

1 IN THE HOUSE

BY SWANSON

2 HOUSE BILL NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska permanent fund."

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

8 * Section 1. AS 37 is amended by adding a new chapter to read:

9 CHAPTER 12. ALASKA PERMANENT FUND.

10 Sec. 37.12.010. FUND ESTABLISHED. There is established as a
11 separate account the Alaska permanent fund. At least 25 per cent of all
12 mineral lease rentals, royalties, royalty sale proceeds, federal mineral
13 revenue-sharing payments and bonuses received by the state shall be
14 placed in the fund. These funds and any other funds appropriated for
15 deposit in the permanent fund shall be held perpetually in trust for the
16 benefit of the present and future generations of Alaskans. The fund
17 shall be administered in accordance with the provisions of this chapter.

18 Sec. 37.12.020. FUND PRINCIPAL. Funds placed or deposited in the
19 permanent fund are fund principal which shall be invested in perpetuity
20 only in the income-producing investments specifically designated in this
21 chapter regardless of other provisions of law dealing with permissible
22 investments of state funds.

23 Sec. 37.12.030. INVESTMENTS ALLOWED. (a) The principal of the
24 fund may be invested only in

25 (1) obligations of, or obligations insured or guaranteed by,
26 the United States or agencies or instrumentalities of the United States;

27 (2) obligations of the State of Alaska or municipalities of
28 the State of Alaska;

29 (3) obligations secured by reserves paid in by the United

1 States or agencies or instrumentalities of the United States or corpor-
2 ations in which the United States is a shareholder or member;

3 (4) bank certificates of deposit which are secured as to the
4 payment of principal and interest in accordance with Alaska law;

5 (5) corporate obligations of prime or equivalent quality as
6 recognized by a nationally recognized rating organization.

7 (b) Investment policy shall be formulated by the board of trustees
8 with the assistance of the commissioners of revenue and commerce and
9 economic development. In formulating investment policy the board shall
10 consider maximum income consistent with safety governed by the prudent-
11 man rule.

12 Sec. 37.12.040. FUND INCOME. Income derived from investment of
13 permanent fund principal shall be used to provide funding for capital
14 and operating appropriations for the rehabilitation, enhancement and
15 development of renewable resource programs. Plans for expenditure from
16 fund income shall be prepared in detail by the board, with the cooper-
17 ation of appropriate state departments and agencies. The plans shall
18 be submitted to the governor who shall submit the requested appropria-
19 tions, as prepared by the board, in accordance with the Executive
20 Budget Act (AS 37.07) as part of his annual budget presentation to the
21 legislature. Unappropriated or unencumbered balances of income remain-
22 ing at the close of each fiscal year are transferred to fund principal.

23 Sec. 37.12.050. PROTECTION OF PRINCIPAL. If a transaction in-
24 volving permanent fund principal results in an actual dollar loss of
25 principal, the loss shall be reimbursed in full from fund income before
26 any additional income may be expended.

27 Sec. 37.12.060. TRUSTEES. (a) There is established in the
28 Department of Revenue, division of treasury, the Board of Trustees of
29 the Permanent Fund. The board is the governing body of the fund.

1 (b) The board consists of five trustees appointed by the governor
2 and confirmed by the legislature in joint session. Each trustee shall
3 have been at the time of his appointment a resident of the state for at
4 least 10 years and shall have adequate knowledge of and experience in
5 investments. The trustees shall be appointed from persons experienced
6 in each of the following fields: agriculture, fisheries, forest re-
7 sources, finance and tourism.

8 (c) The term of the trustees is three years except that of the
9 trustees first taking office one shall serve for a term of one year,
10 two shall serve for a term of two years, and two shall serve for a term
11 of three years. The governor shall designate the terms in his original
12 appointments. A vacancy on the board shall be filled in the same
13 manner as an original appointment. An appointee to fill a vacancy
14 holds office for the remainder of the term for which his predecessor
15 was appointed. A trustee may be removed by the governor for ineffi-
16 ciency, neglect of duty or malfeasance in office.

17 (d) The trustees shall elect one of their number as chairman.
18 The person elected serves as chairman for a term of one year but may be
19 reelected for successive terms. The board may have other officers as
20 it determines.

21 Sec. 37.12.070. COMPENSATION, PER DIEM AND TRAVEL. Trustees
22 receive an annual salary of \$37,500 and are in the exempt service under
23 AS 39.25.110. They receive per diem and travel allowances as provided
24 by law for other boards and commissions.

25 Sec. 37.12.080. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
26 OF INTEREST. (a) The board shall prescribe its own rules of procedure.
27 It shall meet at a time and place determined by the chairman, and at
28 other times and places as the chairman, or a majority of the trustees
29 considers necessary. A quorum is a majority of the trustees. The

1 votes of the trustees shall be recorded. Effective action to carry out
2 the powers granted under this chapter requires the affirmative vote of
3 a majority of the trustees. No trustee may, with respect to a matter
4 before the board, vote for or on behalf of another trustee.

5 (b) No trustee may act upon a matter in which his relationship
6 with any person creates a conflict of interest. No trustee may have an
7 official connection with or hold stock or securities in, or have a
8 pecuniary interest in, a corporation, company or association in whose
9 securities any funds under this chapter are invested or is the recipient
10 of or has applied for any loan or grant under this chapter.

11 Sec. 37.12.090. POWERS. The board has the power to

12 (1) direct the investment of the principal of the fund and
13 require reports relating to the investment as it prescribes;

14 (2) prepare and submit to the governor plans for expenditures
15 of fund income;

16 (3) hire and determine the compensation of an executive
17 director, consultants expert in investments, finance, economics, re-
18 newable resources and other relevant technical professions, and other
19 persons as necessary to assist the board in the exercise of its powers;

20 (4) take whatever other actions are reasonably necessary in
21 furtherance of the purposes of this chapter.

22 * Sec. 2. AS 39.25.110 is amended by adding a new paragraph to read:

23 (21) members of the Board of Trustees of the Alaska Permanent
24 Fund.