

ALASKA STATE LEGISLATURE

SESSION

State Capitol, Suite 516
Juneau, Alaska 99801-1182
(907) 465-3873 Phone
Sen.Bert.Stedman@akleg.gov



INTERIM

1900 1st Avenue, Suite 510
Ketchikan, AK 99901-6442
Phone (907) 225-8088
www.BertStedman.com

SENATOR BERT K. STEDMAN *CO-CHAIRMAN, SENATE FINANCE COMMITTEE*

Sponsor Statement

Senate Bill 221 - RESTRICTING STATE FUND FIDUCIARY

Senate Bill 221 is intended to highlight the fiduciary responsibilities of the Department of Revenue (DOR) and expose the violation of those standards regarding a \$75 million investment of the Constitutional Budget Reserve Fund in a long-term investment.

Two evaluations of the action taken by the former DOR commissioner were conducted. The first was an independent review commissioned by the Governor's office and completed by WilmerHale, and the second examination took place as a part of the statewide single audit. Both the WilmerHale report and an audit finding conclude the former DOR commissioner deviated from internal safeguards, disregarded protocol and investment procedures – leading to significant concerns about whether he met his statutory fiduciary duties and the prudent investor rule.

The former DOR commissioner violated the Department's investment procedures when he:

- Did not seek guidance from the appropriate investment officer/subject matter experts.
- Did not document the determination that the \$75 million investment was not better suited for other funding sources.
- Did not ask Dept. of Law for advice & review.
- Did not follow statutory procurement procedures in engaging outside legal counsel.
- Did not disclose the investment being considered to DOR's investment advisory committee.
- Did not notify the Office of Management & Budget and the Division of Legislative Audit prior to the investment.
- Did not inform the Senate and House Finance Committee chairs prior to the investment.

This legislation is about ensuring investment decisions involving Alaska's savings and treasury are made carefully, transparently, and with full fiduciary responsibility. Prohibiting investment with a firm that does not meet the standards for the Constitutional Budget Reserve Fund is a first step towards ensuring fiduciary integrity.

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