

Introduced: 3/24/71
Referred: State Affairs;
Finance

1 IN THE SENATE

BY RETTIG

2 SENATE BILL NO. 183

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the continuing revenue fund;
7 providing for its administration; and providing for
8 an effective date."

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

10 * Section 1. AS 37.10 is amended by adding new sections to read:

11 ARTICLE 5. CONTINUING REVENUE FUND.

12 Sec. 37.10.200. PURPOSE. The purpose of secs. 200 - 340 of this
13 chapter is to provide a method by which lease bonus funds may be
14 invested to provide a continuing source of state revenues.

15 Sec. 37.10.210. CONTINUING REVENUE FUND. There is created a
16 fund known as the continuing revenue fund which consists of all bonuses
17 received by the state from the leasing of oil and gas and other
18 mineral lands after January 1, 1973.

19 Sec. 37.10.220. INVESTMENT POLICY. The commissioner shall
20 invest the fund with the objective of maximum long-term total return.

21 Sec. 37.10.230. MANAGEMENT STANDARDS. The commissioner, in
22 managing the fund, shall exercise the judgment and care under the
23 circumstances then prevailing which men of ordinary prudence, discretion,
24 intelligence, and experience exercise in the management of their own
25 affairs not in regard to speculation but in regard to the permanent
26 disposition of their funds, considering probable income as well as
27 the probable growth and safety of their capital.

28 Sec. 37.10.240. POWERS. The powers of the state with respect to
29 the investments are all of the powers which a natural person has in

1 dealing with his own property including but not limited to the power
2 to invest, reinvest, purchase and purchase at a premium, sell and
3 sell at less than cost, exchange, convey, transfer, lease, lease back
4 and otherwise dispose, register securities, vote securities, give
5 proxies, exercise conversion privileges, subscription rights and other
6 options, consent or otherwise participate in corporate reorganization
7 or other changes affecting corporate securities, pay assessments or
8 charges, enforce and compromise claims, make, execute, acknowledge and
9 deliver documents of transfer, conveyances and other instruments
10 necessary or appropriate to carry out those powers.

11 Sec. 37.10.250. FUNCTIONS OF THE COMMISSIONER. The commissioner
12 shall

13 (1) act as custodian of the investments and provide for
14 their safekeeping;

15 (2) collect the interest, dividends, rents, and other
16 income of the fund and collect principal and the proceeds of the sale
17 of investments;

18 (3) manage the fund, and in so doing exercise the state's
19 powers respecting the investments;

20 (4) maintain adequate accounts and records;

21 (5) prepare and submit a monthly report to the governor
22 and the State Investment Advisory Committee disclosing a detailed
23 summary of investments purchased, sold, exchanged, conveyed, trans-
24 ferred, leased, and otherwise acquired or disposed of, and stating
25 the investments acquired or disposed of, dates of transactions, the
26 prices paid and received, any gain or loss, and the names of the
27 brokers, dealers, or contractors who engaged in the transactions;

28 (6) have an annual audit made of the fund by a licensed
29 certified public accountant who is not an employee of the state and

1 submit the auditor's report to the governor and to the State Investment
2 Advisory Committee;

3 (7) have an annual examination made of the fund by a quali-
4 fied fund evaluator; the evaluator's report shall include an evaluation
5 of current investment practices and of specific investments of the
6 fund in light of the investment objective and management standards
7 of the fund; the report shall be submitted to the governor, the State
8 Investment Advisory Committee, and the legislature.

9 Sec. 37.10.260. CONTRACTS. (a) The commissioner may contract
10 with one or more qualified persons in the state or elsewhere

11 (1) to perform the functions specified in sec. 250 of this
12 chapter, except that when the functions specified in sec. 250(3) of
13 this chapter are contracted no fewer than three fund managers may be
14 engaged;

15 (2) to provide the commissioner with advice and other
16 services.

17 (b) Contracts may provide for reasonable compensation and
18 reimbursement of expenses.

19 Sec. 37.10.270. ANNUAL DETERMINATION OF MARKET VALUE. At the
20 end of each fiscal year, after deducting from the fund for the purpose
21 of computation the expenses of administration of that year, the com-
22 missioner shall determine the market value of the fund.

23 Sec. 37.10.280. WITHDRAWALS. (a) Sixty days after the end of
24 each fiscal year an amount, whether or not provided by income and
25 capital appreciation, shall be withdrawn from the fund and transferred
26 to the general fund. The amount shall be in cash or securities at
27 market value as of that date, or both, and shall be calculated in the
28 following manner:

29 (1) with respect to the first fiscal year, the amount shall

1 be equal and limited to five per cent of the determined market value
2 of the fund at the end of that year;

3 (2) with respect to the second fiscal year, the amount shall
4 be equal and limited to five per cent of the mean average of the
5 determined market value of the fund at the end of that year and the
6 determined market value of the fund at the end of the first year;

7 (3) for the third fiscal year and for each succeeding fiscal
8 year, the amount shall be equal and limited to five per cent of the
9 mean average of the determined market value of the fund at the end of
10 the two preceding years.

11 (b) Amounts determined to be withdrawn as provided in (a) of
12 this section shall be reduced by the expenses of administration.

13 ARTICLE 6. STATE INVESTMENT ADVISORY COMMITTEE.

14 Sec. 37.10.290. STATE INVESTMENT ADVISORY COMMITTEE. There is,
15 within the Department of Revenue, the State Investment Advisory Com-
16 mittee comprised of the commissioner of revenue who shall serve as
17 chairman, the commissioner of administration, the commissioner of
18 commerce, the commissioner of economic development, and three members
19 of the public appointed by the governor to serve at his pleasure.

20 Sec. 37.10.300. FUNCTION. The committee shall advise the
21 commissioner with respect to the administration of the continuing
22 revenue fund.

23 Sec. 37.10.310. QUORUM. Five members of the committee constitute
24 a quorum for the conduct of business at a meeting.

25 Sec. 37.10.320. EXPENSES. The three members from the public
26 receive no pay but are entitled to the travel expenses and per diem
27 authorized for members of boards and commissions.

28 Sec. 37.10.330. DEFINITIONS. In this chapter

29 (1) "commissioner" means the commissioner of revenue;

1 (2) "committee" or "advisory committee" means the State
2 Investment Advisory Committee;

3 (3) "expenses of administration" means the amount incurred
4 during the fiscal year in accordance with contracts for managerial,
5 advisory, legal, appraisal, accounting, auditing, performance evalua-
6 tions, custodial, execution of transactions, brokerage, and other
7 services;

8 (4) "fiscal year" means the fiscal year of the fund, which
9 is the period July 1 to June 30;

10 (5) "fund" means the continuing revenue fund and includes
11 income and capital appreciation;

12 (6) "investments" means the property of the fund and
13 includes cash;

14 (7) "manage", with respect to the fund, includes but is
15 not limited to selection of classes of investments, selection of
16 investments from within those classes, and the acquisition, retention,
17 disposition, and exchange of investments;

18 (8) "maximum long-term total return" means an investment
19 policy which has as its central objective growth of capital over the
20 long term.

21 * Sec. 2. This Act takes effect on the effective date of a constitutional
22 amendment entitled "Proposing an amendment to the Constitution of the State
23 of Alaska establishing the continuing revenue fund."
24
25
26
27
28
29