

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 322
 (H) Publish Date: 1/17/08

Identifier (file name): 0045-DOR-TRE-01-14-08 Dept. Affected: Revenue 04
 Title Alaska Transportation Fund RDU Taxation and Treasury
 Component Treasury
 Sponsor Governor
 Requester Governor Component Number 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This fiscal note represents the estimated accounting, custodial, performance measurement, financial advisory and internal and external portfolio investment management costs allocable to the new Transportation Endowment Fund (TEF). As a comparison, the cost of managing the Public Employee Retirement Systems and Teacher Retirement Systems is 21 basis points per year. General fund programs that are separately managed have an average cost of 11 basis points per year. The TEF would be invested with a moderately aggressive risk asset allocation profile meaning that it would include domestic and international equities, real estate, and alternative investments asset classes. These asset classes are managed with external investment managers. Because the fiduciary is the Commissioner of Revenue and not a board of directors there would be a reduction of costs. I believe there would be a preference to use passive as opposed to active investment management for a number of investment allocations that would further reduce investment management fees. At a funding level of \$1 billion dollars an estimated cost of 10 basis point or 1 million dollars would be very reasonable considering the anticipate level of management oversight and investment management that an endowment of this size would require.

Prepared by: Brian C Andrews Phone 907 465-3669
 Division Revenue / Treasury Date/Time 1/14/08 12:00 AM
 Approved by: Jerry Burnett Date 1/14/2008
Department of Revenue