

Offered: 3/2/87
Referred: Finance

5-0256B

Original sponsor: Boucher

1 IN THE HOUSE BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2 CS FOR HOUSE BILL NO. 42 (HESS)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the university fund; and provid-
7 ing for an effective date."

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

9 * Section 1. AS 37.14 is amended by adding new sections to read:

10 Sec. 37.14.300. UNIVERSITY FUND. (a) There is established as a
11 separate endowment trust fund the university fund consisting of

12 (1) five percent of all mineral lease rentals, royalties,
13 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
14 (g), and federal mineral revenue sharing payments received by the
15 state after January 1, 1989, from mineral leases issued on or before
16 December 1, 1979, and six percent of all bonuses received by the state
17 after January 1, 1989, from mineral leases issued on or before Febru-
18 ary 15, 1980;

19 (2) any other money appropriated to the university fund.

20 (b) Payments due the university fund under (a) of this section
21 shall be made to the fund once each month.

22 (c) The net income of the university fund shall be determined by
23 the commissioner of revenue in accordance with investment accounting
24 principles and in a manner that preserves the distinction between
25 principal and income.

26 Sec. 37.14.310. FUND USE. (a) The principal of the university
27 fund and the capital gains or losses realized on the principal shall
28 be perpetually retained in the fund for investment purposes.

29 (b) At the end of each fiscal year the net income from the

1 university fund as determined under AS 37.14.300(c) shall be trans-
2 ferred to the Board of Regents of the University of Alaska. Income of
3 the university fund transferred to the Board of Regents of the Univer-
4 sity of Alaska under this section shall be used for the University of
5 Alaska under AS 14.40 and other applicable provisions of law.

6 (c) Realized net income that has not been transferred to the
7 Board of Regents of the University of Alaska under (b) of this section
8 shall be invested until transferred.

9 Sec. 37.14.320. DUTIES OF THE COMMISSIONER OF REVENUE. The
10 commissioner of revenue is the treasurer of the university fund and
11 shall

12 (1) act as official custodian of the cash and investments
13 belonging to the fund by securing adequate and safe custodial facil-
14 ities;

15 (2) receive all items of cash and investments belonging to
16 the fund;

17 (3) collect the principal and income from investments owned
18 or acquired by the state treasury and deposit the amounts in separate
19 principal and income accounts for the fund;

20 (4) invest and reinvest the assets of the fund under
21 AS 37.14.330;

22 (5) generally exercise the powers of an owner with respect
23 to the assets of the fund;

24 (6) do all acts, whether or not expressly authorized, that
25 the commissioner of revenue considers necessary or proper in adminis-
26 tering the assets of the fund;

27 (7) maintain accounting records of the fund under invest-
28 ment accounting principles and with distinction between the principal
29 and income accounts of the fund;

1 (8) contract with an independent firm of certified public
2 accountants to annually audit the financial condition of the fund's
3 investments and investment transactions;

4 (9) enter into and enforce all contracts or agreements
5 considered necessary, convenient, or desirable for the investment
6 purposes of the fund; and

7 (10) report to the Board of Regents of the University of
8 Alaska the condition and investment performance of the fund.

9 Sec. 37.14.330. INVESTMENTS. (a) The commissioner of revenue
10 is the fiduciary of the university fund and shall invest the fund to
11 provide increasing net income over long-term periods. In investing
12 the assets of the fund the commissioner of revenue shall exercise the
13 judgment and care under the circumstances then prevailing that an
14 institutional investor of ordinary professional prudence, discretion,
15 and intelligence exercises in managing large trust investments with
16 consideration for the purpose of the funds, the investment objectives,
17 the continuing disposition of the fund's investments, and the probable
18 safety of the capital as well as the probable investment returns.

19 (b) In managing the university fund, the commissioner of revenue
20 shall

21 (1) consider the status and income of the fund's capital on
22 both a current and a probable future basis;

23 (2) determine the appropriate investment objectives;

24 (3) establish investment policies aimed at achieving the
25 objectives; and

26 (4) act only in regard to the long-term financial interests
27 of the fund's beneficiaries.

28 (c) The discretionary acquisition or disposition of investments
29 in the fund shall be at competitive national or international market

1 rates or prices or the equivalent in the judgment of the commissioner
2 of revenue.

3 (d) In exercising the duties and powers set out in this section
4 and AS 37.14.320, the commissioner of revenue may

5 (1) delegate investment, custodial, or depository authority
6 on a discretionary or nondiscretionary basis to officers or employees
7 of the state or to independent firms, banks, or trust companies, by
8 designation through appointments, contracts, or letters of authority;

9 (2) invest the university fund on the basis of probable
10 total rate of return as a means of promoting the long-term generation
11 of income;

12 (3) acquire or dispose of investments, either directly,
13 indirectly, or through investment pools or trusts, by competitive or
14 negotiated agreements, contracts, or auctions, in public or private
15 markets;

16 (4) concentrate or diversify the investments of the univer-
17 sity fund as appropriate in order to increase the probable total rate
18 of return on the fund or to decrease the fund's overall exposure to
19 potentially adverse market value risks;

20 (5) protect the market value or the rate of return of the
21 university fund's investments by entering into forward agreements to
22 buy or sell assets at a future date as a hedge against existing held
23 assets or as a precommitment of future cash flows;

24 (6) lend under an agreement and for a fee assets of the
25 university fund against deposited collateral of equivalent market
26 value;

27 (7) hold investments in bearer form or in registered form
28 in the name of the university fund or authorized nominees;

29 (8) use consultants, advisers, custodians, investment

1 services, and legal counsel for assistance in investment matters on
2 either a continuing or a limited term basis and with or without com-
3 pensation; and

4 (9) withhold information that discloses the particulars of
5 the business or the affairs of a private enterprise, investor, bor-
6 rower, adviser, consultant, counsel, or manager as confidential and
7 nonpublic records subject to disclosure only as required in a court
8 proceeding or for purposes of an official law enforcement proceeding.

9 * Sec. 2. This Act takes effect on the effective date of a constitu-
10 tional amendment establishing a university fund.