

SCOMM

9:151

Introduced: 2/11/77
Referred: Special Committee on
the Alaska Permanent Fund and
Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 210

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act providing for interim management of the
7 Alaska Permanent Fund; and providing for an effective
8 date."

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

10 * Section 1. AS 37.10 is amended by adding a new section in art. 3 to
11 read:

12 Sec. 37.10.065. INVESTMENT OF THE ALASKA PERMANENT FUND. (a)

13 The Alaska Permanent Fund consists of 25 per cent of all mineral lease
14 rentals, royalties, royalty sale proceeds, federal mineral revenue
15 sharing payments and bonuses received by the state. The commissioner
16 of revenue shall deposit in the Alaska Permanent Fund 25 per cent of
17 the receipts from these sources at least once each month. The commis-
18 sioner of revenue shall invest the money in the Alaska Permanent Fund and
19 in income-producing investments of the following types:

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

23 (2) obligations secured by reserves paid in by the United
24 States or agencies or instrumentalities of the United States or obli-
25 gations of corporations in which the United States is a shareholder or
26 member;

27 (3) certificates of deposits issued by United States domestic
28 banks which are members of the Federal Deposit Insurance Corporation
29 and secured as to the payment of principal and interest in accordance

1 with Alaska law;

2 (4) corporate investment-grade securities;

3 (5) bankers acceptances drawn on and accepted by United
4 States banks which each have a combined capital and surplus aggregating
5 at least \$100,000,000;

6 (6) repurchase agreements, the securities underlying the
7 agreements being any of the items in (1) - (5) of this subsection;

8 (7) deposits of federally insured savings and loan associa-
9 tions not to exceed 10 per cent of each savings and loan association's
10 deposits exclusive of federal, state, and municipal deposits;

11 (8) fixed-term certificates of debentures of federally
12 insured credit unions not to exceed 10 per cent of each credit union's
13 shares.

14 (b) The commissioner of revenue may enter into contracts provid-
15 ing for custody of securities and execution of transactions.

16 (c) The commissioner of revenue shall transfer to whatever
17 agency is established for the express purpose of managing and investing
18 the Alaska Permanent Fund all or part of the securities and money in
19 the Alaska Permanent Fund in accordance with Alaska law no later than
20 two weeks after receipt of written notice from that agency.

21 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
22 10.070(c).
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COMMITTEE COPY

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HB 210

Prime Sponsor (First Legislator Named)

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FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 210Title Interim Management of the Alaska Permanent FundRequested by Department of Revenue, Treasury Management Date _____

II. FISCAL DETAIL

Agency Affected Department of RevenueProgram Category Affected General GovernmentBudget Request Unit(s) Affected Treasury ManagementEXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	0	0				
200 TRAVEL	2.8	2.8				
300 CONTRACTUAL	9.1	47.2				
400 COMMODITIES	.2	.5				
500 EQUIPMENT	0	0				
600 LAND & STRUCTURES	0	0				
700 GRANTS, CLAIMS, ETC.	0	0				
TOTAL	12.1	50.5	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	12.1	50.5	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	0	0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note enumerates expenses to provide for interim management of the Alaska Permanent Fund. Travel expenses cover travel and per diem to establish and maintain supervision of security transactions, custodial, and reporting services. Contractual services include all of the previously mentioned services plus necessary printing and duplication services and communications. Commodities cover additional use of office supplies.

Without this funding, it would not be possible to invest and provide accounting service on a segregated basis for funds accruing to the Alaska Permanent Fund beginning February 22, 1977. Funds will begin accruing from that date in accordance with Alaska Constitution, Article IX, Section 15 as amended.

IV. DATE 1/18/77PREPARED BY John EdensAGENCY Department of Revenue/TreasuryPHONE 465-2350

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

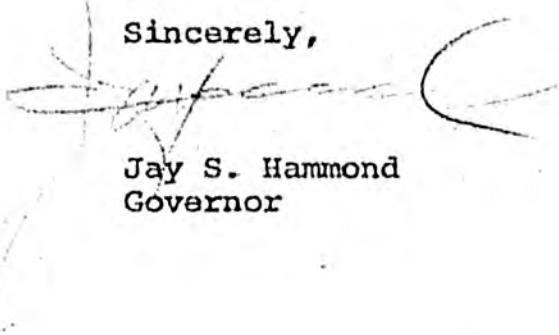
February 11, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060 (b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill to provide for the interim management of the Alaska Permanent Fund. Article IX, sec. 15 of the Alaska Constitution, which becomes effective February 21, 1977, provides that the principal of the fund must be used for income-producing investments specifically designated by law. Therefore, it is necessary to enact legislation setting up the management and investment process for the fund. The attached bill does this on an interim basis, requiring the commissioner of revenue to invest the money until a permanent structure for this investment function is created.

Sincerely,



Jay S. Hammond
Governor

2/18/77

HB 210 Commissioner Sterling Gallagher

Dep'ty Jim Edense

All money market instruments.

U.S. Gov't securities

Deposits in banks

Corporate grade securities

Baa or above

Banker's acceptances [No Alaska banks]

Deposits in credit unions, S&L

Fiscal note:

22nd February

- [Only US Gov't securities until
this bill passes]

Wouldn't invest in over 4-year bond

Not intention to put in Alaska banks

[banks don't need the money]

Assumed — pass final mgmt bill by
end of next session

[Union — object to putting into credit union]

Guarantees for bonds?

Haugen — interest in state credit backing for
municipalities.

Relate feelings in this area

Prudent man rule Maximum yield.

Transferability — all market instrument

Custody contract in several weeks

FHA - VA loans? tie up fund; no flexibility.

Alaska Housing Finance municipal bonds -

lower yield

What powers without? Severely criticized if

I left it in bank

Will draw up emergency regulations.
Use 37.10.070 — only in US Govt
securities.

Precedent — investing of general fund:
retirement funds

Necessary — clear indication that it
is Interim, etc.

Make fiscal note immediate —
draw against treasury surplus.
~~the~~

Union — special appropriation?

Policy rule — invest no more than 10%

* Motion: Haugen delete paren 8,
lines 11-13 p 2 Credit Union
discussion on motion

[No tax on credit unions]

* Motion withdrawn by sponsor

* Motion to report bill out: Meekins
Unanimous do pass

Gardiner — introduce supplier special
approp \$12.1 Thousand —
refer direct to finance.

* Move + Gardiner

No objection

Haugen — Renewable resources

\$30 million FRED bond issue
draw up (Gallagher) financial model
projections on expenditure fund

Another meeting w/i 2 weeks —
objectives & approaches for permanent bill

People w/ ideas — Resource people
Hansen — substantial
full-blown hearing on what
they have —

get date & time
Gallagher — formulate proposal for
Communities [guarantees]
in that proposal — financing mechanisms
Lay out alternatives

Pover Authority
Water Resources Fund
Permanent Fund