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Referred: The Special Committee  
on the Permanent Fund and  
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND

2 (S) HOUSE BILL NO. 682 (FINANCE)  
3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues."

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 RENEWABLE RESOURCES CORPORATION.

10 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the  
11 state to

12 (1) rehabilitate, enhance, and develop its renewable re-  
13 sources and, insofar as is consistent with sound resource management  
14 policies, develop its human resources by providing maximum opportunities  
15 for employment and a higher standard of living for its citizens; and

16 (2) utilize the funds set aside under ch. 11 of this title to  
17 further the (A) development of renewable resources that will contribute  
18 to a stable self-sustaining state economy, employment opportunities, and  
19 lifestyle alternatives for its citizens, and (B) commercial, tradi-  
20 tional, and common uses of the state's renewable resources.

21 Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska  
22 has renewable resources that are not being utilized to their full poten-  
23 tial. Many problems which confront the state, including high unem-  
24 ployment and unstable economy, could be mitigated by the expanded use  
25 and development of its renewable resources.

26 (b) It is further found that Alaska's economy has historically  
27 depended upon sporadic and non-stable development.

28 (c) It is further found that several key factors have contributed  
29 to the slow development of renewable resource industries, including,

1 (1) reductions in research and development financing and  
2 venture capital financing;

3 (2) a lack of knowledge within the business and financial  
4 communities about conditions affecting renewable resource industrial  
5 development in the state; and

6 (3) a lack of technology appropriate to Alaska.

7 (d) It is further found that the state's policy of assisting the  
8 development of viable industries is best accomplished by providing  
9 assistance to the private sector to identify and demonstrate new pro-  
10 ducts, markets, and technologies.

11 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.  
12 There is created the Alaska Renewable Resources Corporation to carry out  
13 the purposes of this chapter. The corporation is a public corporation  
14 of the state and an instrumentality of the state within the Department  
15 of Revenue, but has a legal existence independent of and separate from  
16 the state. The exercise by the corporation of the powers conferred by  
17 this chapter is considered an essential function of the state.

18 Sec. 37.12.040. PURPOSES. The purposes of the corporation are to

19 (1) facilitate the rehabilitation, enhancement, and develop-  
20 ment of the state's renewable resources so as to strengthen the self-sus-  
21 taining sectors of the state economy;

22 (2) sponsor research and development of technologies and  
23 innovations for the rehabilitation and enhancement of the state's renew-  
24 able resources to achieve their most appropriate use;

25 (3) identify new products, markets, and technologies for  
26 renewable resource industries in the state; stimulate the research and  
27 development of these products, markets, and technologies; assist in the  
28 demonstration of their technical and economic feasibility; and assist in  
29 their introduction into commercial markets.

1           Sec. 37.12.050. ALLOCATION. (a) There shall be allocated to the  
2 corporation from the receipts described in AS 37.11.020 five per cent of  
3 the receipts paid the state from mineral lease bonuses and rentals for  
4 state land and royalties derived from minerals produced on state land.  
5 Payments of the amount allocated by this section shall be made to the  
6 corporation by the Department of Revenue on a monthly basis.

7           (b) Fifty per cent of all actual receipts of the corporation, from  
8 whatever source, shall be deposited into the renewable resources invest-  
9 ment fund (AS 37.11.050).

10          Sec. 37.12.060. BOARD OF TRUSTEES. A board of trustees of the  
11 corporation is established as its governing body.

12          Sec. 37.12.070. COMPOSITION OF THE BOARD OF TRUSTEES. The board  
13 of trustees consists of three members appointed by the governor and  
14 confirmed by a majority of the members of the legislature in joint ses-  
15 sion. The board shall annually elect a chairman from among its members.  
16 A chairman may not succeed himself.

17          Sec. 37.12.080. TERM OF OFFICE. The members of the board of  
18 trustees shall be appointed for terms of four years, and they may be  
19 reappointed. Terms shall be staggered. The initial terms shall be one  
20 member serving for two years, one member serving for three years, and  
21 one member serving for four years.

22          Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may  
23 remove a board member from office by and with the consent of a majority  
24 of the members of the legislature in joint session. A removal by the  
25 governor shall be in writing and state the reason for removal. If the  
26 legislature is not in session, the governor may suspend a member of the  
27 board. Upon suspension, a board member may not participate in board  
28 business and may not be counted for the purpose of establishing a quo-  
29 rum. A suspended member shall continue to receive his salary as a board

1 member until the legislature in joint session consents to his removal.  
2 The joint session shall be held within 30 days from the date of removal  
3 if the removal occurs while the legislature is in session or within 30  
4 days of convening of the legislature if the legislature is not in ses-  
5 sion. If the legislature refuses to consent to his removal, the board  
6 member shall be reinstated to his position.

7 (b) A vacancy on the board shall be promptly filled by appointment  
8 by the governor and confirmation by a majority of members of the legis-  
9 lature in joint session. An appointee to fill a vacancy shall hold  
10 office for the balance of the term for which his predecessor on the  
11 board was appointed. If a vacancy arises on the board while the legis-  
12 lature is not in session, the governor may appoint an interim board  
13 member until such time as the legislature in joint session fails to  
14 confirm the interim member's appointment.

15 (c) A vacancy on the board does not impair the authority of a  
16 quorum of the board to exercise all the powers and perform all the  
17 duties of the board.

18 Sec. 37.12.100. QUALIFICATIONS OF BOARD MEMBERS. (a) No person  
19 may be appointed to the board who has not been a resident of the state  
20 for at least three years.

21 (b) No member of the board may hold any other state or federal  
22 office, position, or employment, whether elective or appointive, except  
23 as a member of the armed forces of the United States or the state.

24 Sec. 37.12.110. QUORUM. Two members of the board constitute a  
25 quorum for the transaction of business and the exercise of the powers  
26 and duties of the board.

27 Sec. 37.12.120. COMPENSATION OF BOARD MEMBERS. Board members are  
28 in the exempt service under AS 39.25 and receive an annual salary within  
29 Range 30 of the salary schedule for state employees established by

1 AS 39.27.011.

2 Sec. 37.12.130. EMPLOYMENT OF PERSONNEL. The board may employ and  
3 determine the salary of an executive director. The executive director  
4 may, with the approval of the board, select and employ additional staff  
5 as necessary. The executive director and all employees of the board are  
6 in the exempt service under AS 39.25.

7 Sec. 37.12.140. CONFLICTS OF INTEREST. (a) Members of the board  
8 of trustees are subject to the provisions of AS 39.50.

9 (b) No member or employee of the board may acquire an interest,  
10 direct or indirect, in a corporation, company, association, or project  
11 owned, controlled, or invested in by the corporation. If a member or  
12 employee owns or controls such an interest, he shall immediately dis-  
13 close the interest in writing to the board and refrain from participat-  
14 ing in any manner in any board activity relating to that interest.

15 Sec. 37.12.150. POWERS. In carrying out the corporate powers of  
16 the corporation, the board may

- 17 (1) adopt, alter, and use a corporate seal;
- 18 (2) prescribe, adopt, amend, and repeal bylaws;
- 19 (3) sue and be sued in the name of the corporation;
- 20 (4) enter into any agreements necessary to the exercise of  
21 its powers and functions;
- 22 (5) accept grants from and contract with the federal govern-  
23 ment and the state or its political subdivisions and to that end comply  
24 with the provisions of federal, state, or local programs where neces-  
25 sary, except that it may not enter into any agreements whereby any  
26 permanent state or local government position is funded or partially  
27 funded in connection with a project;
- 28 (6) accept grants and loans from other sources than those  
29 in (5) of this section to be held and used for the purposes of the

1 corporation;

2 (7) appear in behalf of the corporation before boards, com-  
3 missions, departments, or other agencies of municipal, state, or federal  
4 government;

5 (8) acquire, hold, use, lease, sell, or otherwise dispose of  
6 property of any kind, real, personal, or mixed, or any interest in it;

7 (9) hold, as a means of securing the providing of financial  
8 assistance, patents, copyrights, trademarks, royalties, or any other  
9 evidences of protection or exclusivity issued under the laws of the  
10 United States or any state or nation;

11 (10) prepare, publish, and distribute technical studies,  
12 reports, bulletins and other materials it considers appropriate;

13 (11) make financial assistance available in the form of grants,  
14 loans, loan guarantees, or other appropriate forms to public research  
15 and development groups in the state in order to facilitate investment by  
16 the board in specific projects which do not warrant direct supervision  
17 by the corporation;

18 (12) invest, in such form as it considers appropriate, in  
19 projects which have income-producing potential;

20 (13) provide grants only for projects or demonstration of  
21 projects which do not yet have income-producing potential but which are  
22 commercially promising or have potentially broad application to the  
23 public;

24 (14) adopt regulations to implement this chapter;

25 (15) deposit funds, or invest funds through the permanent fund  
26 (AS 37.13) in such obligations as it may determine;

27 (16) do all acts and things necessary or desirable to carry  
28 out the purposes of the corporation.

29 Sec. 37.12.160. DUTIES. In carrying out the purposes of this

1 chapter, the board shall

2 (1) seek to maintain the productivity of healthy renewable  
3 resources and expand the productivity of depleted or underutilized  
4 renewable resources;

5 (2) provide financial assistance for projects which the board  
6 finds will accomplish the purposes of the corporation as set out in sec.  
7 40 of this chapter;

8 (3) promote the utilization of the state's renewable re-  
9 sources in the state and the development of import substitution and  
10 export markets;

11 (4) annually prepare long-range operating and financial plans  
12 and the budget for the forthcoming year;

13 (5) monitor approved projects for compliance with this chap-  
14 ter and provide operational and performance evaluations (post-audits) of  
15 projects receiving financial assistance and an overall assessment,  
16 expressed in qualitative and quantitative terms, of the degree to which  
17 the purposes of the corporation, as set out in sec. 40 of this chapter,  
18 have been achieved; and

19 (6) attempt to fund activities which will tend to maximize  
20 returns to the state and local governments and its citizens in such  
21 forms as tax revenues and resident employment and income.

22 Sec. 37.12.170. FINANCIAL ASSISTANCE. (a) In providing financial  
23 assistance, the board shall

24 (1) consider the proposals of qualified applicants only after  
25 the applicant has submitted a detailed proposal in the form prescribed  
26 by the board; no assistance may be approved by the board unless it  
27 finds, in writing, that

28 (A) the proposed project, if successful, will further  
29 the purposes of the corporation as set out in sec. 40 of this

1 chapter;

2 (B) the application contains an adequate plan for pro-  
3 ject implementation, including, when applicable, a complete busi-  
4 ness, financial and marketing plan for commercial activities;

5 (C) private financing cannot reasonably be undertaken  
6 without aid or that financial participation is not otherwise avail-  
7 able;

8 (D) the applicant has agreed that if new renewable  
9 resource industrial activity results from the proposed project, his  
10 best efforts will be employed to keep that activity in the state  
11 for a minimum period of time specified by the board;

12 (E) the applicant demonstrates sufficient technical and  
13 business expertise to accomplish the objectives of the proposed  
14 project;

15 (F) all costs associated with and ancillary to the pro-  
16 ject and future obligations generated by the project have been  
17 identified, including any necessary operating, maintenance, or  
18 other support costs for the life of the project;

19 (G) potential resource use conflicts that may result  
20 from the proposed project are identified and evaluated, and when  
21 necessary, plans to mitigate or resolve those conflicts and to  
22 preserve for the future options for the use of the state's renew-  
23 able resources are included in the application;

24 (H) a proposed project involving the use of a renewable  
25 resource is an appropriate use of that resource;

26 (2) use the financial mechanism most appropriate to the  
27 conditions of the applicant and the proposed project and which will most  
28 effectively utilize the funds available; grants may be utilized when  
29 other mechanisms are not feasible and when the benefits of the grant

1 will accrue to the general public;

2 (3) consider regional preferences and priorities in evaluat-  
3 ing projects.

4 (b) The board may not

5 (1) invest more than five per cent of the resources of the  
6 corporation or \$1,500,000, whichever is less, in a single project or  
7 applicant unless the legislature has approved the investment by con-  
8 current resolution;

9 (2) invest in more than 25 per cent of the outstanding cor-  
10 porate stock or other corporate obligations issued by an applicant  
11 unless the legislature has approved the investment by concurrent resolu-  
12 tion;

13 (3) make a loan for a period in excess of 10 years unless the  
14 legislature has approved the loan by concurrent resolution;

15 (4) assume the responsibility for management of any project  
16 in which it has invested and may not exercise voting rights for that  
17 purpose or for any other purpose which is within the scope of managerial  
18 control; or

19 (5) provide funds to any state agency unless that expenditure  
20 is included in the corporation's annual budget.

21 (c) Nothing in this section prevents the board from taking such  
22 action and exercising such rights as it considers necessary for the  
23 protection of its financial interests in the event of

24 (1) actual or threatened default on any of the board's invest-  
25 ments;

26 (2) actual or threatened insolvency of a project in which the  
27 board has made an investment; or

28 (3) any other immediate or actual circumstance or event which  
29 jeopardizes an investment made by the board.

1 (d) Projects for which financial assistance is granted shall  
2 comply with all applicable provisions of law.

3 Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE. The board  
4 may grant financial assistance if it finds that an applicant is quali-  
5 fied to receive assistance. An applicant is qualified if

6 (1) he has submitted a proposal to the board in accordance  
7 with sec. 170(a)(1) of this chapter;

8 (2) he is a resident of the state or, if the applicant is a  
9 partnership, corporation, or other association, it is owned by a major-  
10 ity who are residents of the state; and

11 (3) his projects which have previously received financial  
12 assistance from the corporation, if any, have complied with all require-  
13 ments of that assistance and have performed with sufficient success or  
14 promise to warrant further aid.

15 Sec. 37.12.190. REPORTS AND PUBLICATIONS. (a) The board shall  
16 prepare and distribute in non-technical language materials describing  
17 the purposes and activities of the corporation.

18 (b) The board shall publish an annual report for the governor, the  
19 legislature, and the public at the time of submitting its annual budget  
20 request. Each annual report shall include financial statements and  
21 audit reports, a statement detailing the sources from which the corpora-  
22 tion received money, a statement detailing the investments made by the  
23 corporation, a summary and evaluation of the data required by sec.  
24 160(5) and (6) of this chapter, and any other information that the board  
25 of trustees believes would be of interest to the recipients of the  
26 report.

27 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. The corporation shall  
28 submit its annual budget to the legislature through the governor as pro-  
29 vided for state agencies by the Executive Budget Act (AS 37.07). The

1 budget shall include the categories and amounts of proposed financial  
2 assistance broken down by financing mechanism and resource sector af-  
3 fected and all funds received by the corporation whether through alloca-  
4 tions made by this chapter, appropriation, or otherwise. The corpora-  
5 tion may expend money directly appropriated by the legislature only as  
6 authorized by the legislature. The total amount of the corporation's  
7 operating budget shall be specified as a separate item of its budget and  
8 be appropriated from the general fund.

9 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its  
10 financial record audited annually by a certified public accountant. The  
11 legislative auditor may prescribe the form and content of the financial  
12 record of the corporation and shall have access to these records at any  
13 time.

14 Sec. 37.12.220. COOPERATION WITH OTHER AGENCIES. All departments,  
15 agencies, and public corporations of the state shall provide information,  
16 services and facilities to the corporation on its request. The corpora-  
17 tion shall reimburse the department, agency, or corporation for expenses  
18 reasonably incurred on the corporation's behalf.

19 Sec. 37.12.230. DEFINITIONS. In this chapter, unless the context  
20 otherwise requires,

21 (1) "applicant" means a person making application to the  
22 corporation for financial assistance;

23 (2) "appropriate use" means (definition to be supplied by  
24 other source);

25 (3) "board" means the Board of Trustees of the Alaska Renew-  
26 able Resources Corporation;

27 (4) "corporation" means the Alaska Renewable Resources Corpo-  
28 ration;

29 (5) "project" means products, markets, innovation, or

1 technological developments for the rehabilitation, enhancement, or  
2 development of renewable resources and includes applied research for  
3 those products, markets, or technological developments;

4 (6) "rehabilitation, enhancement, and development" means any  
5 activity or program which improves the health and well-being of a renew-  
6 able resource or renewable resource population leading to an increase in  
7 the quality or productivity of the resource and to an increase in the  
8 benefits derived from the resource to the citizens of the state;

9 (7) "renewable resource" means non-human living organisms;  
10 natural components of the environment, including the air, land, and  
11 water; and energy systems which are naturally recurring or replenished.

12 \* Sec. 2. AS 37.11.040 is amended to read:

13 Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unen-  
14 cumbered balances remaining in the Alaska renewable resources development  
15 fund at the close of each fiscal year shall be transferred to the Alaska  
16 renewable resources investment [PERMANENT] fund.

17 \* Sec. 3. AS 37.11.050 is amended to read:

18 Sec. 37.11.050. ALASKA RENEWABLE RESOURCES INVESTMENT [PERMANENT]  
19 FUND. There is established as a separate fund the Alaska renewable re-  
20 sources investment [PERMANENT] fund. Funds apportioned by sec. 60 of  
21 this chapter for deposit in the investment [PERMANENT] fund are to be  
22 held perpetually in trust for the benefit of both present and future  
23 generations of Alaskans.

24 \* Sec. 4. AS 37.11.060 is amended to read:

25 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-  
26 encumbered balances remaining in the Alaska renewable resources develop-  
27 ment fund at the close of each fiscal year shall be deposited in the  
28 investment [PERMANENT] fund. These deposits shall be considered fund  
29 principal and shall be invested in perpetuity in accordance with

1 AS 37.10.070 (investment of surplus state funds).

2 \* Sec. 5. AS 37.11.070 is amended to read:

3 Sec. 37.11.070. UTILIZATION OF FUND INCOME. Income received from  
4 investment of investment [PERMANENT] fund principal shall not be held  
5 in trust, but shall be used to provide funding for capital and operating  
6 appropriations for the rehabilitation, enhancement and development of  
7 renewable resources programs. Plans for expenditures from fund income  
8 shall be prepared in detail by the appropriate state department or agency  
9 and shall be submitted by the governor in accordance with the Executive  
10 Budget Act (AS 37.07) as part of his annual budget presentation to the  
11 legislature.

12 \* Sec. 6. AS 37.11.080 is amended to read:

13 Sec. 37.11.080. PROTECTION OF PRINCIPAL. A transaction involving  
14 investment [PERMANENT] fund principal which results in an actual dollar  
15 loss of principal shall be reimbursed in full from fund income before  
16 any additional income is expended.

17 \* Sec. 7. AS 44.66.010(a) is amended by adding a new paragraph to read:

18 (6) Alaska Renewable Resources Corporation (AS 37.12.030) --  
19 June 30, 1982.

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