

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/28/70
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

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HOUSE CS FOR CS FOR SENATE BILL NO. 402

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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SIXTH LEGISLATURE - SECOND SESSION

5

A BILL

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

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

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* Section 1. AS 37.10.070 is repealed.

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

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Sec. 37.10.071. INVESTMENT IN LOANS. (a) Subject to the pro-

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visions of (b) - (e) of this section, when the treasurer determines

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that there are funds in the state treasury above an amount sufficient

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to meet current demands, up to \$300,000,000 of them shall first be

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used to continuously invest in any of the following:

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

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

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

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(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;

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(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);

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; and

24 (6) be used for refinancing and the loan limit per single
25 unit dwelling shall not exceed \$37,500. This clause (6) applies only
26 to subsections (1), (2), (4), and (5) of (a) of this section.

27 (c) When the aggregate of all loans purchased from a lender
28 becomes more than one-half of one per cent delinquent, the state shall
29 discontinue purchasing loans from that lender until the delinquency

1 is reduced to less than one-half of one per cent.

2 (d) The state may purchase loans provided for in (a)(5) and (6)
3 of this section only from financial institutions which are operating
4 under the national banking laws, the state banking laws, the state
5 mutual banking laws, the state savings and loan laws or the federal
6 savings and loan laws.

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

13 (f) In this section

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

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

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

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

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

- 1 (1) direct obligations of the United States;
- 2 (2) obligations of agencies and instrumentalities of the
- 3 United States;
- 4 (3) bank certificates of deposit which are secured as to
- 5 the payment of principal and interest in accordance with Alaska law;
- 6 (4) corporate obligations of prime or equivalent quality,
- 7 as rated by a nationally recognized rating organization; and
- 8 (5) other securities, including corporate securities, with
- 9 the objective of maximum long-term total return.

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

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

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

28 (b) The banks in which state funds are deposited under a time
29 deposit agreement shall pay at least a minimum interest rate to be

1 fixed by the Department of the Treasury, and this interest when paid
2 shall be deposited in the general fund or in the other funds which
3 are established by law.

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

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

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

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

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

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

26 * Sec. 5. AS 37.10.085 is repealed.

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

29 * Sec. 7. This Act takes effect on the day after its passage and approval

1 or on the day it becomes law without approval.

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