

ALASKA STATE LEGISLATURE
SENATE SPECIAL COMMITTEE ON WORLD TRADE, TECHNOLOGY AND
INNOVATION

April 2, 2009
4:07 p.m.

MEMBERS PRESENT

Senator Lesil McGuire, Chair
Senator Hollis French
Senator Gary Stevens
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Lyman Hoffman

COMMITTEE CALENDAR

SENATE BILL NO. 37

"An Act relating to certain investments of the Alaska permanent fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in companies that do business in Sudan, and restricting those investments."

MOVED SB 37 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 37

SHORT TITLE: DIVEST INVESTMENTS IN SUDAN

SPONSOR(s): SENATOR(s) FRENCH

01/21/09	(S)	PREFILE RELEASED 1/9/09
01/21/09	(S)	READ THE FIRST TIME - REFERRALS
01/21/09	(S)	WTI, STA, FIN
04/02/09	(S)	WTI AT 4:00 PM BUTROVICH 205

WITNESS REGISTER

PATRICK GALVIN, Commissioner
Department of Revenue
Juneau, AK

POSITION STATEMENT: Spoke in support of the concept of SB 37 and compared it to the Governor's bill, SB 81.

DAVID ALEXANDER

Nine Star Education and Employment Services
Anchorage, AK

POSITION STATEMENT: Said the board of directors has concern with SB 37.

BAJEK DENG
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

TOR GACH
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

ELISE BOYER
Jewish Community Congregation Sukkat Shalom
Juneau, AK

POSITION STATEMENT: Spoke in support of SB 37.

STUART COHEN, representing himself
Juneau, AK

POSITION STATEMENT: Spoke in support of SB 37.

JOYANNE BLOOM, member
Save Darfur and former board member
American Jewish World Service
Juneau, AK

POSITION STATEMENT: Spoke in support of SB 37.

REBECCA WORL
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

DANIEL W. GATKUOTH
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

KHAK BOTH
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

RICKY TAGABAN, representing himself
Juneau, AK

POSITION STATEMENT: Spoke in support of SB 37.

DOBUOL DENG
Southern Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

DICHINE RIEK
Southern Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

PAULIET DENG
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

PAL CHUOL
South Sudanese Community
Anchorage, AK

POSITION STATEMENT: Spoke in support of SB 37.

ACTION NARRATIVE

[4:07:57 PM](#)

CHAIR LESIL MCGUIRE called the Senate Special Committee on World Trade, Technology and Innovation meeting to order at 4:07 p.m. Present at the call to order were Senators Stevens, French, Wielechowski and McGuire.

SB 37-DIVEST INVESTMENTS IN SUDAN

[4:08:14 PM](#)

CHAIR MCGUIRE announced the consideration of SB 37.

SENATOR FRENCH, Sponsor of SB 37, said the idea of the bill, which is stop investing in Sudan, is simple, but making it happen takes complex maneuvers. He read the following sponsor statement into the record:

Government supported genocide has killed hundreds of thousands of people and displaced approximately 2.5 million residents from the Darfur region of Sudan. This legislation will enact a targeted divestment program that prevents the state of Alaska from investing permanent fund and retirement plan dollars in companies that directly finance genocide in Darfur.

SB 37 gives Alaska the opportunity to join the states, businesses and educational institutions that refuse to fund such atrocities.

Targeted divestment is a proven tactic to reduce the viability of genocide in Darfur. Twenty seven other states have divested from businesses that operate in the region. The cost to these states has been negligible. Institutions have found no noticeable decrease in returns when divestment only targets companies that have explicit financial links to the conflict. Holdings in these companies amount to seven investments valued at less than 0.1 percent of all Permanent fund assets, showing that the implementation of this legislation will not require a major shift in investment strategy.

Results from the divestment movement have been promising. Sudan, unlike many foreign governments that sponsor genocide, has responded favorably when threatened with economic sanctions. Partly as a result of the divestment movement, the Sudanese government purchased a six-page, \$1 million advertisement in the New York Times that sought out foreign direct investment. As more companies pull out of the region or encourage the government of Sudan to halt violent acts, the end of genocide is highly probable.

Ignoring genocide has left several scars on recent American history. With the cost of action so small, Alaska has no excuse to sit on the sidelines.

CHAIR MCGUIRE asked Commissioner Galvin to provide information on the Governor's bill, SB 81, which has a similar goal.

[4:11:42 PM](#)

PATRICK GALVIN, Commissioner, Department of Revenue, said he is speaking in favor of the concept of SB 37 and SB 81. The common purpose is to effectuate divestiture of state funds from companies that do business with the government of Sudan. This is an effort to join the growing chorus to oppose the activity in the Darfur region of Sudan and to acknowledge that it is an unprecedented situation to have activities recognized as genocide as they are happening. It is a moral imperative to act on these activities and one way to do so is divestiture.

COMMISSIONER GALVIN said he testified on a similar bill last year stating support for divestiture. However, the administration had some issues with that bill just as it has issues with the current bill. He said it is his belief that those issues can be resolved as the bill moves forward. "We are here to support the bill, support moving the bill through and support ultimately the passage of the amended version of the bill," he said.

When the administration looked at what the Department of Revenue, the Alaska Retirement Management (ARM) board, and the Alaska Permanent Fund board of Trustees can do on their own account to effectuate divestiture, they found that because of state statute and the restrictions on investment decision-making of each of the bodies they do not have the authority to effectuate a divestiture policy. For that reason, this legislation is not just appropriate, it is needed.

The administration's goal, which ultimately became the Governor's bill, was to achieve divestiture of the state funds at a minimum cost to the state. That cost is not so much the loss of investment revenue, but the mechanism of implementing the divestment policy. Each state entity that is affected by this legislation utilizes certain investment policies that do not lend themselves to having a divestment policy because these state entities do not have direct control of the investments and thus cannot dictate the terms. To actually fulfill the purpose of this legislation the state would have to divest from all such funds even though they may have nothing to do with companies dealing with Sudan.

The legislation that the administration would like to go forward would be structured to put the burden of compliance on the accountants who actually insure that the investments are meeting the standards and rules that are established for each of the investment accounts. These folks do this every day so it wouldn't add additional cost, it would simply be an additional standard they would look at in their routine activities.

COMMISSIONER GALVIN noted that the ARM Board and the Alaska Permanent Fund Board of Trustees recently passed resolutions supporting the divestment legislation that the Governor put forward because it minimizes costs and unintended consequences.

[4:18:04 PM](#)

SENATOR STEVENS asked if other state funds, like the Constitutional Budget Reserve (CBR), are included.

COMMISSIONER GALVIN replied the CBR and the statutory budget reserve fall under his fiduciary responsibility as commissioner and they would be covered by the bill. However, because of existing restrictions it's not likely that the investments in either of those funds would be implicated.

DAVID ALEXANDER, Nine Star Education and Employment Services, Anchorage, said the board of directors has concern with the bill because they serve the Sudanese community in Anchorage and work with Sudanese Alaskan residents to help them find work, housing and other services.

BAJEK DENG, South Sudanese Community in Anchorage, said he left Sudan because the president authorized killing of a lot of people in his village. He is not a good president and has been killing people since 1980. He thanked the committee for letting him tell about the genocide. Money should be used in a good way, he said.

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TOR GACH, South Sudanese Community in Anchorage, said he came to the U.S. 15 years ago and has lived in Alaska 3.5 years. He supports SB 37 because he doesn't support the genocide in Sudan. The government is not good; it has killed 2.9 million southern Sudanese people, not including those in Darfur. It's a good idea to withdraw Alaska money from investments in Sudan. He thanked the committee for supporting the bill.

[4:24:50 PM](#)

ELISE BOYER, Juneau Jewish Community at Congregation Sukkat Shalom, said the board unanimously passed a resolution to support divestment in whatever way it may come about. She stated the following:

Due to the overwhelming dread and destruction suffered by the Jewish community during the Holocaust, we as a current community are painfully aware of how urgent the need is to do what we can to stop this genocide. The decision on how best to do that will obviously take place far away from this room, but what we do have the power to do is to stop funding it and to stop profiting from companies who fund it. So we're asking that this committee act favorably and quickly to move the bill along.

When we teach our children about World War II and about the Holocaust, we make them a promise, and every Jewish family uses the same words. We say 'Never again.' And by taking favorable action on this today we can take a step forward to making that promise come true - at least for the people in Sudan and Darfur.

STUART COHEN, representing himself, Juneau, said most people know in general what's going on in Sudan. Gorillas from the south have been working against the government in the north. The northern government's response has been to unleash militias to destroy women and children in southern Sudan. This isn't new.

Alaska is involved because it has a stake in the winner, he said. The argument against divestment is that the permanent fund is designed to make money. But when the mandate to make money is mixed with morality things get complicated because everyone potentially has a cause. The permanent fund wasn't set up to arbitrate such things, but that's almost always the logic behind genocide. The mind-boggling crimes against humanity are never done by a few evil people. They're always done by decent people doing their part to make it happen. It's the policeman who knocks on your door, the title insurer who transfers title of confiscated property, the banker who transfers money, the chemist who makes the nerve gas, the train driver who drives the train full of people to concentration camps, and the business folks who invest in the businesses of the people who are running the country. Evil pretty much takes control of the things that decent people value such as jobs, churches, schools, politics, and business. When this happens all the people have a stake in its success. Right now and as long as the permanent fund is invested in Sudan, Alaskans have a stake in the destruction of the people in southern Sudan. I can accept a smaller permanent fund check, he said.

[4:29:09 PM](#)

JOYANNE BLOOM, representing herself, Juneau, thanked the committee for hearing the bill and urged its speedy passage. Time is critical. She related that she is a member of Save Darfur and a past member of the board of directors of the American Jewish World Service. The latter helped start the Save Darfur movement here in this country. The current president, Ruth Messinger, was in the White House this week to meet with President Obama and his newly appointed envoy to Sudan, General J. Scott Gration.

General Gration left for Sudan on Tuesday to negotiate an end to the crisis and restore international aid to the people of Darfur. She noted that after the International Criminal Court put out a warrant for the arrest of President al-Bashir, he retaliated by expelling the thirteen international aid organizations that were providing food, water, and medicine for the displaced people of Darfur.

MS. BLOOM continued:

So how do we connect the dots from Washington D.C.? What's happening this week in Sudan and here in Alaska and especially here today in your committee room? I think that you're all negotiators. I think that probably the definition of a legislator is that you're a negotiator. You get it; you understand that the more clout you have, the better you are able to negotiate. So we want to give General Gration all the clout we can when he's over there. He needs to demonstrate that state by state we Americans won't allow genocide. So far, as your sponsor said, 27 states have drawn the line and they have divested in companies directly doing business in Sudan.

We need you here today, here and now, to fill in those dots with a bold black firm marker that says we as Alaskans, and this is underscored, we want to also draw the line against genocide.

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REBECCA WORL, South Sudanese Community of Anchorage, said she is running from war. She doesn't know where her parents are. The way they treated her is no way to treat a person.

DANIEL W. GATKUOTH, South Sudanese Community of Anchorage, said the war in Sudan has been going on for longer than the 20 some years he's been alive. He came to Alaska with his family and he would like to have the bill signed to help with the problems in Sudan.

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KHAK BOTH, South Sudanese Community of Anchorage, said Alaska money invested in Sudan is not a good thing. Southern Sudanese don't benefit from the oil in the south; it's used to support militias and to kill Darfurians. He asked the committee to pull money out of Sudan and put it in the south.

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RICKY TAGABAN, representing himself, Juneau, said when he was in his junior year in high school he had the honor of welcoming two refugees from Sudan to speak at his school. His task was to deliver the welcome in Tlingit and he decided to relate the origin of the Tlingit national anthem to their story as refugees. A line in the anthem says "So it may never be forgotten, our voices will be heard on our grandfather's land." It may not be in this lifetime, but Dinka [group of tribes of south Sudan] voices will be heard on Dinka land. He prays and hopes that in this lifetime these people are empowered to take back their lives and their country. We can do this one thing that says that we don't accept what's going on. "Part of holding each other up is holding each other accountable," Mr. Tagaban said.

DOBUOL DENG, Southern Sudanese Community of Anchorage, said what is happening in Darfur is another holocaust and he believes that 99 percent of the Sudanese that live in Alaska support this bill. The community was relieved when the international court issued an arrest warrant for Sudanese President Omar Hassan as-Bashir. Mr. Deng appealed to the people of Alaska to join in the divestment.

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DICHINE RIEK, Southern Sudanese Community of Anchorage, said she came to the U.S. 15 years ago from Southern Sudan. There were lots of problems coming from northern Sudan, but they don't know where people in the north got the money to buy the guns to kill the people in the south. Now lots of people from southern Sudan are in the U.S. as refugees. Pull the money out of the north, she said.

PAULIET DENG, South Sudanese Community of Anchorage, said the problems in Darfur are the same as in Southern Sudan. The community is glad the money will be pulled from the program because it makes problems in Sudan.

PAL CHUOL, South Sudanese Community of Anchorage, said he came to the U.S. from Sudan 10 years ago. There's been genocide in Sudan for many years and the people have suffered. What is happening in Darfur has happened in southern Sudan. It would be good to sign the bill and help stop the killing of women and children and the looting.

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CHAIR MCGUIRE closed public testimony.

SENATOR WIELECHOWSKI moved to report SB 37 from committee with individual recommendations and attached fiscal note(s).

SENATOR STEVENS noted that North Korea is another place where the state shouldn't be investing and asked the commissioner if other countries should be added to the list.

COMMISSIONER GALVIN said no; what is happening in Darfur is not similar to what may be happening in countries like North Korea or Iran. The issue of government-sponsored genocide is unique to the situation in Darfur. There is a bright line that says that it is morally separate than other potential considerations that interest groups may want to see addressed through investment policy.

CHAIR MCGUIRE said she understands that he will offer changes in the next committee. She appreciates Senator Steven's question but believes it is possible to draw a bright line around government-sponsored genocide. I'd like to do more, but this is what we can do now, she said. Perhaps this is a chance to set a precedent about what we expect in our world, she added.

CHAIR MCGUIRE, finding no further discussion and no objection to the motion, announced that SB 37 is moved from committee.

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There being no further business to come before the committee, Chair McGuire adjourned the meeting of the Senate Special Committee on World Trade, Technology and Innovation at 4:56 pm.