

Downes Clarifies Lease Sale Investment Money

Thomas K. Downes, State Commissioner of Administration, told an audience at the Fairbanks Chamber of Commerce luncheon Tuesday that the full story of state investment of the proceeds from next week's lease sale was never told to the public.

As a result, Downes said, there are several questions which were left unanswered. An agreement with an outside bank, and specifically with the Bank of America, Downes said requires some explanation.

Downes stated that, by state law, the state is required to invest its money only in federal notes, securities, and bonds. There are 22 financial institutions throughout the United States, he said, that are empowered to bid on these federal bonds. None of them are in Alaska.

The reason a single bank was chosen, Downes stated, was that if more than one bank was to handle the investment, the competition would drive the price higher.

"The Bank of America offered the fastest investment," Downes said. If the proceeds of the Wednesday sale were not placed in the bank Friday morning, "the interest lost could amount to \$105,000."

To guarantee this would be done, the Bank of America has chartered a DC-9 Jet to fly from

Anchorage to New York. Downes said the Bank of America has agreed to "out-of-pocket" expenses, such as the charter flight, at no additional cost.

Downes said that funds, probably amounting to \$50 million, would be placed in Alaska Banks "in less than a week after the sale." Much more would be prohibited, he said, under Alaska's stringent banking laws. Downes said that he expects the legislature to liberalize the policy in January.

Alarmed at widespread confusion, he blamed the press for not presenting the full story.

"All the hearings were open to anyone," he stated.

The only secrecy involved, Downes stated, is the exact schedule of buying. This secrecy he said, is necessary in order to cushion the impact of large amounts of money on the market, which would cause national or international havoc.

Otherwise, the state has gone to "quite a lot of trouble to get information out," he said. This caution was exercised at the urging of U.S. Treasury representatives who flew to Juneau to impress the need for secrecy on state officials, he stated.

Aside from the initial investment, Downes stated that state officials are studying long-range proposals for use of the sale

proceeds. He said his department, the Department of Administration, views expenditures "from a sociological, economic, and de-

velopmental aspect."

He told the Tundra Times that five areas were currently under exploration. These include

education, transportation, health and welfare, job training for the poor, and revenue-sharing with local governments.