

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/28/70
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR 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 surplus state
7 funds; 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 AS 37.10.070 is repealed and re-enacted to read: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 OF SURPLUS FUNDS. (a) When the com-
11 missioner of revenue determines that there is in the state treasury a
12 surplus above an amount sufficient to meet current demands, the surplus
13 may be invested in any of the following:

- 14 (1) direct obligations of the United States;
- 15 (2) obligations of agencies and instrumentalities of the
16 United States;
- 17 (3) notes issued by Farmer's Home Administration;
- 18 (4) bank certificates of deposit which are secured as to
19 the payment of principal and interest in accordance with Alaska law;
- 20 (5) corporate obligations of prime or equivalent quality,
21 as rated by a nationally recognized rating organization;
- 22 (6) other securities, including corporate securities;
- 23 (7) Federal Housing Administration mortgages;
- 24 (8) Federal Veterans Administration mortgages;
- 25 (9) loans made under the provisions of AS 03.10 and AS 26.-
26 10;
- 27 (10) conventional residential mortgages if the originating
28 financial institution retains at least 25 per cent of the mortgage;
- 29 (11) other secured loans, if the originating financial

1 institution retains at least 33 1/3 per cent of the mortgage.

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

4 (1) be secured by real estate in the state or other
5 collateral allowed under (a)(11) of this section;

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

8 (3) be certified by the originating financial institution
9 that the loan being sold has been made in compliance with law and that
10 liens supporting the loan have been perfected.

11 (c) When the aggregate of all loans purchased from a financial
12 institution becomes more than one-half per cent 60 days delinquent,
13 the state shall discontinue purchasing loans from that financial insti-
14 tution until the delinquency is reduced to less than one-half per
15 cent.

16 (d) The state may purchase loans provided for in (a)(7) - (11) of
17 this section only from financial institutions which are operating under
18 the national banking laws, federal savings and loan laws, or under the
19 provisions of AS 06.05, 06.15, 06.25 and 06.30.

20 (e) The state may purchase from financial institutions 100 per
21 cent of the mortgages provided for under (a)(10) and (11) of this
22 section if 20 per cent of the loan is insured by a firm approved by
23 the commissioner of revenue and the loan is for not more than 80 per
24 cent of the appraised value of the property securing the loan.

25 (f) Investment policy shall be formulated by the commissioner of
26 revenue who shall be advised by a committee appointed by the governor.
27 In formulating investment policy they shall consider maximum income
28 and safety as governed by the prudent man rule and the benefit to the
29 private and public sectors of the economy in terms of increased

1 housing and commercial credit, stimulated business activity, increased
2 employment, support of the market for state and local bonds, and
3 increased public revenue together with the possible inflationary
4 effect of the investment.

5 (g) The commissioner of revenue, with the consent of the commit-
6 tee, may enter into contracts for services providing investment advice,
7 custody of securities, and execution of transactions, in or out of
8 Alaska.

9 (h) In this section

10 (1) "mortgage" means a pledge or security of particular
11 property for the payment of a debt or the performance of some other
12 obligation, whatever form the transaction may take;

13 (2) "resident" means a person domiciled in the state;

14 (3) "securities" means bonds, notes, debentures and all
15 other forms of indebtedness; common stock, preferred stock, and all
16 other forms of equity capital.

17 * Sec. 2. This Act takes effect on the day after its passage and approval
18 or on the day it becomes law without approval.
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