

SCOMM

#9:153

Fiscal note: HB 300

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING

POUCH SA - JUNEAU, AK 99811

March 15, 1977

The Honorable Clark Gruening
Chairman
House Special Committee on the
Alaska Permanent Fund
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Re: House Bill No. 300

Dear Mr. Gruening:

House Bill No. 300, an Act relating to the Alaska Permanent Fund was introduced in the House on March 3, 1977 and was referred to the House Special Committee on the Alaska Permanent Fund and the House Finance Committee.

For the consideration of the House Special Committee on the Alaska Permanent Fund, I am enclosing a Fiscal Note prepared by Mr. Jim Edenso, Deputy Commissioner, Department of Revenue, Juneau concerning the proposed legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

Enclosure

cc: The Honorable Steve Cowper
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Jim Edenso, Deputy Commissioner
Department of Revenue
Juneau, Alaska



"1776-A TRIBUTE FROM OUR STATE TO OUR NATION-1976"



THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____ House Bill No. 300

Title An Act relating to the Alaska Permanent Fund, and providing for an effective date.

Requested by House Special Committee on the Alaska Permanent Date March 3, 1977
Fund.

II. FISCAL DETAIL

Agency Affected _____

Program/Category Affected Development

Budget Request Unit(s) Affected _____

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		260.5				
200 TRAVEL		75.6				
300 CONTRACTUAL		414.7				
400 COMMODITIES		6.5				
500 EQUIPMENT		40.8				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		798.1				

FUNDING (Thousands of Dollars)

GENERAL FUND		798.1				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		6				
PART TIME						
TEMPORARY						

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

This Fiscal Note enumerates expenses to provide for personal services and operating expenses for one year of operation for the Alaska Permanent Fund.

Personal Services, Equipment, and Commodities expenses are for the President, Comptroller, two Investment Officers, and two Secretaries. Travel and Per Diem expenses are for seven Board Members, four Investment Committee members, and for the President. Contractual services expenses are for normal office operating expenses, fire and bond insurance, safekeeping and management fees, and \$150,000 for various professional consulting services.

It is anticipated that this fiscal note will be for one year only as the Alaska Permanent Fund will prepare its own budget effective FY 79. In the event that there is no formal enabling legislation for the Permanent Fund the Department of Revenue will prepare the necessary budget for the interim management.

IV. DATE March 14, 1977

PREPARED BY *Jim Edens*

AGENCY Department of Revenue

PHONE 465-2350

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

3-3-77

COMMITTEE REPORT

HOUSE

FINANCE

_____ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND has had HB 300
under consideration. A majority of the members of the Committee

- ☐ recommends it do pass
- ☐ recommends it do not pass
- ☐ recommends it do pass with attached amendment(s)
- ☐ recommends it be replaced with CS for _____ and that
CS for _____ do pass
- ☐ (and) recommends it be referred to the _____
committee
- ☐ reports it back without recommendation
- ☐ AND attaches a report of its intent
- ☐ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____

_____ recommends: _____

_____ recommends: _____

_____ Chairman

3579
Berry

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

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 300

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

10 CHAPTER 13. ALASKA PERMANENT FUND.

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

18 (1) assist the diversification of the economy of Alaska by
19 making sound investments in Alaska's renewable and nonrenewable re-
20 sources;

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

23 (3) encourage and assist the participation of private capi-
24 tal, from both inside and outside Alaska, in private enterprises of
25 benefit to Alaskans;

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

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

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

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

14 Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent
15 fund consists of 50 per cent of all mineral lease rentals, royalties,
16 royalty sale proceeds, and federal mineral revenue-sharing payments and
17 100 per cent of all bonuses received by the state. The commissioner of
18 revenue shall deposit in the permanent fund 50 per cent of the receipts
19 from all mineral lease rentals, royalties, royalty sale proceeds, and
20 federal mineral revenue-sharing payments and 100 per cent of all bonuses
21 at least once each month. Income from investment of the permanent fund
22 does not become a part of the permanent fund and shall be deposited in
23 the general fund annually, except that income in the following amounts
24 shall be retained in the permanent fund:

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

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

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

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

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

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

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

19 Sec. 37.13.050. PERMANENT FUND POLICY BOARD. (a) There is estab-
20 lished the Alaska Permanent Fund Policy Board, consisting of the commis-
21 sioner of commerce and economic development, the commissioner of revenue,
22 and seven members to be appointed by the governor and confirmed by the
23 legislature in joint session. The seven appointed members must have
24 been residents of Alaska for at least three years and may not be employ-
25 ees of the state. Their term of office is four years, and they may be
26 reappointed. Terms shall be staggered. Initial terms shall be one
27 member serving for one year, two members for two years, two members for
28 three years, and two members for four years. Members may be removed for
29 cause. Members continue to serve until their successors are appointed.

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

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

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

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

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

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

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

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

26 (5) review, consider and approve policies;

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

29 (7) establish an audit committee, consisting of the

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

4 (8) decide appeals from interpretations of this chapter;

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

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

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

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

23 Sec. 37.13.080. DUTIES OF THE INVESTMENT COMMITTEE. The invest-
24 ment committee has sole responsibility to approve all investment pro-
25 posals, and review all investments in investment grade securities.

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

1 (1) have sole responsibility for presenting investment pro-
2 posals to the investment committee;

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

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

8 (4) establish and maintain adequate and appropriate organi-
9 zational, operating and financial controls.

10 Sec. 37.13.090. EXEMPTION FROM EXECUTIVE BUDGET ACT. The perma-
11 nent fund is exempt from the provisions of the Executive Budget Act (AS
12 37.07).

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

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

18 (1) sue and be sued;

19 (2) adopt a seal;

20 (3) have perpetual succession;

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

23 (5) make and execute contracts and other instruments;

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

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

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

4 (1) In making investments, the investment committee and staff
5 shall exercise the judgment and care under the circumstances then pre-
6 vailing which a person of ordinary prudence, discretion, and intelli-
7 gence exercises in the management of his own affairs not in regard to
8 speculation but in regard to the permanent disposition of funds, con-
9 sidering the probable income from them as well as probable safety of
10 principal.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 investment committee shall disclose their financial interest in an
2 investment proposal and disqualify themselves from voting on any invest-
3 ment proposal in which they have a financial interest. The permanent
4 fund may not make an investment in any project or enterprise in which
5 the president or officers of the permanent fund have a financial inter-
6 est. Members of the policy board are prohibited from all attempts to
7 influence the investment committee, president, officers and staff in the
8 discharge of their ordinary operating duties. The president, officers
9 and staff of the permanent fund, in the discharge of their offices, owe
10 their duty entirely to the permanent fund and no other authority.

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

16 Sec. 37.13.190. PUBLIC ACCESS TO INFORMATION. Information in the
17 possession of the permanent fund is a public record, except information
18 which discloses the particulars of the business or affairs of a private
19 enterprise or investor is confidential and is not a public record. Con-
20 fidential information may be disclosed only for the purposes of an
21 official law enforcement investigation or when its production is re-
22 quired in a court proceeding. These restrictions do not prohibit the
23 publication of statistics presented in a manner that prevents the iden-
24 tification of particular reports, items, persons, or enterprises.

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

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

1 indicates otherwise,

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

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

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

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

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

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

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

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

17 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

ALASKA STATE LEGISLATURE	
TENTH, Legislature	FIRST, Session
HOUSE BILL NO. 300 By THE SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND	
"An Act relating to the Alaska Permanent Fund; and providing for an effective date."	
Ak. Perm. Fund	
Introduced in the House 3-3 1977.	

HISTORY IN THE HOUSE																													
19 77	Read first time and referred to Committee on Ak. Permanent Fund; and Finance Reported back with recommendation that																												
Mar. 3	Read second time and																												
	Read third time and																												
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HISTORY IN THE HOUSE	
19	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amend- ment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	 by Governor
	Filed with Lt. Governor
	Chapter No.

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

1 IN THE HOUSE

BY GRUENING, GARDINER AND MEEKINS

2 HOUSE BILL NO. 515

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

9 Sec. 37.10.055. DEPOSIT IN ALASKA PERMANENT FUND. The commis-
10 sioner of revenue shall deposit in the Alaska Permanent Fund at least
11 once each month 25 per cent of the receipts from all mineral lease
12 rentals, royalties, royalty sale proceeds, federal mineral revenue-
13 sharing payments and bonuses received by the state, except that, com-
14 mencing July 1, 1978 and terminating July 1, 1985, the amount deposited
15 by the commissioner in the Alaska Permanent Fund under this section
16 shall be (1) at least 37.4 per cent of the receipts from these sources
17 or (2) if the legislature determines by joint resolution that another
18 percentage would, because of revised revenue estimates, be more appro-
19 priate to insure that the total deposit will result in the sum of
20 \$900,600,000 being deposited by July 1, 1985, in addition to the sum
21 resulting from the 25 per cent deposit, then that percentage.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

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

This Fiscal Note enumerates expenses to provide for personal services and operating expenses for one year of operation for the Alaska Permanent Fund.

Personal Services, Equipment, and Commodities expenses are for the President, Comptroller, two Investment Officers, and two Secretaries. Travel and Per Diem expenses are for seven Board Members, four Investment Committee members, and for the President. Contractual services expenses are for normal office operating expenses, fire and bond insurance, safekeeping and management fees, and \$150,000 for various professional consulting services.

It is anticipated that this fiscal note will be for one year only as the Alaska Permanent Fund will prepare its own budget effective FY 79. In the event that there is no formal enabling legislation for the Permanent Fund the Department of Revenue will prepare the necessary budget for the interim management.

IV. DATE March 14, 1977

PREPARED BY *John Edensor*

AGENCY Department of Revenue

Original: Legislative Finance

PHONE 465-2350

cc: Budget and Management

Prime Sponsor (First Legislator Named)

ANALYSIS OF THREE PROPOSED PERMANENT FUND IMPLEMENTATION BILLS

bill analysis

	H.B. 4 (Swanson)	H.B. 298 (Governor)	H.B. 300 (Committee)
Percent of revenue contributed:			
Bonuses	at least 25 %	50 %	100 %
Mineral lease rentals, royalties, federal mineral revenue sharing	at least 25 %	50 %	50 %
Management Structure	Fund established in Dept. of Revenue. P.F. Board of Trustees (5) appointed by Governor and confirmed by Legislature. Trustees from each of 5 fields: agriculture, fishery, forest resources, finance & tourism. 3-year terms.	A.P.F. established as public corporation, instrumentality within Dept. of Revenue. P.F. Policy Board (9) includes Commissioners of Commerce & Revenue; 7 members appointed by Governor. 4-year term.	A.P.F. established as public corporation, instrumentality within Dept. of Revenue. P.F. Policy Board (9) includes Commissioners of Commerce & Revenue; 7 members appointed by Governor and confirmed by Legislature. 4-year terms.
Investment limitations	Restrictive; limited to government obligations, banks' CD's & prime quality corporate obligations.	-----SAME----- P.F. used only for income-producing investments. 40 % invested in investment-grade securities; 30 % venture capital (equity, debt or debt guarantees); 30 % community development and housing (debt or debt guarantees).	
Use of income	Shall be used for renewable resource development, enhancement and rehabilitation. P.F. Trustees plan expenditures, approved by Legislature and Governor. Unused balance at end of FY becomes part of fund principal.	-----SAME----- Deposited in general fund, with exception of operating expenses and reserves.	
Fiscal note:			
FY 77	177.4	-	-
FY 78	512.5	798.1	798.1
FY 79	587.6		
FY 80	566.6		
FY 81	572.1		
FY 82	627.6		
		----- Fiscal note for one year only, as A.P.F. will prepare its own budget effective FY 79. Operating expenses come from P.F. income.	
Other	Trustees salary \$37,500. Trustees have limited powers. Conflict of interest limits.	Policy board has additional powers. Investment committee has separate function. P.F. exempt from Exec. Budget Act. Operational principles defined. P.F. has borrowing power.	300: Political activity prohibited

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ANALYSIS OF THREE PROPOSED PERMANENT FUND IMPLEMENTATION BILLS

House Bill 4 by Swanson

House Bill 298 by Rules by Request of Governor

House Bill 300 by Special Committee on the Alaska Permanent Fund

1. Per cent of revenue contributed:

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

2. Management structure:

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

3. Investment limitations:

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

4. Use of income:

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

5. Fiscal Note:

	HB 4	HB 298,300
FY 77	177.4	
FY 78	512.5	798.1
FY 79	587.6	(Fiscal note for one year only,
FY 80	566.6	as A.P.F. will prepare its own
FY 81	572.1	budget effective FY 79. Opera-
FY 82	627.6	ting expenses come from PF income.

6. Other:

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

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

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

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

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