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#9:182

MINUTES OF

THE HOUSE SPECIAL COMMITTEE
ON THE ALASKA PERMANENT FUND

COMMITTEE MEETING
Capitol Building

January 24, 1978

PRESENT: Clark Gruening, Chairman; Russ Meekins, Bill Miles, Joe Hayes, Terry Gardiner, members.

The meeting convened at 1:20 PM.

The schedule for next week's public meetings was discussed. Members present indicated they would be able to attend and approved the following schedule:

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| Fairbanks | Friday, February 3 at 10:30 AM |
| Anchorage | Saturday, February 4 at 10:00 AM |
| Wrap-up hearing Juneau | Wednesday, February 8 |
| Mark up and report out bills | Friday, February 10 |

Chairman Gruening noted that the bills discussed during the hearings will be HR 298, HR 595, HR 596 and the renewable resources fund bill.

Rep. Gardiner presented a working draft copy with back-up for "An Act relating to nonrenewable resources revenues" to the Committee and discussed the changes that had been made.

Chairman Gruening moved and asked unanimous consent "to adopt this draft for introduction by the House Special Committee for the Alaska Permanent Fund". There being no objection, the motion passed unanimously.

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SCHEDULE FOR THE HOUSE SPECIAL COMMITTEE

ON

THE ALASKA PERMANENT FUND

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to press - file

# Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
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REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
REP. RICK LARSON
Rep. Joe Hayes

## House of Representatives

PRESS RELEASE January 24, 1978

RENEWABLE RESOURCES FUND

### Renewable Resources Fund Introduced in the House Today

A bill that would create a fund to help Alaskans develop the state's renewable resources was introduced in the House today by the House Special Committee on the Alaska Permanent Fund chaired by Representative Clark Gruening (D-Anc).

The bill, which implements a bill introduced in 1973 by Representative Ernie Haugen (D-Petersburg), and passed that year by the Legislature, would provide up to $25 million a year for loans and grants by the time the pipeline is at full production.

One of the biggest barriers to development of new industries in Alaska has always been the reluctance of private lending institutions to risk their capital on untested ideas. The Renewable Resources Development Fund proposed in the bill would allow the state to provide that "risk capital" from oil revenues, according to its sponsors.

The bill proposes a fund made up of five percent of the state's annual oil revenues to provide initial funding for carefully selected ventures to develop the state's renewable resources. A semi-independent corporation subject to Legislative appropriation would select pilot projects and new business ventures seen as having the most potential to create new industries and permanent jobs in the state.

A long-term goal of the Renewable Resources Fund is to help provide a stable enonomy for the state after its oil is depleted.

Through the fund, individuals, businesses, non-profit corporations and government agencies would be able to apply for money to investigate and start commercial applications using Alaska's renewable resources. Initially, the fund would provide up to $18 million a year to help start new industries ranging

(more)

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from agriculture and fish farming to commercial applications of geothermal and solar energy. The bill's sponsors estimate the fund would level off at between $20 million and $25 million when the pipeline is at full production.

Rigorous feasibility studies would be required on each proposal submitted, and only those considered most likely to succeed financially would be funded.

The fund would take up the slack where private lending institutions have been reluctant to enter -- projects which have never been tried or which have no demonstrated profit potential. Lack of information on markets, technology and the resources themselves have often kept private capital out of Alaska. The fund would focus money on those uncertainties through research, demonstration projects and information gathering.

###

WO#4434
Rosenstein /Vassar

IN THE HOUSE

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

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

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

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

Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska has renewable resources that are not being utilized to their full potential. Many problems which confront the state, including high unemployment and unstable economy, could be mitigated by the expanded use and development of its renewable resources.

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

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

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

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

(3) a lack of technology appropriate to Alaska.

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

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

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

(1) facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to strengthen the self-sustaining sectors of the state economy;

(2) sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

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

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

(b) Fifty per cent of all actual receipts of the corporation, from whatever source, shall be deposited into the renewable resources investment fund (AS 37.11.050).

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

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

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

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

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

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

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

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

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

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

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

AS 39.27.011.

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

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

(b) No member or employee of the board may acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such an interest, he shall immediately disclose the interest in writing to the board and refrain from participating in any manner in any board activity relating to that interest.

Sec. 37.12 150. POWERS. In carrying out the corporate powers of the corporation, the board may

(1) adopt, alter, and use a corporate seal;

(2) prescribe, adopt, amend, and repeal bylaws;

(3) sue and be sued in the name of the corporation;

(4) enter into any agreements necessary to the exercise of its powers and functions;

(5) accept grants from and contract with the federal government and the state or its political subdivisions and to that end comply with the provisions of federal, state, or local programs where necessary, except that it may not enter into any agreements whereby any permanent state or local government position is funded or partially funded in connection with a project;

(6) accept grants and loans from other sources than those in (5) of this section to be held and used for the purposes of the

corporation;

(7) appear in behalf of the corporation before boards, commissions, departments, or other agencies of municipal, state, or federal government;

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

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

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

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

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

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

(14) adopt regulations to implement this chapter;

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

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

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

chapter, the board shall

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

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

(3) promote the utilization of the state's renewable resources in the state and the development of import substitution and export markets;

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

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

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

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

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

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

chapter;

(B) the application contains an adequate plan for project implementation, including, when applicable, a complete business, financial and marketing plan for commercial activities;

(C) private financing cannot reasonably be undertaken without aid or that financial participation is not otherwise available;

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

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

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

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

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

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

will accrue to the general public;

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not

(1) invest more than five per cent of the resources of the corporation or $1,500,000, whichever is less, in a single project or applicant unless the legislature has approved the investment by concurrent resolution;

(2) invest in more than 25 per cent of the outstanding corporate stock or other corporate obligations issued by an applicant unless the legislature has approved the investment by concurrent resolution;

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

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

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

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

(1) actual or threatened default on any of the board's investments;

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

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

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

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

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

(2) he is a resident of the state or, if the applicant is a partnership, corporation, or other association, it is owned by a majority who are residents of the state; and

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

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

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

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

budget shall include the categories and amounts of proposed financial assistance broken down by financing mechanism and resource sector affected and all funds received by the corporation whether through allocations made by this chapter, appropriation, or otherwise. The corporation may expend money directly appropriated by the legislature only as authorized by the legislature. The total amount of the corporation's operating budget shall be specified as a separate item of its budget and be appropriated from the general fund.

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

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

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

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

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

(3) "board" means the Board of Trustees of the Alaska Renewable Resources Corporation;

(4) "corporation" means the Alaska Renewable Resources Corporation;

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

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

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

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

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

Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be transferred to the Alaska renewable resources investment [PERMANENT] fund.

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

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

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

Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be deposited in the investment [PERMANENT] fund. These deposits shall be considered fund principal and shall be invested in perpetuity in accordance with

AS 37.10.070 (investment of surplus state funds).

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

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

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

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

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

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

# THE ALASKA RENEWABLE RESOURCES CORPORATION

## A PROPOSAL

### OVERVIEW - RENEWABLE RESOUCES: PROMISE AND PROBLEMS

Alaskan economic history has been wrought with boom/bust cycles, resource exploitation, and seasonal and high unemployment. These conditions still exist in 1977. Alaskans realize that the present wealth of oil revenues will not last and, as reflected in many polls, believe that renewable resource development holds out the greatest promises for long range stability in Alaska.

Renewable resources, such as fish, timber, agriculture, and energy sources, are diffused throughtout the State and thus offer possibilities for employment, long-term stability, and enviornmental compatiability State-wide, particularly in the most underdeveloped areas. While landings and value for most fishery harvests have increased over recent years, Alaskans are impatient to realize the potential three-fold increase in the fishery sector promised by the 200 Mile Limit. Only 17,000 of the 15 million acres of potentially arable lands are presently utilized for agriculture. In many areas of the State, renewable energy and timber resources are unutilized.

With such desires and promises surrounding the development of Alaska's renewable resources, what is holding us up? What is the problem? There are several problems.

Major uncertainties face individuals, businesses, and government seeking to expand the renewable resource sectors of our economy. Uncertainty over land ownership, and a myriad of regulatory actions, surround renewable resources development activity. Lack of knowledge or experience makes for unacceptably high risks in areas of even immediate potential such as Alaska's bottom fishery. Government agencies lack sufficient information to back up resource development efforts. These risks and uncertainties result in a lack of available capital for both starting new businesses and for expanding existing ones.

Alaska's lack of a large supply of experienced entrepreneurs and managers further reduces investor interest or confidence. Necessary infrastructure, such as transportation facilities and service industries, are absent in many areas of Alaska. Also, the widespread reduction in research and development spending by both the private and public sectors since the early 1970's threatens expansion into Alaska's economic frontiers.

There are many actions the State performs or will perform to accelerate the development of our renewable resources. General Fund expenditures continue to fund capital projects creating infrastructure, such as transportation and energy systems, which are necessary to economic activity. Government expenditures at several levels fund many agencies increasing knowledge about our resources and improving resource management techniques. Existing State loan programs and new programs

to be debated in the upcoming legislative session expand the availability of capital for Alaska businesses. Permanent Fund monies will be available, but because of the Constitutional requirement, the funds may only be invested in financially sound, proven business ventures.

None of these aids are capable of resolving the uncertainties that presently inhibit renewable resource developments. The Renewable Resources Development Fund (RRDF) created by the Legislature in 1973 for the "rehabilitation, enhancement, and development of Alaska's renewable resources" can fill this gap. Unlike the Permanent Fund, the RRDF does not have to be invested in a safe, income producing manner. With this flexibility, the Subcommittee on the RRDF proposes to apply the RRDF to the earliest and riskiest and neediest stage in the development of renewable resources. Fund dollars* allocated by the Alaska Renewable Resources Corporation (ARRC) will be used to assist the development and demonstration of techniques and innovations for the rehabilitation, enhancement, or maintainence of renewable resources systems and the identification, development, demonstration, and introduction of new products, markets, or technologies for renewable resources industries in Alaska.

This proposal seeks to match individual Alaskans, their ideas and energies, with our vast opportunities for renewable resources development. By providing small demonstration grants and loans tailored to existing and potential renewable resources users and

* see Appendix III for projections.

government agencies, the ARRC will provide a presently missing link between new ideas, innovations, and business ventures and the existing Alaskan economy. ARRC funding will be the leading edge in the State's efforts to manage renewable resources systems and to stimulate renewable resources development by providing Alaskans with an ability to prove that their ideas and efforts can mature into viable, self-sustaining economic persuits. In filling this gap, the ARRC will facilitate the long range rehabilitation, enhancement, and development of Alaska's renewable resources and assist Alaskan private enterprise to create a self-sustaining Alaskan economy benefitting both present and future generations of Alaska.

The charts in Appendix I are offered to familiarize the reader with the processes of innovation and business formation.

THE LEADING EDGE CONCEPT

As anyone who tries to obtain financing in Alaska knows, capital is not very easy to come by. This is especially true for high risk or new, unproven enterprises. The leading edge concept addresses this aspect of the problem by creating a linkage between the idea and the market-place. Leading edge investments include both risk capital and technical assistance to people and organizations with innovative ideas to be tested and demonstrated, so that major uncertainties preventing private financing can be resolved. Such investment increases the supply of financing for new products, experiments, trial production, prototypes,

technologies, processes, etc., and also promotes entrepreneurship to implement risky opportunites by increasing the supply of competent managers and businessmen. It also generates new information to assist resource managers.

Leading edge investment can play three basic roles. First, it can play the part of a catalyst bringing opportunities and people together. In the development process, credible examples of success play a crucial role, as the proliferation of grocery stores in the bush demonstrates. Familiarity in the business world is self-reinforcing, especially in investment activity. Thus leading edge investments must identify and demonstrate viable examples of renewable resource development and disseminate information about them.

A second role involves the provision of risk capital for financing new and innovative projects. Leading edge investments provide pilot project and start-up capital which is so sorely lacking in Alaska. Large businessmen and proven entrepreneurs can sometimes obtain risk capital from private lending institutions. But new entrepreneurs and small firms traditionally must come up with their own resources. Thus large numbers of new, potential businesses and small firms seeking to expand are severly constrained by the lack of such sources in Alaska. Leading edge investment in Alaska would break open this narrow field of entry and opportunity.

A third role is the provision of adequate managerial and technical assistance (through outside contract, see Appendix II), to individuals, firms, or agencies attempting to implement new ideas. Leading edge investments include both inexperienced individuals making a first attempt at demonstrating an idea or launching a business venture, and experienced businessmen or researchers entering into a new or unfamiliar area. Both cases will require assistance from sources experienced in either the type of project or its various components. Provision of such assistance will result both in more successful projects and in a general increase in the technical and managerial competence of Alaskans who must compete with outside interests.

For a closer look at possible types of leading edge investments, the following table is offered: (see Appendix IV for abstracts of two actual proposals).

TYPES OF LEADING EDGE INVESTMENT

| Area of Investment | Activity | Outcome |
|---|---|---|
| Applied Research and Development | Development, Verification, and Application | Refinement or use by public or private sectors |
| New Products | Development, Demonstration, Introduction for market test | New goods and services available for production and/or consumption by Alaskans |
| New Markets | Market research, Pilot projects | New areas of economic activity in Alaska for import substitution and export markets |
| New Technologies, Processes, or Techniques | Develope and Demonstrate | New resource management, harvesting, processing, or production techiques for the private or public sectors |

All leading edge investments are intended to either expand resource populations, expand existing small firms, start new firms, or produce innovations or knowledge for use by the public and government agencies.

By focusing on the ideas, efforts and conditions of Alaskans and Alaskan firms, leading edge investment will promote self-reliance, diversity, and self-sustaining economic activities. The State can better aid its residents by directly increasing their opportunities instead of attracting outside developers. By focusing on innovation and information to aid the State and other governments in the rehabilitation and enhancement of Alaska's renewable resources, such investment will improve the ability of the public sector to manage our renewable resources and the conditions of our resource population.

Leading edge investment is only one aspect of the entire range of financial aid available to the private sector. There are approximately ten State loan programs loaning to Alaskan businesses. In addition, during the upcoming legislative session the Legislature will consider several proposals for management and use of the Permanent Fund. All of these proposals include programs to serve those capital needs of established Alaskan business still unmet by private financial institutions and existing State loan programs. Finally, the established Alaskan business sector does receive the bulk of its financing from the private sector. Seen in this context, the leading edge investments make good sense by providing the early missing link between new ideas and capital markets.

OTHER GOVERNMENT EXPERIENCE

The ideas of leading edge investment and the promotion of entrepreneurship are not new. Fifteen national governments, including Great Britain, France, and Japan have programs designed to give financial and management aid to firms during the early stages of business formation. The National Research Development Corporation of Great Britain has considered over 32,000 inventions since 1949, acquired patent rights in 20% of them, completed 1600 license agreements, and has entered into 340 joint venture projects. In FY 1974, it received $22.5 million in license and joint venture income, $8.7 in excess of project development and administration expenditures. The Nova Scotia Department of Development is presently engaged in a program to facilitate business formation and entrepreneurship. In Ohio, an Ohio Entrepreneurship Office was created as an experiment between 1972 and 1974 and resulted in the creation of several new companies, increased financing of Ohio firms by Ohio banks, the development of new products and services, new enterprise courses in twelve universities, and aided in the creation of 3000 new jobs at an approximate cost of $15 per job. Another program, Project New Enterprise, of the Indianapolis Center for Advanced Research, facilitates the commercialization of ideas by fostering research, evaluating inventions and ideas, and providing managerial and financial assistance. They are presently assisting over ninety independent inventors.

THE ALASKA RENEWABLE RESOURCES CORPORATION

The Alaska Renewable Resources Corporation is the institution proposed by the Subcommittee to make leading edge investments. It will be a public corporation designed to allocate RRDF monies in a flexible, responsive, and efficient manner. The functions and organization of the Corporation were formulated to minimize administrative overhead and put Fund monies to their most productive uses. The ARRC will be managed by a three member Board of Directors assisted by a small staff. Much of the substantive work required by leading edge investments, such as identifying opportunities, evaluating highly technical proposals, and providing technical assistance will be performed under contract by other government agencies or by firms in the private sector.

There are a series of funtions that the ARRC must perform to guarantee that investments are made wisely. At its inception, and then periodically throughtout its operations, the ARRC must analyse the status of renewable resources industries in Alaska and the market for renewable resources-based products and innovations. Such analysis will yield an overview of the problems and opportunities in renewable resources sectors and provide information needed by the ARRC to concentrate investments in areas of high potential.

The AARC must also have the capability to structure its investments, both grants and loans, to best meet the needs and conditions of its applicants. This capability must combine the foresight and creativity of a research and development foundation with the comprehensive and

and practical business skills of the venture capitalist. While meeting the needs of applicants, the ARRC must seek a maximum return on investment consistent with the goals of the program.

A third and critical function of th ARRC will be to evaluate the various projects and their proponents seeking ARRC assistance. Because leading edge investments target on promising but unproven ideas, funding will be based solely on the potential of the projects and the people behind them. Thus careful evaluation of the technical, financial, management, amd market components of each projects is needed to minimize losses to both the ARRC and its applicants.

Because there are so many existing sources of technical assistance (see Appendix II), the ARRC need not have in-house capability to provide these services. However, ARRC managers must be able to perceive the technical and managerial weaknesses of applicants and determine the type of technical assistance needed. Private and other government sources can then be contracted with to provide the needed services to assist applicants in project formulation and implementation.

Since many areas of Alaska are remote and contain culturally diverse people, the ARRC must be active in informing all Alaskans about the opportunities it offers. Such activities could include simple

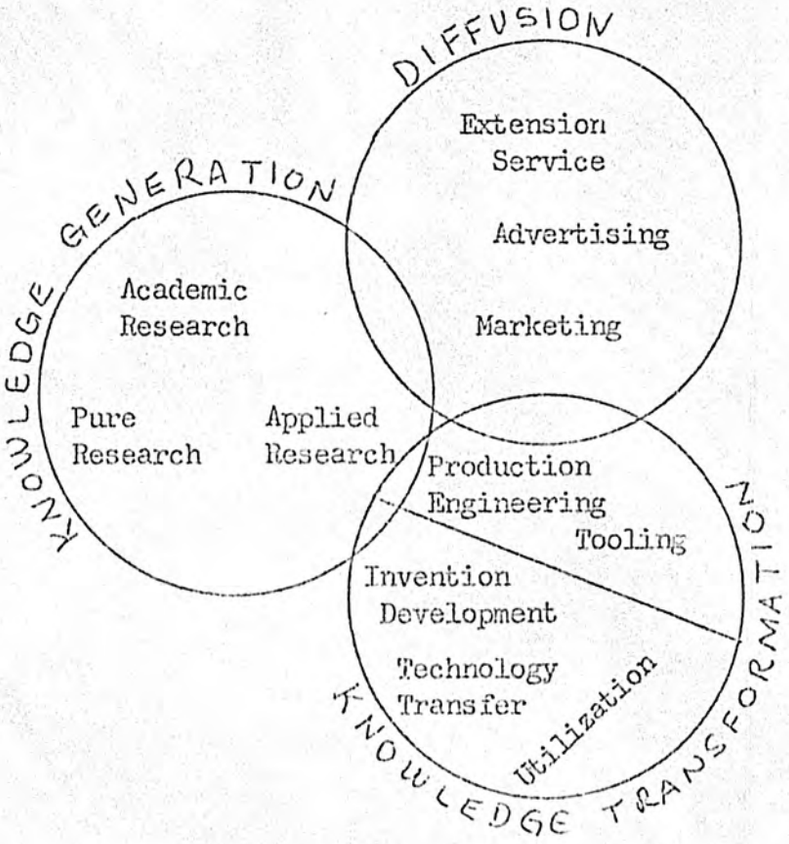
pamphlets, periodic boondoggles, and posters or notices in places of public gathering.

The use of public monies for investments is to accomplish more than economic development of our renewable resources. In the required evaluation process the ARRC must also analyze proposals for their effect on other goals prescribed by the Legislature. The ARRC must evaluate proposals in terms of the distribution of benefits flowing from the ARRC investments, the promotion of Alaska resources in in-State use, the inclusion of local and regional preferences in funding decisions, and the mitigation of resource use conflicts imbedded in development activities.

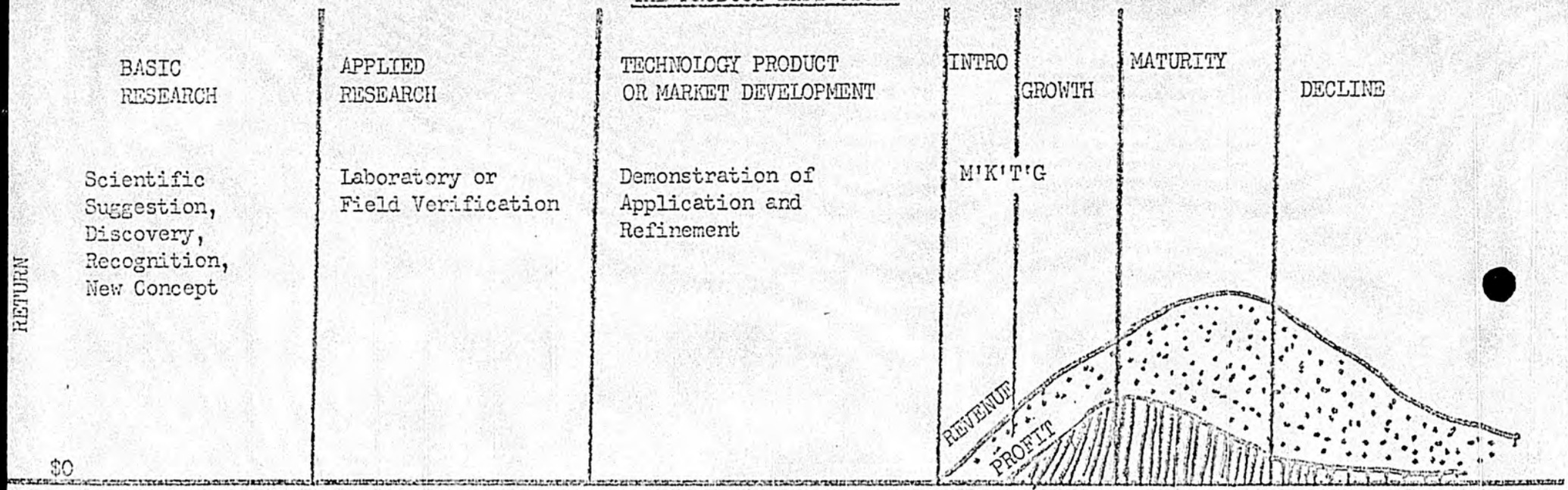
A final function of the ARRC will be to record its progress towards achieving its purposes. Establishing measurement criteria for success and failure, monitoring each project to insure proper implementation, and reporting investment activities and final results will all contribute to the accountability of the ARRC to the Governor, the Legislature, and the people of Alaska. The ultimate accountability of the ARRC will be the fact that its budgets, both operating and investment, will be subject to the Executive Budget Act. The Administration and Legislature by means of the reporting procedures and budget analysis will be able to judge whether the ARRC is meeting the goals established in the enabling legislation and whether it is operating efficiently.

APPENDIX I

FIGURE 1: THE INNOVATION PROCESS

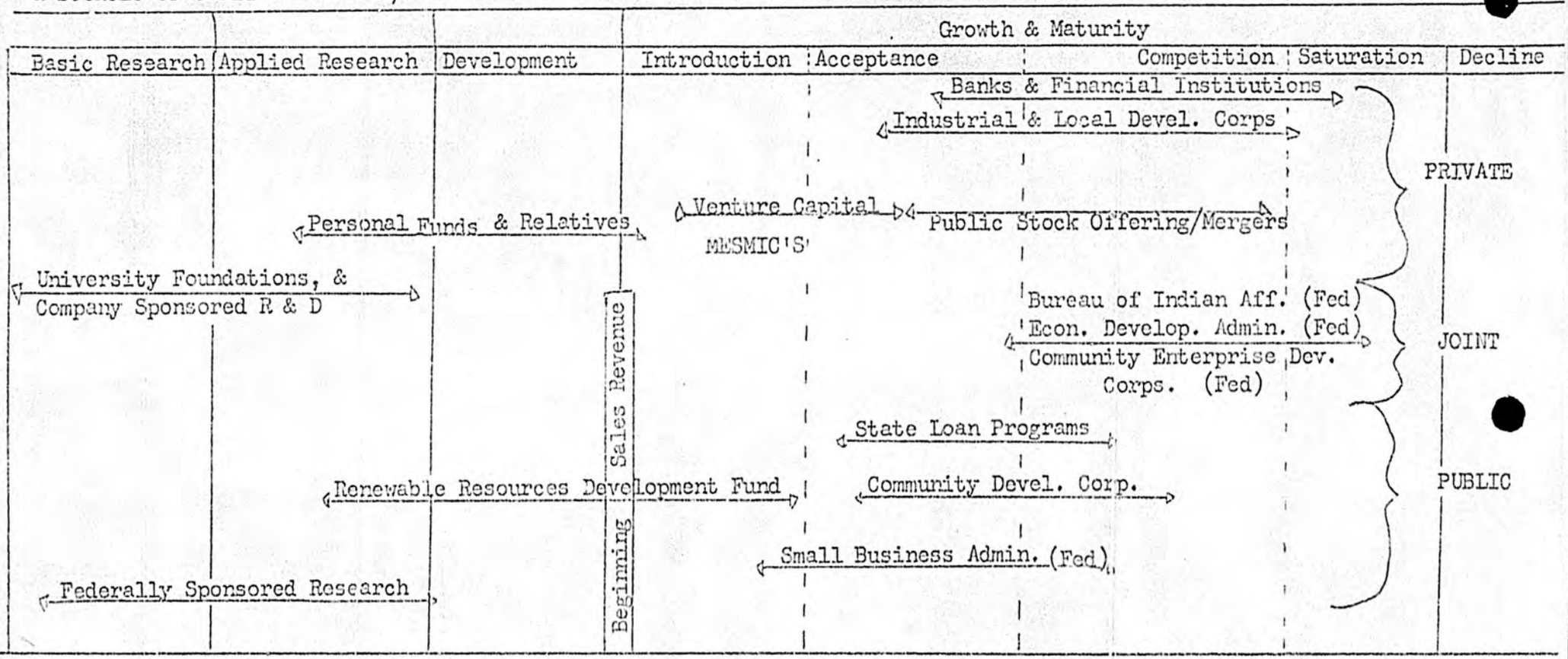


## THE PRODUCT LIFE CYCLE




Source: 1969 World Outlook Report
William McLoughlin, Corporate Plans Office LTV, INC.

PROCESS OF BUSINESS FORMATION
& SOURCES OF CAPITAL: PUBLIC/PRIVATE



APPENDIX II

TECHNICAL ASSISTENCE PROGRAMS AVAILABLE IN ALASKA

State: Department of Commerce and Economic Development
Division of Economic Enterprise
Development Specialists in: Transportation
Internal trade
Minerals
Fisheries
Agriculture
Small Business

Private: Alaska and outside management consulting firms
ANSCA Corps. and the Alaska Native Foundation
Community Enterprise Development Corporation

Federal: 4.9 Catalog of Federal Domestic Assistance. The "Catalog of Federal Domestic Assistance" provides a comprehensive listing and description of Federal programs, activities, and funding which relate to management and technical assistance. For ready reference following are pertinent Agency program titles and section numbers as shown in the catalog:

10.500 - Department of Agriculture - Cooperative Extension Service
11.104 - Department of Commerce - Domestic and International Business Administration (Business Assistance Services and Information)
11.303 - Economic Development Administration - U. S. Department of Commerce (Technical Assistance)
11.411 - National Oceanic and Atmospheric Administration - Department of Commerce (Fishery Cooperative Service)
11.800 - OMBE - Office of Minority Business Enterprise
39.001 - General Services Administration -(Business Services)
59.005 - SBA - Managment Assistance to Small Business
59.006 - SBA - Minority Business Development - Procurement Assistance
59.007 - SBA - Management and Technical Assistance for Disadvantaged Businessmen
59.019 - SBA - Minority Vendors Program
72.006 - Action - (Score and ACE)

# APPENDIX III

## POSSIBLE CONTRIBUTIONS TO THE RENEWABLE RESOURCES DEVELOPMENT FUND*

Three Cases** (Figures in millions of dollars)

| | Case I (Low Income, High Expenditure Model) | | Case II (Medium Income, Medium Expenditure Model) | | Case III (High Income, Low Expenditure Model) | |
|---|---|---|---|---|---|---|
| F/Y | RRDF Contribution | RRDF Balance | RRDF Contribution | RRDF Balance | RRDF Contribution | RRDF Balance |
| 1978 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| 1979 | 16.7 | 16.7 | 20.9 | 20.9 | 23.2 | 23.2 |
| 1980 | 19.4 | 36.0 | 24.6 | 45.4 | 29.4 | 52.6 |
| 1981 | 19.8 | 55.8 | 25.4 | 70.8 | 30.8 | 83.4 |
| 1982 | 20.1 | 75.9 | 26.2 | 97.1 | 34.1 | 117.5 |
| 1983 | 20.8 | 96.7 | 27.3 | 124.4 | 37.9 | 155.5 |
| 1984 | 21.3 | 118.1 | 28.4 | 152.8 | 42.0 | 197.4 |
| 1985 | 21.8 | 139.9 | 29.3 | 182.1 | 43.9 | 241.4 |
| TOTAL | N/A | $139.9 | N/A | $182.1 | N/A | $241.4 |

* Derived from November 17, 1977 memo from Dick Haggart to Clark Gruening.

** The amounts projected here are significantly lower than those projected in the Interim Report of 9/17/1977 using 7/7/1977 projections.

## APPENDIX IV

## A PROPOSAL TO PROMOTE MODERN COASTAL TRAWL FISHING IN THE UNITED STATES TWO - HUNDRED MILE ZONE OFF ALASKA

**Program Objective:** To demonstrate success in trawl fishing for bottomfish off Alaska to stimulate the flow of private capital into American coastal trawlers. A sub-objective is to demonstrate the current state of trawl fishing technology to Alaskan fishermen.

**Program Activities:** Five well-equipped trawlers with outstanding American skippers to fish for one year; two in the western Gulf of Alaska, three in the eastern Gulf and inside waters of Southeast Alaska. Vessels to deliver bottomfish to processors in region on contract basis. Scientific recording and observation conducted by observers from government. Five European trawler captains to serve as advisors on each vessel for two months.

**Participants:** Federal Government (NMFS), State Government (ADF&G), Private industry.

**Management:** Non-profit institute organized to run project; headed by manager loaned from industry and scientist loaned from NMFS or ADF&G.

**Term:** One year

**Location:** Eastern and western Gulf of Alaska

**Program Components and Costs:**

| | Gov't. | Industry |
|---|---|---|
| Equipment subsidy for trawlers - | $1,200,000 | $1,200,000 |
| Underwriting of gross stock guarantee ---------- | 900,000 | 300,000 |
| Program to bring skippers from Europe or eastern Canada -------- | 139,000 | |
| General contingency ---------- | 261,000 | |
| Expenditures for fish ---------- | | 656,250 |
| Total government contribution -- | 2,500,000 | |
| Total industry contribution ---- | | 2,156,000 |

**Outcome:** Markets and information (potential annual catch) for vessel owners for estimating return on capital investment in trawling capability. Management information for the North Pacific Fisheries Management Council.

**Future Prospects:** Similar demonstrations in other regions of Alaska such as the Bering Sea.

APPENDIX IV cont'd.

## SOLAR ENERGY APPLICATIONS TEST AND DEMONSTRATION IN A FAR-NORTHERN REGION

Program Objective: To demonstrate the viability of solar hot water heating on a small commercial scale in a far-northern bush community and to stimulate the development of a solar industry within Alaska. Also to reduce the cost, and increase the supply, of energy - related services to rural Alaska and increase rural economic development potentials.

Program Activities: The design and construction of a modular shower and laundry facility using flat plate solar collectors on the University of Alaska Fairbanks campus for a test demonstration. Relocation of the facility to a rural village location for a field demonstration as a small commercial business providing employment and domestic hot water which is not presently available.

Participants: Institute of Water resources, School of Engineering, and Geophysical Institute - U of A Fairbanks, and the Tanana Chiefs Conference.

Management: Faculty and staff from the Institute of Water Resources, School of Engineering, and Geophysical Institute.

Term: Two years

Location: U of A Fairbanks campus; Dot Lake Village.

Project Components and Costs:

| | |
|---|---|
| Total overhead, salaries, and benefits --- | $76,641 |
| Equipment ---------- | 15,900 |
| Transportation and travel ---------- | 5,900 |
| Publication costs ---------- | 1,500 |
| Computer time ---------- | 500 |
| TOTAL | $100,441 |

Outcome: Demonstration of the technical and economic feasability of applying solar technology in rural Alaska; familiarization of the construction industry and rural governments with solar technology and its applicability; publication of results in industry and scientific journals.

Future Prospects: Further applications of solar technology in far-northern regions.

Introduced: 1/25/78
Referred: The Special Committee on the Permanent Fund and Finance

IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

HOUSE BILL NO. 682

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

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

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

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

Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska has renewable resources that are not being utilized to their full potential. Many problems which confront the state, including high unemployment and unstable economy, could be mitigated by the expanded use and development of its renewable resources.

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

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

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

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

(3) a lack of technology appropriate to Alaska.

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

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

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

(1) facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to strengthen the self-sustaining sectors of the state economy;

(2) sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

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

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

(b) Fifty per cent of all actual receipts of the corporation, from whatever source, shall be deposited into the renewable resources investment fund (AS 37.11.050).

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

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

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

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

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

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

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

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

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

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

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

AS 39.27.011.

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

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

(b) No member or employee of the board may acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such an interest, he shall immediately disclose the interest in writing to the board and refrain from participating in any manner in any board activity relating to that interest.

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

(1) adopt, alter, and use a corporate seal;

(2) prescribe, adopt, amend, and repeal bylaws;

(3) sue and be sued in the name of the corporation;

(4) enter into any agreements necessary to the exercise of its powers and functions;

(5) accept grants from and contract with the federal government and the state or its political subdivisions and to that end comply with the provisions of federal, state, or local programs where necessary, except that it may not enter into any agreements whereby any permanent state or local government position is funded or partially funded in connection with a project;

(6) accept grants and loans from other sources than those in (5) of this section to be held and used for the purposes of the

corporation;

(7) appear in behalf of the corporation before boards, commissions, departments, or other agencies of municipal, state, or federal government;

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

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

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

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

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

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

(14) adopt regulations to implement this chapter;

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

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

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

chapter, the board shall

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

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

(3) promote the utilization of the state's renewable resources in the state and the development of import substitution and export markets;

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

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

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

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

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

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

chapter;

(B) the application contains an adequate plan for project implementation, including, when applicable, a complete business, financial and marketing plan for commercial activities;

(C) private financing cannot reasonably be undertaken without aid or that financial participation is not otherwise available;

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

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

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

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

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

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

will accrue to the general public;

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not

(1) invest more than five per cent of the resources of the corporation or $1,500,000, whichever is less, in a single project or applicant unless the legislature has approved the investment by concurrent resolution;

(2) invest in more than 25 per cent of the outstanding corporate stock or other corporate obligations issued by an applicant unless the legislature has approved the investment by concurrent resolution;

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

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

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

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

(1) actual or threatened default on any of the board's investments;

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

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

will accrue to the general public;

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not

(1) invest more than five per cent of the resources of the corporation or $1,500,000, whichever is less, in a single project or applicant unless the legislature has approved the investment by concurrent resolution;

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

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

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

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

(1) actual or threatened default on any of the board's investments;

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

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

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

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

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

(2) he is a resident of the state or, if the applicant is a partnership, corporation, or other association, it is owned by a majority who are residents of the state; and

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

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

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

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

budget shall include the categories and amounts of proposed financial assistance broken down by financing mechanism and resource sector affected and all funds received by the corporation whether through allocations made by this chapter, appropriation, or otherwise. The corporation may expend money directly appropriated by the legislature only as authorized by the legislature. The total amount of the corporation's operating budget shall be specified as a separate item of its budget and be appropriated from the general fund.

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

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

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

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

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

(3) "board" means the Board of Trustees of the Alaska Renewable Resources Corporation;

(4) "corporation" means the Alaska Renewable Resources Corporation;

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

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

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

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

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

Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be transferred to the Alaska renewable resources investment [PERMANENT] fund.

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

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

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

Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be deposited in the investment [PERMANENT] fund. These deposits shall be considered fund principal and shall be invested in perpetuity in accordance with

AS 37.10.070 (investment of surplus state funds).

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

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

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

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

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

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

Bills before the Special Committee on the
Alaska Permanent Fund

February 1, 1978

HJR No. 31 - Proposing an amendment to the Constitution of State of Alaska relating to legislative confirmation authority. (confirmation of Board members by a majority in joint session.)

HB No. 4 - "An Act relating to the Alaska permanent fund."

HB No. 298 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

HB No. 300 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

HB No. 515 - "An Act relating to the Alaska Permanent Fund." (Deposit in Alaska Permanent Fund.)

HB No. 525 - "An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure and providing for an effective date."

HB No. 579 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Income to Boroughs and Cities and Permanent Fund Income)

HB No. 595 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Guarantees of Indebtedness, Limitations of Indebtedness and Guarantee Endorsed.)

HB No. 596 - "An Act relating to nonrenewable resource revenues; and providing for an effective date."

HB No. 649 - "An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."

HB No. 682 - "An Act relating to nonrenewable resource revenues."

Bills before the Special Committee on the
Alaska Permanent Fund

January 24, 1978

Malone HJR No. 31 - Proposing an amendment to the Constitution of State of Alaska relating to legislative confirmation authority. (confirmation of Board members by a majority in joint session.)

Swanson HB No. 4 - "An Act relating to the Alaska permanent fund."

Rules by Gov. HB No. 298 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

Comm. HB No. 300 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

Gruening HB No. 515 - "An Act relating to the Alaska Permanent Fund." (Deposit in Alaska Permanent Fund.)

Rules - Gov. HB No. 525 - "An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure and providing for an effective date."

Gruening HB No. 579 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Income to Boroughs and Cities and Permanent Fund Income)

Comm. HB No. 595 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Guarantees of Indebtedness, Limitations of Indebtedness and Guarantee Endorsed.)

Comm. HB No. 596 - "An Act relating to nonrenewable resource revenues; and providing for an effective date."

Rules - Gov. HB No. 649 - "An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."

Comm. HB No. 682 "An Act relating to non-renewable resource revenues."

Introduced: 3/14/77
Referred: Special Committee on the Alaska Permanent Fund and Judiciary

IN THE HOUSE BY MALONE

HOUSE JOINT RESOLUTION NO. 31

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to legislative confirmation authority.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article III, sec. 26, Constitution of the State of Alaska, is amended to read:

Section 26. BOARDS AND COMMISSIONS. When a board or commission is at the head of a principal department or a regulatory or quasi-judicial agency, its members shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session, and may be removed as provided by law. Members of a board, commission or agency, established to administer the fund created under Section 15 of Article IX, are subject to confirmation by a majority of the members of the legislature in joint session. They shall be citizens of the United States. The board or commission may appoint a principal executive officer when authorized by law, but the appointment shall be subject to the approval of the governor.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

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IN THE HOUSE BY SWANSON

HOUSE BILL NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

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

CHAPTER 12. ALASKA PERMANENT FUND.

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

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

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

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

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

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

States or agencies or instrumentalities of the United States or corporations in which the United States is a shareholder or member;

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

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

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

Sec. 37.12.040. FUND INCOME. Income derived from investment of permanent fund principal shall be used to provide funding for capital and operating appropriations for the rehabilitation, enhancement and development of renewable resource programs. Plans for expenditure from fund income shall be prepared in detail by the board, with the cooperation of appropriate state departments and agencies. The plans shall be submitted to the governor who shall submit the requested appropriations, as prepared by the board, in accordance with the Executive Budget Act (AS 37.07) as part of his annual budget presentation to the legislature. Unappropriated or unencumbered balances of income remaining at the close of each fiscal year are transferred to fund principal.

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

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

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

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

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

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

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

Introduced: 3/3/77
Referred: Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

HOUSE BILL NO. 300

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Permanent Fund; and providing for an effective date."

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

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

CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. PURPOSE OF THE PERMANENT FUND. The purpose of the Alaska Permanent Fund is to provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of present and future generations of Alaskans. The revenues so conserved shall be invested in income-producing investments which will provide further benefits to present and future generations of Alaskans. Further benefits may be derived through use of the permanent fund to

(1) assist the diversification of the economy of Alaska by making sound investments in Alaska's renewable and nonrenewable resources;

(2) seek to smooth the cyclical pattern of growth of the Alaska economy;

(3) encourage and assist the participation of private capital, from both inside and outside Alaska, in private enterprises of benefit to Alaskans;

(4) promote the investment of public and private capital for community development purposes;

(5) supplement private investment when sufficient private capital is not available on reasonable terms and conditions;

(6) seek to preserve the permanent fund capital for future generations through sound investments in investment grade securities.

Sec. 37.13.020. ALASKA PERMANENT FUND. Under art. IX, sec. 15 of the Alaska Constitution, there is established as a separate fund the Alaska Permanent Fund. The permanent fund is a public corporation of the state and an instrumentality of the state within the Department of Revenue but has a legal existence independent of and separate from the state and has continuing succession until its existence is terminated by law. The exercise by the corporation of the powers conferred by this chapter is considered an essential governmental function of the state. The corporation shall manage and invest the principal of the permanent fund and will distribute the income earned from the permanent fund in accordance with the provisions of this chapter.

Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent fund consists of 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and 100 per cent of all bonuses received by the state. The commissioner of revenue shall deposit in the permanent fund 50 per cent of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and 100 per cent of all bonuses at least once each month. Income from investment of the permanent fund does not become a part of the permanent fund and shall be deposited in the general fund annually, except that income in the following amounts shall be retained in the permanent fund:

(1) the amount needed to pay the operating and administrative expenses of the permanent fund;

(2) any amount allocated to a reserve account established under sec. 90 of this chapter.

Sec. 37.13.040. INVESTMENT OF THE PERMANENT FUND. The permanent

fund may be used only for income-producing investments, in accordance with the following requirements:

(1) At least 40 per cent of the resources of the permanent fund shall be invested in investment grade securities.

(2) The permanent fund may invest not more than 30 per cent of its resources to provide a reasonable proportion of longer-term investment capital for financing the establishment, improvement, and expansion of productive private enterprises which will benefit Alaskans, and for which sufficient capital is not available from other sources on reasonable terms. These investments may take the form of equity, debt or debt guarantees.

(3) The permanent fund may invest not more than 30 per cent of its resources in financing a reasonable proportion of the longer-term investment capital needs for community development projects of municipalities and public corporate entities and private dwellings in Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantees.

Sec. 37.13.050. PERMANENT FUND POLICY BOARD. (a) There is established the Alaska Permanent Fund Policy Board, consisting of the commissioner of commerce and economic development, the commissioner of revenue, and seven members to be appointed by the governor and confirmed by the legislature in joint session. The seven appointed members must have been residents of Alaska for at least three years and may not be employees of the state. Their term of office is four years, and they may be reappointed. Terms shall be staggered. Initial terms shall be one member serving for one year, two members for two years, two members for three years, and two members for four years. Members may be removed for cause. Members continue to serve until their successors are appointed.

(b) The president of the Alaska Permanent Fund serves as the chairman of the policy board, but is not a voting member.

(c) Two-thirds of the board members constitute a quorum for the transaction of business by the board. Decisions of the board shall be taken by a majority vote, including not less than a majority of the appointed members. The board shall hold at least one public meeting each year.

(d) Members of the policy board receive $250 per meeting day and are entitled to per diem and travel allowances as provided by law for members of state boards and commissions.

Sec. 37.13.060. DUTIES OF THE POLICY BOARD. The policy board shall

(1) select and appoint the president and other members of the Alaska Permanent Fund Investment Committee established in sec. 70 of this chapter;

(2) annually review and approve long-range operating plans, to include an investment program based on a sectorial analysis of the Alaska economy; the budget for the forthcoming year; and the financial plan for the following years;

(3) have sole responsibility for relations with the general public, legislature, executive branch, local communities, and interest groups concerning all matters other than specific investments of the permanent fund;

(4) review quarterly reports from the investment committee concerning investment decisions and investment supervision;

(5) review, consider and approve policies;

(6) review and publish an annual report including financial statements audited by independent outside auditors;

(7) establish an audit committee, consisting of the

commissioner of revenue and other members of the policy board to be designated, which shall select the independent outside auditors, and receive all audit reports;

(8) decide appeals from interpretations of this chapter;

(9) determine the remuneration and terms of service of the president and other members of the investment committee;

(10) present a complete report of investment programs, plans, performance and policies to a joint meeting of the senate and house finance committees of the legislature within 30 days after the beginning of each session.

Sec. 37.13.070. PERMANENT FUND INVESTMENT COMMITTEE. (a) There is established the Alaska Permanent Fund Investment Committee, consisting of the president of the permanent fund, who shall serve as chairman, and four members appointed by the policy board. No member of the policy board may be a member of the investment committee. All members must have been residents of Alaska for at least three years, may not be state employees and shall be persons of recognized competence and wide experience in investments, finance, and other business management related fields. Members may be reappointed and continue to serve until their successors are appointed.

(b) Four members of the investment committee constitute a quorum. Decisions of the committee shall be taken by majority vote.

Sec. 37.13.080. DUTIES OF THE INVESTMENT COMMITTEE. The investment committee has sole responsibility to approve all investment proposals, and review all investments in investment grade securities.

Sec. 37.13.090. PERMANENT FUND PRESIDENT. The president of the permanent fund is appointed by the policy board for a term of five years, may be reappointed, and serves at the pleasure of the policy board. The president shall

(1) have sole responsibility for presenting investment proposals to the investment committee;

(2) be responsible for the ordinary business of the permanent fund and the organization, appointment, dismissal, and remuneration of the officers and staff;

(3) be responsible for making investments in investment grade securities, subject to review by the investment committee;

(4) establish and maintain adequate and appropriate organizational, operating and financial controls.

Sec. 37.13.090. EXEMPTION FROM EXECUTIVE BUDGET ACT. The permanent fund is exempt from the provisions of the Executive Budget Act (AS 37.07).

Sec. 37.13.100. PERSONNEL OF PERMANENT FUND. The president, officers, and staff of the permanent fund are in the exempt service.

Sec. 37.13.110. POWERS OF PERMANENT FUND. The permanent fund has all powers necessary to carry out the purposes of this chapter including but not limited to the following:

(1) sue and be sued;

(2) adopt a seal;

(3) have perpetual succession;

(4) adopt and amend policies and operational procedures when not inconsistent with this chapter;

(5) make and execute contracts and other instruments;

(6) in its own name, own, exchange, transfer, lease, rent, convey, acquire or dispose by other means real and personal property.

Sec. 37.13.120. RESERVES. The permanent fund shall establish, from income derived from its investments, reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices.

Sec. 37.13.130. OPERATIONAL PRINCIPLES. (a) The operations of the permanent fund shall be conducted in accordance with the following principles:

(1) In making investments, the investment committee and staff shall exercise the judgment and care under the circumstances then prevailing which a person of ordinary prudence, discretion, and intelligence exercises in the management of his own affairs not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income from them as well as probable safety of principal.

(2) The permanent fund shall not undertake any financing for which, in its opinion, sufficient private capital could be obtained on reasonable terms.

(3) The permanent fund shall not assume responsibility for managing any enterprise or project in which it has invested and shall not exercise voting rights for that purpose or for any other purpose which, in its opinion, properly is within the scope of managerial control.

(4) The permanent fund shall only undertake its financing on terms and conditions which it considers appropriate, taking into account the terms and conditions normally obtained by private investors for similar financing, the requirements of the enterprise or projects, the risks being undertaken by the permanent fund, and the participation of other investors unless the legislature has appropriated funds for subsidizing investments which, in the opinion of the permanent fund, are of such high priority that special terms and conditions are appropriate.

(5) The permanent fund may seek to revolve its funds by selling its investments to other investors whenever it can appropriately do so on satisfactory terms.

(6) The permanent fund shall seek to maintain a reasonable diversification in its investments.

(7) The permanent fund shall only consider investment proposals after the applicant for an investment has submitted a detailed proposal to the permanent fund staff and the staff of the permanent fund has prepared a written report recommending the investment after a study of its merits.

(8) The permanent fund shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The permanent fund shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments.

(9) The permanent fund may make investments in financial intermediaries in order to facilitate investment by the intermediaries in specific enterprises or projects whose individual financing requirements are not, in the opinion of the permanent fund, large enough to warrant its direct supervision.

(10) The permanent fund shall provide for operational and performance evaluations (post-audits) of its investments and investment programs and report the results to the Policy Board Audit Committee.

(b) Nothing in this section prevents the permanent fund, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which the investment has been made, or other situations which, in the opinion of the permanent fund, threaten to jeopardize the investment, from taking such action and exercising such rights as it may consider necessary for the protection of its interests.

Sec. 37.13.140. BORROWING POWERS. The permanent fund has the

power to borrow funds, and in that connection to furnish the collateral or other security as it determines necessary.

Sec. 37.13.150. REPORTS AND PUBLICATIONS. (a) The policy board shall publish an annual report to the governor, legislature and the public. Each report shall include financial statements audited by independent outside auditors, a statement of the amount of money received by the permanent fund from each source during the period covered, a statement of permanent fund investments, a description of permanent fund investment activity during the period covered by the report, and any other information the policy board believes would be of interest to the governor, the legislature and the public. The annual income statement and balance sheet of the permanent fund shall be published in at least one newspaper in each judicial district. The permanent fund may also publish such other reports as it considers desirable to carry out its purpose.

(b) The policy board of the permanent fund is prohibited from any campaign or general advertising expenditures to either promote or defend its policies and operations.

Sec. 37.13.160. TECHNICAL ASSISTANCE. (a) The permanent fund may provide financing for pre-investment activities including feasibility studies, when, in the opinion of the permanent fund, the proposed investment is of high priority and the financing is not available from other sources on reasonable terms and conditions. Amounts so advanced may form a part of a later investment, if the enterprise or project is financed by the permanent fund.

(b) The permanent fund may provide for technical and management advice and assistance to proposed and actual investments as it considers necessary in the circumstances.

Sec. 37.13.170. CONFLICT OF INTEREST POLICIES. Members of the

investment committee shall disclose their financial interest in an investment proposal and disqualify themselves from voting on any investment proposal in which they have a financial interest. The permanent fund may not make an investment in any project or enterprise in which the president or officers of the permanent fund have a financial interest. Members of the policy board are prohibited from all attempts to influence the investment committee, president, officers and staff in the discharge of their ordinary operating duties. The president, officers and staff of the permanent fund, in the discharge of their offices, owe their duty entirely to the permanent fund and no other authority.

Sec. 37.13.180. POLITICAL ACTIVITY. The members of the policy board, members of the investment committee, and officers and staff of the permanent fund may not engage in partisan political activities which involve the permanent fund. The resources of the permanent fund may not be used to finance any partisan political activities.

Sec. 37.13.190. PUBLIC ACCESS TO INFORMATION. Information in the possession of the permanent fund is a public record, except information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Sec. 37.13.200. TAX EXEMPTION. The permanent fund is exempt from all taxes and assessments in the state. All security instruments issued by the permanent fund, their transfer and their income are exempt from all taxes and assessments in the state.

Sec. 37.13.210. DEFINITIONS. In this chapter, unless the context

indicates otherwise,

(1) "board" or "policy board" means the Alaska Permanent Fund Policy Board created by sec. 50 of this chapter;

(2) "committee" or "investment committee" means the Alaska Permanent Fund Investment Committee created by sec. 70 of this chapter;

(3) "investments" includes equity, debt and debt guarantees.

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

(21) The policy board, investment committee, president, officers and staff of the Alaska Permanent Fund.

* Sec. 3. AS 39.50.200(9) is amended by adding a new subparagraph to read:

(MM) Alaska Permanent Fund Policy Board and Investment Committee.

* Sec. 4. Investments outstanding as of the effective date of this Act, made from money in the Alaska Permanent Fund, shall be transferred to the corporation established in AS 37.13.010 in sec. 1 of this Act.

* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-070(c).

Introduced: 5/2/77
Referred: Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE BY GRUENING, GARDINER AND MEEKINS

HOUSE BILL NO. 515

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the Alaska Permanent Fund."

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

* Section 1. AS 37.10 is amended by adding a new section to read:

Sec. 37.10.055. DEPOSIT IN ALASKA PERMANENT FUND. The commissioner of revenue shall deposit in the Alaska Permanent Fund at least once each month 25 per cent of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue-sharing payments and bonuses received by the state, except that, commencing July 1, 1978 and terminating July 1, 1985, the amount deposited by the commissioner in the Alaska Permanent Fund under this section shall be (1) at least 37.4 per cent of the receipts from these sources or (2) if the legislature determines by joint resolution that another percentage would, because of revised revenue estimates, be more appropriate to insure that the total deposit will result in the sum of $900,600,000 being deposited by July 1, 1985, in addition to the sum resulting from the 25 per cent deposit, then that percentage.

Introduced: 5/5/77
Referred: Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

HOUSE BILL NO. 525

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure; and providing for an effective date."

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

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

CHAPTER 18. DISTRIBUTION OF INCOME FROM ALASKA PERMANENT FUND.

Sec. 37.18.010. POLICY, FINDINGS, AND PURPOSE. (a) It is the duty and policy of the state with respect to the natural resources belonging to it and the income derived from them to provide for their utilization, development, and conservation for the maximum benefit of its people.

(b) The legislature finds that there exists in Alaska a serious problem of population turnover. A substantial portion of the state's population is comprised of individuals who reside in Alaska for only a relatively short period of time. This is especially true in the state's larger cities. This constant turnover in population leads to political, economic, and social instability and is harmful to the state. It is in the public interest for the state to promote a stable resident population.

(c) The legislature also finds that the demands on and costs of state government have increased over the past few years at an excessive rate and that this increase has been permitted to occur, at least in part, by a feeling on the part of much of the electorate that those demands and costs do not have a significant economic impact upon them

personally. It is in the public interest for the state to promote the involvement of its citizens in the budget making process by providing them with a more personal and direct stake in the outcome of budget decisions.

(d) The legislature finds that establishment of a mechanism for direct distribution to the people of at least half of the annual income of the Alaska Permanent Fund, and by which an individual's portion of that distribution will increase the longer he continues to be an Alaska resident, will promote the purposes of encouraging a stable resident population, and of providing the people with a more personal and direct stake in the outcome of the state's budget decisions and ensure an equitable distribution of at least a portion of Alaska's resource wealth among Alaska's citizens, who are its equitable owners.

Sec. 37.18.020. TOTAL AMOUNT OF ANNUAL DISTRIBUTION. No later than the second day of each regular session of the legislature, the commissioner shall report to the governor and the legislature on the income from the Alaska Permanent Fund deposited in the general fund during the fiscal year which ended on the preceding June 30. The legislature shall appropriate at least 50 per cent of that amount to the department for distribution under sec. 80 of this chapter.

Sec. 37.18.030. AMOUNT OF ANNUAL PAYMENTS. Each of the annual payments to be distributed under sec. 80 of this chapter shall be equal to the quotient of the amount appropriated pursuant to sec. 20 of this chapter divided by the total number of duly credited shares as of December 31 of the year last preceding the year in which the appropriation was made.

Sec. 37.18.040. ELIGIBILITY FOR SHARES. (a) As of December 31, 1979, each eligible resident of Alaska who makes timely application under sec. 70 of this chapter shall be credited by the commissioner

with one share under this chapter for each five-year period since January 1, 1974, in which he has been an eligible resident, as defined in sec. 100 of this chapter, or would have been but for being too young by five years or less to register to vote.

(b) Shares are not transferable in any way whatsoever, and no payments may be made, other than as expressly provided in sec. 80 of this chapter, to anyone other than the eligible resident. Shares do not survive the death of their holder, and any alienation is void as against public policy. If a share should be declared or ordered by a court to be alienated in any way, it ceases to exist for purposes of this chapter until and unless it is restored to the person from whom it was alienated.

Sec. 37.18.050. ELIGIBILITY FOR ANNUAL PAYMENTS. Each eligible resident of Alaska, who has one or more shares under this chapter, and who makes timely application under sec. 70 of this chapter, shall receive one annual payment for each share to which he is entitled under sec. 40 of this chapter.

Sec. 37.18.060. DETERMINATION OF ELIGIBLITY. (a) Any person who applies for a share or for an annual payment or payments must make proof of eligibility satisfactory to the commissioner. The commissioner may not credit any person with a share or make a payment to any person until and unless proof of that person's eligibility sufficient to satisfy a reasonable person has been made to the commissioner.

(b) Proof of eligibilty may be made by applicants from school attendance records, state and local tax and licensing records, voter registration records, birth and marriage certificates, selective service records, sworn affidavits from others having knowledge of a person's residence, and other forms of documentary evidence which a reasonable person would rely on in the conduct of his own affairs. An

affidavit from an applicant without supporting evidence of eligibility is not satisfactory proof of eligibility.

(c) A person may attempt to make proof by waiving his right to privacy and authorizing the commissioner to make a search of any and all local, state, and federal records and any private employment records which may tend to prove his eligibility. The commissioner's making any search of records is entirely discretionary, and he is under no duty to make the search or to exercise reasonable care in making the search, if he does so; the entire risk is upon the applicant.

(d) Upon his determination of a person's eligibility for a share or for an annual payment, the commissioner shall, by first class mail, notify the person of that determination. If the person is determined to be ineligible, he shall be informed by certified mail, of the following:

(1) the reason for his ineligibility;

(2) that he may file additional proof and/or file a request for a hearing before the commissioner at which to present proof of his eligibility; and

(3) that his failure to do one or the other within 30 days makes the decision final and unappealable.

(e) If a person does not file additional proof or file a request for a hearing with the commissioner within 30 days after his receipt of the commissioner's notice of the determination, the commissioner's decision becomes final as to the period involved and there can be no further appeal. This time limit is jurisdictional.

(f) If a person files additional proof or files a request for a hearing with the commissioner within 30 days after he receives the commissioner's notice of the determination and, after the additional evidence has been considered or the hearing held, he is still deter-

mined to be ineligible, he may appeal to the superior court within 30 days after he receives notice of the final decision. This time limit is jurisdictional, and no suit may be brought after it has elapsed. In considering the appeal, the superior court is to review solely on the record which was before the commissioner and to use the reasonable-basis test on factual matters and its own judgment on the law. The same standard of review shall apply, if a further appeal is taken to the supreme court. This requirement is substantive, not procedural.

(g) A person not eligible as of December 31 in any year may establish or reestablish eligibility as of December 31 in subsequent years.

Sec. 37.18.070. APPLICATION PERIOD. (a) In order to receive a payment or to be credited with a share, an eligible person must first apply for one or both on the Alaska net income tax form or on another form provided by the commissioner.

(b) The application covers the last preceding period ending on December 31 in which the applicant was eligible for a payment or to be credited with a share or both.

(c) The application, together with the proof of eligibility required by sec. 60 of this chapter, for the year or five-year period claimed as of December 31 must be filed with the commissioner or, if mailed, postmarked no later than the following April 15. This filing date is mandatory. Any applications not timely filed or postmarked will be returned and the applicant is not eligible for the year for which the late application was made. This provision does not bar subsequent presentation of additional proof of eligibility so long as the application was timely filed. A year for which a person would have been eligible but for his failure to file a timely application may subsequently be counted toward a five-year period to be eligible

for a share under this chapter.

Sec. 37.18.080. ANNUAL PAYMENTS. (a) Payments shall be made as soon as practical after January 1 of the year following the application.

(b) If the payment is to a person presently incarcerated as punishment for committing a crime, it shall be made to the Department of Health and Social Services to offset the expense to the state of the incarceration.

(c) At the request of the person to whom payments are to be distributed and to the extent allowed under federal law, distribution of payments may be deferred or otherwise set aside so as to defer the payment of income taxes. Payments may also be made as tax credits or rebates at the request of the person to whom payments are to be distributed.

Sec. 37.18.090. PENALTIES. (a) Any person who wilfully submits false or misleading information to the commissioner in making proof of his eligibility or of the eligibility of another is guilty of a misdemeanor.

(b) In addition to any criminal penalties imposed, any person convicted of violating (a) of this section whose conviction is not reversed is not, and can never become, an eligible resident under this chapter, forfeits any shares with which he may have been credited, and is not, and can never become, eligible to be credited with any shares or to receive any payments.

Sec. 37.18.100. DEFINITIONS. In this chapter, unless the context requires otherwise,

(1) "commissioner" means the commissioner of revenue or his designee;

(2) "department" means the Department of Revenue;

(3) "eligible resident" means any person who is registered

to vote under the Election Code, is a resident of Alaska under AS 15.05.020, filed (or whose parent or parents filed) a resident Alaska income tax return for the year preceding his application, and was physically present in Alaska for more than one-half the period between January 1 and December 31 last preceding his application for one or more payments, for a share, or both, or who, if not so physically present was temporarily absent for reasons of professional, vocational or other special education for which a comparable program was not reasonably available in Alaska, post-secondary education, military service, medical treatment, or service in Congress;

(4) "five-year period" includes any cumulation of periods within a span of no more than 10 years which totals five full years;

(5) "share" means a right to receive payment from the annual distribution made under this chapter and credited by the department to an eligible resident.

Sec. 37.18.110. NONSEVERABILITY. If the residency requirements of this chapter are invalid, the provision is nonseverable, and the entire chapter is invalid and of no force or effect.

* Sec. 2. In sec. 1 of this Act, the enactment of AS 37.18.060(e) and (f) has the effect of imposing a jurisdictional limitation on the operation of Appellate Rule 45, Alaska Rules of Court Procedure, in that an appeal under the rule (having to do with appeals from administrative decisions to the superior court) must be brought from the commissioner's decisions as to eligibility within 30 days or the courts will have no jurisdiction to hear it. This is an exercise of the legislature's authority over the jurisdiction of the courts, but because it also effects an implied, narrow amendment to Appellate Rule 45 by imposing this jurisdictional time limit instead of the procedural time limit of the same duration which will continue to apply to other appeals, this section has also been included.

* Sec. 3. This Act takes effect immediately, the first distribution shall be made as soon as practicable after January 1, 1980, based on income received during the fiscal years 1977 through 1979 to persons eligible as of January 1, 1979.

Introduced: 1/10/78
Referred: Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE BY GRUENING

HOUSE BILL NO. 579

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to income of the Alaska permanent fund; and providing for an effective date."

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

* Section 1. AS 37.13 is amended by adding new sections to read:

Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of the permanent fund becomes part of the permanent fund and shall be deposited in the permanent fund annually.

Sec. 37.13.200. INCOME TO BOROUGHS AND CITIES. The Board of Trustees of the Alaska Permanent Fund Corporation shall allocate to each organized borough and each city of any class an amount equal to that amount received by the borough or city for the fiscal year ending June 30, 1977, under the provisions of AS 43.70.010 - 43.70.120, repealed by this Act. Allocations under this section shall be made January 1 of each year from income of the permanent fund.

* Sec. 2. AS 43.70.010 - 43.70.120 are repealed.

* Sec. 3. This Act takes effect January 1 of the year following the effective date of an Act establishing the Alaska Permanent Fund Corporation.

Introduced: 1/11/78
Referred: The Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

HOUSE BILL NO. 595

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to income of the Alaska permanent fund; and providing for an effective date."

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

* Section 1. AS 37 is amended by adding new sections to read:

Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of the permanent fund becomes part of the permanent fund and shall be deposited in the permanent fund annually. The income may be used to provide for guarantees of indebtedness issued by governmental agencies of the state for power projects.

Sec. 37.13.200. GUARANTEES OF INDEBTEDNESS. The Board of Trustees of the Alaska Permanent Fund Corporation is authorized to enter into agreements with any public authority of this state or any municipality or other governmental agency of the state, providing for a guarantee of the payment when due, whether at maturity or by sinking fund redemption but not by acceleration of maturity, of the principal of and interest on bonds, notes or other indebtedness issued to finance projects for construction of electric generating and related transmission facilities, this guarantee to be payable solely from the income derived from the Alaska permanent fund established by sec. 10 of this chapter (other than income derived from the Alaska enterprise development fund established by AS 44.55.010). The agreements shall contain such terms, provisions, and covenants in furtherance of the purposes of secs. 190 - 230 of this chapter as the board of trustees determines.

Sec. 37.13.210. LIMITATION ON INDEBTEDNESS. No bonds, notes or

other indebtedness may be guaranteed under sec. 200 of this chapter unless the board of trustees determines that the debt service for any year with respect to all bonds, notes and other indebtedness guaranteed will not exceed the amount of annual income estimated by the board of trustees to be derived during that year from the Alaska permanent fund (other than income from the Alaska enterprise development fund). The determination shall be made by resolution of the board of trustees before the execution of any guarantee agreement under sec. 200 of this chapter.

Sec. 37.13.220. GUARANTEE ENDORSED. Any bonds, notes or other indebtedness guaranteed under sec. 200 of this chapter shall have on the face an endorsement of the guarantee by the chairman of the board of trustees or his designee.

Sec. 37.13.230. LEGISLATIVE APPROVAL. No bonds, notes or other indebtedness may be guaranteed by the board of trustees under sec. 200 of this chapter until the facilities to be financed with the proceeds have been approved by the legislature by concurrent resolution.

* Sec. 2. This Act takes effect upon the effective date of an Act establishing the Alaska Permanent Fund Corporation.

Introduced: 1/11/78
Referred: The Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

HOUSE BILL NO. 596

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to nonrenewable resource revenues; and providing for an effective date."

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

* Section 1. AS 24.20 is amended by adding new sections to read:

ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions.

Sec. 24.20.610. FINDINGS. The legislature finds that there is a substantial need for oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions since these functions do not receive the detailed review to which other expenditures of public money are subject, and therefore the knowledge necessary for sound legislation in this area is not readily available. There is a need for legislative oversight which will provide information on the policy and performance of these agencies, the extent to which the agencies conform to statutory intent, and the impact of their performance on the economy and treasury.

Sec. 24.20.620. PURPOSES. The purposes of the committee are to

(1) monitor and report

(A) the performance of the agencies of the state which

perform lending, borrowing or investment functions,

(B) the extent to which the performance of these agencies has contributed to the fiscal, financial, economic and social improvement of the state and its citizens,

(C) the extent to which these agencies and the executive have prepared and coordinated short and long term economic, fiscal, investment and financial planning;

(2) hold these agencies accountable to statutory intent in their performance by recommending, where appropriate, changes in policy to the agencies or changes in legislation to the legislature;

(3) annually review the extent of capitalization of the investment funds of the state and alternative investment policy for the general fund surplus and recommend needed legislation.

Sec. 24.20.630. MEMBERSHIP. The committee is composed of eight members: the president of the senate, the speaker of the house, and three members appointed from each house by the respective presiding officer. The membership from each house shall include at least one member from each of the two major political parties. The committee shall select its own chairman.

Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be organized within 15 days after the organization of each legislature. Members serve for the duration of the legislature during which they are appointed. If a member is reelected or his term of office extends into the next succeeding legislature, he continues to serve until reappointed or the appointment of his successor.

(b) When a member of the committee files a declaration of candidacy for an elective office other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

Sec. 24.20.660. MEETINGS. The committee may meet during sessions of the legislature and during the interim between sessions at such times and places in the state as the chairman may determine. Members may receive, for the minimum time required to get to and from meetings and for the period while attending meetings, the same travel and per diem allowances provided by law for members of the legislature when attending sessions, except that members of the committee receive no per diem during legislative sessions other than the per diem allowance paid to other members of the legislature.

Sec. 24.20.670. POWERS. The committee has the power to

(1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions over those agencies of the state which perform lending, borrowing or investment functions;

(2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;

(3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assembling and furnishing requested information;

(4) hold public hearings relating to the confirmation of the Board of Trustees of the Alaska Permanent Fund Corporation, the Board of Trustees of the Alaska Renewable Resources Corporation, and the Alaska Enterprise Investment Corporation Policy Board;

(5) prepare and distribute reports, memoranda, or other necessary materials;

(6) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending, borrowing or investment functions;

(7) receive and review reports and post-audit analyses conducted by the Legislative Budget and Audit Committee relating to all agencies of the state which perform lending, borrowing or investment functions;

(8) enter into and enforce all contracts necessary or desirable for the functions of the committee.

Sec. 24.20.680. STAFF. The legislative audit division and the legislative finance division shall provide audits, reports and analyses requested by the committee. The committee may hire and determine the salary of the staff it considers necessary within the limit of the budget approved by the legislature.

Sec. 24.20.690. DUTIES. The committee shall

(1) report to the legislature its recommendations relating to the confirmation of suggested appointees to the Alaska Permanent Fund Corporation, the Board of Trustees of the Alaska Renewable Resources Corporation, and the Alaska Enterprise Investment Corporation Policy Board;

(2) annually review the long-range operating plans of all agencies of the state which perform lending, borrowing or investment functions;

(3) review periodic reports from all agencies of the state which perform lending, borrowing or investment functions;

(4) present a complete report of investment programs, plans, performance, and policies of all agencies of the state which perform lending, borrowing or investment functions to the legislature within 30 days after the convening of each regular session;

(5) present to the legislature within 30 days after the convening of each regular session a review of the report of the governor under AS 37.09.020(b) with recommendations for any needed legislation;

(6) in conjunction with the finance committee of each house recommend annually to the legislature the investment policy for the general fund surplus and the income from the permanent fund.

Sec. 24.20.700. RECORDS. The committee shall keep a complete file of all reports presented to it and all reports presented by it to the legislature or any legislative committee.

* Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

(b) The governor shall annually, before the convening of the legislature, report to the legislature through the Investment Oversight Committee the long-range fiscal and economic consequences of

(1) alternate levels of capitalization of the investment funds of the state; and

(2) alternative investment policy for the general fund surplus.

* Sec. 3. AS 37 is amended by adding a new chapter to read:

CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The permanent fund consists of 100 per cent of mineral lease bonuses after deduction of any amounts allocated to the

Alaska Native Fund under the Alaska Native Claims Settlement Act and implementing state legislation and any amounts allocated by law to the Alaska renewable resources development fund and 30 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the state and any other money allocated by law or appropriated to the principal of the fund which shall be paid to the Alaska Permanent Fund Corporation at least once each month. Management of the permanent fund is performed by (1) the Alaska Permanent Fund Corporation established in this chapter to which five-sixths of the receipts from these sources is allocated and (2) the Alaska Enterprise Investment Corporation established in AS 44.55 to which one-sixth of the receipts from these sources is allocated until the amount so allocated reaches the sum of $100,000,000. Thereafter the total receipts from these sources is allocated to the Alaska Permanent Fund Corporation.

Sec. 37.13.020. FINDINGS. The people of the state, by constitutional amendment, have required the placement of at least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) it should provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of future generations of Alaskans;

(2) the primary goal of the corporation should be to maximize total return while maintaining safety of principal;

(3) it should be used as a savings device managed to allow the maximum use of disposable income from the corporation as needed for purposes designated by law.

Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to provide a mechanism for the management and investment of permanent fund assets in a manner consistent with the findings established in sec. 20 of this chapter.

Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is established the Alaska Permanent Fund Corporation. The corporation is a public corporation and government instrumentality in the Department of Revenue managed by a board of trustees but has a legal existence independent of and separate from the state. The purpose of the board is to manage and invest the assets of the corporation in accordance with this chapter.

Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board of trustees consists of three members appointed by the governor and confirmed by a majority of the members of the legislature in joint session.

(b) The board shall annually elect a chairman from among its members.

Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be appointed for terms of four years, and they may be reappointed. Terms shall be staggered. Initial terms shall be one member serving for two years, one member serving for three years, and one member serving for four years.

Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may remove a trustee from office by and with the consent of a majority of the members of the legislature in joint session. A removal by the governor shall be in writing and state the reason for removal. If the legislature is not in session, the governor may suspend a member of the board. Upon suspension, a trustee may not participate in board business and may not be counted for purposes of establishing a quorum. The joint

session shall be held within 30 days from the date of removal if the removal occurs while the legislature is in session or within 30 days of convening of the legislature if the legislature is not in session. If the legislature refuses to consent to his removal, the trustee shall be reinstated to his position.

(b) A vacancy on the board shall be promptly filled by appointment by the governor and confirmation by a majority of the members of the legislature in joint session, and an appointee to fill a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. If a vacancy arises on the board while the legislature is not in session, the governor may appoint an interim trustee who shall exercise all powers of a permanent trustee until such time as the legislature in joint session fails to confirm the interim trustee's appointment.

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

Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may be appointed to the board who has not been a resident of the state for at least three years.

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

(c) At least one member of the board shall have recognized competence and wide experience in finance, investments, or other business management-related field. No two members may be appointed to the board who share substantially similar professional or occupational backgrounds

Sec. 37.13.090. QUORUM. Two members of the board constitute a quorum for the transaction of business and the exercise of the powers

and duties of the board.

Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an honorarium of $250 for each meeting day if they attend the meeting and are entitled to per diem and travel allowances as provided by law for members of state boards and commissions.

Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and determine the salary of an executive director. The executive director may, with the approval of the board, select and employ additional staff as necessary. The executive director may not be a trustee. The executive director and all employees of the board are in the exempt service under AS 39.25.

Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject to the provisions of AS 39.50.

(b) If a member or employee acquires, owns or controls an interest, direct or indirect, in an entity or project in which corporation assets are invested, he shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the board meeting next following the disclosure.

Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is applicable to the board in its management and investment of permanent fund assets. The prudent-man rule as applied to investments of the corporation means that in making investments the board shall exercise the judgment and care under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income from them as well as probable safety of capital.

(b) The corporation assets may only be used for income-producing investments.

(c) The board shall seek to maintain a reasonable diversification in its investments unless under the circumstances it is clearly prudent not to do so.

(d) The board shall submit long-range and quarterly investment reports to the Investment Oversight Committee.

(e) The corporation may not borrow funds or guarantee the obligations of others.

(f) The board may enter into and enforce all contracts necessary, convenient or desirable for purposes of the fund except it may not contract with agencies or departments of the state to recommend or select investments.

(g) Subject to (a) of this section the board may invest its assets in obligations of the United States or obligations for which the full faith and credit of the United States are pledged for payment of principal and interest; loans secured by first liens on unencumbered realty or leaseholds; and corporate stock and corporate obligations which under the Securities Act of 1933 are freely marketable.

(1) No portion of the assets of the fund may be used in the purchase of stock of any corporation which is not paying dividends on that stock in cash at the time of purchase; nor in the purchase of bonds of any corporation, upon which any regular interest payment has been defaulted at any time within five years before purchase, except bonds never in default but which have been outstanding for less than five years.

(2) No portion of the assets of the corporation may be used in the purchase of stocks if immediately following the purchase the proportionate market value of all stocks held by the corporation would

exceed 30 per cent of the corporation's assets.

(h) The board shall establish and from time to time as necessary modify guidelines for the investment of the corporation's assets. Before adoption of any guidelines the guidelines shall be reported to the Investment Oversight Committee for review and comment.

Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year, the total amount of losses on the sales of securities, not offset by gains on the sales of securities during that year, shall be computed, with a portion of these losses to be deducted each fiscal year from the interest and dividend income and the resulting amount of interest and dividend income added to the principal of the fund. Losses taken on the sales of bonds shall be accumulated over a period equal to the average remaining life of the bonds sold, and losses taken on the sales of stocks shall be accumulated within a period of five years, unless these losses are offset by gains on future sales of securities. In any fiscal year in which the gains on the sales of securities exceed the losses on the sales of securities, the excess shall be added to the principal of the fund.

Sec. 37.13.150. INCOME. The interest and dividends received in a year are the income of the fund for that year. The income available for disbursement shall be determined on an averaging basis. For the first five years, income will be the simple averaging of the annual current return at cost. Subsequently, there will be a moving average current return, in which the latest fiscal year will replace the oldest year. The income available for disbursement will be the lesser of the latest fiscal year's income, or the average annual current income for the past five fiscal years of the fund at cost, and after adjustment for capital losses charged to that fiscal year.

Sec. 37.13.160. BOARD BUDGET. The board's operating budget is

from the general fund and is subject to the Executive Budget Act (AS 37.07).

Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall provide for an annual post audit and annual operational and performance evaluations of the board's investments and investment programs.

Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than September 30 of each year, the board shall publish a report to the governor, legislature, and the public in easily understandable language. Each report must include financial statements audited by independent outside auditors, a statement of the amount of money received by the permanent fund from each investment during the period covered, a statement of permanent fund investments, a description of permanent fund investment activity during the period covered by the report, a comparison of the fund performance with the intended goals contained in sec. 20 of this chapter, an examination of the impact of the investment criteria of this chapter on the fund portfolio with recommendations of any needed changes and any other information the board believes would be of interest to the governor, the legislature, and the public. The annual income statement and balance sheet of the permanent fund shall be published in at least one newspaper in each judicial district. The income statement and balance sheet for the two fiscal years preceding the publication of the election pamphlet under AS 15.57 shall be included in that pamphlet. The board may also publish other reports it considers desirable to carry out its purpose.

Sec. 37.13.190. CONFLICT OF INTEREST. (a) Members of the board of trustees are subject to the provisions of AS 39.50.

(b) Members of the board of trustees shall disclose their financial interest in an investment proposal and disqualify themselves from voting on any investment proposal in which they have a financial in-

terest. The board may not make an investment in any project or enterprise in which officers of the corporation have a financial interest. All officers of the corporation in the discharge of their offices owe their duty entirely to the corporation and no other authority.

Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of trustees and officers and staff of the corporation may not engage in partisan political activities. The resources of the corporation may not be used to finance any partisan political activities.

Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the possession of the corporation is a public record, except that information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

* Sec. 4. AS 44 is amended by adding a new chapter to read:

CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is created the Alaska Enterprise Investment Corporation. The corporation is a public corporation and government instrumentality in the Department of Revenue but has legal existence independent of and separate from the state. The exercise by the corporation of the powers conferred by this chapter is considered an essential governmental function of the state.

(b) One-sixth of the receipts of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses allocated to the permanent fund shall be paid by the Alaska Permanent Fund Corporation directly into the Alaska Enterprise

Investment Corporation until a total of $100,000,000 has been paid in. The amount paid into the Alaska Enterprise Investment Corporation under this subsection is the paid-in capital of the corporation.

Sec. 44.55.020. FINDINGS. The legislature finds

(1) that investment in financially sound small and medium scale (A) productive private enterprises and (B) community development projects in the state, for which sufficient capital is not available from other sources on reasonable terms, is of benefit to the citizens of the state;

(2) there is a shortage of investment capital for financially sound small and medium scale (A) productive private enterprises and, (B) for community development projects for which sufficient capital is not available from other sources on reasonable terms;

(3) that the corporation working with private financial institutions to supplement but not supplant their services can help to alleviate this shortage.

Sec. 44.55.030. PURPOSE. The purpose of the corporation is to provide capital at market rates and terms for small and medium scale (1) productive private enterprises, and (2) community development projects for which sufficient capital is not available from other sources on reasonable terms.

Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY BOARD. (a) There is established the Alaska Enterprise Investment Corporation Policy Board consisting of a person employed in the executive branch of state government appointed by the governor and six public members appointed by the governor with due regard for geographical representation and confirmed by a majority of the members of the legislature in joint session. At least two of the public members shall have recognized competency and wide experience in investment finance. The

board shall elect one of the public members as chairman and other officers they determine desirable.

(b) The six appointed members shall serve for four-year terms, and they may be reappointed. Terms shall be staggered. Initial terms shall be two members serving for two years, two members serving for three years, and two members serving for four years. A member continues to serve until his successor is appointed and confirmed.

(c) A majority of the policy board members constitutes a quorum for the transaction of business by the board. Decisions of the board shall be taken by a majority vote. The board shall hold at least one public meeting each year.

(d) Members of the policy board receive an honorarium of $250 for each meeting day if they attend the meeting and are entitled to per diem and travel allowances as provided by law for members of state boards and commissions.

Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor may remove a policy board member from office by and with the consent of a majority of the members of the legislature in joint session. The joint session shall be held within 10 days from the date of removal if the removal occurs while the legislature is in session or within 30 days of convening of the legislature if the member was suspended. If the legislature is not in session, the governor may suspend a member of the policy board for cause. Upon suspension, a board member may not participate in policy board business and may not be counted for purposes of establishing a quorum. If the legislature refuses to consent to his removal, the member shall be reinstated to his position.

(b) A vacancy arising on the policy board shall be promptly filled by appointment by the governor and confirmation by a majority of the members of the legislature in joint session, and an appointee to fill a

vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. If a vacancy arises on the board while the legislature is not in session, the governor may appoint an interim board member who shall exercise all powers of a permanent board member until such time as the legislature in joint session fails to confirm the interim member's appointment.

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

Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

(1) select and appoint the president and other members of the Investment Committee established in sec. 80 of this chapter;

(2) annually review and approve long-range operating plans, the budget for the forthcoming year, and the financial plan for the following years;

(3) have responsibility on behalf of the corporation for relations with the general public, legislature, executive branch, local communities, and interest groups concerning all things excepting only those matters that are the responsibility of the Investment Committee;

(4) review quarterly reports from the Investment Committee concerning investment decisions and investment supervision, but the board may not impose an investment decision upon, or override an investment decision of, the Investment Committee;

(5) review, consider and approve policies;

(6) establish an audit committee which shall select independent outside auditors, and receive all audit reports.

Sec. 44.55.070. PRESIDENT. The president of the corporation is appointed by the policy board for a term of four years, may be reap-

pointed, and serves at the pleasure of the policy board. The salary of the president is set at the discretion of the policy board; but may not be set below that of the highest paid member of the Investment Committee. The president shall

(1) have sole responsibility for presenting investment proposals to the Investment Committee;

(2) be responsible for the ordinary business of the corporation and the organization, appointment, dismissal, and remuneration of the officers and staff;

(3) be responsible for making investments in investment grade securities, subject to review by the Investment Committee;

(4) establish and maintain adequate and appropriate organizational, operating and financial controls.

Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established the Investment Committee, consisting of the president and four members appointed by the policy board. No member of the policy board may be a member of the committee. Members of the committee shall be persons of recognized competence and wide experience in investments, finance, and other business management-related fields. A member may be reappointed and continue to serve until his successor is appointed. The president and members shall serve for four-year terms. Terms shall be staggered. Initial terms shall be one member serving for one year, one member serving for two years, one member serving for three years, and one member and the president serving for four years.

(b) Three members of the committee constitute a quorum. Decisions of the committee shall be taken by majority vote.

(c) Members of the committee other than the president receive an annual salary within Range 30 in the salary schedule for state employees established by AS 39.27.011.

Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole responsibility to approve all investment proposals.

Sec. 44.55.100. BUDGET. The corporation operating budget is from the general fund and is subject to the provisions of the Executive Budget Act (AS 37.07).

Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members, committee members, and officers and staff of the corporation are in the exempt service under AS 39.25.

Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out the corporate purposes of the corporation, the policy board has power to

(1) adopt, alter and use a corporate seal;

(2) prescribe, adopt, amend, and repeal bylaws;

(3) sue and be sued in the name of the corporation;

(4) borrow funds, and in that connection furnish such collateral or other security as it determines, except that corporation borrowing may not exceed its paid-in capital;

(5) guarantee obligations of another corporation or legal entity in order to facilitate their sale;

(6) enter into agreements necessary or convenient in the exercise of its powers and functions;

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

(8) contract with state, federal and other agencies to develop needed information and analyses;

(9) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter.

(b) In carrying out the corporate purposes of the corporation, the committee has the power to

(1) invest, in such form and such amounts not to exceed

$100,000,000, as it considers appropriate, by purchasing the capital stock of, or lending money to, projects, except that any investment in the capital stock of or other ownership interest in a project may not exceed 25 per cent of the capital stock of, or other ownership interest in, the project, and no loan or other investment in the project by the corporation may exceed 90 per cent of the cost of the project unless, in the judgment of the committee, additional amounts must be loaned to protect the interests of the investment fund;

(2) deposit surplus funds, or invest surplus funds through the Alaska Permanent Fund Corporation in such obligations as it may determine;

(3) buy and sell securities the corporation has issued or guaranteed or in which it has invested;

(4) do all acts and things necessary, convenient or desirable to carry out the powers granted or implied in this chapter.

Sec. 44.55.125. INVESTMENTS. (a) In making investments, the committee and staff shall exercise the judgment and care under the circumstances then prevailing which a person of ordinary prudence, discretion, and intelligence exercises in the management of his own affairs taking into consideration the probable income from the investments as well as probable safety of principal.

(b) An amount equal to at least 150 per cent of all guarantees by the corporation shall be invested in investment-grade securities.

(c) The committee may invest not more than 50 per cent of the resources of the corporation to provide a reasonable proportion of longer-term investment capital for financing the establishment, improvement, and expansion of productive private enterprises which will benefit Alaskans, and for which sufficient capital is not available from other sources on reasonable terms. These investments may take the form of

equity, debt, or debt guarantees.

(d) The committee may invest not more than 50 per cent of the resources of the corporation in financing a reasonable proportion of the longer-term investment capital needs for financially sound small and medium scale community development projects of municipalities and public corporate entities and private dwellings in the state for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of equity, debt, or debt guarantees.

(e) The committee may not invest or guarantee obligations totaling more than five per cent of the resources of the bank or $2,500,000, whichever is less, in a single project unless the legislature has approved the investment by concurrent resolution.

(f) The committee may not undertake any financing for which, in its opinion, sufficient private capital could be obtained on reasonable terms.

(g) The committee may not assume responsibility for managing any enterprise or project in which it has invested and may not exercise voting rights for that purpose or for any other purpose which, in its opinion, properly is within the scope of managerial control.

(h) The committee shall only undertake its financing on terms and conditions which it considers appropriate, taking into account the terms and conditions normally obtained by private investors for similar financing, the requirements of the enterprise or project, the risks being undertaken by the corporation, and the participation of other investors unless the legislature has appropriated funds for subsidizing investments which in the opinion of the corporation are of such high priority that special terms and conditions are appropriate.

(i) The committee may seek to revolve the corporation's money by

selling its investments to other investors whenever it can appropriately do so on satisfactory terms.

(j) The committee shall seek to maintain a reasonable diversification in its investments.

(k) The committee shall only consider investment proposals after the applicant for an investment has submitted a detailed proposal to the committee's staff and the staff has prepared a written report recommending the investment after a study of its merits.

(l) The committee shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The committee shall be sensitive to the views of affected local communities.

(m) The committee may guarantee qualifying loans made by financial intermediaries in order to facilitate investment by the intermediaries in specific enterprises or projects whose individual financing requirements are not, in the opinion of the committee, large enough to warrant its direct supervision.

(n) The committee shall provide for operational and performance evaluations (post-audits) of its investments and investment programs and report the results to the policy board.

(o) Nothing in this section prevents the committee, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which the investment has been made, or other situations which, in the opinion of the committee, threaten to jeopardize the investment, from taking such action and exercising such rights as it may consider necessary for the protection of its interests.

Sec. 44.55.130. CAPITAL RESERVE ACCOUNT. For the purpose of securing its obligations, the corporation shall establish a special

account called the capital reserve account. The corporation shall pay into that account the income of the corporation until the amount in the capital reserve account is equal to 25 per cent of the outstanding obligations of the corporation. Subsequently, at the beginning of each fiscal year the corporation shall withdraw from the capital reserve account any amount in the account in excess of 25 per cent of the obligations secured or, if the amount in the account is less than 25 per cent of the obligations secured, pay into the account from income the amount necessary to bring the reserve to 25 per cent. All money held in the capital reserve account may be used as required solely for (1) the payment of the principal of obligations, (2) the purchase or redemption of obligations, (3) the payment of interest on obligations, or (4) the payment of any redemption premium required to be paid when those obligations are redeemed before maturity.

Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its financing operations, the policy board shall render a detailed report to the legislature which shall

(1) define the sectors which need financing for expansion of existing projects or the development of new projects;

(2) define the size and nature of projects which are feasible for corporation financing;

(3) determine specific projects which are feasible for corporation and private financing;

(4) determine the availability of private investment capital for the projects it determines are feasible;

(5) forecast the capital requirements of the corporation for the first three years of its operations.

Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall publish an annual report in easily understandable language to the

governor, legislature and the public. Each report shall include financial statements audited by independent outside auditors, a statement of the amount of money received by the corporation from each source during the period covered, a statement of corporation investments, a description of corporation investment activity during the period covered by the report, an analysis of economic and other effects of investment decisions including, but not limited to, the effects on employment, income distribution, environment, health, social and other factors, and any other information the policy board believes would be of interest to the governor, the legislature and the public. The corporation may also publish such other reports as it considers desirable to carry out its purpose.

Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the board of trustees are subject to the provisions of AS 39.50.

(b) Members of the board of trustees shall disclose their financial interest in an investment proposal and disqualify themselves from voting on any investment proposal in which they have a financial interest. The board may not make an investment in any project or enterprise in which officers of the corporation have a financial interest. All officers of the corporation in the discharge of their offices owe their duty entirely to the corporation and no other authority.

Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the board of trustees and officers and staff of the corporation may not engage in partisan political activities. The resources of the corporation may not be used to finance any partisan political activities.

Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the possession of the corporation is a public record, except that information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public

record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all taxes and assessments in the state. All security instruments issued by the corporation, their transfer, and their income are exempt from all taxes and assessments in the state.

Sec. 44.55.200. DEFINITIONS. In this chapter

(1) "board" or "policy board" means the Alaska Enterprise Investment Corporation Policy Board established by sec. 20 of this chapter;

(2) "business enterprise" means a private corporation, firm, partnership or sole proprietorship;

(3) "committee" means the Investment Committee established by sec. 60 of chis chapter;

(4) "corporation" means the Alaska Enterprise Investment Corporation.

* Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

(21) members of the policy board and Investment Committee, and the president, officers, and staff of the Alaska Enterprise Investment Corporation;

(22) members of the board of trustees, the executive director, and staff of the Alaska Permanent Fund Corporation.

* Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

(NN) Alaska Enterprise Investment Corporation Policy Board and Investment Committee;

(OO) Alaska Permanent Fund Corporation Board of Trustees.

* Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer all funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation established by this Act within 10 days after request for transfer is made by the corporation board of trustees.

(b) The Alaska Enterprise Investment Corporation may not expend funds for any purpose other than normal operating expenses of the corporation until the paid-in capital of the corporation reaches $50,000,000. Other funds of the corporation including the funds received under AS 44.55.010 in sec. 4 of this Act shall be invested as surplus funds under AS 44.55.120(b)(3) in sec. 4 of this Act until the paid-in capital reaches $50,000,000.

* Sec. 8. AS 37.10.065 is repealed.

* Sec. 9. This Act takes effect immediately in accordance with AS 01.10.-070(c).

Introduced: 1/17/78
Referred; The Special Committee on the Alaska Permanent Fund and Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

HOUSE BILL NO. 649

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."

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

* Section 1. The sum of $10,000,000 is appropriated from the general fund to the Alaska Permanent Fund.

* Sec. 2. This is not a one-year appropriation, and AS 37.25.010 does not apply.

* Sec. 3. This Act takes effect July 1, 1978.

Introduced: 1/25/78
Referred: The Special Committee on the Permanent Fund and Finance

IN THE HOUSE

BY THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND

HOUSE BILL NO. 682

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

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

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

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

CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

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

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

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

Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska has renewable resources that are not being utilized to their full potential. Many problems which confront the state, including high unemployment and unstable economy, could be mitigated by the expanded use and development of its renewable resources.

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

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

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

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

(3) a lack of technology appropriate to Alaska.

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

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

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

(1) facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to strengthen the self-sustaining sectors of the state economy;

(2) sponsor research and development of technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

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

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

(b) Fifty per cent of all actual receipts of the corporation, from whatever source, shall be deposited into the renewable resources investment fund (AS 37.11.050).

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

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

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

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

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

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

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

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

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

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

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

AS 39.27.011.

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

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

(b) No member or employee of the board may acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such an interest, he shall immediately disclose the interest in writing to the board and refrain from participating in any manner in any board activity relating to that interest.

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

(1) adopt, alter, and use a corporate seal;

(2) prescribe, adopt, amend, and repeal bylaws;

(3) sue and be sued in the name of the corporation;

(4) enter into any agreements necessary to the exercise of its powers and functions;

(5) accept grants from and contract with the federal government and the state or its political subdivisions and to that end comply with the provisions of federal, state, or local programs where necessary, except that it may not enter into any agreements whereby any permanent state or local government position is funded or partially funded in connection with a project;

(6) accept grants and loans from other sources than those in (5) of this section to be held and used for the purposes of the

corporation;

(7) appear in behalf of the corporation before boards, commissions, departments, or other agencies of municipal, state, or federal government;

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

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

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

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

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

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

(14) adopt regulations to implement this chapter;

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

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

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

chapter, the board shall

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

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

(3) promote the utilization of the state's renewable resources in the state and the development of import substitution and export markets;

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

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

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

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

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

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

chapter;

(B) the application contains an adequate plan for project implementation, including, when applicable, a complete business, financial and marketing plan for commercial activities;

(C) private financing cannot reasonably be undertaken without aid or that financial participation is not otherwise available;

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

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

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

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

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

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

will accrue to the general public;

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not

(1) invest more than five per cent of the resources of the corporation or $1,500,000, whichever is less, in a single project or applicant unless the legislature has approved the investment by concurrent resolution;

(2) invest in more than 25 per cent of the outstanding corporate stock or other corporate obligations issued by an applicant unless the legislature has approved the investment by concurrent resolution;

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

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

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

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

(1) actual or threatened default on any of the board's investments;

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

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

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

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

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

(2) he is a resident of the state or, if the applicant is a partnership, corporation, or other association, it is owned by a majority who are residents of the state; and

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

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

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

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

budget shall include the categories and amounts of proposed financial assistance broken down by financing mechanism and resource sector affected and all funds received by the corporation whether through allocations made by this chapter, appropriation, or otherwise. The corporation may expend money directly appropriated by the legislature only as authorized by the legislature. The total amount of the corporation's operating budget shall be specified as a separate item of its budget and be appropriated from the general fund.

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

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

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

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

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

(3) "board" means the Board of Trustees of the Alaska Renewable Resources Corporation;

(4) "corporation" means the Alaska Renewable Resources Corporation;

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

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

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

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

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

Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be transferred to the Alaska renewable resources investment [PERMANENT] fund.

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

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

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

Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise unencumbered balances remaining in the Alaska renewable resources development fund at the close of each fiscal year shall be deposited in the investment [PERMANENT] fund. These deposits shall be considered fund principal and shall be invested in perpetuity in accordance with

AS 37.10.070 (investment of surplus state funds).

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

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

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

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

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

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