

SCOMM

#9:172

MINUTES

House Special Committee on
the Alaska Permanent Fund

February 22, 1978 7:00 PM
Room 124, Capitol Building

Chairman Gruening called the meeting to order. Present were Committee members Rep. Gardiner, Rep. Miles, Rep. Haugen and Rep. Meekins and Committee staff Mike Doogan and Tom Singer.

Amendments to HB 596 from Keith Specking were entered into the record and discussed.

Additional testimony from Mr. Joe McLean, the Association of Villiage Council Presidents and the Alaska Conservation Society has been received in the last week's time and were entered into the record.

Committee Substitute for HB 596 was presented to the Committee for their consideration and discussion followed.

Rep. Gardiner moved to adopt the Committee Substitute for HB 596 and report it out of the Committee and a majority concurred. CS for HB 596 was signed and passed out of Committee.

HB 682 was brought up for discussion. Two flow charts have been presented:

Rep. Gardiner moved and asked unanimous consent to add after "source" on page 3, line 7-8 "except earnings received from the corporation's investments". It was adopted in concept without objection.

Discussion was continued on Tom Singer's memo of 2/9/78.

Items 10 & 11: Rep. Gardiner moved to delete the entire subsection 11 (page 6, lines 13-17) and it was adopted without objection.

Item 12: Rep. Gardiner moved to delete "or" and add "and" (p6, l. 22). Meekins objected. Gardiner withdrew the motion. Gardiner moved to delete "are commercially promising or" and it was adopted without objection.

Item 13: Rep. Gardiner moved and it was adopted without objection.

Item 14: Rep. Gardiner moved this item be adopted. Chm. Gruening amended it to delete "permanent fund" and add "Alaska Permanent Fund Corporation" (p 6, l 25). Rep. Gardiner moved Item 14 be adopted as amended and there was no objection.

Item 15: Page 12, line 29, Rep. Gardiner moved to delete "in accordance with AS 37.10.070 (investment of surplus state funds)." and substitute "by the Alaska Permanent Fund Corporation." and it was adopted without objection.

Item 16: Rep. Gardiner moved to adopt and there was no objection.

Item 17: Rep. Gardiner moved to adopt and there was no objection.

Item 18: No action.

Item 21: Rep. Meekins moved to adopt and there was no objection.

Item 22: Rep. Meekins moved to adopt and there was no objection.

Item 24: Rep. Gardiner moved to adopt a three year residency requirement and there was no objection.

Item 25: Rep. Gruening moved to adopt and there was no objection.

Item 27: Rep. Gardiner moved to adopt and there was no objection.

Item 28: Rep. Gardiner moved to adopt and there was no objection.

Item 29:

Sec. 37.12.23 TAX EXEMPTION: Rep. Gardiner moved to adopt and there was no objection.

Sec. 37.12.240 EMPLOYMENT PRACTICES: It was held for revision.

Sec. 37.12.250 TECHNICAL ASSISTANCE: Rep. Gruening moved to adopt the section on page 5 of the memo as contained in HB 298 and there was no objection.

Sec. 27.13.260 PUBLIC ACCESS TO INFORMATION: Rep. Gardiner moved to adopt and there was no objection.

Item.30: Rep. Gardiner moved to adopt and there was no objection.

Item 31, 32 and 33: were deferred.

Item 34: Rep. Gruening moved to adopt and there was no objection.
The Committee meeting adjourned at 9:30 PM.

Minutes

House Special Committee on
the Alaska Permanent Fund

February 21, 1978, 4:00 PM
Room 123, Capitol

Chairman Gruening called the informal meeting to order.

Present were Committee members Rep. Hayes, Rep. Haugen, Rep. Gardiner and Rep. Meekins; committee staff; and Eric Yould, James Williamson, Mr. Ted Swick, Mr. Sam Plaia and others.

Mr. Swick brought an illustration of the use of the proposed "guarantee agreement" as embodied in HB 595 to the Committee. Discussion centered around this illustration. Possible additions to the bill could provide for entrance requirements, feasibility study (generation and economic) and a "laundry list" of facts that should exist before projects are guaranteed.

Mr. Eric Yould, Executive Director of the Alaska Power Authority, accompanied by Mr. Jim Curley and Mr. Argetsinger, suggested the Alaska Power Authority be the means to evaluate initial projects. The need is for front end planning funding and an entity to determine initial feasibility.

Mr. James Williamson of R. W. Beck and Associates informally listed projects which have shown a need for funding this year

<u>Project</u>	<u>Millions of \$</u>
Ketchikan	1.5
Craig	.100
Port Lyons (Kodiak)	.100
Seward	.100
Cordova	.450
Kenai	.200
Thomas Bay	.200
AEL&P (Haines & Juneau)	.250
Anchorage	3.5
	7.100

The meeting adjourned at 6:00 PM.

No tape of this meeting

MINUTES

House Special Committee on
the Alaska Permanent Fund

February 21, 1978 11:00 AM
Room 124, Capitol

The meeting was called to order by Chairman Gruening.
Committee members Rep. Haugen, Rep. Hayes, Rep. Meekins and
Committee staff Mike Doogan and Tom Singer were present.

Under discussion was HB 682 and Tom Singer's memo consolidating
changes to 682 of 2/9/78.

Item 1: It was moved by Rep. Gruening to substitute
"seasonal" for "unstable" and "non-stable" on p.1, l. 24 &
27. After discussion, it was decided to find another word
and the motion was withdrawn.

Item 2: Rep. Gardiner moved to adopt and there was no
objection.

Item 3: Rep. Meekins moved to adopt and there was no
objection.

Items 4 and 5: Rep. Gardiner moved to adopt and there was
no objection.

Item 6: After discussion the item was deferred.

Item 9: Rep. Gardiner moved to delete "board" from
p.5, line 14 and there was no objection.

Item 10: Rep. Gruening moved to delete "public" p. 6, l. 14
and to delete "groups" and strike the rest of the subsection
after "state" on line 15. There was no objection.

Item 11: Rep. Gardiner moved to delete "have" and add "are"
and after "income producing" add "and economically viable"
on page 6, line 19. There was no objection.

Rep. Meekins moved to reserve item 10 until next meeting and
there was no objection.

The meeting adjourned at 12:00 PM.

Minutes

House Special Committee on the Alaska Permanent Fund

Room 124, Capitol Building
February 14, 1978

Chairman Gruening called the meeting to order and welcomed those present. Committee members attending were: Rep. Miles, Rep. Haugen, Rep. Gardiner and Rep. Hayes. Rep. Haugen introduced members of the audience to the Committee: Bob Loescher, John Halloway, Chuck Folley, Mr. Cashen, Ferral Campbell, Sterling Gallagher, Bill Maerig, Don Bouy, Mr. James Williamson, Mr. Long, Bob Cross, Ed Zastral, Art Morgan, Jim Edenso, Art Perry and Bill Corbus most of whom had been invited by Rep. Haugen to inform the Committee of the needs for electric utility funding.

Mr. Don Bowie, Asst. Utilities Manager in Ketchikan indicated that financing for power projects could best be assisted by either long term low interest loans or a state guarantee of bonds.

Mr. Jim Williamson, of R. W. Beck and Ass., presented two papers to the Committee: "Role of the Alaska Permanent Fund in Funding the Water Resources Revolving Loan Fund" and "Financing of Water Resource Projects in Alaska" both of which were developed for the Southeastern Conference. His suggested methods for financing were direct dedication of funds from the Permanent Fund to water resources or outside loans guaranteed by the state (perm. fund).

Mr. Robert Loescher of SeaAlaska Corp, brought with him a copy of a "Preliminary Feasibility Study on Hydroelectric Potential" (in S. E.). The study (funded by REA) consolidates areas with good potential for projects. He cited the need for funds to continue into engineering phases. His suggestions for financing were long term low interest loans for plants and transmission lines and deferred payments during the first 3-5 years to allow for feasibility.

Mr. Bill Corbus, Manager of AEL&P cited Juneau's unique situation in having a sufficient power supply and urged the Committee's help in resolving the other SE communities' problems. He suggested adding a section in 595 allowing for use of funds to upgrade existing facilities as well as for construction of new facilities and allowing rural electric cooperatives and private utilities to be eligible to receive loans.

Mr. Bill Maerig of the Petersburg Electric Utility suggested the Committee look at the increased return in taxes and jobs generated by funding electric utilities. If the principal of the Permanent Fund were used to invest in long term low interest rate loans for small projects then the increase return would benefit the state as a whole with increased stability and jobs as well as increased tax base.

In conclusion of the testimony on funding of public utilities, Chairman Gruening indicated a strong personal commitment to finding a way to fund these projects.

The Committee recessed at 8:40 PM and reconvened at 9:00 PM for a work session on HB 596.

Mike Doogan's memo on the technical and grammatical corrections suggested by White, Weld was given to Mr. Berrier to incorporate into a committee substitute bill he is drafting.

Chairman Gruening asked that Committee members having suggested language for setting an upper dollar limit before legislative approval is necessary (enterprise fund) submit it by the end of the week. Rep. Hayes indicated that he would have a suggestion to submit.

Mike Doogan's memo on policy changes suggested by White, Weld was taken up:

Item 2 was moved by Rep. Miles and adopted unanimously.

Item 3: Chairman Gruening moved to clarify whether a suspension creates a vacancy.

Item 4: Chairman Gruening moved this amendment be adopted and there was no objection.

Item 6: Rep. Hayes moved for adoption and there was no objection.

Item 8: Mr. Berrier was directed to resolve this and assure a liaison between the APFC and AEIC and a letter of intent to accompany 596 was suggested by Rep. Gardiner.

Item 10: Rep. Hayes moved to adopt and there was no objection.

Item 11: It was decided no change was needed here.

Item 12: Mr. Berrier's memo of 2-14 was presented relating to this and items 1 and 2 were moved by Chm. Gruening. The motion passed with Rep. Hayes objecting.

Item 13: "Amendment to 596" was presented and Chm. Gruening moved for adoption. There was no objection.

Rep. Gardiner presented an amendment (Page 11, line 5 of 596) and moved that it be adopted in concept. There was no objection and Mr. Berrier was directed to draft it.

The Committee will try to meet after session each day this week. There is a tentative meeting with White, Weld set up for Tuesday, February 21.

The meeting adjourned at 10:05 PM.

MINUTES OF
The House Special Committee
on the Alaska Permanent
Fund

PUBLIC HEARING

Room 124, Capitol Building
February 9, 1978 7 PM

Chairman Gruening called the meeting to order at 7:15 PM and invited testimony from the public on House Bills 4, 298, 595, 596 and 682.

Present were Chairman Gruening, Rep. Haugen, Rep. Miles, Rep. Meekins, Rep. Schaeffer, Rep. Hayes, and Rep. Gardiner members of the Committee. Also present were Representatives Malone, Osterback and Snider, Commissioner Gallagher and Deputy Commissioner Edenso.

Dr. Joe Sonneman testified that the Permanent Fund should be used as a fiscal policy tool.

Mr. Joe McLean brought two major points on House Bill 596 before the Committee. Accounting of losses should be obvious on an annual basis (37.13.140, p.11) and that members of the Alaska Enterprise Investment Corporation Policy Board should have "recognized business competency" instead of "wide experience in investment finance" (Pg. 14, 1.29), be limited to one or two terms and be residents for more than seven years.

Mr. Phil Holdsworth testified that the Permanent Fund should support public utilities and protect the Trust Land's interests.

Ms. Virginia Del Piaz of the Alaska Conservation Society presented the Society's position statement which sets goals for the Permanent Fund to provide for the future, minimize immigration, protect renewable resources and assure the quality of life. The Society supports an increase in the Fund to 50% of revenues, addition of mineral severance taxes to the Fund's sources, re-investment of part of the interest allocation of principal to outside investments and modest investment in renewable resources and opposes investment in large scale energy projects and high risk small investments with significant environmental impact.

Representative Osterback suggested using the fund for bottom fishery support.

There was a short recess at 9:20 PM and the Committee reconvened at 9:30 PM for a working session

Page Two
Minutes of February 9, 1978
House Permanent Fund Comm

It was moved by Rep. Meekins and adopted without objection:

Page 1, lines 6 and 7, following the word "revenues" on line 6, add "and to legislative oversight."

It was moved by Rep. Meekins and adopted without objection:

Page 12, line 25 through page 13, line 4, delete all material.

It was moved by Rep. Meekins and adopted without objection:

Page 12, line 25, add:

Sec. 37.13.190. 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.

It was moved by Rep. Meekins and adopted without objection:

Page 14, lines 10-13, delete all material and substitute:

(2) there is a shortage of investment capital available from other sources on reasonable terms for financially sound small and medium scale productive private enterprise and community development projects;

Page 14, lines 17-21 delete all material and substitute:

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

It was moved by Rep. Hayes and adopted without objection:

Page 15, line 12, following "(d)" insert the word "Public".

It was moved by Rep. Gruening and adopted without objection:

Page 19, line 10, delete the word "it" and substitute "the investment committee".

It was moved by Rep. Hayes and adopted without objection:

Page 19, line 27, following the word "of" add "financially sound small and medium scale".

Page Three
Minutes of February 9, 1978
House Permanent Fund Comm.

It was moved by Reps. Gardiner and Meekins and adopted without objection:

Page 20, line 11, delete "resources of the bank" and substitute "assets of the corporation".

It was moved by Rep. Gardiner and adopted without objection:

Page 23, lines 13 and 14, following the word "members" delete "of the board of trustees" and substitute "of the policy board and investment committee".

Page 23, line 15, following the word "members" delete "of the board of trustees" and substitute "of the policy board and investment committee".

Page 23, lines 22 and 23, following the word "member" delete "of the board of trustees" and substitute "of the policy board and investment committee".

It was moved by Rep. Gruening and adopted without objection:

Page 18, line 29 through page 19, line 1 delete ", in such form and such amounts not to exceed \$100,000,000,".

It was moved by Rep. Gruening to adopt the same residency requirement for the Investment and Policy Boards as specified for the Board of Trustees. The motion was deferred.

A Committee mark-up session was scheduled for Tuesday night, February 14 at 7:00 PM in Room 124 Capitol Building and the meeting was adjourned at 9:50 PM.

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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:

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.

The meeting adjourned at 1:40 PM.

PRESENT: Clark Gruening, Chairman; Terry Gardiner, Vice
Chairman; Ernie Haugen, Russ Meekins, Bill Miles,
members.

The meeting convened at 1:30 p.m. The first order of business was a report from the Institute of Social and Economic Research.

Mr. Lee Gorsuch and Mr. Scott Goldsmith presented a summary of findings from research over the past three months. Included in the report were the following four points:

1. Looking at effects of varying contribution levels of the fund.
2. Looking at uses of the fund.
3. Examining alternative types of investments of the fund.
4. Looking at what happened to in-state placement of the \$900 million bonus monies received in 1969.

Mr. Bill Berrier reviewed changes in the draft bill from the last meeting.

The meeting adjourned at 5:00 p.m. and reconvened at 9:00 a.m. the following day, December 13, 1977.

The following changes were made in the draft bill:

To drop the word "state" from State Investment Oversight Committee.

Rearrange subsection (f) so that the first sentence is a separate subsection; re-letter subsections following. (Page 8, lines 24 -25).

Add word "surplus" to sentence deposit surplus funds, or invest surplus funds through the permanent fund in such obligations as it may determine; (page 16, line 19).

Change language in subsection (3) to read, "review periodic reports from all other agencies of the state performing lending, borrowing and investment functions." And in (4) to read, "present a complete report of all other agencies of the state performing lending, borrowing, and investment functions."

Draft a findings and purposes section for the Investment Oversight Committee.

Under staff of the Investment Oversight Committee add Legislative Finance Division and in the same section add "or contract for services" after "the committee may hire."

Add "financial and economic planning" on page 2, line 22 after the word "fiscal."

In the duties section the language will be altered to give overview of long range fiscal planning, prescribe procedures.

Finding 3 (page 5) changed to "the permanent fund should be used as a savings device managed to allow the maximum use of disposable income from the fund as needed for purposes designated by law."

On line 8, page 5 add "with respect to fund established in this chapter."

The term of office of the members of the board changed from three years to four years.

Section dealing with qualifications of trustees in (c) remove words "be knowledgeable" and substitute "have recognized competence and wide experience."

Changes in removal and vacancies to be consistent with salaries, etc. Pay is \$250 as an honorarium.

State \$250 per meeting day in compensation of trustees.

Change language in section 37.13.040 to "ALASKA PERMANENT FUND CORPORATION BOARD OF TRUSTEES. There is established the Alaska Permanent Fund Corporation Board of Trustees. 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 the guidelines established in this chapter."

The Alaska Enterprise Investment Fund Investment Committee changed to Corporation Investment Committee.

On page 8, beginning with line 15 (f) is changed to (b) and the lettering altered to read, "(b) The corporation assets shall be used only 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 of the state."

On page 8, line 8, changed to read, "fund assets. The prudent man rule with respect to making investments means the board shall exercise" and continue with the rest of language.

On page 8, line 29 add the word "full" before "faith."

On page 9, line 5 delete after "used" to the word "nor" after the semicolon on line 7.

On page 9 delete from line 15 through line 4 on page 10.

Insert new section on averaging income to read "the board shall establish and from time to time as needed modify guidelines for the corporation's assets. Prior to adoption of any guidelines the guidelines shall be reported to the Investment Oversight Committee for review and comment."

On page 9 delete section (2) and insert language limiting investments to no more than 30% in stocks.

In the section concerning audits (page 10) the Legislative Budget and Audit Committee is changed to Oversight Committee. Language for outside audits in all three funds is added.

Under the section concerning reports and publications the financial statements will be audited by an outside CPA in lieu of the Legislative Budget and Audit Committee. Also in the same section the time frame for reports requirement is changed to 90 days after the end of the fiscal year.

In section 37.13.010 add language to have money paid in at least monthly.

A transition must be added for transfer to permanent fund of monies now held by the Department of Revenue.

New language for conflicts of interest will be written to state a member or employee acquiring a conflicting interest shall disclose the interest but does not have to disqualify himself.

Add transition section for both corporations.

Add language to use earnings up to 25% of outstanding loans in guarantee account.

Salary language changed to read, "members of the investment 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."

Remove the Commissioner of Revenue from the audit committee.

Add section on president's staff of 298 to this bill.

Add investment requirements.

COMMITTEE MEETING
Anchorage Committee Office

December 12 and 13, 1977
Page 6

Page 16, line 13--49% changed to 25%.

Page 17, line 19--\$1,500,000 changed to \$2,500,000.

Page 15, line 24--maximum of one (changed from one half).

The renewable resources draft bill was discussed and
several changes made.

The meeting adjourned at 10:30 p.m.

PRESENT: Clark Gruening, Chairman; Terry Gardiner, Vice Chairman; Ernie Haugen, Bill Miles, Leo Schaeffer, members; Hugh Malone, Speaker of the House; Alvin Osterback.

The meeting convened at 9:00 a.m.

The committee agreed to adopt the bill which was presented as a working draft. The bill creates the permanent fund as a separate trust investment whose sole function is a high grade investment money-making vehicle. It also creates an Alaska Enterprise Investment Fund to invest in financially-sound medium and small scale enterprises.

A note was made of the Alaska Enterprise Investment Fund inadvertently called the Alaska Development Bank in several sections of the draft. The changes will be made.

The following changes in the draft were made by the committee:

To drop the words "in the Department of Revenue" in Sec. 37.13.010.

To change Finding 2 to read: "the primary goal of the fund should be to maximize total return while maintaining safety of principal;"

It was decided to define capital gains as return to capital and not as earnings and to add language allowing the trust fund managers to spread gains and losses over a five-year period.

Finding 4 was deleted.

Rep. Gruening suggested that something be drafted for use of the income of the fund. His suggestion was to re-inject 50% of earnings back into the permanent fund; and use the remaining 50% to finance alternate energy development--hydro and other non-fossil--to be used to secure a lever of private financing with capital gains returned to principal. It was agreed that the committee members would consider this suggestion.

After a short break, the following changes were made:

For the next meeting, the three-man board of trustees is retained. Staff to draft language putting operation into effect when a total of \$50 million accumulates in trust fund.

Page 8, line 19 to be amended to general language to chose persons to perform services.

Language to be added to 37.13.160 to show performance based on goals and objectives.

Section (f) on page 8 to be rewritten by staff and advisors to allow broad manager discretion.

Operating budget on page 9, lines 13 and 14 to come from general fund.

Language to be added to page 8, lines 5 and on to compare trust fund performance to institutions of similar size.

After a break for lunch, the following changes were made in the draft:

Section 44.55.010(b) will be changed to be consistent with permanent fund heading (Sec. 37.13.010).

Finding 3 under Alaska Enterprise Investment Fund be re-written so that it is not limited from working with federal agencies.

Finding 2 under Alaska Enterprise Investment Fund be written to modify enterprises, small and medium scale, productive, private and community development enterprises. (The same language will be used each time "enterprises" appears.)

The Finding and Purpose sections will be broadened from the limitation of private sector and will allow the community development sector in both.

The commissioners are removed from the Alaska Enterprise Investment Fund Policy Board and one member from the executive branch is added. Also in that section the language will be changed to "six public members appointed by the governor with due regard to geographic location within the state--two of which have broad investment financial background and two have broad experience in community and regional development." There will be one governor's appointee (a voting member) who will be responsible for coordination with other funds. In total the board will have 7 voting members. The terms will be four-year staggered terms.

"The chairman of the governing body of the renewable resources development fund serves as chairman of the policy board but is not a voting member" is deleted and that section will state that the board elect a chairman.

In the section dealing with the quorum of the board,

the sentence "decisions of the board shall be taken by a majority vote, including not less than a majority of the appointed members" the sentence will now end after "vote."

The monetary amount board members receive will be blank.

The section on the investment committee is to remain the same until the next meeting.

Operating budget will be specified in the section pertaining to the investment fund's budget.

The investment fund has the power to borrow up to 150% of its paid-in capital--changed from 50%.

The investment fund may not undertake any new investments till its paid-in capital reaches \$50 million.

The permanent trust fund will invest the idle cash balances, of the investment fund as a separate account, in such a manner that it will meet the cash needs projections of the investment fund.

"Purchase currently sound evidence of indebtedness from the tourism fund, the agricultural revolving loan fund and the small business development loan fund if the loan was made after the effective date of this Act and if the loan meets the criteria of sec. 120 of this chapter" will be eliminated.

The membership of the State Investment Oversight Committee be changed to the President of the Senate, Speaker of the House, and six other legislators, two of whom must be minority.

The meeting adjourned at 4:45 p.m.

COMMITTEE MEETING
Capital Building, Juneau

October 21, 1977
Page 1

PRESENT: Clark Gruening, Chairman; Russ Meekins, Bill Miles,
Leo Schaeffer, members.

The meeting convened at 9:00 a.m. The first order of business was White Weld's report.

Mr. Robert Greeley gave the recitation for White Weld on a study relating to descriptions of principals and management of trust funds, principals of various types of trusts. The study includes Wisconsin and Minnesota, as well as a series of investment funds. Also included in the report are the following: organization in management structure, description of different types of corporate securities, money market instruments, investment performance, and a listing of different criteria.

Dr. Belden Daniels discussed the development bank and existing loan funds with the committee.

It was agreed that the draft include a finding--there should be no duplication of already existing loan funds.

It was agreed to capitalize the development bank out of the permanent fund.

A separate paper of alternative approaches to accompany the bill was agreed upon.

The proposal was made and approved to raise the contribution rate to 30%, taking 1/6 of that to capitalize the development bank. The remaining 5/6 would be used to capitalize the investment function.

COMMITTEE MEETING
Capital Building, Juneau

October 21, 1977
Page 2

To keep the three commissioners on the Alaska Enterprise
Investment Fund Policy Board was ratified.

The meeting adjourned at 5:30 p.m.

PRESENT: Clark Gruening, Chairman; Russ Meekins, Bill Miles, members.

After a break for lunch, two letters were read and public testimony was heard.

The American Association of University Women delivered a letter asking for consideration for allocating part of the income derived from the permanent fund for the support of cultural facilities.

The Juneau Lyric Opera Association also presented a letter. They request priority consideration and affirmative action in funding cultural activities for municipalities.

Ms. Shirley Rediker, state coordinator of the Cultural Facilities Development Committee, suggested that income from the permanent fund be used for cultural facilities. Ms. Rediker stated that the state had a great need for places for performances, art exhibits, artifacts. She gave an account of several communities' needs for the facilities and offered to furnish the committee with more information if desired.

Mr. Eric Hanson spoke of Alaska's need for education on such things as aquaculture, arctic health, arctic research, mountaineering, skiing, general aviation, fishery science, and hatchery science. Mr. Hanson suggested that institutes be established in the above areas with educators with excellent qualifications--that could draw

international interest. Loans to students with minimum interest charged was also suggested by Mr. Hanson.

He encouraged flow of information to the public as the permanent fund committee progresses.

After a short break Ms. Allison Horton, representing the Audubon Society, stated that the society is more in favor of shifting the money to out-of-state investment than they are of a development bank. They believe that saving it for a future resource is the best.

Ms. Horton did suggest research be done on energy, technology research, alternative sources of energy, establishment of a state office of technology, recycling, and transportation alternatives.

Mr. Doug Pope and Mr. Bill Berrier discussed separation of powers--Bradner vs. Hammond.

Mr. E. O. Brackins, development specialist for minerals in the Division of Economic Enterprise believes there is too much emphasis on renewable vs. non-renewable resources. He thinks that mineral resources are renewable--renewable the same way a farmer's field is renewable. As you go in depth, the resource expands. Mr. Brackins suggested investing with a resource company (using Quebec as an example).

The meeting adjourned at approximately 3:00 p.m.

PRESENT: Clark Gruening, Chairman; Terry Gardiner, Vice Chairman; Russ Meekins, Ernie Haugen, Rick Urion, members; Senator Pat Rodey, Senate Permanent Fund Committee Vice Chairman.

The meeting convened at 10:00 a.m. The first order of business was public testimony.

Mr. Ed Bohnert, counselor with the University of Alaska Extension Center, testified on sources of energy for the Kotzebue area, including a windmill being installed at the Extension Center. His testimony pointed to the high cost of petroleum-based fuels in the Kotzebue region and the potential benefit of developing alternative energy sources in that region.

Mr. Marty Straus, environmental planner for Mauneluk also testified on alternative energy sources, including a pilot windmill at Kivalina, steam generation at Kobuk and geothermal potential at Kotzebue. In answer to a question from Rep. Gruening, Mr. Straus gave a brief outline of fisheries potential in the Kotzebue region.

Mr. Charlie Edwardson, Washington representative of the North Slope Borough, testified on management structure and investment goals of the Permanent Fund. A transcript of Mr. Edwardson's testimony is attached.

Following a lunch break, Mr. John Schaeffer, president of NANA, testified on his corporation's experience and investments it had made within the region. The main investments had been

in a hotel, wildlife museum, and jade processing operation in Kotzebue. These, Mr. Schaeffer said, had been subsidized by the corporation's profits from other investments outside the region.

Rep. Gardiner presented the Renewable Resources Development Fund subcommittee's first interim report and discussed the "leading edge" theory and the subcommittee's work plan.

Dr. Belden Daniels, committee consultant, presented his paper Models and Options for the Alaska Permanent Fund: Functions, Regionalization and Accountability. Discussion followed, during which Dr. Daniels pointed to the latter portion of the report which detailed accountability problems of existing development banking structures.

Rep. Gruening then moved that he would direct the committee staff to begin preparation of draft legislation structuring the permanent fund. The motion passed with unanimous consent. There followed discussion of the committee's schedule.

The meeting adjourned at 4:45 p.m.

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

Mr. Dick Haggart presented long- and short-term revenue projections (July 7 and July 14). He also spoke on the tariff.

Mr. Jim Edenso gave a report on investment of permanent fund. At this time it is in excess of \$4 million. There are treasury notes invested in \$3 million plus and the savings account has \$928,259.21.

There was a discussion and suggestions on the brochure. A wide distribution and summary of two reports were suggested. Committee members were advised to bring comments, suggestions, and changes to the staff's attention the first of the week so the booklet can be sent in to be printed.

Rep. Terry Gardiner gave a short account of renewable resource development.

The budget's allocation for consultants' fees was discussed. When a contract is proposed, it will be circulated to members of the committee.

The budget will be discussed in greater detail at the next meeting.

Tentative meeting schedule was approved.

It was suggested and agreed to that members send monthly budget reports.

COMMITTEE MEETING
Anchorage Courthouse

July 16, 1977
Page 2

Mr. Jim Edenso discussed the A. D. Little contract.
Any concerns regarding this contract, let him know and
he'll revise it.

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."