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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR HOUSE BILL NO. 684

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to permissible investments of the
7 state; creating a division of treasury; and providing
8 for an effective date."

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

10 * Section 1. AS 37.10.050 is amended to read:

11 Sec. 37.10.050. ACCOUNTING FOR STATE MONEY AND PAYMENT TO DIVISION
12 OF TREASURY [DEPARTMENT OF REVENUE] FOR DEPOSIT IN PROPER FUND. (a)
13 Each office, board, commission, or bureau authorized to collect or
14 receive fees, licenses, taxes or other money belonging to the state
15 shall account for and pay the fees, licenses, taxes or other money, less
16 fees to which he is entitled by law to the division of treasury of the
17 Department of Revenue at least once each month.

18 (b) Money collected for the state shall be deposited by the col-
19 lector in the nearest bank to the account of the division of treasury
20 [DEPARTMENT OF REVENUE] when the division of treasury [DEPARTMENT OF
21 REVENUE] directs this to be done.

22 (c) The division of treasury [DEPARTMENT OF REVENUE] in June and
23 December of each year shall publish in at least one newspaper of general
24 circulation in each of the four judicial districts a detailed report in
25 display advertising form of the amount of state money deposited in each
26 named bank or other financial institution. A copy of the semiannual
27 report on bank deposits shall also be sent to the Legislative Affairs
28 Agency for distribution of copies to the members of the legislature.
29 The terms of the deposit may be obtained upon a written request.

1 * Sec. 2. AS 37.10.070(a) is amended to read:

2 (a) When the commissioner of revenue determines that there is in
3 the state treasury a surplus above an amount sufficient to meet current
4 cash expenditure needs, he shall direct the director of the division of
5 treasury to invest the surplus. The director may invest the surplus

6 [THE SURPLUS SHALL BE INVESTED] in any of the following:

7 (1) obligations of, or obligations insured or guaranteed by,
8 the United States or agencies or instrumentalities of the United States;

9 (2) obligations secured by reserves paid in by the United
10 States or agencies or instrumentalities of the United States or obli-
11 gations of corporations in which the United States is a shareholder or
12 member;

13 (3) notes issued by Farmer's Home Administration;

14 (4) bank certificates of deposit which are secured as to the
15 payment of principal and interest in accordance with Alaska law;

16 (5) corporate obligations of prime or equivalent quality, as
17 rated by a nationally recognized rating organization;

18 (6) other securities, including corporate securities;

19 (7) Federal Housing Administration mortgages;

20 (8) Federal Veterans Administration mortgages;

21 (9) loans made under the provisions of AS 03.10 and AS 26.15;

22 [(10) CONVENTIONAL RESIDENTIAL MORTGAGES IF THE OFFERING FIN-
23 ANCIAL INSTITUTION RETAINS AT LEAST 25 PERCENT OF THE MORTGAGE;

24 (11) OTHER SECURED LOANS, IF THE OFFERING FINANCIAL INSTITU-
25 TION RETAINS AT LEAST 33 1/3 PERCENT OF THE MORTGAGE;]

26 (12) mortgages of the Alaska Rural Rehabilitation Corporation
27 which secure agricultural loans, agricultural business loans and agri-
28 cultural processing loans;

29 (13) bankers acceptances drawn on and accepted by banks with a

1 combined capital and surplus aggregating at least \$200,000,000;

2 (14) repurchase agreements or reverse repurchase agreements.

3 * Sec. 3. AS 37.10.070(a) is amended by adding a new paragraph to read:

4 (15) notes secured by mortgages of commercial or residential
5 real estate or other security if the mortgages are insured by a private
6 mortgage insurance corporation which is authorized to do business in
7 Alaska which has combined capital, surplus, and reserves aggregating at
8 least \$20,000,000; however, (A) no mortgage insurance is necessary for
9 commercial loans having loan-to-value ratios of less than 50 percent and
10 the minimum required coverage of other commercial loans is 10 percent of
11 those having a loan-to-value ratio of 50-60 percent and is 15 percent
12 for those having a loan-to-value ratio greater than 60 percent but no
13 more than 75 percent, and (B) no mortgage insurance is necessary for
14 residential loans having a loan-to-value ratio of less than 70 percent
15 and the minimum required coverage of other residential loans is 10
16 percent for those having a loan-to-value ratio greater than 70 percent
17 but less than 90 percent and is 20 percent for those having a loan-to-
18 value ratio of 90 percent.

19 * Sec. 4. AS 37.10.070(f) is repealed and re-enacted to read:

20 (f) Investment policy shall be formulated by the director of the
21 division of treasury of the Department of Revenue subject to the ap-
22 proval of the commissioner of revenue. In formulating investment policy
23 the director of the division of treasury shall consider maximum income
24 and safety as governed by the prudent-man rule. The investment policy
25 shall be proposed to the legislature during the first 10 days of any
26 regular session. Investment policy only becomes effective 60 days after
27 presentation to the legislature or at the end of that session, whichever
28 is earlier, unless disapproved by a resolution concurred in by a major-
29 ity of the members of each house of the legislature.

1 * Sec. 5. AS 37.10.070(g) is amended to read:

2 (g) The director of the division of treasury [COMMISSIONER OF
3 REVENUE, WITH THE CONSENT OF THE COMMITTEE,] may enter into contracts
4 for services providing investment advice, custody of securities, and
5 execution of transactions, in or out of Alaska.

6 * Sec. 6. AS 37.10.070(i) is amended to read:

7 (i) The director of the division of treasury [COMMISSIONER] shall
8 purchase notes and mortgages under (a) of this section at a rate con-
9 ductive to develop and benefit Alaska and Alaska residents and this rate
10 may be less than the market rate.

11 * Sec. 7. AS 37.10.070 is amended by adding a new subsection to read:

12 (k) In making investments under (a) of this section, the director
13 of the division of treasury may pool the surplus assets of the state
14 funds but shall maintain separate accounts for each fund.

15 * Sec. 8. AS 37.10.075(a) is amended to read:

16 (a) When the commissioner of revenue determines that there are
17 funds in the state treasury which are not being used for the purposes
18 provided for in AS 37.10.070, he may direct the director of the divi-
19 sion of treasury to deposit the funds [THEY MAY BE DEPOSITED] in finan-
20 cial institutions in the state which offer the highest bid for the state
21 funds. Collateral may be required by the commissioner to secure state
22 deposits provided for under this section.

23 * Sec. 9. AS 44.25 is amended by adding a new section to read:

24 Sec. 44.25.025. DIVISION OF TREASURY. (a) There is established
25 within the Department of Revenue the division of treasury. The director
26 of the division is in the classified service under AS 39.25 and shall
27 receive an annual salary within range 27 of the salary schedule estab-
28 lished in AS 39.27.011 or within one range below that on which the
29 highest paid deputy commissioner in the Department of Revenue is paid if

1 that range is higher than range 27.

2 (b) In order to qualify for the position of director of the divi-
3 sion, a person must

4 (1) be graduated from an accredited college with major course
5 work in business administration, accounting, finance, banking, econ-
6 omics, or another closely related field;

7 (2) have five years of experience in banking or investment
8 management involving review, analysis, purchase and sell recommenda-
9 tions, and responsibility for performance with at least four of the
10 years in a managerial capacity.

11 (c) The director of the division of treasury shall collect, ac-
12 count for, have custody of, invest, and manage all state funds, except
13 the permanent fund, and all revenues of the state except revenues inci-
14 dental to a program of licensing and regulation carried on by another
15 state department. However, the division shall issue fish and game
16 licenses, collect fish and game license revenues, and do all other acts
17 incidental to the performance of those functions.

18 * Sec. 10. AS 39.25.120(2) is amended to read:

19 (2) the directors, division of personnel, division of public
20 health, division of medical assistance, and those other directors of the
21 major divisions of the principal departments of the executive branch as
22 are specifically designated by the governor, except the director of the
23 division of treasury is in the classified service and may not be desig-
24 nated as partially exempt;

25 * Sec. 11. Section 3 of this Act is retroactive to November 1, 1979.

26 * Sec. 12. This Act takes effect immediately in accordance with AS 01.10.-
27 070(c).

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