SCOMM

#9:148

COMMITTEE REPORT

3/9/77 **HOUSE** FINANCE

w/fiscal note and memo
from Judiciary attached

_____ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON THE ALASKA PERMANENT FUND has had HB 4 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

H 60

Keep with #B4

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING / POUCH SA -- JUNEAU 99811

February 17, 1977

The Honorable Terry Gardiner
Chairman
House Judiciary Committee
Alaska State Legislature
Room 122 - State Capitol Building
Juneau, Alaska

Re: House Bill No. 4

Dear Mr. Gardiner:

House Bill No. 4, an Act relating to the Alaska permanent fund, was introduced in the House on January 12, 1977 and was referred to the House Judiciary and Finance Committees.

For the consideration of the House Judiciary Committee, I am enclosing a Fiscal Note prepared by Mr. Jim Edenso, Deputy Commissioner, Department of Revenue 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

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
Bill/Resolution No. HB 4
Title An Act relating to the Alaska Permanent Fund
Requested by Swanson Date

II. FISCAL DETAIL
Agency Affected Department of Revenue
Program Category Affected General Government
Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	83.5	294.7	357.2	357.2	357.2	357.2
200 TRAVEL	5.8	25.1	31.2	31.2	31.2	31.2
300 CONTRACTUAL	73.2	162.7	168.2	148.2	153.2	208.2
400 COMMODITIES	1.2	4.0	4.5	5.0	5.5	6.0
500 EQUIPMENT	5.7	1.0	1.5			
600 LAND & STRUCTURES	8.0	25.0	25.0	25.0	25.0	25.0
700 GRANTS, CLAIMS, ETC.						
TOTAL	177.4	512.5	587.6	566.6	572.1	627.6

FUNDING (Thousands of Dollars)

GENERAL FUND	177.4	512.5	587.6	566.6	572.1	627.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME	6	7	9	9	9	9
PART TIME						
TEMPORARY						

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

This fiscal note enumerates expenses for management of the Alaska Permanent Fund. Personal services cover salary and benefits for 5 trustees, one secretary, a State Investment Officer III (FY 78), an Investment Accountant (FY 80), and a State Investment Officer II (FY 81). Contractual services include charges for safekeeping agency assuming cost inflation of 10% per year, and consultive services.

IV. DATE February 16, 1977 PREPARED BY Jim Edenso
AGENCY Department of Revenue
PHONE 465-2350

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 10/76)

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

votes of the trustees shall be recorded. Effective action to carry out the powers granted under this chapter requires the affirmative vote of a majority of the trustees. No trustee may, with respect to a matter before the board, vote for or on behalf of another trustee.

(b) No trustee may act upon a matter in which his relationship with any person creates a conflict of interest. No trustee may have an official connection with or hold stock or securities in, or have a pecuniary interest in, a corporation, company or association in whose securities any funds under this chapter are invested or is the recipient of or has applied for any loan or grant under this chapter.

Sec. 37.12.090. POWERS. The board has the power to

(1) direct the investment of the principal of the fund and require reports relating to the investment as it prescribes;

(2) prepare and submit to the governor plans for expenditures of fund income;

(3) hire and determine the compensation of an executive director, consultants expert in investments, finance, economics, renewable resources and other relevant technical professions, and other persons as necessary to assist the board in the exercise of its powers;

(4) take whatever other actions are reasonably necessary in furtherance of the purposes of this chapter.

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

(21) members of the Board of Trustees of the Alaska Permanent Fund.

2956
Bernier

Introduced: 1/12/77
Referred: (~~Judiciary~~ waived 3/9) and
Finance
3/9 Spec Common alaska Permanent Fund

IN THE HOUSE BY SWANSON

HOUSE BILL NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - FIRST SESSION

A BILL

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COMMITTEE COPY

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COMMITTEE COPY

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ALASKA STATE LEGISLATURE

TENTH... Legislature FIRST.. Session

HOUSE .....BILL..... NO. ..4.....

By SWANSON

"An Act relating to the Alaska permanent fund.

Permanent Fund

Introduced in the House 1-12, 19 77

HISTORY IN THE HOUSE

19		
		Read first time and referred to Committee on
Jan.	12	~~Judiciary and Fiance~~
Mar	9	(3rd waiver) Spec Comm on AK Permanent Fund - Amend
		Reported back with recommendation that
		Read second time and
		Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19	
	Read first time and referred to Committee on
	Reported back with recommendation that
	Read second time and
	Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19	
	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; 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. Governo
	Chapter No. .....

31-002