

Original sponsor: Rules Committee by
request of the Governor

1 IN THE SENATE BY THE FREE CONFERENCE COMMITTEE

2 FREE CONFERENCE CS FOR 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 AS 37.10.070 is repealed and re-enacted to read: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 shall 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 collateral
5 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 (4) have no initial closing fees or service fees which
12 exceed one-half of one per cent, excluding closing costs.

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

17 (d) The state may purchase loans provided for in (a)(10) - (11) of
18 this section only from financial institutions which are operating under
19 the national banking laws, federal savings and loan laws, or under the
20 provisions of AS 06.05, 06.15, 06.25 and 06.30.

21 (e) The state may purchase from federal savings and loan associ-
22 ations 100 per cent of the mortgages provided for under (a)(10 and (11)
23 of this section if 20 per cent of the loan is insured by a firm approved
24 by the commissioner of revenue and the loan is for not more than 80 per
25 cent of the appraised value of the property securing the loan. No
26 loans may be purchased under this subsection after June 1, 1971.

27 (f) Investment policy shall be formulated by the commissioner of
28 revenue who shall be advised by a committee appointed by the governor
29 which shall contain representation from the legislature. In formulating

1 investment policy they shall consider maximum income and safety as
2 governed by the prudent man rule and the benefit to the private and pub-
3 lic sectors of the economy in terms of increased housing and commercial
4 credit, stimulated business activity, increased employment, support of
5 the market for state and local bonds, increased public revenue together
6 with the possible inflationary effect of the investment, and paragraphs
7 (h) and (i) of this section.

8 (g) The commissioner of revenue, with the consent of the committee,
9 may enter into contracts for services providing investment advice, custody
10 of securities, and execution of transactions, in or out of Alaska.

11 (h) An investment preference shall be given to (a)(3), (7), (8),
12 (9), (10) and (11) of this section.

13 (i) The commissioner shall purchase notes and mortgages under
14 (a) of this section at a rate conducive to develop and benefit Alaska
15 and Alaska residents and such rate may be less than the market rate.

16 (j) In this section

17 (1) "closing costs" means appraisal costs, legal costs,
18 title insurance, and any other out-of-pocket expenses approved by the
19 commissioner of revenue;

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

23 (3) "resident" means a person domiciled in the state;

24 (4) "securities" means bonds, notes, debentures and all
25 other forms of indebtedness; common stock, preferred stock, and all
26 other forms of equity capital; investments in stocks and equity capital
27 may not exceed 33 1/3 per cent of the unappropriated surplus as of the
28 end of the previous fiscal year.

29 * Sec. 2. AS 37.10 is amended by adding a new section to read:

1 Sec. 37.10.075. DEPOSIT OF STATE FUNDS. (a) When the commissioner
2 of revenue determines that there are funds in the state treasury which
3 are not being used for the purposes provided for in sec. 70 of this
4 chapter, they may be deposited in financial institutions. Collateral
5 may be required by the commissioner to secure state deposits provided
6 for under this section.

7 (b) The banks in which state funds are deposited under a time
8 deposit agreement shall pay at least a minimum interest rate to be
9 fixed by the Department of Revenue, and this interest when paid
10 shall be deposited in the general fund or in the other funds which
11 are established by law.

12 (c) Nothing in this section prohibits the Department of Revenue
13 from depositing the funds which it considers necessary for the
14 proper conduct of the office in solvent banks outside the state
15 under the terms and conditions provided in this section.

16 (d) The Department of Revenue may deposit funds in banks inside
17 or outside the state in active accounts or on demand deposits without
18 requiring those banks in which the accounts are deposited to pay
19 interest on the deposits. It is the intention of the legislature
20 that the department shall keep active deposits in any bank it con-
21 siders deserving, and that, to partially compensate the banks for
22 cashing state warrants in their regular course of business, no interest
23 shall be paid on the deposits.

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

27 * Sec. 3. This Act takes effect on the day after its passage and approv-
28 al or on the day it becomes law without approval.
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