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**Article 7. Consolidated School Districts.**

Section  
810—940. [Repealed]

**Secs. 14.15.810—14.15.940.**

Repealed by § 59 ch 97 SLA 1966, effective July 1, 1966.

Editor's note. — The repealed article  
derived from §§ 1—11, 13, ch. 93, SLA 1963.

**Article 8. Dissolution of School Districts.**

Section  
950—960. [Repealed]

**Secs. 14.15.950—14.15.960.**

Repealed by § 59 ch 98 SLA 1966, effective July 1, 1966.

Editor's note. — The repealed article  
derived from §§ 1, 2, ch. 78, SLA 1949.

**Chapter 17. Public School Foundation Program.****Article**

1. State Aid to Local School Districts (§§ 14.17.010—14.17.075)
2. Preparation of Public School Foundation Budget (§§ 14.17.080—14.17.150)
3. Procedure for Payment of Public School Foundation Funds to Districts (§§ 14.17.160—14.17.190)
4. General Provisions (§§ 14.17.200—14.17.250)

**Article 1. State Aid to Local School Districts.****Section**

10. Public school foundation account
20. [Repealed]
21. State aid
22. Funds for centralized correspondence study
30. [Repealed]
31. Instructional units
40. [Repealed]
41. Table of allowable instructional units

**Section**

50. [Repealed]
51. Instructional unit allotment
56. Base instructional unit
60. [Repealed]
61. Supplemental programs
70. [Repealed]
71. Required local effort
75. [Repealed]

**Sec. 14.17.010. Public school foundation account.** (a) The public school foundation account is established. The account consists of appropriations for distribution to districts or for centralized correspondence study programs under this chapter.

(b) The money of the account may be used only in aid of public schools or for centralized correspondence study programs as provided by this chapter. (§ 1.08 ch 164 SLA 1962; am § 11 ch 95 SLA 1969; am § 2 ch 190 SLA 1975)

Effective date. — See effective date note following chapter analysis.

**Sec. 37.14.110. Public school fund established.** (a) There is established as a separate fund the public school fund.

(b) The principal of the fund established in (a) of this section consists of

(1) the balance of the public school permanent fund on July 1, 1978; and

(2) sums transferred under § 150 of this chapter.

(c) The income of the fund created in (a) of this section consists of the interest and dividends earned from investments of the principal of that fund under § 170 of this chapter. (§ 4 ch 182 SLA 1978)

**Sec. 37.14.120. Public School Fund Advisory Board created.** (a) There is created in the Department of Revenue the Public School Fund Advisory Board composed of the commissioner of the Department of Education, three members elected by the Board of Education from among its membership, and the commissioner of the Department of Revenue.

(b) The board created in (a) of this section shall elect a chairman from the membership of the board. Members serve without compensation but are entitled to per diem and travel expenses authorized by law for other boards. (§ 4 ch 182 SLA 1978)

**Sec. 37.14.130. Powers and duties of board.** The board created in § 120 of this chapter has the following powers and duties:

(1) to hold regular meetings and special meetings considered necessary;

(2) to have prepared an annual accounting of the principal and income of the fund established in § 110 of this chapter; and

(3) to prepare long-range investment plans for the fund established in § 110 of this chapter. (§ 4 ch 182 SLA 1978)

**Sec. 37.14.140. Fund utilization.** The principal of the fund established in § 110 of this chapter shall be retained in the fund for investment as specified in § 170 of this chapter. The income of the fund may not be appropriated for a purpose other than for the support of public education programs. (§ 4 ch 182 SLA 1978)

**Sec. 37.14.150. Contributions.** During each fiscal year the commissioner of the Department of Revenue shall transfer to the fund created in § 110 of this chapter a sum equal to one-half of one per cent of the total receipts derived from the management of state land, including amounts paid to the state as proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds,

and federal  
SLA 1978)

Ar  
Section  
160. Duties of  
170. Investme

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following cha

**Sec. 37.14.160. Commission created.** (a) There is created a commission composed of the commissioner of the Department of Education, the commissioner of the Department of Revenue, and the commissioner of the Department of Natural Resources. (1) act as to those funds (2) receive (3) collect established accordingly (4) collect established reserve acc (5) invest § 170 of th

**Sec. 37.14.170. Approval of investment.** (a) The approval of the investment of the fund established in § 110 of this chapter, may be made by the board of investment of surplus (b) The (1) invest (2) sell, investment (3) vote proxy or exercise a make paym reorganiza discretionary delegation respect to funds;

and federal general revenue-sharing payments or bonuses. (§ 4 ch 182 SLA 1978)

#### Article 4. Custody and Investment of Trust Funds.

##### Section

160. Duties of commissioner of revenue

170. Investments

Effective date. — See effective date note following chapter analysis.

**Sec. 37.14.160. Duties of commissioner of revenue.** The commissioner of revenue is the treasurer of the funds created in §§ 10, 60, and 110 of this chapter and shall

- (1) act as official custodian of the cash and securities belonging to those funds and provide adequate safe deposit facilities for each of them;
- (2) receive cash belonging to those funds;
- (3) collect the principal on securities acquired for each fund established under §§ 10, 60, and 110 of this chapter and credit each fund accordingly;
- (4) collect interest and dividends earned on investments of the funds established under §§ 10, 60, and 110 of this chapter and credit the income reserve account of each fund accordingly;
- (5) invest and reinvest the principal of each fund in accordance with § 170 of this chapter. (§ 4 ch 182 SLA 1978)

**Sec. 37.14.170. Investments.** (a) The commissioner of revenue, with the approval of each advisory board created in §§ 20, 70, and 120 of this chapter, may invest the principal of the funds created in §§ 10, 60, and 110 of this chapter in the same manner as specified for the investment of surplus pension funds under AS 39.35.110.

- (b) The commissioner of revenue may
- (1) invest and reinvest the principal of the funds;
  - (2) sell, exchange, convey, transfer, or otherwise dispose of investments of the funds by private contract or at public auction;
  - (3) vote upon a stock, bond, or other security; give a general or special proxy or power of attorney with or without power of substitution; exercise a conversion privilege, subscription right, or other option and make payments incidental to it; consent to or participate in a corporate reorganization or other change affecting corporate securities, delegate discretionary power, pay an assessment or charge in connection with the delegation; and generally exercise any of the powers of an owner with respect to stocks, bonds, securities, or other investments held in the funds;

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810-940. [Repealed]

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Title 15  
Elections

Title 16  
Fish and Game

Title 17  
Public Schools

Title 18  
Municipal Government

SLA  
2, 3,  
1960.

SLA  
SLA  
ch.

## Alaskan Education - Where do we go from here?

Alaska is the largest state in the nation and public education takes one of the largest bites from our state and community funds.

In today's time of anticipated big oil bucks, it doesn't seem that we should have any problem in providing a system of public education that would exceed even the wildest educators' dreams. However, I sometimes feel that these anticipated funds are at times a deterrent to our Alaskan education systems. Education is the development of the people's investment in its own future. A way of transmitting what they know and what they believe to future generations. As a result of millions in oil revenue, I think we are losing sight of this basic guideline. I can't help but recall an old saying from my childhood referring to a bunch of blind dogs in a meat house. The glorious smells of these millions of dollars is blinding us to our basic need of quality education for all Alaskans.

How do we go about obtaining a quality education for all areas in Alaska? This State, due to its size and difficulties in transportation and communication, is probably one of the most diverse, ethnically and economically speaking, states in the Union.

It is almost impossible to place a dollar value on the quality of education when comparing the urban with the rural-bush areas. At present for instance, the cost of educating a student in the big urban areas runs between 2 and 3 thousand dollars, in some of the more remote bush areas, it runs over 16 thousand per student. Urban legislators want to know why it costs so much more to educate in the bush than in the urban areas. The question also arises as to the quality of the education in the bush-rural area versus the urban areas. Here we are faced with the question as to what is our base for determining quality. Urban life style requires a quality education geared to survival in the urban areas. Rural-bush life style requires a quality of education geared to survival in both the bush and urban areas.

Rural-bush people want to know why they can't have all the extras that the urban areas appear to have available. At the same time, rural-bush people say that if they wanted the extras available in the urban areas they would move there. Rural-bush people complain at times about the qualifications of their teachers and administrators. At the same time other rural-bush people are extolling the abilities and virtues of their educators.

Part of the problem with new teachers or administrators may be factual. On the other hand, whose fault is it that these rural-bush educators are having difficulty in their respective positions? These people for the most part are highly educated and dedicated to their jobs. Some have just started in the education field, others have had a number of years in this, their life's work.

When hired, how many though were made aware of the hardships of living in the rural-bush areas? How many were aware that possibly their formal training or previous work experience might be different from what would be required of them in the rural-bush areas?

The creature comforts of a educator in the rural-bush area often have a drastic effect on the quality of education this person is able to deliver. It is pretty rough on a person who teaches school all day and then has to hurry home to cut wood or stop a roof leak, that is providing the person has a place they can call home. Dedication to your profession gets a little thin when you are constantly faced with physical discomforts!

The teachers faith in their previous education or work experience may also wear thin when they find they are faced with certain situations in educating youngsters in the rural-bush areas. In most cases, nobody told them about these situations or problems. Teacher turnover is high in the rural-bush areas. I think several of the reasons I have noted have a great bearing on this problem.

Each time you have a teacher or administrator turnover in either the urban or rural-bush area, it costs additional money. This again is more costly in the rural-bush area. To help correct some of these problems for the rural-bush districts, teachers and administrators, we should develop a "coming into the country" type of program.

Information and instructions as to how to cope with the physical life style in the specific area an administrator or teacher is assigned to should be made available. A specific course of instruction should be made available that addresses the basic and special needs of the area a teacher or administrator will be assigned to.

I noted earlier in this article we had to have a base line before we could determine a quality of education. I also noted that urban people had to be educated to survive in the urban areas, but that the rural-bush people had to be educated to survive in both urban and rural areas.

Rural-bush people want to continue their life style. To do so, they need to be taught subjects that relate to this life style in more detail than would be necessary in urban schools. At the same time they need to be taught subjects that would allow them to join in the main stream of urban life. If for no other reason than to not be labled a country bumpkin come to town. Most rural-bush people are more defensive of their life style than urban people. They want to keep their rural-bush heritage alive.

Urban schools should have more specific courses in the heritage and philosophy of the bush areas. This would allow a better understanding of bush people. It should help to alter their relationship with bush people. I sometimes feel we are like the two Americans visiting France for the first time. One of them commented to the other that there sure were a lot of foreigners in this country. We are not foreigners, we are all Alaskans and need not think some of our people are not Alaskans.

Education costs entails much more than just teaching. A school without teachers certainly would not be a place where a great deal of learning went on. But neither would a great deal of learning go on in a school without a roof, books, or a means to keep warm in the winter.

Construction and maintenance costs in materials in Alaska are the highest in the nation. Warm, well lighted, and comfortable facilities are conducive to better teaching and reception of what is being taught. We have a lot of facilities in the state. One nice thing is they all have running water and restrooms. The problem is that some of the school running water is obtained by running down to the river, pond, creek, or lake and chopping a hole in the ice to get it. And the rest rooms are one holers. Some of our schools require bilge pumps, not to pump out their basements, but to keep them from sinking in the bay or inlet where they might be anchored. From what I can determine, Alaska probably has the only floating school houses in the nation.

I mention these little things not for the sake of trivia, but to illustrate some of the diverse problems facing schools in the Alaskan rural-bush areas.

The cost of fuel to heat rural-bush schools can sometimes be as high as \$3.00 a gallon. You certainly can't get much heat or electricity from just one gallon. Energy of any kind is one of the high cost items in both urban and rural-bush schools. Anchorage has one of the lowest cost figures in natural gas in the nation - but who knows how long this will last? Therefore, even a big urban school district such as Anchorage is faced with an uncertain energy situation sometime in the future.

With the problem of energy costs increasing constantly, we will be forced to come up with a solution in the immediate future. Otherwise we will have to close the doors to the schools if the school districts can't obtain the funds to pay increasing energy and employee costs. I say employees, because it is also costing them more to live.

The cost of new construction has obviously increased. But I would point out that new construction cost can be ascertained a little easier than the increased cost of maintaining existing facilities. A roof leaks, a pipe bursts, a window pane is broken, a floor needs recovering or any other item becomes useless unless repaired. The problem facing the school district is the known fact it is going to cost more to repair or replace than it cost new. But how much more? You almost have an unknown factor trying to prepare your budget for the next year. Fact of the matter if the district has to have it corrected before school continues, it is almost necessary to have a blank check.

The point I am making in the above comments is that energy and maintenance costs increases are almost in the realm of the unknown. You only know the true cost after you have paid the bill.

Alaska has a law that states 55 percent of a districts state funding will be used for instructional purposes. There is also an "escape" clause that allows a district the opportunity to request exemptions under certain circumstances. I suspect a certain amount of pencil sharpening is presently going on to stay within the 55% clause or obtain exemptions. I further suspect that the major reasons for this is caused by energy and maintenance cost increases.

As a solution to the energy and maintenance situation, I would propose a, shall we call it a revolving fund, of \$50,000,000 to be used as needed by the school districts for correction of these problems.

The fund would be allocated to the State Department of Education to be dispersed upon proper application of the school district needing these

funds. REAA school districts requesting these funds would do so through the joint Senate - House budget oversight committee. Municipal or borough school districts would do so through their borough assembly or municipality. Approval of the requests will then be forwarded to the Department of Education for their consideration, study and approval.

After legislative approval of the revolving fund the first time additional funding in only the amount used will be requested by the Department of Education for each succeeding school year.

I further propose that the Department of Education in coordination with local school districts devise a training or orientation program for educators hired by the districts for the first time. These programs will address the problems I have previously noted along with specific district situations. The funding for this program would be obtained through the State Department of Education from the revolving fund.

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# NEA - ALASKA

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January 5, 1981:

The Honorable H. Pappy Moss  
Pouch V  
Juneau, Alaska 99811

Dear Pappy:

Thanks for your letter of December 18, 1980, and the "White Paper" re: your thinking on funding public education. Sorry for the delay in responding but the Holiday festivities caught up with me.

As per your request I am including some thoughts and comments relative to the substance of your plan. Basically, I agree that it is important to work now on solutions which will have long-range positive effects.

Focus on the excessive energy and maintenance costs for rural schools seems to be most appropriate in that these seem to be basic components of the differences between the urbans and the rurals. I think that it is equally important to keep the same degree of focus on the problems which exist for rural teacher housing. Local school boards and administrators should have an obligation to provide much better service in assisting teachers in finding reasonable and adequate housing. Quite naturally, in some districts, this is going to require that they have access to greater financial resource that they do under the current foundation funding program.

An endowment, or revolving, fund seems like a good idea and I believe that we can support the concept. However, I see three potential problems which could be serious:

1. I don't think \$50 million is enough in that I think that there are other costs which could logically be included and should be accessible to urban schools as well.
2. Any endowment or revolving fund should be carefully written as a supplement only to the Foundation

Page Two  
Letter to H. Pappy Moss

Funding Formula. Sometimes when endowment funds exist as a source of revenue an attitude develops that they should become the sole or exclusive source. Obviously we are going to need increasing foundation fund monies as well.

3. While I don't have a better suggestion, I am not comfortable with the Department of Education as the administrative agency. Internal politics and the fact that many Department employees come from the Districts creates a high level of concern for me.

I agree 100% with your conclusion that high teacher turnover is disruptive of the educational program in the rural areas. I also agree that there should be meaningful and realistic preservice training and orientation for teachers who are new to Alaska. From my perspective, this kind of program should be run through NEA-Alaska using teachers from the rural and bush areas. This kind of first-hand experience would be far more valuable and useful than anything done by the Department or local school boards and administrators and could be uniquely tailored to the needs of the particular district.

Finally, relative to the quality and accountability issue, it is our clear feeling that classroom teachers, the "practitioners," can best determine program needs on the basis of their experience in the village and in the classroom. Therefore, we will continue to resist any significant responsibility for accountability and control of quality since we do not have access to meaningful program development in the first instance.

While it may be presumptuous, it appears to us that NEA-Alaska represents the best potential for diminishing the conflict and rivalry between urban and rural districts. We look forward to working closely with you on this matter of crucial concern to everyone.

I am enclosing some information from the 1978 NEA-Alaska Quality Education Conference. It may provide some insights to our positions on these issues.

Thanks for including us in your consideration, Pappy. I look forward to seeing you in Juneau.

Sincerely,

  
Robert Manners  
Executive Secretary

RM:lls

**AN ENDOWMENT FUND  
FOR PUBLIC SCHOOLS IN ALASKA**

**By**

**Lee Corsuch  
c/o Anchorage School District  
4600 DeBarr Road  
Anchorage, Alaska 99503**

**December 30, 1980**

## AN ENDOWMENT FUND FOR PUBLIC SCHOOLS IN ALASKA

Alaska has a unique need and opportunity to develop the financial means to sustain public education in Alaska well beyond the balance of this century. Interest in building such a sustaining source of revenues has been growing in recent months, not only among school districts and municipalities but also among state legislators. The concept being advanced under the rubric of an endowment for public schools is neither new nor complex. Simply stated, it proposes that the state set aside a portion of its surplus revenues in an investment fund, the earnings of which would be appropriated by the legislature to support public schools. The size of the fund and its investment performance would determine the proportion of public school expenditures the endowment could support. The earnings and how they are to be distributed would remain subject to the normal appropriation and legislative powers of the State Legislature.

Investing surplus revenues to support future governmental functions or specific public purposes is also not new to Alaska. The Alaska Permanent Fund, the Alaska Renewable Resources Corporation, and numerous other enterprise and special revenue funds all lay a claim of one sort or another on public revenues. Although these various state investment funds differ in important ways, they nonetheless represent ample precedent for the practice of investing public funds to support public purposes.

Indeed, the vehicle necessary to implement the public school endowment concept may already exist in Title 37.14 of the Alaska Statutes. That statute, entitled the Public School Fund, mandates that one-half of one percent of total receipts derived from the management of state land, including royalties and bonuses, be transferred to the fund. The principal of the fund is retained for investment, and the earnings of the fund may only be appropriated for the support of education. The Commissioner of Revenue manages the Public School Fund, subject to the oversight of a five-member advisory committee. Although current contributions to the fund are nominal (less than three million dollars has accumulated to date), the fund and the authorizing legislation may provide the framework for building a long-term financial base for public education.

Numerous questions about the need for and wisdom of creating a large education endowment have already been raised, and many others are likely to follow. Among the more frequently raised issues are:

1. Is not Financing Education a Local Responsibility?

Unlike many public services, education is a constitutional obligation of the state. Much to its credit, Alaska is in the forefront of most states in affording each school-age child an equal opportunity to secure a basic public education. The Alaska School Foundation Program ensures that every school district in Alaska will receive sufficient funds to offer its children a basic education, regardless of the district's relative wealth or poverty.

Currently, the state pays 100 percent of the expenses of twenty-one rural school districts (REAAAs) and 78 percent of the costs of thirty-one local school districts (including Anchorage). The remaining 22 percent of revenues for the local school districts comes largely from local property taxes. This year, in an effort to provide relief for property tax payers, the Legislature may enact legislation to reimburse communities for their local taxes and thereby finance 100 percent of all public school expenses in Alaska.

Numerous states which have relied heavily in the past upon local sources of revenue, mainly local property taxes, to support public education have been successfully challenged in the courts, for example California in Serrano v. Priest, 1971, and New Jersey in Robertson v. Cahill, 1973. These states are now required by their respective state supreme courts to find alternative means of equitably financing public education.

For states facing fiscal deficits, court mandates to reorganize the financing of public education pose a most serious problem; for Alaska, the possibility of such mandates reinforces the wisdom of using today's surplus revenues to build a sustaining source of future revenues for funding public education in the years ahead. [Furthermore, an endowment for public schools would ensure that local property taxes would not be required to bear the major burden of financing public education should oil revenues begin to diminish in the 1990s, as presently forecast.]

## 2. Does Alaska Really Need an Endowment Fund?

If further substantial discoveries of oil are made on state lands before the end of this decade, the answer may be no, not for another ten years; however, until such discoveries are made, the answer is unequivocally yes.

[Last year the state appropriated approximately 400 million dollars to support the operation of our public schools. This amounts to over twice the value of the repealed personal income taxes.] Even if we were to combine all personal, business, sales, and property taxes of state and local governments last year (excluding oil-related income), we could not have financed last year's education budget, not to mention other essential state and local governmental services. These conventional sources of revenue simply cannot support today's level of operation, much less sustain public education in future years. By 1990, inflation and growth of the student population will push state aid for public education to one billion dollars; [by the year 2000, state aid will total approximately 2.5 billion dollars.] Furthermore, any expansion of public education services, such as vocational education, is likely to push the required revenue estimates higher still. Clearly, some means of generating revenues other than through conventional taxes will be required if Alaska is to continue to meet its constitutional mandate and provide a quality education for its school-age children.

3. How Much Money Would Have to Go into such a Fund to Sustain a Significant Portion of Public Schools' Expenses?

Petroleum revenues now comprise approximately 95 percent of this year's total state revenues. Current estimates of contributions to the Alaska Permanent Fund, at the mandatory rate of 25 percent, report an accumulation of approximately 17.6 billion dollars by 1995. Assuming an investment return of 10 percent, the Fund would yield an estimated 1.75 billion dollars in 1995, about 105 percent of the projected total public school's budget for that year. Thus, a 20-percent rate of contribution to the endowment fund (computed on the same basis as the Permanent Fund) would ensure the availability of approximately 94 percent of public schools' revenue requirements in 1995.

4. Does not the Permanent Fund Accomplish the Purpose of the Endowment?

No, unlike the Permanent Fund, the earnings from the endowment could only be used to support education, not to make cash distributions to citizens or to support governmental operations in general.

Inasmuch as public education comprises almost a third of the state's budget and is clearly a constitutional responsibility of the state, it seems both prudent and timely to pursue a means of securing long-term financial security for our public schools. Furthermore, as illustrated above, the projected earnings of the Permanent Fund at current rates of contribution are insufficient to cover both future public education costs and a reasonable portion of other governmental operations.

One alternative to the endowment that is frequently advanced is simply to increase the rate of contribution to the Permanent Fund. This alternative neither appears to enjoy broad legislative or public support nor does it clearly establish the high financial priority that the state has historically given public education. Unlike additional contributions to the Permanent Fund, which are likely to be the subject of much debate and disagreement, safeguarding the financial future of public education is a public goal which enjoys broad popular support. In short, the endowment is the more likely and certain means of securing a long-term financial future for public education in Alaska.

5. Would not the Legislature be Losing Control of the State's Budget by Creating the Endowment?

No, under the endowment fund concept, public schools would remain subject to the appropriation powers of the Alaska Legislature and to other powers granted to organized local governments. Both the amount of the earnings to be used for public schooling and the distribution of the earnings among school districts would be determinations made by the Alaska Legislature, such as they are today. Presumably, the Alaska School Foundation Program would continue to serve as the formula for computing how much money each school district would receive, and the

legislative process would fix the total amount of earnings to be appropriated each year. Thus, under the endowment proposal, the process of funding public schools would remain similar to what it is today; only the source of revenues would be altered.

In summary, the endowment fund is a sound and opportune proposal. It would secure the future of public education in Alaska and ensure that all children of our state will have an opportunity of getting a good education.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

HB 84, 85

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 84, 85

Title Relating to the financing of education; establishing an education endowment fund

Requested by House Health, Education & Social Services Committee Date 2/4/81

II. FISCAL DETAIL

Agency Affected Dept. of Revenue

Program Category Affected General Fund

BRU, Program, or Subprogram(s) Affected \_\_\_\_\_

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

	1,000.3	2,000.0	2,000.0		
GENERAL FUND → MILLIONS ←					
FEDERAL FUNDS					
OTHER (Specify Fund Source)					

POSITIONS

FULL TIME					
PART TIME					
TEMPORARY					

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

These bills create and appropriate money to the Alaska Education Endowment Fund. The purpose is to provide an income source for funding public school expenditures. Funds would be in control of 5-person board of trustees and operating costs not subject to the Executive Budget Act.

Above fiscal impact are the appropriations made to the fund by HB 85; \$1 billion for FY 82, \$2 billion for FY 83 and \$2 billion for FY 84. Revenue stream that would be generated on these funds would be \$50 million, \$200 million, \$400 million, \$500 million and \$500 million for Fiscal Years 1982 thru 1986 respectively, assuming a 10% earnings rate. Transfers of appropriated funds to the endowment fund would be made on a monthly basis in line with cash flow needs of the general fund.

*Anselm C. Staack*

IV. DATE March 16, 1981

PREPARED BY Anselm C. Staack, Treasury Comptroller

AGENCY Dept. of Revenue/Treasury Division

PHONE 465-2351

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)



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Newport Beach, CA 92660  
(714) 833-9704

file - HB 84

Mr. Peter L. Kelley  
c/o Rep. H. Pappy Moss  
Pouch V  
Juneau, Alaska 99811

February 17, 1981

Dear Peter,

The basic thrust of this report is found on the single page, Source and Application of Funds. ~~"A Five Billion Dollar investment" as provided by your bill will return about Sixteen Billion Dollars in educational financing through 1997, with about a Seven-hundred forty million dollar balance.~~

On a dollars and sense basis this represents an extraordinary, yet reasonable, investment return. Two elements are important to consider:

(1) ~~The Fund is not permanent.~~ It is, in effect, a term investment. The increasing budget, which is inescapable, begins to devour the Fund as early as 1984. As time passes the drain on the Fund increases sharply.

(2) Your state can gain sixteen precious years for other internal development projects such as agriculture, industry, communication, transportation and housing at a critical time in the state's history. Separating the costly burden of education from the Permanent Fund or from a fixed percentage of state revenue allows for these other needs to be met.

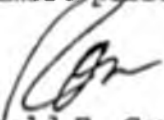
Insofar as the funds to finance public education must be secured, no matter the source, I believe the establishment of a separate fund is in order for the reasons I presented in the Summary. One thought I did not advance in the Summary is the importance of divorcing the Need to spend being solely based upon the Ability to spend. This becomes more important as state revenue will not necessarily mean a better quality or quantity of education despite increased spending.

Allowed to grow at a reasonable rate, such as provided by the Endowment Fund, a planned budget with long-term projections should be more valuable to educational administrators for planning future educational programs.

Hopefully I have under-estimated total return on investment. If so, the Fund will have a longer life. The numbers are written on paper. They are not carved in granite. They will change as economic conditions change. But, I believe they adequately and realistically provide a basis or point of reference for considering educational financing.

Given the need to finance education and the present investment opportunity to secure funds for such financing, I believe the Educational Endowment Fund should be established.

Warmest personal regards,



Ronald E. Gerron

ALASKA EDUCATIONAL ENDOWMENT FUND REPORT

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To: Representative H. Pappy Moss  
From: Ronald E. Gerron  
Re: Alaska Educational Endowment Fund

THE PURPOSE OF THIS REPORT is to establish an evidentiary basis that the Alaska Educational Endowment Fund, Senate Bill Number 32, House Bill Number 84, will be self-sustaining and self-funding; that it would be the least costly method of educational financing; and that the interest income generated from the investment of Fund assets would provide for the financing of public education through 1997, returning slightly less than Sixteen Billion Dollars in education financing with an investment of Five Billion Dollars.

THE SCOPE OF THIS REPORT is limited to Section G of the Bill as it pertains to the investment of Fund assets.

THE PRUDENT MAN RULE applies as to discussion of investment of Fund assets in general, as well as in particular instances. The Prudent Man Rule was established in Massachusetts (Harvard v Amory 26MASS446) in 1830, stating that a Trustee:

"..is to observe how men of prudence, discretion and intelligence manage their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable safety of the capital to be invested."

Senate Bill Number 32, House Bill Number 84 has operationally defined the Prudent Man as one who would invest Fund assets as prescribed in Section G, as well as restating the Prudent Man Rule in Section 37.14.127(a).

REFERENCE shall be made to a report, "An Endowment Fund for Public Schools in Alaska," by Lee Gorsuch, December 30, 1980.

AN APPENDIX is attached including a chronological corporate bond calendar, interest rate tables, the Gorsuch article, and a Glossary of terms relevant to Section G. of the Bill



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SUMMARY

Senate Bill Number 32, House Bill Number 84, Alaska Educational Endowment Fund; Section 37.14.127 (b): The Assets of the Fund shall only be used for income-producing investments.

In order to finance public education in the State of Alaska as well as provide for the self-sustenance of the Education Endowment Fund through 1997, two requisites are in order:

- ◀ (1) Interest rates must remain high, and
- ◀ (2) The capital base of the Fund must be internally expanded.

While the projected budget requirements discussed in the Gorsuch article (10% yearly increase) are subject to debate, there should be little doubt that the financial requirements for public education shall continue to grow.

Current funding requirements can be met through investment in high-yielding debt instruments, but in order to sustain the Fund and provide for future increases in the education budget the capital base must expand. This expansion can occur through Section G, Subsection 8 of the proposed Bill through a chronological accumulation of short/intermediate-term corporate bonds whose current market values represent a sizable discount from par value at maturity.

As maturing bonds are redeemed at par the proceeds from these redemptions are re-invested chronologically in more distant maturities. The benefits from this method are manifold:

- (1) Current income is increased through the higher coupons offered by bonds offered at later dates as well as the larger total face value of such bonds secured by the Fund;
- (2) The capital base of the Fund is expanded through the accumulation of larger bond holdings;
- (3) Investment costs are significantly reduced since there are no redemption charges; and
- (4) Investment in corporate debt securities is the most plausible method prescribed in Section G by which the Fund can achieve a pre-determined, measurable, sustained growth in capital.

Interest income earned by the Fund is predominately subject to

the fluctuations in prevailing interest rates at the time investment funds are committed. Speculation can be made as to the general direction of such interest rates, but the prevalent rates are beyond the control of the Board of Trustees of the Fund.

As inflation persists in raising the projected budgets of education financing, so too will interest rates rise to offset rising budgets and generate a larger stream of current income to the fund. The growth rate and investment return of the Fund must outpace the budget growth. Many of the factors contributing to the budget growth—inflation, population increase, the circumstance of transportation, communication, and lack of population density unique to Alaska—are also beyond the control of the Board of Trustees of the Fund. However, the constitutional mandate requires that funds be available.

A Five Billion Dollar investment as proposed by Senate Bill Number 32, House Bill Number 84, over a three-year period could be reasonably expected to return slightly less than Sixteen Billion Dollars in education financing, meeting reasonable requirements through 1997.

A tabular, as well as graphic, Source and Application of Funds appears, demonstrating a Fund Model. The education budget has a built-in growth rate of eight percent annually. Average rate of return on invested funds is twelve percent.

*diff. revenue  
470*

It can be seen that as early as 1984, the Fund begins to operate at a deficit, divesting itself of capital as well as interest earnings. From 1992 through 1997 bond redemptions become a major source of funds to meet budget requirements.

The graphic illustration of the Cumulative Profile depicts the enormous effect of the growing budget on Fund resources. The periodic infusion of capital into the Fund from external sources would extend the life of the Fund, and such an infusion might be considered.

As presently conceived the Fund is a "term account" with a defined life-span. Changes in return on Fund investments would most likely increase the revenue to the Fund. The budget growth is a fixed rate. The return is an approximation over time. It will fluctuate, and is therefore understated relative to present rates available.

Insofar as the investment of Fund assets in highly rated short/intermediate-term bonds is an important aspect in generating current income and providing for the internal growth of Fund assets, a lengthy list is included to demonstrate the availability of such bonds.

There are numerous reasons to favor the passage of Senate Bill Number 32, House Bill Number 84, The Alaska Educational Endowment Fund, with the understanding and fore-knowledge that it does not constitute a permanent source of financing. The Sixteen Billion Dollar return from a Five Billion Dollar investment represents an attractive investment in dollar terms as well as the use of funds generated: public education for the State of Alaska. \*

Additionally, the establishment of a separate entity such as the Endowment Fund removes a financial burden from the Permanent Fund thereby allowing for a more intensive program to address other needs of the people: transportation, communication, agricultural and industrial development, housing, health and social services, and other internal priorities.

As presently perceived, the Alaska Educational Endowment Fund could reasonably be expected to meet the growing financing needs of Alaskan public education for more than fifteen years—years critical to the internal development of the State.

As presently perceived, educational administrators would have a more clearly defined flow of funds with which to plan and implement programs beneficial to the student population. Of prime importance is the knowledge that funds would be available as constitutionally mandated. Over the projected time span of the Fund the size and return on investment would be monitored for adverse deviation from anticipated results. Proper remedy would be instituted to assure the continued financing as needed.

Given the mandate to finance education, and given the availability of funds to establish the Educational Endowment Fund, and given the certainty of educational budget increase over time, as well as the need to address other matters of vital importance to the State of Alaska, the establishment of the Fund at this time represents the most attractive educational investment opportunity the State of Alaska might ever have.

ALASKA EDUCATION ENDOWMENT FUND  
SOURCE AND APPLICATION OF FUNDS  
(000,000 omitted)

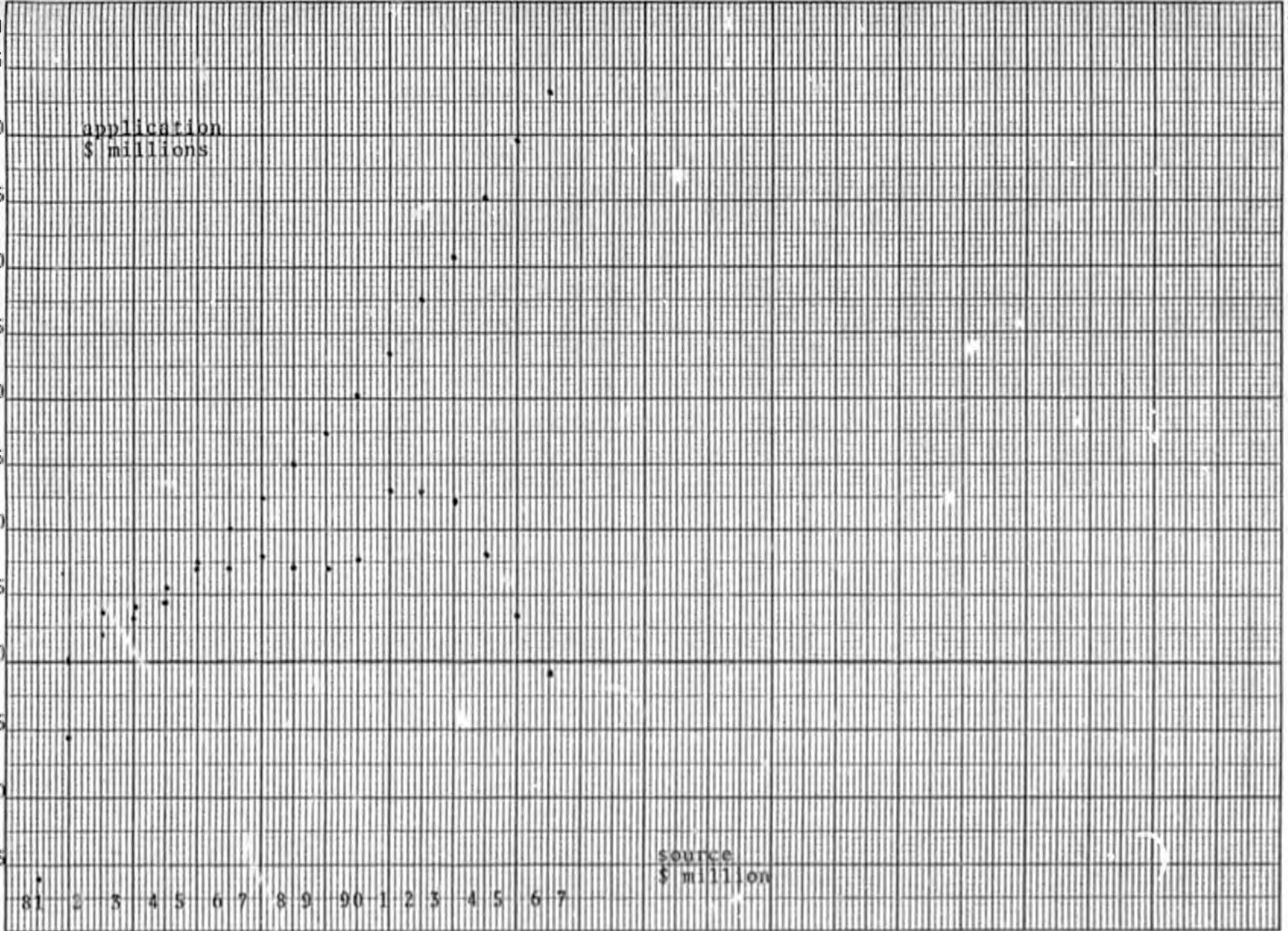
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
FUND	1,000	3,120	4,994.4	5,053.7	5,076.8
INCOME	120	374.4	599.3	606.4	609.2
BUDGET		500	540	583.2	629.8
(+-)	+120	-125.6	+ 59.3	+ 23.1	- 20.6
	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
FUND	5,056.2	5,062.7	5,023.6	4,926.5	4,762.5
INCOME	606.7	607.5	602.8	591.2	571.5
BOND GAIN #	80	88	93.5	101.7	110
BUDGET	680.2	734.6	793.4	856.9	925.5
(+-)	+ 6.5	- 39	- 97	-164	-244
	<u>1991#*</u>	<u>1992*</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
FUND	4,738.1	4,431	4,183.3	3,844.5	3,396.8
INCOME	568.6	531.7	502	461.3	407.6
BOND GAIN*	123.8	300	325	350	300
BUDGET	999.5	1,079.5	1,165.8	1,259	1,359.8
(+-)	-307.1	- 247.7	- 338.8	- 447.7	- 652.2
	<u>1996</u>	<u>1997</u>			
FUND	2,744.6	1,855.4			
INCOME	329.4	222.6			
BOND MAT.*	250	250			
BUDGET	1,468.6	1,586			
(+-)	- 889.3	-1,113.4			
		742 BALANCE			

# 1986: First year of bond redemption; original capital re-invested in 1992 maturities at 64% of par

\* 1991: Last year of chronological bond investment; bonds maturing between 1992-97 consumed by budget requirements at redemption

APPLICATION OF FUNDS: BUDGET 1982-1997

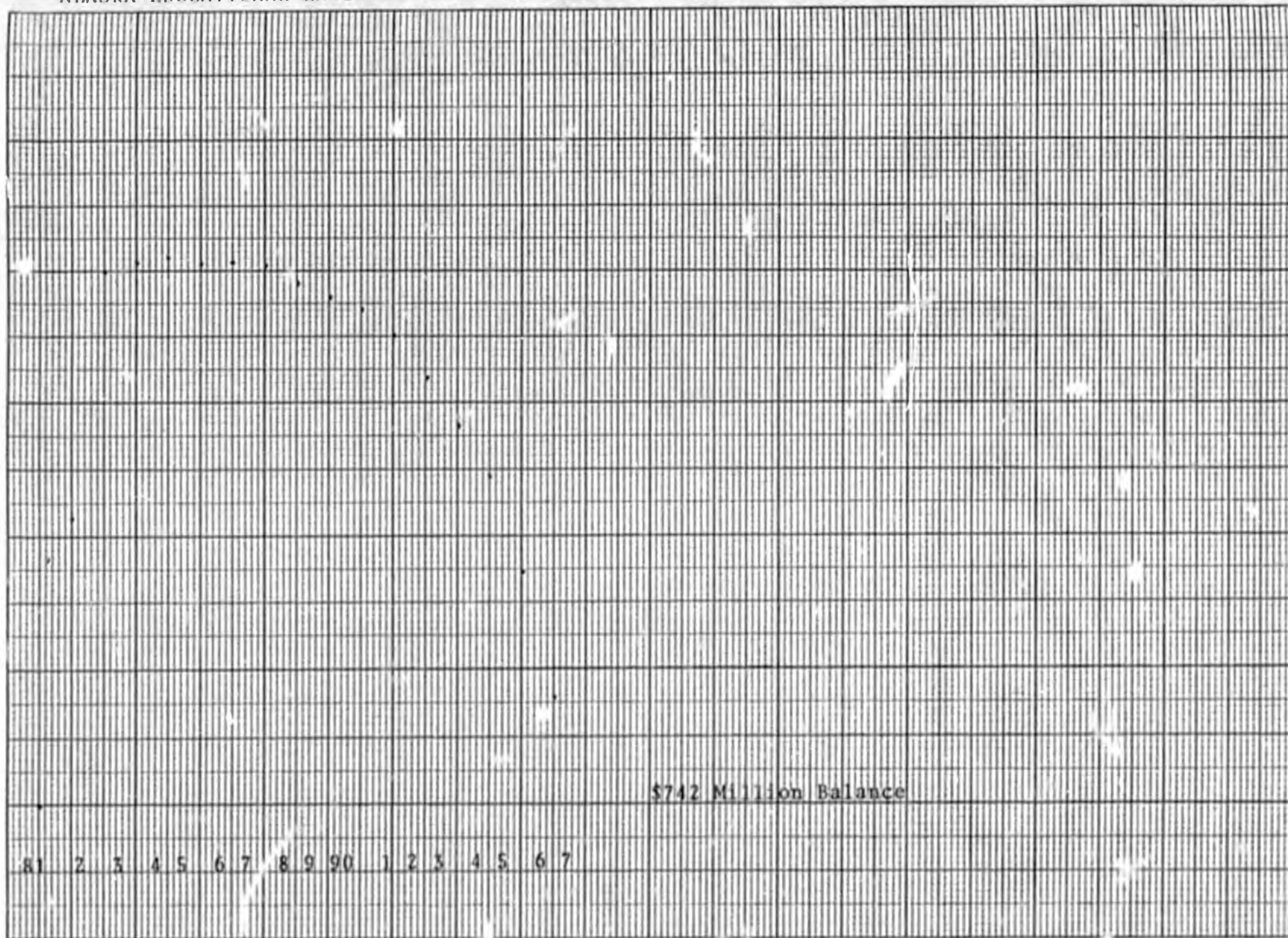
SOURCE OF FUNDS: INTEREST, GAINS 1981-1997



Education Budget as a Percent of Beginning Fund Assets

1982	16.02
1983	10.81
1984	11.54
1985	12.40
1986	13.45
1987	14.51
1988	15.79
1989	17.39
1990	19.43
1991	21.09
1992	24.36
1993	27.87
1994	32.75
1995	40.03
1996	53.51
1997	85.48

ALASKA EDUCATIONAL ENDOWMENT FUND: CUMULATIVE PROFILE 1981-1997 (Billion Dollars)



1986

	<u>AAA</u>
American Telephone & Telegraph	2 5/8
Dallas Power & Light	3 1/8
Dallas Power & Light	4 1/4
Shell Oil Co.	4 5/8
Tennessee Valley Authority	4 5/8
Texas Electric Service	3 1/4
Texas Power & Light	4 3/8

	<u>AA</u>
California Electric Power	4 1/2
Central Power & Light	3 1/4
Cleveland Elec. Illum.	3 3/8
Commonwealth Edison	3 1/2
Cons. Gas El Light & Power	2 3/4
Cons. Natural Gas	4 3/8
Cons. Natural Gas	4 3/4
Deere & Co.	4 1/2
Duquesne Light Co	3 1/2
Gulf States Utilities	4 1/4
Houston Lighting & Power	3 1/4
Illinois Power Co	3 3/4
Indianapolis Power & Light	3 5/8
Kansas Gas & Electric	3 3/8
Kentucky Utilities Co	3 3/4
Kimberly-Clark	4 5/8
Motorola	4 3/4
Northern States Power (Minn)	4 1/4
Pacific Gas & Electric	4 1/2
Pacific Telephone & Telegraph	2 7/8
Public Service Elect & Gas	4 3/8
Tampa Electric Co	4 1/8
Union Oil, Calif	4 7/8
U.S. Steel Corp	4 1/2
Wisconsin Electric Power	3 7/8

1987

American Telephone & Telegraph  
Southern Bell Tel & Tel  
Tennessee Valley Authority  
Texas Electric Service  
Texas Power & Light

AAA  
2 7/8  
2 7/8  
4 1/2  
4 3/4  
4 5/8

California Electric Power  
Cincinnati Gas & Electric  
Commonwealth Edison  
Cons. Natural Gas  
Gulf States Utilities  
Houston Lighting & Power  
Louisville Gas & Electric  
Northern States Power (Wisc.)  
Oklahoma Gas & Electric  
Pacific Gas & Electric  
Pacific Tel & Tel  
Public Service, Colorado  
Public Service Elect & Gas  
Southern Calif Edison  
Southern Indiana Gas & Electric  
Southwestern Gas & Electric  
Wisconsin Public Service

AA  
4 5/8  
4 7/8  
4 1/4  
4 1/2  
4 7/8  
4 3/4  
4 7/8  
4 5/8  
4 1/2  
3 3/8  
3 1/8  
4 3/8  
4 7/8  
4 1/4  
4 3/8  
4 5/8  
4 3/8

1988

	<u>AAA</u>
Illinois Bell Telephone	4 1/4
Michigan Bell Telephone	3 1/8
New Jersey Bell Telephone	3 1/8
Texas Electric Service	4 1/2
Texas Power & Light	4 1/2

	<u>AA</u>
Burroughs Corp	4 1/2
California Electric Power	4 1/2
Central Illinois Pub Srv	4 1/8
Central Power & Light	4
Commonwealth Edison	3 3/4
Consol Natural Gas	4 3/8
Duquesne Light Co	3 3/4
El Paso Electric	4 1/4
Gulf Power Co	4
Gulf States Utilities	4
Illinois Power Co	4
Indianapolis Power & Light	4 1/8
Iowa Public Service	4 1/4
New England Tel & Tel	3 1/8
Northern Illinois Gas	4 3/8
Northern States Power (Minn)	4
Oklahoma Gas & Electric	3 7/8
Pacific Gas & Elect	3 7/8
Public Service, Oklahoma	3 7/8
Public Service Elect & Gas	3 5/8
Southern Calif Edison	4 3/8
Tampa Electric Co	4 1/4
West Texas Utilities	3 7/8
Wisconsin Electric Power Co	4 1/8

1989

Bell Telephone, Pennsylvania	<u>AAA</u>
New Jersey Bell Telephone	3 3/4
New York Telephone Co	3
Northwestern Bell Tel	4 3/8
Southern Bell Tel & Tel	3 1/8

Anheuser-Busch	<u>AA</u>
Baltimore Gas & Electric	4 1/2
Central Illinois Pub Srv	3
Cleveland Elect Illum	4 3/4
Dallas Power & Light	3
Deere & Co	4 1/2
Duquesne Light Co	4 1/2
Gulf Power Co	4 1/4
Gulf States Utilities	4 3/4
Gulf States Utilities	4 3/4
Houston Lighting & Power	5 1/4
Houston Lighting & Power	3
Laclede Gas Co	4 7/8
Northern Indiana Pub Srv	4 5/8
Pacific Gas & Electric	4 1/2
Pacific Tel & Tel	5
Public Service, Colorado	3 1/8
Public Service, Indiana	4 5/8
Public Service Elect & Gas	4 3/8
Southern Calif Edison	5 1/8
Southern New England Tel & Tel	4 3/8
Texas Power & Light	3 1/4
Wisconsin Power & Light	4 1/2
	4 5/8

1990

	AAA
American Tel & Tel	3 $\frac{7}{8}$
General Foods Corp	8 $\frac{7}{8}$
New Jersey Bell Tel	2 $\frac{3}{4}$

	AA
California Electric Power	5 $\frac{1}{8}$
Central Illinois Elect & Gas	5
Cincinnati Gas & Elect	5
Commonwealth Edison	4 $\frac{5}{8}$
Consol Natural Gas	4 $\frac{3}{4}$
Gulf Power Co	5
Gulf States Utilities	4 $\frac{7}{8}$
Indianapolis Power & Light	4 $\frac{5}{8}$
Iowa-Illinois Gas & Electric	5
Kansas City Power & Light	5
Northern Illinois Gas	5 $\frac{5}{8}$
Northern Indiana Pub Srv	4 $\frac{7}{8}$
Northern States Power (Minn)	4 $\frac{1}{2}$
Pacific Tel & Tel	4 $\frac{5}{8}$

1991

	<u>AAA</u>
Gulf Oil Corp	5.35
Michigan Bell Telephone	4 3/8
New York Tel Co	4 1/2
Standard Oil, Indiana	6
Texas Power & Light	4 1/2

	<u>AA</u>
Anchor Hocking	5 1/8
Anheuser-Busch	5.45
California Electric Power	5
Cleveland Elect Illum	8 3/8
Continental Oil	4 1/2
Kansas Gas & Electric	4 5/8
Kimberly-Clark	5 7/8
Laclede Gas Co	5 3/4
New England Tel & Tel	3 1/4
Northern Illinois Gas	6
Northern States Power (Minn)	4 7/8
Pacific Gas & Electric	5
Public Service El & Gas	4 3/4
Southern Calif Edison	4 1/2
Sun Company	4 5/8
Texas Instruments	4.80
Times-Mirror	4 1/2
Utah Power & Light	4 7/8
Wisconsin Electric Power	5

1992

	<u>AAA</u>
American Tel & Tel	4 3/4
Bristol-Myers Co	5.70
General Electric Co	5.30
Michigan Bell Tel	4 3/4
Shell Oil Co	5.30
Southwestern Bell Tel	4 3/4
Standard Oil, Calif	5 3/4
Tennessee Valley Authority	5.70
Tennessee Valley Authority	6 3/8
Wisconsin Telephone Co.	4 1/2

	<u>AA</u>
Baltimore Gas & Elect	4 3/8
Borg-Warner Corp	5 1/2
Burroughs Corp	6
Caterpillar Tractor	5.30
Caterpillar Tractor	6 7/8
Champion Spark Plugs	5 7/8
Cincinnati Gas & Elect	4 3/8
Consol Natural Gas	6 1/8
Deere & Co	5.40
El Paso Electric	4 5/8
Gulf States Utilities	4 3/8
Houston Lighting & Power	4 1/2
Kimberly-Clark	5 7/8
Northern Illinois Gas	6
Northern Indiana Pub Srv	4 3/8
Northern States Power (Minn)	4 3/8
Pacific Gas & Elec	4 5/8
Pacific Tel & Tel	3 5/8
Public Service, Colorado	4 1/2
Public Service Elec & Gas	4 3/8
Southern Calif Edison	5 7/8
Southern Calif Edison	5 1/4
Southern New England Tel	4 1, 8
Southwestern Public Service	4 1/2
Utah Power & Light	4 1/2
Westinghouse Electric	5 3/8
West Texas Utilities	4 5/8
Weyerhaeuser Company	5.20
Wisconsin Power & Light	4 1/4

1993

AAA

Chesapeake & Potomac Tel	4 1/8
Cin. & Suburb Bell Tel	4 1/2
Dallas Power & Light	4 1/4
Gulf Oil Corp	6 5/8
New Jersey Bell Tel	3 7/8
New York Tel Co	4 1/8
Sears, Roebuck & Co	6 3/8
Mobil Oil	4 1/4
Southern Bell Tel Tel	4 5/8
Texas Electric Service	4 3/8
Texas Power & Light	4 3/8

AA

Abbott Laboratories	6 1/4
Baltimore Gas & Electric	4
Central Illinois Pub Srv	4 1/2
Cleveland Elect Illum	3 7/8
Dallas Power & Light	6 3/4
Illinois Power Co	4 1/4
Iowa Pub Srv Co	4 3/8
Laclede Gas Co	7
Northern Illinois Gas	6 3/4
Northern Indiana Pub Srv	4 1/2
Northern States Power (Minn)	4 3/8
Oklahoma Gas & Electric	4 1/4
Pacific Gas & Electric	4 1/2
Pacific Tel & Tel	5 1/8
Public Service, Oklahoma	4 1/8
Pub Srv Elect & Gas	4 3/8
Rochester Telephone Corp	4 3/4
Southern Calif Edison	6 3/8
Southwestern Electric Power	4 3/8
Southwestern Pub Srv	4 3/8
Tampa Electric Co	4 1/2
Texas Electric Service	6 5/8
Union Light, Heat, & Power	4 3/8
Utah Power & Light	4 1/2
Wisconsin Pub Srv	4 3/8

1994

	<u>AAA</u>
American Tel & Tel	4 $\frac{5}{8}$
Beatrice Foods	7 $\frac{7}{8}$
Ford Motor Co	7.85
Illinois Bell Tel	4 $\frac{3}{8}$
Michigan Bell Tel	4 $\frac{7}{8}$
Tennessee Valley Authority	8 $\frac{1}{4}$

	<u>AA</u>
Baltimore Gas & Electric	4 $\frac{1}{2}$
Bell Telephone, Canada	8
Central Illinois Pub Srv	4 $\frac{1}{2}$
Cleveland Elect Illum	4 $\frac{3}{8}$
Consol Natural Gas	7 $\frac{3}{4}$
Gulf Power Co	4 $\frac{5}{8}$
Indianapolis Power & Light	4 $\frac{1}{2}$
Minnesota Gas	8
Northern Illinois Gas	9
Northern States Power (Wisc)	4 $\frac{1}{2}$
Pacific Gas & Electric	4 $\frac{3}{8}$
Public Service, Colorado	4 $\frac{1}{2}$
Public Service Electric & Gas	4 $\frac{5}{8}$
Southern Calif Edison	7 $\frac{1}{8}$
Southwestern Pub Srv	4 $\frac{1}{2}$
Texas Power & Light	7 $\frac{3}{4}$
Utah Power & Light	4 $\frac{5}{8}$
Weyerhaeuser Co	7.65
Wisconsin Public Service	4 $\frac{1}{2}$

1995

	<u>AAA</u>
American Tel & Tel	5 5/8
Bristol-Myers Co	8 5/8
Chesapeake & Potomas Tel	3 1/4
Gulf Oil Corp	8 1/2
Illinois Bell Tel	3 1/4
New Jersey Bell Tel	3 3/8
Sears, Roebuck & Co	8 5/8
Southern Bell Tel	3 1/4
Southwestern Bell Tel	4 5/8
Texas Elect Srv	4 1/2
Texas Power & Light	4 1/2
Western Electric	8 3/8
Wisconsin Telephone Co	4 7/8

	<u>AA</u>
Central Illiinois Pub Srv	4 5/8
Central Indiana Gas	10
Consol Natural Gas	9 1/4
Consol Natural Gas	7 7/8
Halliburton Company	7.95
Inland Steel Co	8 3/4
International Paper	8.85
Iowa Pub Srv	10 3/4
Kansas City Power & Light	4 3/4
Laclede Gas Co	9 1/2
National Steel Corp	8
Northern Indiana Pub Srv	4 5/8
Northern States Power (Minn)	6 1/8
Oklahoma Gas & Electric	4 1/2
Pacific Gas & Electric	4 1/4
J.C. Penney Co	8 7/8
Peoples Gas Light & Coke	8 7/8
Public Service Electric & Gas	4 3/4
G. D. Searle & Co	8.70
Southern Calif Edison	7 7/8
Southern Indiana Gas & Electric	4 3/4
Southwestern Pub Srv	4 5/8
Travelers Corp	8.70
West Penn Power Co	4 7/8
Westinghouse Electric	5/8

1996

	<u>AAA</u>
American Tel & Tel	4 3/8
Bell Tel, Pennsylvania	3 1/4
Dallas Power & Light	4 7/8
General Electric Co	7 1/2
Michigan Bell Tel	4 5/8
New York Telephone Co	3 3/8
Northwestern Bell Tel	3 1/4
Standard Oil, Calif	7
Tennessee Valley Authority	7.30
Texas Electric Service	5 1/8
Texas Power & Light	5
Western Electric	7 1/2

	<u>AA</u>
Abbott Laboratories	7 5/8
Armstrong Cork Co	8
Baltimore Gas & Electric	5 1/8
Commonweath Edison	5 1/4
Consolidated Foods	7 3/8
Consol Natural Gas	8 3/8
Dana Corp	7.30
Duquesne Light Co	5 1/8
Gulf Power Co	6
Gulf States Utilities	5
Houston Lighting & Power	5 1/4
Illinois Power Co	5.85
Indiana Gas	8 1/4
Indianapolis Power & Light	5 1/8
Kansas Gas & Electric	5 5/8
Louisville Gas & Electric	5 5/8
McGraw-Edison	7 1/2
Northern States Power (Minn)	5 7/8
Pacific Gas & Electric	4 1/2
Public Service, Colorado	5 3/8
Public Service, Oklahoma	5 1/4
Ralston Purina Co	7.70
Southern Calif Edison	8
Southern Indiana Gas & Electric	6
Southern New England Tel	5 3/4
Tampa Electric Co	5 1/2
Wisconsin Electric Power	5 7/8

1997

	<u>AAA</u>
American Tel & Tel	5 1/2
Dallas Power & Light	5 3/8
EXXON Corp	6
Illinois Bell Tel	4 7/8
New York Tel Co	4 5/8
Southern Bell Tel	5
Southwestern Bell Tel	4 1/2
Tennessee Valley Authority	7.35
Texas Electric Service	6 1/8
Texas Power & Light	5 1/2

	<u>AA</u>
Atlantic Richfield	5 5/8
Central Illinois Pub Srv	5 7/8
Central Indiana Gas	8
Cincinnati Gas & Electric	5 7/8
Commonwealth Edison	5 3/8
Consol Natural Gas	7 5/8
Duquesne Light Co	5 1/4
Gulf States Utilities	5 3/8
Houston Lighting & Power	5 1/4
Humble Pipeline	5 5/8
Indianapolis Power & Light	5 5/8
Iowa-Illinois Gas & Elect	5 7/8
Iowa Southern Utilities	6 1/8
Kansas City Power & Light	5 3/4
Laclede Gas Co	7 1/2
Northern Illinois Gas	7 5/8
Northern Indiana Pub Srv	6 3/8
Northern State Power (Minn)	6 1/2
Oklahoma Gas & Electric	5 1/8
Pacific Gas & Electric	4 5/8
Peoples Gas Light & Coke	7 5/8
Public Service, Colorado	5 7/8
Public Service, New Mexico	5 7/8
Public Service Elect & Gas	6 1/4
Southern Calif Edison	7 3/8
Southwestern Electric Power	7
Southwestern Pub Srv	5.70
Union Carbide	5.30
Wells Fargo Co	7 3/8
West Penn Power Co	7
Wisconsin Electric Power	6 7/8
Wisconsin Public Service	6 3/8

THE ALASKA EDUCATIONAL ENDOWMENT FUND, SECTION 37.14.127 (g)

"...the Board may invest fund assets in:

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

(2) obligations secured by reserves paid in by the United States or agencies or instrumentalities of the United States or obligations of corporations in which the United States is a shareholder or member;"

United States Government Bonds  
United States Treasury Bills, Notes, Bonds  
Federal National Mortgage Association  
Bank for Co-Operatives  
Federal Farm Credit  
Federal Land Bank  
Federal Home Loan Bank  
Government National Mortgage Association

(3) "certificates of deposit issued by United States domestic banks which are members of the Federal Deposit Insurance Corporation....

(4) shares of federally chartered savings and loan associations in Alaska....

(5) savings certificates issued by state-chartered savings and loan associations in Alaska....

(6) deposits with mutual savings banks in Alaska....

(7) fixed-term certificates of indebtedness of federally insured credit unions....

(8) corporated debt securities which are rated AA or better by a nationally recognized rating service;"

Chronological Bond Series Enclosed  
Internal Fund Expansion Described in Summary  
Purchase \$275 million face value bonds each year 1986-1991;  
Re-invest proceeds upon maturity through 1997.

(9) "short-term corporate promissory notes of the highest rating assigned...."

Commercial Paper  
Private-Placement Financing

(10) "bankers' acceptances....

(11) repurchase agreements....

(12) the guaranteed portion of Federal Small Business Administration loans;

(13) the portion of first lien real estate mortgages guaranteed by the Federal Veterans Association;

(14) the portions of business and industrial loans made under the Rural Development Act of 1972 which are guaranteed by the Farmer's Home Administration;

(15) the guaranteed portion of Farmer's Home Administration loans;

(16) notes secured by mortgages...."


**PRIME RATE  
(PERCENTAGE)  
1970 TO PRESENT**

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>ANNUAL AVG</u>	7.91	5.73	5.23	8.03	10.81	7.88	6.84	6.82	9.06	12.66	15.32	
<u>QUARTERLY AVG</u>												
1	8.46	5.91	4.82	6.11	9.25	9.04	6.83	6.25	7.98	11.75	16.58	
2	8.00	5.41	5.01	7.04	10.98	7.33	6.91	6.47	8.30	11.72	16.33	
3	7.96	5.97	5.34	9.15	11.99	7.57	7.08	6.90	9.13	12.11	11.62	
4	7.22	5.64	5.75	9.81	11.01	7.58	6.54	7.67	10.82	15.07	16.73	
<u>MONTHLY AVG</u>												
JAN	8.50	6.34	4.97	6.00	9.72	10.19	7.00	6.25	7.93	11.75	15.25	20.16
FEB	8.50	5.89	4.75	6.03	9.18	8.96	6.75	6.25	8.00	11.75	15.57	
MAR	8.39	5.49	4.75	6.29	8.85	7.97	6.75	6.25	8.00	11.75	18.93	
APR	8.00	5.25	4.98	6.59	10.10	7.50	6.75	6.25	8.00	11.75	19.78	
MAY	8.00	5.48	5.00	7.00	11.29	7.41	6.78	6.41	8.27	11.75	16.56	
JUN	8.00	5.50	5.04	7.53	11.55	7.08	7.20	6.75	8.63	11.65	12.65	
JUL	8.00	5.90	5.25	8.35	11.97	7.17	7.25	6.75	9.00	11.54	11.45	
AUG	8.00	6.00	5.27	9.23	12.00	7.67	7.00	6.83	9.00	11.90	11.12	
SEP	7.87	6.00	5.50	9.86	12.00	7.88	7.00	7.13	9.41	12.90	12.28	
OCT	7.50	5.91	5.73	9.92	11.69	7.96	6.77	7.52	9.94	14.38	13.79	
NOV	7.25	5.53	5.75	9.75	10.84	7.53	6.50	7.75	10.97	15.53	16.06	
DEC	6.92	5.47	5.78	9.75	10.50	7.27	6.35	7.75	11.55	15.30	20.35	

Source: Security Pacific National Bank

Permanent Fund  
Rainy Day Fund

Introduced: 2/4/81  
Referred: Health, Education &  
Social Services and Finance

*Delegatory authority of appropriations* 

1 IN THE HOUSE

BY MOSS

2 HOUSE BILL NO. 84

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 *Earning power of 5.5 B is interest operation of DOE.*  
A BILL

6 For an Act entitled: "An Act relating to the financing of education; estab-  
7 lishing an education endowment fund, amending the  
8 public school foundation program, and repealing the  
9 public school fund; and providing for an effective  
10 date."

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

12 \* Section 1. AS 37.14 is amended by adding new sections to read:

13 ARTICLE 3. EDUCATION ENDOWMENT FUND.

14 Sec. 37.14.111. ALASKA EDUCATION ENDOWMENT FUND. (a) There is  
15 established as a separate fund the Alaska education endowment fund.  
16 The fund consists of

17 (1) money appropriated to or otherwise allocated by law to  
18 it; and

19 (2) interest earned by investment of money in the fund.

20 (b) The fund shall be managed by the board of trustees of the  
21 fund established in this chapter.

22 Sec. 37.14.113. COMPOSITION AND QUALIFICATIONS OF BOARD OF TRUST-  
23 EES. (a) The board of trustees of the fund consists of five members,  
24 including

25 (1) the commissioner of administration;

26 (2) the commissioner of education;

27 (3) one person appointed by the governor who is a school  
28 board president or superintendent; and

29 (4) two other members appointed by the governor.

*Earning power of 5.5 B is interest operation of DOE.*  
*Visio sum...*

*Completely cont. by Gov.*

*No on*

1 (b) The two members of the board appointed by the governor under  
2 (a)(4) of this section shall have recognized competence and wide experi-  
3 ence in finance, investments, or other business management-related  
4 fields.

5 (c) The board shall annually elect a chairman from among its  
6 members.

7 Sec. 37.14.115. TERM OF OFFICE. (a) ~~The three members~~ of the  
8 board appointed by the governor shall be appointed for terms of three  
9 years subject to confirmation by a majority of the members of the  
10 legislature in joint session.

*not possible 4 yrs terms for term.*  
↓

11 (b) The commissioner of administration and commissioner of educa-  
12 tion serve during their tenure in office.

13 Sec. 37.14.117. REMOVAL AND VACANCIES. (a) The governor may  
14 remove a member of the board from office. A removal by the governor  
15 shall be in writing and shall state the reason for the removal.

16 (b) A vacancy on the board shall be promptly filled by appoint-  
17 ment by the governor and confirmation by a majority of the members of  
18 the legislature in joint session. An appointee to a vacancy shall hold  
19 office for the balance of the term for which his predecessor on the  
20 board was appointed. If a vacancy arises on the board while the legis-  
21 lature is not in session, the governor may appoint an interim board  
22 member who shall exercise the powers of a board member until the legis-  
23 lature fails to confirm the appointment of the interim board member.

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

*? so few with so much!!*

27 Sec. 37.14.119. QUORUM. Three members of the board constitute a  
28 quorum for the transaction of business and the exercise of the powers  
29 and duties of the board.

1           Sec. 37.14.121. COMPENSATION OF BOARD MEMBERS. Members of the  
2 board are entitled to per diem and travel allowances as provided by law  
3 for members of state boards and commissions. *86075 100*

4           Sec. 37.14.123. STAFF. The board may employ staff. An employee  
5 of the board may not be a member of the board. Employees of the board  
6 are in the exempt service under AS 39.25.

7           Sec. 37.14.125. CONFLICT OF INTEREST. (a) Members of the board  
8 are subject to the provisions of AS 39.50. *Also AS 45: APOC*  
9 *conflict of interest*

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

16           Sec. 37.14.127. INVESTMENT RESPONSIBILITIES OF THE BOARD. (a)  
17 The prudent-man rule shall be applied by the board in the management  
18 and investment of fund assets. The prudent-man rule as applied to  
19 investments of the fund means that in making investments the board  
20 shall exercise the judgment and care under the circumstances then  
21 prevailing which an institutional investor of ordinary prudence, dis-  
22 cretion, and intelligence exercises in the management of large invest-  
23 ments entrusted to it not in regard to speculation but in regard to the  
24 permanent disposition of funds, considering probable safety of capital  
25 as well as probable income.

26           (b) The assets of the fund shall only be used for income-producing  
27 investments.

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

*How again we have out of state investment priority !?*

1 (d) The board shall submit long-range and quarterly investment  
2 reports to the Legislative Budget and Audit Committee.

3 (e) The board may not borrow funds or guarantee from principal of  
4 the fund the obligations of others.

5 (f) The board may enter into and enforce all contracts necessary,  
6 convenient or desirable for purposes of management of the fund.

7 (g) Subject to the limitations in (h) and (i) of this section,  
8 the board may invest fund assets in

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

12 (2) obligations secured by reserves paid in by the United  
13 States or agencies or instrumentalities of the United States or obli-  
14 gations of corporations in which the United States is a shareholder or  
15 member;

16 (3) certificates of deposit issued by United States domestic  
17 banks which are members of the Federal Deposit Insurance Corporation  
18 for which a generally recognized secondary market exists or which are  
19 fully secured at all times as to payment of principal and interest by  
20 investments described in (1), (2), (8) or (12) - (16) of this sub-  
21 section; the security pledged under this paragraph shall be at least  
22 equal to the face value of the deposit and the board may require sub-  
23 stitution of collateral;

24 (4) shares of federally chartered savings and loans associ-  
25 ations in Alaska which are fully secured at all times as to payments of  
26 principal and interest by investments described in (1), (2) of this  
27 subsection;

28 (5) savings certificates issued by state chartered savings  
29 and loan associations in Alaska which are fully secured at all times as

1 to payments of principal and interest by investments described in (1),  
2 (2) of this subsection;

3 (6) deposits with mutual savings banks in Alaska which are  
4 fully secured at all times as to payments of principal and interest by  
5 investments described in (1), (2) of this subsection;

6 (7) fixed-term certificates of indebtedness of federally  
7 insured credit unions which are fully secured at all times as to pay-  
8 ments of principal and interest by investments described in (1), (2) of  
9 this subsection;

10 (8) corporate debt securities which are rated AA or better  
11 by a nationally recognized rating service;

12 (9) short-term corporate promissory notes of the highest  
13 ratings assigned by a nationally recognized rating service;

14 (10) bankers' acceptances drawn on and accepted by United  
15 States banks each of which have a combined capital and surplus aggre-  
16 gating at least \$200,000,000;

17 (11) repurchase agreements, the securities underlying the  
18 agreements being any of the items in (1) - (3) and (8) - (10) of this  
19 subsection;

20 (12) the guaranteed portion of Federal Small Business Adminis-  
21 tration loans;

22 (13) the portion of first lien real estate mortgages guaran-  
23 teed by the Federal Veterans Association;

24 (14) the portions of business and industrial loans made under  
25 the Rural Development Act of 1972 which are guaranteed by the Farmer's  
26 Home Administration;

27 (15) the guaranteed portion of Farmer's Home Administration  
28 loans;

29 (16) notes secured by mortgages of residential real estate if

1 the mortgages are insured by a private mortgage insurance corporation  
2 which is authorized to do business in Alaska and has combined capital,  
3 surplus and reserves aggregating at least \$20,000,000; the minimum  
4 coverage shall be 10 percent for loans having a loan-to-value ratio of  
5 less than 90 percent, and the minimum coverage shall be 20 percent for  
6 loans having a loan-to-value ratio of 90 percent or more.

7 (h) The board may enter into future contracts for the sale of  
8 investments purchased under (g) of this section only for the purpose of  
9 hedging an existing equivalent ownership position in these securities.

10 (i) Investments under (g)(8) of this section may not exceed 25  
11 percent of the total investments of the fund. Investments under (g)(16)  
12 of this section may not exceed in the aggregate 15 percent of the total  
13 investments of the fund.

14 (j) The assets of the fund may not be used for the purchase of  
15 bonds of a corporation, upon which any regular interest payment has  
16 been defaulted within five years before purchase, except bonds never in  
17 default but which have been outstanding for less than five years.

18 (k) The board shall establish and from time to time as necessary  
19 modify guidelines for the investment of the assets of the fund. Before  
20 adoption of any guidelines the guidelines shall be reported to the  
21 Legislative Budget and Audit Committee for review and comment.

22 (l) The board shall invest the assets of the fund in in-state  
23 investments to the extent in-state investments are available if the  
24 in-state investments

25 (1) have a risk level and expected yield comparable to  
26 alternate investment opportunities; and

27 (2) are included in the list of permissible investments in  
28 (g) of this section.

29 Sec. 37.14.129. GAINS AND LOSSES. At the end of each fiscal

1 year, the total amount of losses on the sales of securities, not offset  
2 by gains on the sales of securities during that year, shall be computed,  
3 with a portion of these losses to be deducted each fiscal year from the  
4 income and the resulting amount of income added to the principal of the  
5 fund. Losses taken on the sales of securities shall be accumulated  
6 over a period equal to the average remaining life of the securities  
7 sold, unless these losses are offset by gains on future sales of securi-  
8 ties. In any fiscal year in which the gains on the sales of securities  
9 exceed the losses on the sales of securities, the excess shall be added  
10 to the principal of the fund.

11 Sec. 37.14.131. INCOME. (a) The interest received in a year is  
12 the income of the fund for that year. The income available for dis-  
13 bursement will be the lesser of the latest fiscal year's income, or the  
14 average annual current income for the past five fiscal years of the  
15 fund at cost, and after adjustment for capital losses charged to that  
16 fiscal year.

17 (b) The income available for disbursement shall be disbursed as  
18 follows:

19 (1) the board shall pay to the commissioner of administra-  
20 tion, not later than June 30 annually, the amount required for support  
21 of state aid to local school districts under AS 14.17 for the next  
22 fiscal year of the state; the commissioner of administration shall  
23 deposit the payment to the public school foundation account as required  
24 by AS 14.17.010(a)(2);

25 (2) not more than one percent of the balance of the income  
26 of the fund not paid to the commissioner of administration under (1) of  
27 this subsection may be used by the board, at its discretion, for educa-  
28 tion studies, for demonstration programs in elementary, secondary, or  
29 special education, and for projects that seek to improve the quality,

1 management, or delivery of education services in the state;

2 (3) an amount which the board approves may be used for  
3 operating expenses of the board;

4 (4) the balance of the income after providing for (1) - (3)  
5 of this subsection shall be added to the principal of the fund.

6 Sec. 37.14.133. BOARD BUDGET. The operating budget of the board  
7 shall be derived from the income of the fund.

8 Sec. 37.14.135. AUDITS. The Legislative Budget and Audit Com-  
9 mittee shall provide for an annual post audit and annual operational  
10 and performance evaluations of fund investments and investment pro-  
11 grams.

12 Sec. 37.14.137. REPORTS AND PUBLICATIONS. (a) By March 31 of  
13 each year, the board shall publish a report of the fund for distribu-  
14 tion to the governor, legislature, and the public. The report shall be  
15 written in easily understandable language. The report must include  
16 financial statements audited by independent outside auditors, a state-  
17 ment of the amount of money received by the fund from each investment  
18 during the period covered, a statement of investments of the fund  
19 including an appraisal at market value, a description of investment  
20 activity during the period covered by the report, an examination of the  
21 impact of the investment criteria of this chapter on the fund portfolio  
22 with recommendations of any needed changes, and any other information  
23 the board believes would be of interest to the governor, the legisla-  
24 ture, and the public.

25 (b) The annual income statement and balance sheet of the fund  
26 shall be published in at least one newspaper in each judicial district.

27 Sec. 37.14.139. POLITICAL ACTIVITIES. The resources of the fund  
28 may not be used to finance or influence political activities.

29 Sec. 37.14.141. PUBLIC ACCESS TO INFORMATION. Information in the

1 possession of the board is a public record, except that information  
2 which discloses the particulars of the business or affairs of a private  
3 enterprise or investor is confidential and is not a public record.  
4 Confidential information may be disclosed only for the purposes of an  
5 official law enforcement investigation or when its production is re-  
6 quired in a court proceeding. These restrictions do not prohibit the  
7 publication of statistics presented in a manner that prevents the  
8 identification of particular reports, items, persons, or enterprises.

9 Sec. 37.14.143. ADVISORY COUNCIL. (a) The board may appoint an  
10 advisory council to advise it as to use of income available for dis-  
11 bursement under AS 37.14.131(b)(2).

12 (b) The advisory council consists of not more than nine members,  
13 all of whom shall be persons associated with elementary, secondary, and  
14 special education in the state.

15 (c) The board shall adopt regulations for the manner of operation  
16 of the advisory council.

17 Sec. 37.14.145. DEFINITIONS. In AS 37.14.111 - 37.14.145,

18 (1) "board" means the board of trustees of the Alaska educa-  
19 tion endowment fund;

20 (2) "fiscal year" means the calendar year beginning January 1  
21 and ending December 31;

22 (3) "fund" means the Alaska education endowment fund.

23 \* Sec. 2. AS 14.07.150 is amended by adding a new subsection to read:

24 (b) The provisions of (a) of this section do not apply to income  
25 of the Alaska education endowment fund disbursed by the board of trust-  
26 ees of the Alaska education endowment fund for purposes authorized by  
27 AS 37.14.131(b)(2).

28 \* Sec. 3. AS 14.17.010(a) is amended to read:

29 (a) The public school foundation account is established. The

1 account consists of

2 (1) appropriations made by the legislature for distribution  
3 to districts or for centralized correspondence study programs under  
4 this chapter;

5 (2) money transferred by the board of trustees of the Alaska  
6 education endowment fund to the commissioner of administration under  
7 AS 37.14.141(b)(1) and deposited by the commissioner of administration  
8 to the account.

9 \* Sec. 4. The following laws are repealed: AS 37.14.110, 37.14.120,  
10 37.14.130, 37.14.140, and 37.14.150.

11 \* Sec. 5. APPOINTMENT OF FIRST BOARD OF TRUSTEES. (a) The governor  
12 shall appoint the first members of the board of trustees of the Alaska  
13 education endowment fund within 60 days after the effective date of this  
14 Act.

15 (b) The terms of the members of the board of trustees of the Alaska  
16 education endowment fund first appointed by the governor shall be staggered  
17 as follows:

- 18 (1) one member shall be appointed for a term of one year;  
19 (2) one member shall be appointed for a term of two years; and  
20 (3) one member shall be appointed for a term of three years.

21 \* Sec. 6. FIRST MEETING OF THE BOARD OF TRUSTEES. The first meeting of  
22 the board of trustees of the Alaska education endowment fund shall be held  
23 within 30 days of the appointment of all members of the board.

24 \* Sec. 7. TRANSITION. The commissioner of revenue shall transfer the  
25 assets of the public school fund (AS 37.14.110 - 37.14.150) to the Alaska  
26 education endowment fund established by this Act after request for transfer  
27 is made by the board of trustees of the Alaska education endowment fund.

28 \* Sec. 8. MORATORIUM ON DISBURSEMENT OF INCOME. Notwithstanding AS 37.-  
29 14.131(b)(1), the board of trustees of the Alaska education endowment fund

1 may not be required to pay income available to the commissioner of adminis-  
2 tration before July 1, 1983.

3 \* Sec. 9. This Act takes effect July 1, 1981.  
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Lee Dorson -

Sch. Land Trust -

Public Sch. Fund from land supposed to be given.

Problems - Dedication of Fund? Const. Amendment.  
During Interim - investigate

Darryl Hartgrove - Home - Pres. AA Sup. of Sch.  
Dr. Norm Hall

Const. of 1950 allows this Fund.

Permanent  
School  
Fund

Texas Sch. Fund - 100+ yrs in operation

Round Rock Sch., Texas

1854 - 2M

\$2.7B today in fund

\$157,000,000 yr income  
\$790 M's total dep 136 yd.

What is make of your Board of Trustees?

Could you sent statute & inform. on make up of Board.

Only op. - Maintenance cost

State Income Tax?

Local prop tax for schools

1160 Sch. Districts  
at no time wanted  
used to use monies for  
Bldg.

St. Property tax - Yes - varies and is substantial

Sales Tax - 5%

\$67 per capita returned to local schools -  
1-12

\$4B - per yr. total school cost in Texas

John Ober - NEAK.

4-1-87

84185

- Russell Horngren, Pres. AASA - of name

+ DR. Hall of Texas

2.7 B today  $\rightarrow$  180 m revenues

what rate?

(790 m  
total Rev)

- How Texas have Perm. Fund (general)

- Rate of return on Fund.

Don O'Leary -

Fund provides only part of pub. ed. costs.

4/1/81

HR 84 + 85

more

See growth wof a

> 400 in state spend 1980

1990 - 1 Billion

2000 - 2.5 "

} we can't do it he says  
8% infl + 2% pop growth

sect. 6 + 36 - 100 on ac,  
should have been 5-6x

Unconstitutional? - may need voter approval +  
due to const.

P.6 - in state - investment

Q

Term fund should be adequate

Expenses rise due to infl. etc. Gov or don. req.,  
voter approval + can court.

Same argument for Police, health care, etc

H + 55