



# LAWS OF ALASKA

1970

**Source**

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**Chapter No.**

206

## AN ACT

Providing for the investment of surplus state funds; and providing for an effective date.

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

\* Section 1. AS 37.10.070 is repealed and re-enacted to read:

Sec. 37.10.070. INVESTMENT OF SURPLUS FUNDS. (a)  
When the commissioner of revenue determines that there is in the state treasury a surplus above an amount sufficient to meet current demands, the surplus shall be invested in any of the following:

- (1) direct obligations of the United States;
- (2) obligations of agencies and instrumentalities of the United States;
- (3) notes issued by Farmer's Home Administration;
- (4) bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska law;
- (5) corporate obligations of prime or equivalent quality, as rated by a nationally recognized rating organization;
- (6) other securities, including corporate securities;
- (7) Federal Housing Administration mortgages;
- (8) Federal Veterans Administration mortgages;
- (9) loans made under the provisions of AS 03.10 .

and AS 26.10;

(10) conventional residential mortgages if the originating financial institution retains at least 25 per cent of the mortgage;

(11) other secured loans, if the originating financial institution retains at least 33 1/3 per cent of the mortgage.

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

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

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

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

(4) have no initial closing fees or service fees which exceed one-half of one per cent, excluding closing costs.

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

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

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

(f) Investment policy shall be formulated by the commissioner of revenue who shall be advised by a committee appointed by the governor which shall contain representation from the legislature. In formulating investment policy they shall consider maximum income and safety as governed by the prudent man rule and the benefit to the private and public sectors of the economy in terms of increased housing and commercial credit, stimulated business activity, increased employment, support of the market for state and local bonds, increased public revenue together with the possible inflationary effect of the investment, and paragraphs (h) and (i) of this section.

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

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

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

(j) In this section

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

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

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

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

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

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

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

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

(d) The Department of Revenue may deposit funds in banks inside or outside the state in active accounts or on demand deposits without requiring those banks in which the accounts are deposited to pay interest on the deposits. It is the intention of the legislature that the department shall keep active deposits in any bank it considers

deserving, and that, to partially compensate the banks for cashing state warrants in their regular course of business, no interest shall be paid on the deposits.

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

\* Sec. 3. This Act takes effect on the day after its passage and approval or on the day it becomes law without approval.