a temporary effect of this policy is an increase in the interest rate.

While most economists appear dubious of the effectiveness of the government efforts to date, at least one respected investment counseling firm believes:

"The basic trend in interest rates for the year appears to be downward, although some divergent trends could develop over the near term." (same as above, page 2)

1969 Alaska Economy

This year holds great potential for being a year of tremendous economic development in this state. A sufficient supply of capital is necessary to fund that development and we have heard testimony that this capital may not be available. Most of the witnesses attributed the lack of capital to our 8% interest ceiling, pointing to the interest ceiling of other areas, particularly the 13 Western states. Of the latter all states except Arizona have a higher interest ceiling than Alaska even though nationally 28 states have an 8% ceiling or less, whereas 19 have more than 8% and 3 have no limitation (Ex. 2). The higher Western ceiling may indicate an attempt of these younger states to attract Eastern capital to aid their own economic development.

The area of our economy hardest hit by a tight money situation will be the home building industry.⁵ (This is, of course, true nationwide.)

While home building may be restrained by lack of capital the over-all Alaska economic forecast for 1969 is quite optimistic. The March 1969 issue of Alaska Industry observed:

"But even barring early starts on such incredibly huge projects (the \$900 million pipeline construction), Alaska has a great deal going for it in the way of construction jobs definitely starting this spring and ranging from \$1 million to \$10 million or more each."

Recently a Fairbanks banker indicated that in addition to spiraling interest rates the capital shortage there was due to local investment in oil leases, stock market investment and a \$1 1/2 million yearly repayment in SBA loans. (News-Miner, 3/15/69)

For that matter the General Manager of Associated General Contractors testified that the approximately 15 major contractors performing highway and other state and federal contracts expect to do \$100 to \$120 million worth of work in Alaska this year and that this construction will not be affected by the Alaska usury rate.

One generalization seems most important about all of the testimony that was presented. There was a good deal of testimony that without an interest rate increase insufficient capital would come into the state this year; there was no testimony that with an increase sufficient capital would in fact be attracted this year. An example of the possible futility of

5. Housing starts have always been considered a prime economic indicator.

any interest increase in light of the tight money nationally is the action of the Greater Anchorage Area Borough. Municipal bonds, because of a tax feature, in effect provide a much higher return than their actual interest rate. Recently the GAAB:

"Unanimously cancelled the scheduled sale of \$6 million in school bonds and \$2 million in sewer bonds on March 24. The borough financial advisers said it was virtually impossible to sell the bonds within the 6 per cent voter-set limit with the money market as impossibly tight as it is." Anchorage Daily News, March 18, 1969, page 3.

One of the most disturbing facts of all the hearings was the complete inability of any witness to make any estimate as to the amount of capital any particular interest increase would provide. Considering the widespread lack of capital, such information seems vitally necessary before any substantial increase in the interest ceiling can be justified. After all, if an increase to 9% will produce the same amount of outside money (or will result in the same amount of assets shifted by Alaska banks from municipals to loans) as will an increase to 11%, then the only effect of raising the interest ceiling to 11% (as CSSB 212 does) is to increase our cost of living.

While a reduction in Alaska capital supply seems inevitable regardless of any interest ceiling, the economic effect of an increase in interest cost should be considered. A historic problem of Alaska's economic development has been our high cost of living. While relative to the rest of the United States it has been declining, it has nonetheless been rising. Doubtless an increase in interest cost would retard or reverse the favorable trend. While not a part of the testimony, the latest Bureau of Labor Statistics reported that consumer prices rose in Anchorage 2.6% between October 1967 and October 1968 (substantially less than the U.S. urban average of 4.6%):

"Higher mortgage interest rates and other costs associated with home ownership caused most of the rise in the housing sub-index..." (Anchorage News, 3/17/69)

In addition, reliable observers indicate that an interest increase may actually cause an acute housing shortage:

"One of the nation's top bankers warned Monday that the new hike in the prime interest rates may lead to an acute housing shortage across the nation." (Anchorage News, 3/18/69)

Alaska Bank Earnings

There was no testimony that the current interest ceiling was jeopardizing earnings or the stability of our Alaskan banks. In fact, they are in a favorable profit position. Between 1962 and 1966 assets of all Alaska banks rose from \$259,030,000 to \$373,398,000 (a 44% increase), loans increased from \$119,113,000 to \$204,725,000 (a 72% increase), while net profit after taxes jumped from \$979,000 to \$1,827,000 (an 87% increase) --(Tables I and VIII, Division of Banking analysis of Alaska banks).

Net earnings before taxes increased only 9% during the same period. This probably indicates greater investment in tax exempt securities. It certainly implies that the banks have been taking care of their stockholders rather than their depositors. This is not necessarily a criticism as it does prove

that banks even if they are not compassionate are at least human.

It is with these factors in mind that I reach the following.

Conclusions

1. The inevitable shortage in capital must be viewed in light of the adverse effects of an increased interest rate.
2. A substantial, broad based interest increase will not guarantee an increase in capital but will certainly guarantee that capital will be more expensive.
3. A selected modest interest increase offers the best hope of increased capital with the least possible cost of living increase.

Particular Proposals and Recommendations

Concerning the various proposals and alternatives facing the House, I make the following recommendations.

Interest Ceiling Increase

HB 235 This bill exempts FHA and VA mortgages and loans participated in by outside banks from the present usury ceiling until June 1, 1970. I favor adoption of this bill with two amendments:

(1) which would also exempt mortgages on Alaska real estate; provided that an interest rate of not more than 9% may be charged. Failure to adopt this amendment would penalize mutual savings banks and federal savings institutions which deal in conventional mortgages rather than FHAs and VAs. This section of the bill would then substantially conform to a major recommendation of the Western Alaska Building and Construction Trades Council. (Ex. 3)

(2) Eliminate the second provision relating to a higher interest rate on the outside portion of loans processed through Alaska banks. This section appears discriminatory as to Alaska financial institutions (and might be subject to constitutional challenge). While it may or may not be, it certainly is discriminatory as to the Alaska small businessman. The effect of provision (b) would be mainly to allow Alaskan banks to obtain outside participation for overline loans (loans greater than they can legally make). These loans, almost by definition, will only affect large businesses but will offer no help to the small Alaska businessman. Since under this section the needs of large businesses can be met but those of small businesses cannot, small businesses are placed at a competitive disadvantage. For that reason I propose that section (b) be replaced with a provision that loans to a corporation, partnership, or individual which possesses an Alaskan business license may contain an interest rate of up to 10%.

The policy of setting different interest ceilings for different transactions has been criticized as unfair and amounting to too much legislative tinkering. On

the contrary, an across the board ceiling increase is unfair because it fails to recognize the different character of different transactions. The fact that different loans require different treatment has previously been recognized by the legislature by the enactment of our present discount ceiling and the small loan company regulations.

To respond to a capital shortage which will primarily affect home building by increasing the over-all interest ceiling is not only over-reaction but is discriminatory itself. After all, it is just as unfair to treat unequal things equally as it is to treat equal things unequally.

CSSB 212
and
CSSB 212
am

The effect of these bills is to set the interest ceiling at twice the federal reserve discount rate. I feel that these bills provide for too substantial an increase and one that is more broad based than is justified by present economic conditions. As the major brunt of the shortage of capital will be felt in the home building industry and by small businesses I feel that legislation should be primarily directed at this specific problem. FHA and VA loans are limited by federal law to a maximum interest rate of 7 1/2%. To allow an interest ceiling of 11% (the current federal reserve discount rate for the 12th Federal Reserve District is 5.5%) seems out of proportion to Alaska's specific need.

Passage of this bill could ironically be disastrous to Alaska's home building industry. As previously noted, the 7.5% interest ceiling on FHAs and VAs is set by federal law. The lower interest rate on FHAs and VAs has created a problem since the prime interest rate has been climbing. Commissioner of Commerce George Sharrock pinpointed before the committee the problem in this field when he observed that several weeks ago \$85 million in FHAs were offered for sale through FNMA and only \$95 million in bids were received. The previous week \$200 million in bids were received. Because the rise in the prime interest rate has made the FHAs and VAs less attractive to lenders the possibility of a housing shortage has emerged. FHA and VA construction comprise approximately 50% of the housing construction in Alaska. Now FHAs and VAs remain competitive in Alaska because of our 8% interest ceiling. Banks will concentrate their deposits in those items and in those loans offering the highest net return. Because FHAs and VAs are federally insured their net return remains high even with a lower interest rate. If the Alaska ceiling were raised to 11% as it would if CSSB 212 were law, FHAs and VAs might not remain competitive -- even at 7.5% -- and the capital now being committed to those loans would be diverted to others.

If the discount rate were raised -- a distinct possibility in light of the prime interest increase -- and correspondingly under CSSB 212 our interest ceiling increased, the effect could well be to stifle almost entirely all FHA and VA home construction in Alaska.

HB 270

This bill removes the interest ceiling as to all loans above \$50,000 (the sponsors have indicated that they

may amend it to \$30,000). I feel that this bill does not meet the specific problem (which is primarily in the housing field) and may result in only large borrowers being able to obtain financing.

SB 126 This bill creates the Alaska Commission on Monetary Policy with power to set interest ceilings. While it offers the distinct advantages of flexibility coupled with expertise in ceiling determination, it is my feeling that the immediacy of the capital problem requires a legislative determination at this time. For that reason I recommend further study of this proposal.

Increase in Capital Supply

Coupled with a selected and limited increase in the interest ceiling I propose that several measures be adopted to increase the availability of capital within the state.

HB 272 This bill proposes a reduction in the collateralization requirements relating to deposits of state funds. I favor the adoption of the amended version of this bill which I believe incorporates necessary safeguards securing these funds while making a greater percentage available by the banks for loans. At the present time the State has on deposit with various banks in excess of \$40,000,000. While recognizing (as previously discussed) the limited value of these funds as a capital source I believe that this bill could free up to \$5,000,000 in capital for loans.

HB 236 and HB 243 Both relate to collateralization requirements of State deposits. I recommend adoption of HB 272 in lieu of these bills.

HB 41 HB 237 HB 238 These bills concern the Alaska State Mortgage Association and the Alaska Secondary Mortgage Bank. While these bills are deserving of a great deal of consideration, the present financial condition of the State does not permit sufficient immediate funding so that they would have a significant impact on our present capital supply. Funding from oil bonuses will not affect this construction season but may be feasible next year. For that reason I recommend that the Legislative Council give serious consideration to these bills and report to the Legislature on them early next session.

HB 242 An appropriation to the Alaska World War II Veterans revolving fund. I make the same recommendation for the same reasons as I did on the 3 preceding bills.

HB 234 Relates to bank holding companies. The effect of this bill is to permit foreign banks to engage in business in this state.

I feel that existing restrictions may very well have an adverse effect on our immediate capital supply and may well jeopardize or at least restrict Alaska's development as a part of the Pacific Rim community. However, our hearings were not directed towards this bill and it was not extensively considered at them. In fairness to the state's financial institutions and in order to examine all the ramifications of this

change in basic State policy, I recommend that the Legislative Council consider this bill and report back to the Legislature early next session.

HB 316 Relates to investment of State Employees and Teachers Retirement Funds. This bill allows investment of these funds in certain adequately secured conventional home mortgages. It involves no risk to recipients of retirement income as this is paid by the State regardless of fund earnings. At the present time there are approximately \$24,000,000 in assets of the Teachers Retirement Fund and approximately \$19,000,000 in the Public Employees Retirement Fund. I believe that this bill could provide up to \$5 million in additional capital for Alaskan investment. I believe that the bill contains adequate safeguards and I recommend passage.

I appreciate having had the opportunity of serving on this committee and am grateful for the courtesy and helpfulness of the numerous witnesses and State officials who testified before the committee, particularly Mr. John Robertson, Director of Banking.

March 24, 1969

/s/ Chancy Croft
Chancy Croft, Member
Alaska House of Representative

EXHIBIT 1PRIME COMMERCIAL LOAN RATEFEDERAL RESERVE BANK - S.F.
DISCOUNT RATE

Effective Date(FNCB)	Rate		
1935-1947	1 1/2%	1/20/53	2 %
12/26/47	1 3/4%	2/5/54	1 3/4%
8/10/48	2 %	4/16/54	1 1/2%
9/22/50	2 1/4%	4/22/55	1 3/4%
1/8/51	2 1/2%	8/5/55	2 %
10/17/51	2 3/4%	10/13/55	2 1/4%
12/19/51	3 %	11/18/55	2 1/2%
4/27/53	3 1/4%	4/13/56	3 %
3/17/54	3 %	8/15/57	3 1/2%
8/5/55	3 1/4%	11/29/57	3 %
10/14/55	3 1/2%	3/13/58	2 1/4%
4/13/56	3 3/4%	5/1/58	1 3/4%
8/21/56	4 %	8/15/58	2 %
8/7/57	4 1/2%	11/6/58	2 1/2%
1/24/58	4 %	3/12/59	3 %
4/21/58	3 1/2%	6/11/59	3 1/2%
9/12/58	4 %	9/11/59	4 %
5/15/59	4 1/2%	6/3/60	3 1/2%
9/1/59	5 %	9/2/60	3 %
8/23/60	4 1/2%	7/19/63	3 1/2%
12/6/65	5 %	11/27/64	4 %
3/10/66	5 1/2%	12/9/65	4 1/2%
6/30/66	5 3/4%	4/7/67	4 %
8/16/66	6 %	11/20/67	4 1/2%
1/27/67 (Chase 5 1/2%)	5 3/4%	3/15/68	5 %
(3/23/67 Morgan 5 1/2%)		4/19/68	5 1/2%
3/27/67 1st Nat'l. City	5 1/2%	8/30/68	5 1/4%
11/21/67 1st Nat'l. City	6 %	12/20/68	5 1/2%
4/19/68 1st Nat'l. City	6 1/2%		
9/25/68 (Chase 6%)	6 1/4%		
12/2/68 (Chase 6 1/2%)	6 1/2%		
12/18/68 1st Nat'l. City	6 3/4%		
1/7/69 1st Nat'l. City	7 %		

EXHIBIT 2

Prepared by:
Roy H. Stanton
NAHB Assistant Legis-
lative Director

Attachment to NAHB State
Legislative Reporter
Vol. 2, No. 1 - Jan. 1969

STATE USURY LAWS
(as of January 1, 1969)

<u>State</u>	<u>Contract Rate</u>	<u>State</u>	<u>Contract Rate</u>
Alabama	8%	Missouri	8%
Alaska	8%	Montana	10%
Arizona	8%	Nebraska	9%
Arkansas	10%	Nevada	12%
California	10%	New Hampshire	Unlimited
Colorado	12%	New Jersey	7 1/2% ^{3/}
Connecticut	12%	New Mexico	10%
Delaware	8%	New York	7 1/4% ^{2/4}
District of Columbia	8%	NORTH CAROLINA	7%
Florida	8% *	NORTH DAKOTA	7%
Georgia	8%	Ohio	8%
Hawaii	12%	Oklahoma	10%
Idaho	8% *	Oregon	10%
ILLINOIS	7%	Pennsylvania	7% ^{5/}
Indiana	8%	Rhode Island	21%
IOWA	7%	SOUTH CAROLINA	7%
Kansas	10%	South Dakota	8%
KENTUCKY	7%	Tennessee	7 1/2% ^{6/}
Louisiana	8%	Texas	10%
Maine	Unlimited	Utah	10%
Maryland	8% ^{1/}	Vermont	6 1/2% ^{7/}
Massachusetts	Unlimited	Virginia	8%
Michigan	7% ^{2/}	Washington	12%
Minnesota	8%	West Virginia	8%
Mississippi	8%	Wisconsin	12%
		Wyoming	10%

- ^{1/} No points at 7 1/4%.
- ^{2/} Exempts FHA and VA loans.
- ^{3/} Although the permanent rate is 6%, the Commissioner of Banking and Insurance may set the contract rate as high as 8%. It is currently set at 7 1/2%. No points.
- ^{4/} Although the permanent rate is 6%, until 1973, the contract rate may be set as high as 7 1/2% by the State Banking Commission. It is currently set at 7 1/4%.
- ^{5/} Exempts FHA loans.
- ^{6/} Loans over \$10,000.
- ^{7/} Exempts FHA and VA loans to 12%.

* Changed to 10% after date of publication.

EXHIBIT 3

My name is Robert E. McFarland and I am here representing the Western Alaska Building and Construction Trades Council which is made up of the fourteen Unions engaged in the Construction Industry in the Anchorage area as well as the greater part of Western Alaska.

In the matter of consideration of the interest rate problem we are concerned in several different areas. First is the matter of the ability of our members to purchase a new home or to upgrade from one home to another better home. Second is the welfare of our members who work or intend to work in the Building Materials and Supply Companies. Third is the matter of the employment of our members in the Residential and Commercial Construction Industry.

We favor an increase in the interest ceiling. Distasteful as it is. We have spent many hours of consultation with all components of the Construction Industry and have come to the conclusion that to meet the Building requirements of our economy it will be necessary to attract the required financing. Our research leads us to believe that a maximum of a 9% ceiling on home construction will be adequate for the foreseeable future. In this connection we would advocate that legislation in this area extend for a period of the present until December 31, 1970 in order to give the Home Building Industry two building seasons, and realizing that commitments have to be made considerably prior to actual construction.

In the matter of Commercial Financing, we agree with the position of the Alaska State Federation of Labor as per testimony already made before your committee.

Again our position is distasteful, however we realize that the problem is a nationwide problem brought on in an attempt by the Government to cool the economy and while it may not disturb other States too greatly, it certainly doesn't fit the economy of our fast growing State. Thus our commitment is based on a sense of responsibility to our membership, to the Construction Industry and to the economic growth of our State.

APPENDIX

Witnesses*

Dr. Gene Erion
John Lashley
Harry Dye
Charles Fowler
Daniel E. Stoddard
Robert A. Sheffield
Elmer Gagnon
Victor Fischer
Vernon D. Forbes
Clifton O. Tweedy

John Robertson
Dwayne Carlson
Milt Daugherty
John Hellenenthal
Robert McFarland
Tke Waldrop
Jack Reynolds
Dr. Joseph Shaffer
James Campbell
George Dickson

Lee Coffman
John Mercer
Charles Lunsford
Jack Peterson
Roy Gunderson
Rick Urion
John Contento
Norman Schwab
Capt. Jim Binkley
Don Bruce

Ken Davis
Earl Simmons
Mike DeMan
John Parks
Dick Crews
Vernon Risch
Bob Lund
Willard Stats
Bob Clay
Howard Park

W. D. Renfro
D. L. Mellish
A. C. Swalling
R. A. Kennard
W. G. Moran
Ralph Bailey
W. J. Marshall
Fred Eastaugh
Tom Fink
George Sharrock

Joan Miller
Tom Tuttle
Russ Mockins
Dean Ehrich

* Juneau and Anchorage hearings only.

with such legislation would be repetitious. I hope you concur with my thinking. Committee members have expressed apprehension about the fact that if we make such money available to our fellow Alaskans, there might be a staggering number of people who would want to refinance existing loans to take advantage of the lower rates. We will be interested in seeing how that particular problem is handled.

The one remaining problem to which we will be devoting our attention in the next week or so is that of the interest rate. Once again, just as we have five committeemen, we have five opinions.

Cheers!

Very truly yours,

Robert H. Ziegler, Sr., Chairman
Senate Special Committee on
Investment and Monetary Policy

RHZ/jag
Enclosures