

SCOMM

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ANALYSIS OF THREE PROPOSED PERMANENT FUND IMPLEMENTATION BILLS

House Bill 4 by Swanson

House Bill 298 by Rules by Request of Governor

House Bill 300 by Special Committee on the Alaska Permanent Fund

1. Per cent of revenue contributed:

- HB 4 - At least 25 % of bonuses, mineral lease rentals, royalties and federal mineral revenue sharing
- HB 298 - 50 % of bonuses, mineral lease rentals, royalties and federal mineral revenue sharing
- HB 300 - 100 % of bonuses, 50 % of mineral lease rentals, royalties and federal mineral revenue sharing

2. Management structure:

- HB 4 - Fund is established in Dept. of Revenue, governed by a board of Trustees (5 members) appointed by the Governor and confirmed by the Legislature. Trustees must come from each of 5 fields: agriculture, fisheries, forest resources, finance and tourism. 3-year terms.
- HB 298 - A.P.F established as a public corporation, instrumentality within the Department of Revenue. Two board structures: P.F. Policy Board (9 members) consisting of Commissioners of Commerce and Revenue, 7 members appointed by the Governor. The Policy Board appoints 4 members of the A.P.F. Investment Committee, president of Policy Board serves as 5th member of Investment Committee. The Investment Committee has sole responsibility to approve investment proposals and to review all investments. The Policy Board approves long-range operating plans, deals with the public & government, audits Investments, and issues regular reports and statements.
- HB 300 - Similar to 298, except that Policy Board members are confirmed by the Legislature.

3. Investment limitations:

- HB 4 - Fairly restrictive. Investment is limited to government obligations, bank CD's and prime quality corporate obligations (similar to type of investments provided for in HB 210, the P.F. interim management bill).
- HB 298 } P.F. used only for income-producing investments. 40 %
HB 300 } invested in investment-grade securities; 30 % venture capital (equity, debt or debt guarantees); 30 % community development and housing (debt or debt guarantees)

4. Use of income:

- HB 4 - Income shall be used for renewable resource development, enhancement and rehabilitation. P.F. Trustees plan expenditures, which governor submits to Legislature. Unused balance at end of FY becomes part of fund principal. (Note similarity to AS 37.11, Renewable Resource Funds).
- HB 298 } Income deposited in general fund, with the exception
HB 300 } of operating expenses and reserves.

5. Fiscal Note:

	HB 4	HB 298,300
FY 77	177.4	
FY 78	512.5	798.1
FY 79	587.5	(Fiscal note for one year only,
FY 80	566.6	as A.P.F. will prepare its own
FY 81	572.1	budget effective FY 79. Opera-
FY 82	627.6	ting expenses come from PF income.

6. Other:

HB 4 Trustees salary \$37,500 per year. Trustees prohibited from voting when there is a conflict of interest. Trustees powers are not as broad as in HB 298 & 300.

HB 298 Purpose is more clearly spelled out than in HB 4. Policy Board duties are completely listed. The Permanent Fund corporation is exempt from the Executive Budget Act. Corporation has borrowing powers. Investment Committee members prohibited from voting when there is a conflict of interest. Corporation is tax exempt.

HB 300 Purpose same as 298. Policy Board is confirmed by the Legislature, as in HB 4. Policy Board presents complete report to joint meeting of senate and house finance each session. Operational principals worded slightly differently. The Permanent Fund is exempt from the Executive Budget Act. Permanent Fund has borrowing powers. Policy Board is prohibited from campaign or general advertising expenditures to promote or defend policies and operations. Members of policy board & investment committee, officers & staff prohibited from partisan political activities which involve the permanent fund. The resources of the permanent fund may not be used to finance any partisan political activities.

Note: "Alaska, Inc." to provide cash dividend payments to resident Alaskans will be submitted at a later date. (HB 298)

In both HB 298 and 300, the Policy Board has sole responsibility for the external relations of the Fund. The Policy Board may not influence the investment committee (which is under conflict of interest controls).