

Introduced: 4/10/70
Referred: Finance

BY THE RULES COMMITTEE BY RE-
QUEST OF THE SPECIAL COMMITTEE
ON MONETARY INVESTMENT

1 IN THE HOUSE

2 HOUSE BILL NO. 821

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to public funds and providing for
7 an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 37.10.070 is repealed.

10 * Sec. 2. AS 37.10 is amended by adding new sections to read:

11 Sec. 37.10.071. INVESTMENT IN LOANS. (a) Subject to the pro-
12 visions of (b) - (e) of this section, when the treasurer determines
13 that there are funds in the state treasury above an amount sufficient
14 to meet current demands, up to \$300,000,000 of them shall first be
15 used to continuously invest in any of the following:

16 (1) Federal Housing Administration mortgages at the market
17 rate but not exceeding six and one-half per cent;

18 (2) Federal Veterans Administration mortgages at the market
19 rate but not exceeding six and one-half per cent;

20 (3) notes insured by Farmer's Home Administration, the
21 proceeds of which are used to finance projects in Alaska;

22 (4) Alaska Veterans Administration mortgages and agri-
23 cultural revolving loans at the market rate but not exceeding six
24 and one-half per cent;

25 (5) conventional residential mortgages at the market rate
26 but not exceeding six and one-half per cent if the originating
27 financing institution retains at least 25 per cent of the mortgage
28 and no less than the mortgage that it already had; the six and one-
29 half per cent applies only to that part of the mortgage purchased by

1 the state; and

2 (6) other secured loans, not exceeding \$75,000 per mortgage,
3 at the market rate but not exceeding seven and one-half per cent if
4 the originating financial institution retains at least 33 1/3 per
5 cent of the mortgage and no less than the mortgage that it already
6 had; the seven and one-half per cent applies only to that part of the
7 mortgage purchased by the state.

8 (b) To qualify as a mortgage or loan which can be purchased by
9 the state under (a) of this section, it must

10 (1) be on real estate in the state or other security allowed
11 under (a)(6) of this section;

12 (2) have as a mortgagor an Alaska resident or a corporation
13 in which at least 51 per cent of the stock is owned by Alaska residents;

14 (3) have no initial closing fees or service fees which
15 exceed one-half of one per cent, excluding closing costs;

16 (4) be legal for the originating financial institution
17 except that a bank's legal loan limit shall apply only to the portion
18 of the mortgage retained by the bank (a legal mortgage for other
19 financial institutions must be within the legal requirements of a
20 state bank); and

21 (5) have had its loan papers certified by the originating
22 financial institution as correct and in compliance with law as part
23 of the purchase.

24 (c) When the aggregate of all loans purchased from a lender
25 becomes more than one-half of one per cent delinquent, the state shall
26 discontinue purchasing loans from that lender until the delinquency
27 is reduced to less than one-half of one per cent.

28 (d) The state may purchase loans provided for in (a)(5) and (6)
29 of this section only from financial institutions which are operating

1 under the national banking laws, the state banking laws, the state
2 mutual banking laws, the state savings and loan laws or the federal
3 savings and loan laws.

4 (e) From the effective date of this Act to June 1, 1971 the
5 state may purchase from federal savings and loan institutions 100 per
6 cent of the mortgages provided for under (a)(5) and (6) of this
7 section if 20 per cent of the loan is insured by a firm approved by
8 the treasurer and the loan is for not more than 80 per cent of the
9 appraised value of the property securing the loan.

10 (f) In this section

11 (1) "closing costs" mean appraisal costs, legal costs,
12 title insurance, and any other legitimate out-of-pocket expenses
13 approved by the treasurer;

14 (2) "financial institution" means a state agency and a
15 lending entity operating under the national banking laws, the state
16 banking laws, the state mutual banking laws, the state savings and
17 loan laws, the federal savings and loan laws, and other mortgage
18 lenders licensed;

19 (3) "mortgage" means a pledge or security of particular
20 property for the payment of a debt or the performance of some other
21 obligation, whatever form the transaction may take;

22 (4) "resident" means a person domiciled in the state.

23 Sec. 37.10.073. INVESTMENTS BESIDES LOANS. (a) When the
24 treasurer determines that there are funds in the state treasury which
25 are not being used for the purposes of sec. 71 of this chapter, they
26 may be invested in any of the following:

27 (1) direct obligations of the United States;

28 (2) obligations of agencies and instrumentalities of the
29 United States;

1 (3) bank certificates of deposit which are secured as to
2 the payment of principal and interest in accordance with Alaska law;

3 (4) corporate obligations of prime or equivalent quality,
4 as rated by a nationally recognized rating organization; and

5 (5) other securities, including corporate securities, with
6 the objective of maximum long-term total return.

7 (b) Investment policy shall be formulated by the treasurer who
8 shall be advised by a committee appointed by the governor. In formulating
9 investment policy they shall consider maximum income and safety as
10 governed by the prudent man rule and the benefit to the private and pub-
11 lic sectors of the economy in terms of increased housing and commercial
12 credit, stimulated business activity, increased employment, support of
13 the market for state and local bonds, and increased public revenue to-
14 gether with the possible inflationary effect of the investment.

15 (c) The Department of the Treasury, with the consent of the commit-
16 tee, may enter into contracts for services providing investment advice,
17 custody of securities, and execution of transactions, in or out of Alaska.

18 Sec. 37.10.075. DEPOSIT OF STATE FUNDS. (a) When the treasurer de-
19 termines that there are funds in the state treasury which are not being
20 used for the purposes provided for in sec. 71 of this chapter, they may
21 be deposited in financial institutions which have their deposits insured
22 by the Federal Deposit Insurance Corporation or the Federal Savings and
23 Loan Insurance Corporation. Collateral may be required by the treasurer
24 to secure state deposits provided for under this section.

25 (b) The banks in which state funds are deposited under a time
26 deposit agreement shall pay at least a minimum interest rate to be
27 fixed by the Department of the Treasury, and this interest when paid
28 shall be deposited in the general fund or in the other funds which
29 are established by law.

1 (c) Nothing in this section prohibits the Department of the
2 Treasury from depositing the funds which it considers necessary for
3 the proper conduct of the office in solvent banks outside the state
4 under the terms and conditions provided herein.

5 (d) The Department of the Treasury may deposit funds in banks
6 inside or outside the state in active accounts or on demand deposits
7 without requiring those banks in which the accounts are deposited to
8 pay interest on the deposits. It is the intention of the legislature
9 that the department shall keep active deposits in any bank it con-
10 sidered deserving, and that, to partially compensate the banks for
11 cashing state warrants in their regular course of business, no interest
12 shall be paid on the deposits.

13 (e) Banks holding state deposits shall, as a condition of retain-
14 ing those deposits, submit all information concerning the deposits
15 and other relevant matters that may be requested by the treasurer.

16 * Sec. 3. AS 43.05.150(a) is amended to read:

17 (a) The Department of Revenue shall demand, sue for, collect,
18 receive, and transmit to the Department of the Treasury [SAFELY KEEP]
19 all money of the state which is not by law entrusted to the care and
20 custody of some other office. [THE DEPARTMENT SHALL KEEP THESE FUNDS
21 IN BANKS IN THE STATE NEAREST THE PLACE WHERE THE FUNDS ARE COLLECTED.]

22 * Sec. 4. AS 43.05.150(b), (c), (d) and (e) are repealed.

23 * Sec. 5. AS 37.10.085 is repealed.

24 * Sec. 6. Until July 1, 1970, the commissioner of revenue shall carry
25 out the provisions of this Act.

26 * Sec. 7. This Act takes effect on the day after its passage and approv-
27 al or on the day it becomes law without approval.
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