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Referred: Finance and
Judiciary

1 IN THE HOUSE

BY ORSINI

2 SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 10
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 EIGHTH LEGISLATURE - FIRST SESSION
5 A BILL

6 For an Act entitled: "An Act establishing the general revenue fund; pro-
7 viding for its administration; and providing for an
8 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. GENERAL 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 funds derived from nonrenewable
14 resources may be invested to provide a continuing source of state revenues.

15 Sec. 37.10.210. GENERAL REVENUE FUND. There is created a fund known
16 as the general revenue fund which consists of all lease bonuses and at
17 least 20 per cent of royalties and production taxes received by the state
18 from oil, gas, and other mineral lands.

19 Sec. 37.10.220. INVESTMENT POLICY. The commissioner shall invest
20 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, dis-
24 cretion, intelligence, and experience exercise in the management of
25 their own affairs not in regard to speculation but in regard to the
26 permanent disposition of their funds, considering probable income as
27 well as 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 sell
3 at less than cost, exchange, convey, transfer, lease, lease back and
4 otherwise dispose, register securities, vote securities, give proxies,
5 exercise conversion privileges, subscription rights and other options,
6 consent or otherwise participate in corporate reorganization or other
7 changes affecting corporate securities, pay assessments or charges,
8 enforce and compromise claims, make, execute, acknowledge and deliver
9 documents of transfer, conveyances and other instruments necessary or
10 appropriate to carry out such 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 and
22 the State Investment Advisory Committee disclosing a detailed summary of
23 investments purchased, sold, exchanged, conveyed, transferred, leased,
24 and otherwise acquired or disposed of, and stating the investments
25 acquired or disposed of, dates of transactions, the prices paid and
26 received, any gain or loss, and the names of the brokers, dealers, or
27 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 who is not a state employee; the evaluator's report
5 shall include an evaluation of current investment practices and of
6 specific investments of the fund in light of the investment objective
7 and management standards of the fund; the report shall be submitted to
8 the governor, the State Investment Advisory Committee, and the legis-
9 lature.

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

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

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

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

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

24 Sec. 37.10.280. WITHDRAWALS. (a) Expenses of administration
25 shall be paid out of the fund.

26 (b) Sixty days after the end of each fiscal year an amount,
27 whether or not provided by income and capital appreciation, shall be
28 withdrawn from the fund and transferred to the general fund. The
29 amount shall be in cash or securities at market value as of that

1 date, or both, and shall be calculated in the following manner:

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

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

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

14 Sec. 37.10.290. TRANSFER TO FUND. Upon the effective date of
15 an Act appropriating to the fund, the amount appropriated shall be
16 transferred to the fund in cash, or securities at market value as of
17 that date, or both.

18 ARTICLE 6. STATE INVESTMENT ADVISORY COMMITTEE.

19 Sec. 37.10.300. STATE INVESTMENT ADVISORY COMMITTEE. There is,
20 within the Department of Revenue, the State Investment Advisory Com-
21 mittee comprised of the commissioner of revenue who shall serve as
22 chairman, the commissioner of administration, the commissioner of
23 commerce, the commissioner of economic development, and one member
24 of the public appointed by the governor to serve at his pleasure.

25 Sec. 37.10.310. FUNCTION. The committee shall advise the
26 commissioner with respect to the administration of the general revenue
27 fund.

28 Sec. 37.10.320. QUORUM. Three members of the committee consti-
29 tute a quorum for the conduct of business at a meeting.

1 Sec. 37.10.330. EXPENSES. The one member from the public
2 receives no pay but are entitled to the travel expenses and per diem
3 authorized for members of boards and commissions.

4 Sec. 37.10.340. DEFINITIONS. In this chapter

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

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

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

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

15 (5) "fund" means the general revenue fund and includes
16 income and capital appreciation;

17 (6) "investments" means the property of the fund and
18 includes cash;

19 (7) "manage", with respect to the fund, includes but is not
20 limited to selection of classes of investments, selection of invest-
21 ments from within those classes, and the acquisition, retention, dis-
22 position, and exchange of investments;

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

26 * Sec. 2. This Act takes effect July 1, 1973.
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