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2 of 2



Alaska State Legislature

Senate

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811

July 1, 1985

To: Community & Regional Affairs Committee
From: Senator Edna DeVries, Committee Chair
Subj: Interim Hearings

My staff has already notified your offices that I am planning hearings on SB 244 in September and October. I wanted to give you a little bit more information and invite your comments.

The Southcentral hearings will be held September 24, 25, and 26; and the Interior hearings will be held October 22, 23, and 24. In Southcentral there will be a hearing in Anchorage, in Kenai/Soldotna, and the Mat-Su Valley. Interior hearings will be held in Fairbanks, North Pole, and in Nenana if Senator Coghill feels it will be worthwhile.

Attached are the airline tickets necessary for your travel to these meetings. You may, of course, change the dates of your arrival and departure to better suit your specific travel schedule.

I will contact you again as soon as meeting locations and other details are arranged. In the meantime if you have any suggestions or comments, please let me know. If I am not here, the Committee aide, Yvonne Alford will be. My interim address is:

Senator Edna DeVries
137 E. Arctic, Suite 102
Palmer, AK 99645

Phone: 745-3281

Atchs

Distribution:

Senator Jack Coghill
Senator Frank Ferguson
Senator Vic Fischer
Senator Arliss Sturgulewski

*letter for Arliss
North P Oct 22
Fairbanks Oct 23*



Alaska State Legislature

Official Business

Community & Regional Affairs Committee

Pouch V
State Capitol
Juneau, Alaska 99811

January 23, 1986

SB 244 -- An Act relating to the undistributed income account in the Alaska Permanent Fund for certain municipal aid programs, establishing a two-year funding cycle; efd

Senator Coghill will introduce a sponsor substitute and speak to it.

The bill has been heard:

March 26, 1985 -- Committee hearing before Mayors from Alaska Conference of Mayors

September 24, 1985 -- Anchorage LIO offices
Jim Rhode, representing the "Friends of the Permanent Fund" spoke against the bill.

September 25, 1985 -- Wasilla LIO office
Vern Roberts, Finance Director, Mat-Su Borough spoke in support of providing municipalities with figures on predictable income.

Testimony from City of Houston, City of Palmer, Mayor of Mat-Su Borough, City of Wasilla, and Assemblyman from Mat-Su Borough -- All spoke to support of the bill but did not specifically endorse its passage in present form.

September 26, 1985 -- Soldotna LIO office
Mayor, City of Kenai spoke in support of bill.
Manager, City of Kenai spoke in support of bill.

October 22, 1985 -- Fairbanks LIO office
City of Fairbanks and Fairbanks North Star Borough spoke in favor of concept of bill.

October 22, 1985 -- North Pole -- City Hall, North Pole
North Pole Mayor spoke in favor of bill.

October 23, 1985 -- Nenana City Hall
Tim Sims and Gilbert Ketzler opposed bill.
George Hobson, Lanston Chinn (Nenana School Board and City of Anderson) spoke in support of bill.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

SCRA	9-24-85	2pm
	9-25-85	2pm
	9-26-85	2p
	10-22-85	9:30 AM
	10-22-85	2:10 pm
	10-23-85	10:15 am

Permanent fund earning at least \$2 million a day

ANC DAILY NEWS
The Associated Press 10-31-85

JUNEAU.— Alaska's \$6.8 billion oil wealth savings account is continuing to earn more than \$2 million a day, according to the Permanent Fund Corporation's September financial statement.

Gross revenues for the fiscal year beginning July 1 are \$192.4 million, while earnings for September alone were reported at \$61.1 million, officials said.

The body of the fund is \$5.8 billion while reserves currently stand at \$9.5 billion, officials said.

The reserve fund is very large, officials said, because it:

- Contains reserves from previous years.
- Serves as a deposit account for all income received in the current fiscal year.
- Is being used as a holding account from which dividend payments are made.
- Is to be used as an account from which inflation-proofing transfers to the body of the fund are made.

Most of the revenues come from interest and dividends; while others are derived from fees charged on loaned securities and from the sale of common stock and marketable debt securities.

There were no dramatic shifts in the way the portfolio was handled last month, simply the day-to-day buying and selling, officials said today.

HOW THE FUND WORKS

The Alaska Permanent Fund is a savings account presently worth \$6.5 billion which belong to all the people of Alaska. It was created by the voters when they made it part of the state Constitution in 1976. The Fund is managed by a public corporation separate from state government.

The public corporation is known as the Alaska Permanent Fund Corporation. It was established by the legislature in 1980, and has three goals: (1) save a portion of the state's one-time oil wealth to benefit all generations of Alaskans; (2) protect those savings from loss of value; and (3) invest those savings to produce income for uses provided by law.

The goals are being met. A significant portion of the oil wealth is being saved, protected and invested to produce income. Each year, 25% of Alaska's oil royalties automatically are deposited in the Permanent Fund. These savings represent a little more than one-tenth of the state's total annual revenues. Money earned from investing the Permanent Fund during the 12 months from July 1984 to June 1985 amounted to \$657.8 million.

The Alaska Permanent Fund Corporation is managed by a board of six trustees appointed by the governor. Four of the trustees are members of the public who have experience in business, finance or economics. The commissioner of the Department of Revenue and the governor's choice of one other cabinet member also serve.

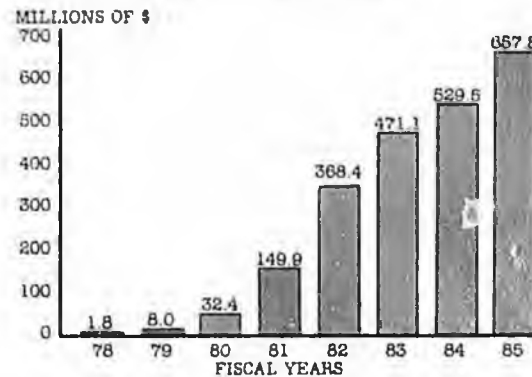
Day-to-day operations are carried out by an executive director and a small, professional staff. The Corporation also makes frequent use of financial advisors. For accountability, independent auditors check the books once each year, and the legislature annually approves the Corporation's budget.

DIRECT DISTRIBUTION

Since the Permanent Fund Dividend Program began in 1982, more than \$1 billion has been distributed directly to the citizens of the State of Alaska in the form of Permanent Fund dividend checks. Per capita dividends in earlier years were: \$1,000 (1982); \$386.15 (1983); and \$331.29 (1984).

The Alaska Permanent Fund Corporation does not administer the dividend program. This is the responsibility of the state Department of Revenue. It is Revenue which processes the applications and mails out the checks. The Corporation's responsibility is to manage the investments, collect the earnings, and then transfer from the Permanent Fund to the Dividend Fund the total amount due each year, as appropriated by the legislature.

NET INCOME



The Permanent Fund is invested to earn income. This graph shows how much income has been earned each year, net of operating expenses, since the Fund began on February 21, 1977.

Total income earned in these first eight years is \$2,218,900,000. Current projections show the Permanent Fund, by the year 2005, earning this amount of net income each year.

COMPOSITION OF THE FUND

The Permanent Fund is made up of two parts: principal and undistributed income. As of June 30, 1985:

The Principal of the Fund is: \$ 5.7 billion

The Undistributed Income Account is: \$ 763.3 million

The principal of the Fund includes: (1) the oil royalties deposited by constitutional dedication; (2) extra money deposited by legislative appropriation; and (3) income of the Fund which has been transferred to principal in order to "inflation-proof" the Permanent Fund.

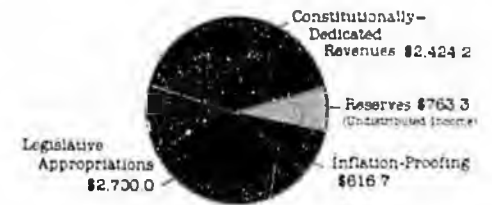
Expenditure of the principal is prohibited by the state Constitution.

The constitutionally-dedicated oil royalties represent the state's ownership interest in a non-renewable, natural resource. Deposit of these revenues in the Permanent Fund ensures that when the oil is gone, there will be lasting benefits for future generations of Alaskans. The Permanent Fund receives no dedicated tax money.

The legislature has deposited extra money in the Permanent Fund on two occasions: in 1980 and again in 1981. The first special appropriation was \$900 million; the second was \$1.8 billion. Deposits such as these are called "front-loading". They reflect a policy of deliberately making the Permanent Fund a priority in times of relative prosperity, in order to save as much as possible for an uncertain future.

The third way money is added to the principal of the Fund is through inflation-proofing. This is a provision of law which was enacted by the legislature in 1982, to ensure that the value of the Permanent Fund is protected from the effects of inflation. Since then, \$616.7 million has

TOTAL EQUITY: \$6,504.2
(in millions)



This chart shows where the money in the Permanent Fund has come from.

been added to the principal of the Fund for this purpose. Inherent in any well-managed trust, inflation-proofing is sound public policy.

The undistributed income account consists of all other net income—current and prior years—which has not been paid out as dividends or transferred to principal for inflation-proofing. These accumulated earnings are managed as part of the Permanent Fund, but no constitutional prohibition is placed on their expenditure.

The trustees have designated the undistributed income as "reserves" to be used in future years when either poor earnings or high inflation leave insufficient annual income to pay the full portion of dividends and inflation-proofing. In this way, the reserves cushion the Fund against sharp fluctuations in income or monetary conditions.

As large as the reserves are, however, they may not be large enough. Current projections, which assume a long-term rate of return for the Fund of 9% and average inflation of 6%, indicate that all of the existing reserves will be needed over the next 15 years to meet future dividend and inflation-proofing needs.

INVESTMENTS

The Permanent Fund operates under the "Prudent Investor Rule". This means that investing the money safely is more important than how much the investment earns. Consequently, a high degree of importance is placed on broad diversification. As a public trust, the Fund does not engage in social or political investing.

The long-term investment policy of the trustees is to achieve an annual earnings rate of 3% above inflation. To accomplish this goal, the trustees have adopted a conservative investment strategy:

- 80% invested in fixed income securities. These are mostly U.S. government bonds, and are considered some of the safest and most profitable investments in the world.

- 15% invested in the common stock of both large and established, and small and growing, U.S. companies. Two-thirds is invested to match the performance of the Standard & Poor's 500 Stock Index, and one-third is invested to attain superior investment results.

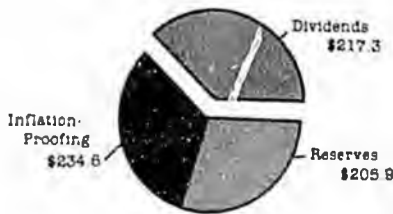
- 5% invested in improved real estate through pools, participating mortgages and equity. Real estate investments are diversified by location around the country, and by property type: residential, industrial, office and retail.

Approximately \$225 million, or 4.8%, of the Permanent Fund is committed to investments in Alaska. These investments are in: (1) home mortgages; (2) certificates of deposit with Alaska financial institutions; and (3) taxable bonds of the Alaska Housing Finance Corporation (AHFC). The trustees make Alaskan investments to the extent in-state investments are available, provided the risk levels and expected yields are comparable to alternate investment opportunities.

USE OF EARNINGS

NET INCOME: \$657.8

(in millions)



This year's income represents a 11.61% rate of return on investment.

The people, through their elected representatives in Juneau, ultimately decide all questions regarding use of Permanent Fund earnings.

Current law provides for use of the earnings as follows:

First, to pay dividends. Each year, one-half of the net income of the Permanent Fund, averaged on a five-year basis, is distributed directly to all of the citizens in the state who make application and qualify. The Permanent Fund dividend program is much like a company sharing profits with its stockholders. In this case, the "stockholders" include everyone who is an Alaskan resident.

Second, to protect the value of the Fund. Each year, net income in an amount sufficient to offset the rate of inflation is transferred automatically to principal. This is called inflation-proofing. Inflation this year was 4.26%.

Third, after both of the above are provided for, any residual earnings are retained in the Fund in an undistributed income account. The undistributed income account now comprises over 11% of the total assets of the Fund. At present, it is reserved by the trustees for future dividends and inflation-proofing payments.



"When this Corporation was created in 1980, the intent was to establish a management system for the Permanent Fund which would be protected from political influences, but at the same time, responsive to changes in state policy and accountable to the public.

"Consequently, within the statutory framework, the trustees operate with complete independence, but make every effort to provide Alaskans with enough information to fully understand the Fund and how it works. In our view, a well-informed public is essential to the long-term viability of the Permanent Fund.

"As we continue to build and strengthen your Fund, we encourage you to stay informed."

--Byron I. Mallott
Chairman of the Trustees
1985-86

Board of Trustees

Byron I. Mallott
Clyde M. Sherwood
Arnold G. Espe
Hugh Malone
Mary A. Nordale
Emil Notti

Please contact the staff of the Alaska Permanent Fund Corporation at this address for more information. With adequate notice, a trustee or staff member can speak to local organizations.

Alaska Permanent Fund Corporation
Pouch 4-1077
Juneau, Alaska 99802



OCT 8 RECD

Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

October 4, 1985

The Honorable
Edna Armstrong-DeVries
Alaska State Senator
137 E. Arctic, Suite 102
Palmer, AK 99645

Dear Senator DeVries:

Ms. Yvonne Alford of your office has requested that we screen our "legal opinion file" to determine if opinions exist which relate to the withdrawal of funds currently within the Alaska Permanent Fund.

Some opinions do exist. They appear to relate to (1) withdrawals from principal created by the constitutional dedication of oil revenues, and (2) withdrawals from principal created by special appropriations of amounts over and above constitutional dedications.

Pursuant to Yvonne's request, please find the enclosed:

Rodger Pegues' opinion to Rep. Clark Gruening
Billy Berrier's opinion to Rep. Oral Freeman
Joseph Guthrie's opinion to Biller Berrier

Thank you for your inquiry. Please contact me if you have additional information needs.

Sincerely,

A handwritten signature in cursive script, appearing to read "David A. Rose".

David A. Rose
Executive Director

DAR:bm
enclosures

High. OK both with AG's office
Bauer and
JAN 16 1980

STATE OF ALASKA
THE LEGISLATURE
LEGISLATIVE AFFAIRS AGENCY

Prof

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

MEMORANDUM

January 16, 1980

SUBJECT: Appropriations to the Permanent Fund
TO: Representative Oral Freeman
FROM: Billy G. Berrier *BGB*
Director
Division of Legal Services

You have asked whether money appropriated to the permanent fund in excess of the amount required to be deposited in the fund under sec. 15, Art. IX of the Alaska Constitution could later be withdrawn from the fund.

In my opinion money appropriated to the fund becomes fund principal in the same manner as money deposited in the fund under sec. 15. Neither can be withdrawn or used other than as provided in that section without an authorizing amendment to the constitution.

Section 15' reads:

SECTION 15. At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

Effectively, this does two things. It requires that a specified minimum percentage of certain state receipts be deposited in a permanent fund. It then limits the use of the principal of the fund and provides for use of the income.

Representative Oral Freeman

Page 2

January 16, 1980

It is very clear from the amendment language that there is no intent to preclude money in excess of the minimum required amount from becoming a part of the permanent fund and there is no language in the section which suggests either that the principal of the fund be limited to amounts required to be deposited or that the limitations on the principal be so limited.

The term "permanent" as used three times in the body of the amendment and in the title of the fund would be read in the normal sense of that word since the reading is consistent with the context, with the legislative and public discussion of the amendment proposing the fund and with the understanding that the voters would be presumed to have had in approving the amendment. There can be no legitimate question that the objective of the permanent fund is preservation of the principal of the fund for the long term use of the state and its people.

The section distinguishes between principal of the fund and income from the fund; in my opinion no further distinction between one type of principal and another depending on how the money came to the fund can be implied from the language. Further, such a distinction would be incompatible with the objective of the fund.

In my opinion, once money from whatever source is placed in the permanent fund by deposit or by appropriation, the money becomes part of the principal subject to the constraints of the section. Therefore, the money could not be withdrawn.

The Department of Law examined this question and in an opinion dated August 31, 1977, reached the same conclusion. A copy of that opinion is enclosed.

BGB:jdn

Enclosure

OCT 8 RECD

August 31, 1977

Hon. Clark Gruening
Chairman
House Special Committee on
the Permanent Fund
528 West Fifth, Suite 270
Anchorage, Alaska 99501

Re: Permanent fund, irretrievability
of money appropriated to;
our file J-66-106-78

Dear Representative Gruening:

You have asked whether money appropriated to the permanent fund in excess of the amount required by the constitution is irretrievable.

Section 15 of article IX of the Alaska Constitution, as added by the 1976 amendment to the constitution, reads as follows (emphasis added):

At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

Your question really is whether the limiting language of section 15 applies not only to the mandatory 25 percent of mineral revenues placed in the permanent fund but also to any additional money placed in the fund.

We believe that the answer is yes.

The language of the amendment providing for the permanent fund is clear enough. There is to be a permanent fund. At least 25 percent of the enumerated mineral revenues are to be placed in it. The use of the words "[a]t least" clearly contemplates that additional monies may well be placed in the fund. Once there, they form the fund's principal. That principal "shall be used only" for income-producing investments. Hence, on its face, what becomes a part of the principal may no longer be withdrawn for another purpose. Only the income from investments of the principal is available.

It is a universal principle that the legislature's law-making power is plenary except as limited by the state or federal constitutions. In order to hold that the legislature may not appropriate additional monies to the permanent fund and also provide for their subsequent withdrawal, the courts must find an express or implied prohibition against its doing so. Facially, the constitution's restriction on the use of the fund's principal seems to constitute such an implied restriction, i.e., the principal may be invested but nothing else, including a withdrawal, may be done with it.

It could be possible, one might argue, for the legislature to make appropriations to the fund by law and specify that they are made on the condition that they are intended to be retrievable and are null and void ab initio if ruled not to be. The problem is that the courts would likely rule that the condition itself is so inconsistent with the provisions of section 15 that it is absolutely void, i.e., that the legislature is prohibited from withdrawing from the principal both directly and indirectly.

Or the legislature could appropriate to the fund and specify that the monies appropriated are not to be considered a part of the fund's "principal" in the sense of the constitution, i.e., as monies available solely for investment, but rather are to be considered as a temporary addition to the fund which is to be used for investment but which shall be accounted for separately and may be withdrawn. Again, the problem is that the courts would likely rule that such legislation is so inconsistent with the provisions of section 15 that it is void. Either there is a permanent fund or there is not.

We are dealing here with a peculiar--perhaps unique--quasi-trust. Unlike most trusts, the principal may not be reached whatever, either now or in the future. No one has a future right to the principal. Instead, the principal is to be invested in perpetuity to produce income.

Only the income from investments may be reached. Absent still another constitutional amendment, we see no way around this result. A permanent fund was intended, and a permanent fund appears to have been achieved.

Accordingly, we doubt very much that any money appropriated to the permanent fund may subsequently--without a constitutional amendment--be withdrawn.

Sincerely yours,

AVRUM M. GROSS
ATTORNEY GENERAL

By: Rodger W. Pegues
Assistant Attorney General

RWP:chp

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

July 14, 1977

SUBJECT: Whether contributions to the permanent fund over and above the constitutionally required minimum of 25 percent of the revenues from nonrenewable resources may be withdrawn at a later date, if (1) the additional contribution is comprised of an appropriation from the general fund, or (2) a statute requires deposit of more than the constitutionally required percentage of the revenues from nonrenewable resources.

TO: Billy G. Berrier
Director
Division of Legal Services

FROM: Joseph A. Guthrie
Legislative Counsel

The issue of whether funds deposited in the permanent fund over and above the 25 percent of those revenues required to be deposited by Article IX, Sec. 15, Alaska Constitution may be withdrawn from the fund would seem to depend on whether the following language of Article IX, sec. 15 refers to only the 25 percent minimum required or whether this language refers to all monies deposited in the permanent fund.

"the principal of which shall be used only for those income producing investments specifically designated by law as eligible for permanent fund investments"

It seems clear to me that the inclusion of the words "at least" with reference to the 25 percent minimum make it clear that deposit of funds in addition to the 25 percent of revenues from nonrenewable resources was contemplated by the framers of this section. However, whether only an additional percentage of revenues from nonrenewable resources, or the deposit of funds from other sources as well, were contemplated for inclusion in the permanent fund is unclear. The words "at least" could refer to either possibility.

The existence of this ambiguity seems significant to me because of the fact that the section creating the permanent fund (Article IX, sec. 15) is framed as an exception to a

general prohibition against dedicated funds (Article IX, sec. 7). Review of the comments of the Committee on Finance and Taxation at the Constitutional Convention (Committee Proposal/9, December 16, 1955) reveals that dedication was regarded in terms of the earmarking of specified taxes and revenues to a specific purpose. For this reason, one may argue that the words "at least" refer only to the possibility of a deposit of a percentage of those revenues specified by the constitution of greater than 25 percent and that an appropriation to the fund from the general fund would not be encompassed by the language already quoted precluding withdrawals. Under this analysis, of course, deposits from those revenues specified in Article IX, sec. 15 of the Constitution in excess of the constitutionally required minimum could not be withdrawn.

On the other hand, one might argue that all deposits of money into the permanent fund, whatever their source, may not be withdrawn. This interpretation rests on the fact that the language limiting withdrawal already quoted refers to the words "permanent fund" in a manner which suggests that the fund is not solely comprised of dedicated revenues from the sources specified. Specifically, the words "shall be placed in a permanent fund" are used, rather than words expressing the thought that the funds from the specified revenues be preserved as a nest egg.

Conclusion

As stated earlier, it seems clear that deposits of the sources of revenue specified by Article IX, sec. 15, cannot be withdrawn. The fact that Article IX, sec. 15 is framed as an exception to a prohibition on dedication of the proceeds of particular state taxes and license (Article IX, sec. 7), rather than with reference to monies already in the general fund, would seem to argue in favor of an interpretation that funds deposited in the general fund via appropriation bill could be withdrawn. On the other hand, the general tenor of Article IX, sec. 15 would seem to argue that all deposits to the permanent fund, from whatever source, may not be withdrawn.

No cases on point came to light on review of provisions establishing permanent funds in New Mexico, Utah, and Montana.

I will look for a rule of statutory interpretation which might aid in the resolution of the aforementioned ambiguity.

JAG:jpd

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99911
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 26, 1985

SUBJECT: Use of money from the undistributed income
account for municipal aid (SB 244)

TO: Senator Edna DeVries
Chair, Community & Regional Affairs Committee

FROM: Tamara Brandt Cook *TBC*
Deputy Director
Division of Legal Services

Here is the sectional analysis that you requested of SB 244 dealing with funding shortfalls in certain municipal aid programs with money from the undistributed income account and establishing a two-year funding cycle.

Section 1. The Department of Community and Regional Affairs is required, based on a two-year funding cycle, to estimate entitlements under the various municipal aid provisions referred to collectively as the revenue sharing program. The entitlements are recomputed each fiscal year, but legislative appropriations for the revenue sharing program are to be made for a period of two fiscal years. By January 15 of each fiscal year, the amount of money needed to fully fund entitlements for that year is transferred from the undistributed income account in the Alaska permanent fund. Thus, if appropriations made during the two-year funding cycle are sufficient to fully fund the entitlement, subsection (b) of the new sec. 29.95.005 does not operate to transfer money.

Section 2. The section dealing with allocation of money for payments under the various revenue sharing provisions by the Department of Community and Regional Affairs is changed to reflect the two-year funding cycle. Reference to former AS 29.90, which provided payment for hospital construction, is deleted, and replaced with a reference to the temporary law provision under which payments for certain construction projects was continued.

Undistributed Income Is Part of the Permanent Fund

The Permanent Fund is made up of two parts: principal and undistributed income. As of June 30, 1985:

The Principal of the Fund is:	\$5.7 billion
Undistributed Income is:	\$763.3 million

The principal of the Fund includes (1) the oil royalties deposited by constitutional dedication; (2) extra money deposited by legislative appropriation; and (3) income of the Fund which has been transferred to principal to inflation-proof the Fund. Expenditure of the principal is constitutionally prohibited.

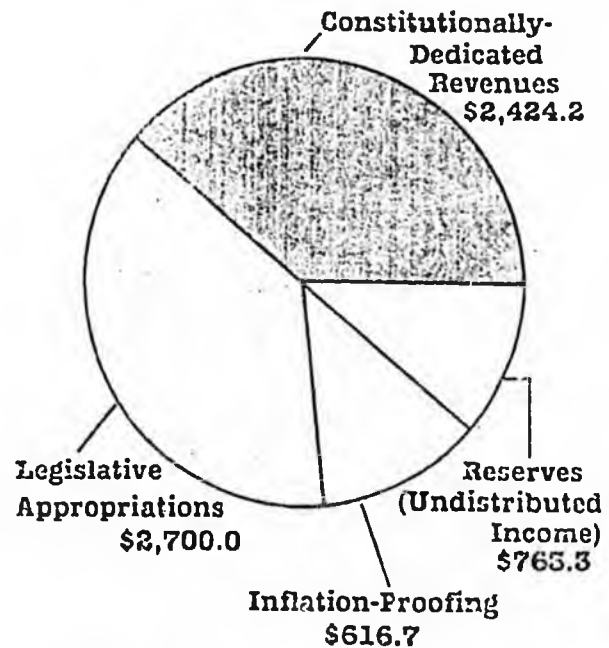
Undistributed income is all other net income — current and prior years' — which has not been paid out as dividends or transferred to principal for inflation-proofing. These accumulated earnings now represent over 11% of the total assets of the Permanent Fund. No constitutional prohibition is placed on their expenditure.

The trustees have designated the undistributed income as "reserves" to be used in future years when either poor earnings or high inflation leave insufficient funds to pay the full portion of dividends and inflation-proofing (the two currently authorized uses for Fund earnings). In this way, the reserves cushion the Fund against sharp fluctuations in income or monetary conditions.

There are two main reasons why the reserves have burgeoned in the recent past — and also two reasons why it is unlikely that this growth will continue into the future.

First, an unusually large percentage of earnings have been held back from distribution by a provision in the enabling act which calls for income to be paid out on the basis of a five-year average. In the early years of the Fund, as assets and income have increased dramatically each

TOTAL EQUITY: \$6,504.2
(in millions)



This chart shows where the money in the Permanent Fund has come from.

year, this provision has had the arithmetic effect of limiting the distribution of income. As the Fund matures, however, the percentage of net income available for distribution will increase.

Second, earnings have been extraordinarily high in the past four years. In each of these years, the Fund's real rate of return — *i.e.*, return after inflation — has been substantially above the target of 3%. A sense of history indicates that such high returns are not sustainable. In fact, the real rate of return for the Fund since inception in 1977 has been 3.8%.

As large as the reserves are, however, they may not be large enough. Current projections, which assume a long-term rate of return for the Fund of 9% and average inflation of 6%, indicate that all of the existing reserves will be needed over the next 15 years to meet future dividend and inflation-proofing needs.

Senator Edna DeVries
Page 2
March 26, 1985

Section 3. The commissioner of Community and Regional Affairs is required to request the transfer of money from the undistributed income account by January 1, if money allocated for the various revenue sharing provisions is not sufficient to fully fund all entitlements.

Section 4. Changes are made to the section dealing with distribution of revenue sharing entitlements to reflect the fact that appropriations are made for a period of two years rather than every year.

Section 5. The base amounts to be distributed under the municipal assistance program are required to be estimated based on a funding cycle of two years and then recalculated every year. The provision requiring that payments be prorated if insufficient funds are appropriated is deleted.

Section 6. If insufficient funds for payments under the municipal assistance program have been appropriated, the commissioner of revenue is required to transfer the amount needed to make up the deficit from the undistributed income account in the Alaska permanent fund.

Section 7. The initial two-year funding cycle for the municipal aid programs dealt with in this bill begins during the coming fiscal year.

Section 8. The bill has an immediate effective date.

TBC:mkr
J13:026

STATEMENT OF CHANGES IN UNDISTRIBUTED INCOME (in millions)

<u>Balance July 1, 1980:</u>	-0-
Add: Net income	\$149.6
Less: Distributable income to General Fund	<u>(90.9)</u>
<u>Balance June 30, 1981:</u>	58.7
Add: Net income	368.4
Less: Distributable income to General Fund	<u>(183.4)</u>
<u>Balance June 30, 1982:</u>	243.8
Add: Net income	471.1
Less: Distributions of income to General Fund and Dividend Fund	(129.9)
Provision for inflation	<u>(231.2)</u>
<u>Balance June 30, 1983:</u>	353.8
Add: Net income	529.5
Less: Provision for 1983 dividends supplement	(11.9)
Provision for 1984 dividends	(163.1)
Provision for 1984 inflation	(150.9)
Provision for future inflation and dividends	(557.3)
<u>Balance June 30, 1984:</u>	-0-
Add: Net income	657.8
Less: Provision for 1985 dividends	(217.3)
Provision for 1985 inflation	(234.6)
Provision for future inflation and dividends	<u>(205.9)</u>
Balance June 30, 1985:	-0-
Balance June 30, 1985 of Reserve for Inflation and Dividends	<u>\$763.3</u>

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§ 29.78.010

MUNICIPAL GOVERNMENT

§ 29.78.010

- (1) combine or coordinate the existing emergency services communi- cations programs of the participating municipalities and agencies;
- (2) operate a dispatch center to receive all requests for emergency services and dispatch those services;
- (3) study the need for improvement in the timely delivery of emer- gency services to residents of the participating municipalities;
- (4) hold public hearings to obtain information concerning the timely delivery of emergency services;
- (5) apply for and accept federal, state, municipal, and private money, property, or assistance for use in providing the timely delivery of emer- gency services;
- (6) enter into contracts to carry out the provisions of this section;
- (7) employ personnel necessary to carry out the provisions of this section.
- (d) In this section:
 - (1) "emergency services" means services provided by law enforcement agencies, fire departments, ambulance services, and other organizations that are intended to respond to emergency situations of imminent danger to life or property;
 - (2) "state agency" means a department, division, or office in the executive branch of state government. (§ 2 ch 107 SLA 1981)

Revisor's notes. — As enacted, (d) of graph was deleted and the paragraph this section contained a paragraph (2) that enacted as (d)(3) was renumbered (d)(2) in defined "emergency service agency," a 1981. term not used in the section. That para-

Chapter 78. General Provisions.

Section

10. Definitions

Sec. 29.78.010. Definitions. In this title, unless otherwise pro- vided, or the context otherwise requires,

- (1) "areawide power" means a power of an organized borough exer- cised throughout the borough;
- (2) "borough" means a general law first, second or third class orga- nized borough;
- (3) "city" means a general law first or second class city;
- (4) "conditional use" means exception, special exception, special use, or special permit designated in the zoning ordinance;
- (5) "consolidation" means dissolution of two or more municipalities and their incorporation as a new municipality;
- (6) "majority" means a simple majority;
- (7) "merger" means dissolution of a municipality and its absorption by another municipality;
- (8) "municipal election" includes but is not limited to elections to choose city councilmen, borough assemblymen, school board members and utility board members;

(9) "municipality" means a general law municipal corporation and political subdivision, which is a first or second class borough or city, or a third class borough, incorporated under the laws of the state;

(10) "nonareawide power" means a power of an organized borough exercised by the borough only in the area outside of cities;

(11) "owner", "record owner", or "owner of record" means owner of record or purchaser of record;

(12) "personal property" means tangible property other than real property, such as merchandise and stock in trade, machinery and equipment, furniture and fixtures, motor vehicles and vehicles, boats and vessels and aircraft;

(13) "property" means real and personal property;

(14) "published" means appearing at least once in a newspaper of general circulation distributed within the municipality or, if there is no newspaper of general circulation distributed within the municipality, posting in the public places for at least five days;

(15) "real property" means land and improvements and all possessory rights and privileges appurtenant to the property, and includes personal property affixed to the land or improvements;

(16) "regular election" means the municipal election held on the first Tuesday of October annually, or on an election date or at an interval of years provided by ordinance;

(17) "street" includes streets, avenues, boulevards, roads, lanes, alleys, and other ways;

(18) "subdivision" means the division of a tract or parcel of land into two or more lots, sites, or other divisions for the purpose, whether immediate or future, of sale or building development, includes resubdivision, and, when appropriate to the context, relates to the process of subdividing or to the land or area subdivided;

(19) "voter" means a United States citizen who is qualified to vote in state elections and has been a resident of the municipality for 30 days immediately preceding the election and who is registered to vote in state elections and is not disqualified under art. V of the state constitution (§ 2 ch 118 SLA 1972; am § 7 ch 212 SLA 1976; am § 10 ch 93 SLA 1977)

Revisor's notes. — This section was reorganized in 1984 to place the defined terms in alphabetical order.

NOTES TO DECISIONS

Term "sale" includes agricultural lotteries. *State v. Weidner*, Sup. Ct. Op. No. 2788 (File Nos. 6220, 6240, 6272), P.2d (1984).

Applied in *Liberati v. Bristol Bay Borough*, Sup. Ct. Op. No. 1735 (File No. 3365), 584 P.2d 1115 (1978).

Chapter 88. Municipal Tax Resource Equalization.

Section

10. State equalization of tax resources for local government services
15. Determination of population
20. Determination of millage rate equivalent
25. Reports

Section

30. Limitation on computation and use of payments
35. Tax equalization account
40. Administration
45. Definitions

Cross references. — For statement of purpose of 1980 Act that enacted this chapter, see § 1, ch. 155, SLA 1980 in the Temporary and Special Acts.

Editor's notes. — Section 12, ch. 155, SLA 1980 provides: "(a) Notwithstanding other provisions of secs. 1 — 11 of this act, (1) a municipality may not receive less than \$25,000 plus an area cost-of-living differential during the first fiscal year in which this act is effective, 1980-81; and (2) a municipality which would receive under AS 29.88, added by sec. 2 of this act, less than 125 percent of the amount which it received for the last fiscal year under AS 43.18.010 — 43.18.045, repealed by sec. 11 of this act, is, for each of the first five fiscal years during which secs. 1 — 10 of this act are effective, entitled to receive an amount equal to 125 percent of the amount which it received for the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045 in accordance with these provi-

sions. (b) For the first five fiscal years during which secs. 1 — 10 of this act are effective, in order to pay the amounts required by part of this section, the allocations made by the Department of Community and Regional Affairs to the accounts established in AS 29.88.035, AS 29.89.080, and AS 29.90.020 (now repealed) shall be prorated by an amount which reduces the allocation to each account in equal proportion, and the prorated amounts shall be allocated to these accounts. (c) For the first five fiscal years during which secs. 1 — 10 of this act are effective, payment of an entitlement to a borough under AS 29.88 may be made to a borough only if the borough assembly agrees to allocate to each borough service area in the borough at least the amount of money that the service area received during the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045, in accordance with these provisions."

Sec. 29.88.010. State equalization of tax resources for local government services. (a) During each fiscal year the department shall compute an equalization entitlement for local government services provided by a taxing unit.

(b) The equalization entitlement computed for a taxing unit is based on the population, relative ability to generate revenue, and local tax burden of the taxing unit and is determined by the application of the formula

$$\text{Entitlement} = P \times R$$

where P = population, and

R = millage rate equivalent, determined by dividing the sum of the locally generated revenue of the taxing unit by one-tenth of one percent (0.1) of the full and true value of assessed property of the taxing unit determined under AS 29.88.020(d); however, the property value used under this subsection may not be less than 15 percent of the statewide average per capita full and true assessed property value.

(c) For purposes of this section, locally generated revenue

(1) includes

(A) the actual revenue derived from the levy and collection of local taxes in the taxing unit for local government services during the preceding fiscal year of the taxing unit;

(B) motor vehicle payments received by the municipality during the preceding fiscal year under AS 28.10.431;

(C) revenue from fees, rentals, leases, penalties, licenses or permits received during the preceding fiscal year by the municipality for a function or service over which it has control, including revenues derived from parks and recreation services, mass transit, offstreet parking, and garbage and solid waste disposal services;

(D) special assessments received during the preceding fiscal year; and

(E) payments received by a municipality from a utility which are in place of taxes levied and collected by the municipality;

(2) excludes

(A) revenue derived from the levy and collection of municipal taxes and appropriated for the operating expenses and debt service of utilities;

(B) revenue from interest earned on investments and from the sale and lease of land or equipment; and

(C) all other revenue from whatever service derived. (§ 2 ch 155 SLA 1980)

Sec. 29.88.015. Determination of population. (a) For purposes of this chapter, the population of a taxing unit shall be determined annually by the latest figures of the United States Bureau of the Census or other population data which, in the judgment of the department, is reliable.

(b) The population of the taxing unit includes the population of any military reservation which is a part of the taxing unit. (§ 2 ch 155 SLA 1980)

Sec. 29.88.020. Determination of millage rate equivalent. (a) The department may require a municipality to return a certification, signed by the municipal treasurer or manager and the mayor, which provides an estimate of the locally generated revenue received by the municipality during the preceding fiscal year.

(b) By October 15 of each year, the department shall make an initial determination of the millage rate equivalent of each taxing unit to be used for computing and distributing equalization entitlements for the current fiscal year under this chapter. The department shall base the initial determination on the estimates in the certification returned by a municipality under (a) of this section.

(c) As early as possible, but not later than December 15 of each year, the department shall make a final determination of the millage rate

equivalent of each taxing unit to use to compute and distribute equalization entitlements under this chapter. The department shall base the determination on audits, financial statements and other financial reports prepared and submitted by a municipality. The department shall adjust the locally generated revenue reported by a municipality to exclude the municipal revenue claimed by the municipality which does not qualify for inclusion in or recognition as locally generated revenue for local government purposes under AS 29.88.010(c)(1). The adjustment shall be made by deducting from total revenue claimed by the municipality the amount of the department's estimate of revenue which is not recognized for local government purposes.

(d) The full and true assessed property value shall be determined by the department in the manner provided for the computation of state aid to education under AS 14.17.140. When the determination of locally generated revenue includes revenue of a utility received under AS 29.88.010(c)(1)(E), the full and true assessed property value shall include the computed assessed value of the utility, determined by dividing the amount of the payment in place of taxes made by the utility by the millage rate which would apply to the utility if the utility were subject to levy and collection of taxes under AS 29.53.

(e) In addition to the computation for municipalities which levy and collect a property tax, the department shall determine an estimated full and true assessed property value under (d) of this section for

(1) each municipality which is a school district and which does not levy and collect a property tax;

(2) each second class city with a population of 750 or more persons; however, a computation is not required under this paragraph more often than once during a period of three successive calendar years; and

(3) all other second class cities, by determining the average per capita full and true assessed property value of all cities having a population of less than 750 persons in which an assessment has been completed by a municipality or for which a determination is not made under (1) or (2) of this subsection.

(f) The department shall annually compute a statewide average per capita full and true assessed property value. (§ 2 ch 155 SLA 1980)

Sec. 29.88.025. Reports. A payment of an equalization entitlement may not be made to a municipality under this chapter until the municipality has submitted its certificate of estimated revenue and its financial report to the department for the fiscal year preceding the year for which the equalization entitlement is sought, together with a budget for the municipality's current fiscal year. The financial report shall include a listing of general revenue collected from taxes levied and assessed by the municipality and any other revenue which, in the opinion of the municipal officials, is eligible for inclusion in computations of the locally generated revenue of the taxing unit. (§ 2 ch 155 SLA 1980)

Sec. 29.88.030. Limitation on computation and use of payments. (a) An equalization entitlement generated by the general tax levy of a taxing unit may be used only for authorized expenditures of that taxing unit, but up to 15 percent of the payment of an equalization entitlement generated by areawide revenue of a municipality may be used by the municipality for areawide or nonareawide purposes at the discretion of its assembly or council.

(b) An equalization entitlement determined with reference to revenue other than revenue obtained from the levy and collection of taxes may be used for areawide or nonareawide purposes, at the discretion of the assembly or council. (§ 2 ch 155 SLA 1980)

Sec. 29.88.035. Tax equalization account. The tax equalization account is established. Money to carry out the provisions of this chapter shall be allocated by the department to the account. The amount allocated to the account shall be fully distributed by the department as payments to municipalities to fulfill each municipality's share authorized under AS 29.88.010. The amount allocated to the account shall be distributed by the department pro rata among eligible municipalities. (§ 2 ch 155 SLA 1980)

Sec. 29.88.040. Administration. (a) The department may adopt regulations necessary to implement this chapter. The regulations shall include, among other provisions,

(1) procedures and filing dates for submitting certification and financial reports;

(2) procedures for obtaining information required to compute and determine the municipality's millage rate equivalent; and

(3) procedures by which the department shall notify a municipality in writing of the reasons for a proposed disallowance or adjustment of any factor bearing upon the determination of the municipality's entitlement and by which the municipality will be provided reasonable time in which to respond or to challenge the department's determination.

(b) The department shall make reasonable efforts to advise and assist municipalities in collecting information and completing reports necessary for the determination of entitlements under AS 29.88.010 — 29.88.045.

(c) The department shall, by regulation, classify for inclusion or exclusion as a component of a municipality's millage rate equivalent under AS 29.88.010 any tax revenue appropriated for a utility not included in the definition set out in AS 29.88.045(4). (§ 2 ch 155 SLA 1980)

Sec. 29.88.045. Definitions. In this chapter

(1) "department" means the Department of Community and Regional Affairs;

(2) "municipality" means a city, borough or unified municipality incorporated under the laws of the state;

(3) "taxing unit" means a municipality and

(A) in a borough or unified municipality, a service area or the entire area outside cities;

(B) in a city, a differential tax zone;

(4) "utilities" means electricity, water, sewer, gas, heat, or telephone services, and refuse and garbage collection services. (§ 2 ch 155 SLA 1980)

Chapter 89. State Aid for Miscellaneous Municipal Purposes.

Article

1. Miscellaneous Purposes (§§ 29.89.010 — 29.89.100)
2. Community Facilities Grants (§ 29.89.110)

Article 1. Miscellaneous Purposes.

Section

10. Revenue sharing payable
20. State aid to municipalities for roads
30. State aid to municipalities and other eligible recipients for health facilities and hospitals
40. State aid to volunteer fire departments in the unorganized borough

Section

50. State aid to Native village governments
60. Population determination
70. Area cost-of-living differential
80. Miscellaneous services account
90. Regulations
100. Definitions

Sec. 29.89.010. Revenue sharing payable. In addition to the equalization entitlements paid under AS 29.88, during each fiscal year the department shall pay aid

(1) to a municipality or other eligible recipient which has the power to provide the services described in AS 29.89.020 — 29.89.040 and exercises the power in the manner required by this chapter;

(2) to a Native village government under AS 29.89.050. (§ 3 ch 155 SLA 1980)

Sec. 29.89.020. State aid to municipalities for roads. (a) The department shall pay to a municipality which has power to provide for road maintenance and exercises that power, \$2,500 a mile for each mile of road, street or highway maintained by the local government, excluding (1) the official state highway system, (2) roads, streets or highways not dedicated to public use, (3) roads, streets or highways maintained under the local service road program (AS 19.30.111 — 19.30.251), and (4) alleyways, in accordance with regulations adopted by the Department of Transportation and Public Facilities. A payment may not be made under this subsection for maintenance of a road which is not used by automotive equipment. 1

(b) A frozen waterway and a connection from an inhabited area to a waterway which may be safely used for public transportation by automotive equipment and is so used during a portion of a year is eligible for a payment of \$1,500 per mile if the waterway and connection are maintained during the period of use by a municipality or combination of municipalities. The department, after consultation with the Department of Transportation and Public Facilities, shall determine which waterways and connections qualify and, where the waterways or connections lie outside the corporate limits of a municipality, which municipalities shall receive the payments under this subsection, unless the municipalities involved have agreed in writing to a particular distribution. (§ 3 ch 155 SLA 1980)

Sec. 29.89.030. State aid to municipalities and other eligible recipients for health facilities and hospitals. (a) The department shall pay

(1) to a municipality which has the power to provide hospital facilities and services and which exercises that power, \$1,000 per bed for each bed actually used for patient care, limited to the number of beds provided for in the construction design of the hospital, or \$250,000 a hospital for those hospitals with 10 or more beds, or \$50,000 a hospital for those hospitals with less than 10 beds, as the municipality may elect; money received under this paragraph may be used only for hospitals and shall be apportioned among qualifying hospitals as the municipality determines;

(2) on the basis set out in (1) of this subsection to a municipality for a nonprofit hospital not operated by a municipality if the municipality first certifies to the department that the nonprofit hospital is in compliance with all standards for hospitals which have been adopted by the municipality; money may not be paid on behalf of a nonprofit hospital without this certification; payments to the municipality shall be transferred to the nonprofit hospital in accordance with the basis by which the payment was generated by the hospital, and shall be applied to the annual cost of operation and maintenance of the hospital or for the provision of health care service at the hospital as the directors of the hospital determine;

(3) to a municipality in which a health facility is operated, \$2,000 per bed for each bed actually used for patient care, limited to the number of beds provided for in the construction design of the health facility, or \$8,000 per health facility as the municipality determines.

(b) A hospital may not receive payment under both (a)(1) and (a)(2) of this section.

(c) Money received by a municipality under (a)(3) of this section shall be used for expenses of health services or operation and maintenance of health facilities as the municipality determines.

(d) Before money may be distributed under this section, the commissioner of health and social services shall certify to the commissioner of

community and regional affairs that any accumulation of assets by nonprofit corporations or other recipients under this section is dedicated irrevocably to a public purpose. (§ 3 ch 155 SLA 1980; am §§ 1, 2 ch 103 SLA 1981)

Effect of amendments. — The 1981 amendment substituted "\$250,000" for "\$75,000" preceding "a hospital" and substituted "\$50,000" for "\$25,000" preceding "a hospital" in paragraph (1) of subsection

(a). The amendment also substituted "\$2,000" for "\$1,000" preceding "per bed" and substituted "\$8,000" for "\$1,000" preceding "per health facility" in paragraph (3) of subsection (a).

NOTES TO DECISIONS

For case interpreting the former revenue sharing scheme for hospitals and health care facilities, see Municipality

of Anchorage v. Sisters of Providence in Wash., Inc., Sup Ct Op No 2343 (File No. 5017, 5018, 5020, 628 P 2d 22 (1981).

Sec. 29.89.040. State aid to volunteer fire departments in the unorganized borough. (a) The department shall pay to a volunteer fire department registered with the state fire marshal and serving an area not in an organized borough or city a sum for protection purposes equal to \$10 per capita for the population served by the department, as determined by the state fire marshal.

(b) A grant shall be made under (a) of this section to facilitate the organization of a volunteer fire department in an area not in an organized borough or city, upon application of the proposed fire protection group to the state fire marshal and upon approval of applications according to standards of organization and service prescribed by regulations adopted by the state fire marshal. (§ 3 ch 155 SLA 1980)

Sec. 29.89.050. State aid to Native village governments. The state shall pay \$25,000 to a Native village government for a village which is not incorporated as a city under this title. In this section, "Native village government" means

(1) a local governing body organized by authority of the Act of Congress of 25 U.S.C. 476 (the Act of Congress of June 18, 1934)

(2) a traditional village council or, if there is no traditional village council, the paramount chief or other governing body of a Native village which meets the requirements of 43 U.S.C. 1601-1628 (Alaska Native Claims Settlement Act). (§ 3 ch 155 SLA 1980)

Sec. 29.89.060. Population determination. For purposes of AS 29.89.010 — 29.89.100, population shall be determined by the latest figures of the United States Bureau of the Census or other reliable population data, including but not limited to public school enrollment figures, public utility connection, registered voters or certified employment payrolls. (§ 3 ch 155 SLA 1980)

Sec. 29.89.070. Area cost-of-living differential. (a) Payments to a municipality or other eligible recipient under AS 29.89.020 — 29.89.030 shall reflect area cost-of-living differentials. Payments shall be based upon the sum of per capita, per mile and per bed or facility grants due each municipality or other recipient multiplied by the appropriate area cost-of-living differential. The area cost-of-living differential for each recipient shall be determined annually by election district under the provisions of AS 39.27.030. Application of the area cost-of-living differential may not result in distribution of an amount less than the amount of the payment determined without application of this section.

(b) The election districts used to establish area cost-of-living differentials under (a) of this section are those designated by the proclamation of reapportionment and redistricting of December 7, 1961, and retained for the house of representatives by proclamation of the governor September 3, 1965. (§ 3 ch 155 SLA 1980)

Sec. 29.89.080. Miscellaneous services account. The miscellaneous services account is established. Money to carry out the provisions of AS 29.89.010 — 29.89.100 shall be allocated by the department to the account in accordance with AS 29.95.010. If amounts in the account are insufficient to pay each municipality's or other recipient's share authorized under AS 29.89.010 — 29.89.100, the amounts which are available shall be distributed pro rata among eligible municipalities and other recipients. (§ 3 ch 155 SLA 1980)

Editor's notes. — Section 12, ch 155, SLA 1980 provides: "(a) Notwithstanding other provisions of secs. 1 — 11 of this act, (1) a municipality may not receive less than \$25,000 plus an area cost-of-living differential during the first fiscal year in which this act is effective, 1980-81; and (2) a municipality which would receive under AS 29.88, added by sec. 2 of this act, less than 125 percent of the amount which it received for the last fiscal year under AS 43.18.010 — 43.18.045, repealed by sec. 11 of this act, is, for each of the first five fiscal years during which secs. 1 — 10 of this act are effective, entitled to receive an amount equal to 125 percent of the amount which it received for the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045 in accordance with those provisions. (b) For the first five fiscal years during which secs. 1 — 10 of this act are

effective, in order to pay the amounts required by (a) of this section, the allocations made by the Department of Community and Regional Affairs to the accounts established in AS 29.88.035, AS 29.89.080, and AS 29.90.020 (now repealed) shall be prorated by an amount which reduces the allocation to each account in equal proportion, and the prorated amounts shall be allocated to these accounts. (c) For the first five fiscal years during which secs. 1 — 10 of this act are effective, payment of an entitlement to a borough under AS 29.88 may be made to a borough only if the borough assembly agrees to allocate to each borough service area in the borough at least the amount of money that the service area received during the last fiscal year under the former provisions of AS 43.18.010 — 43.18.045, in accordance with those provisions."

Sec. 29.89.090. Regulations. The department shall adopt regulations necessary to carry out the purposes of AS 29.89.010 — 29.89.100. The regulations shall include minimum standards required to qualify a municipality or other recipient for payments for each ser-

vice. The department may require a municipality or other recipient to submit a performance report adequate to demonstrate to the department that a service for which payment is requested under AS 29.89.010 — 29.89.100 was performed by the municipality or other recipient and meets minimum standards of service prescribed by regulation. (§ 3 ch 155 SLA 1980)

Sec. 29.89.100. Definitions. In AS 29.89.010 — 29.89.100

(1) "department" means the Department of Community and Regional Affairs;

(2) "health facility"

(A) means a facility which is licensed, when required, by the state under AS 18.20.010 — 18.20.130 and which is owned or operated or both by a municipality or by a nonprofit corporation or other nonprofit sponsor;

(B) includes a public health center, maternity home, community mental health center, facility for the mentally or physically handicapped, nursing home or convalescent center;

(C) excludes a facility operated or wholly supported by the state or the federal government;

(3) "hospital" means a licensed hospital determined by the Department of Health and Social Services to be a general hospital; the term excludes a facility operated or wholly supported by the state or the federal government. (§ 3 ch 155 SLA 1980)

Article 2. Community Facilities Grants.

Section

110. Civic, convention and community recreation centers

Sec. 29.89.110. Civic, convention and community recreation centers. (a) Within the limits of legislative appropriations for the purpose, the state shall make matching grants to local governments or their nonprofit designee equal to 50 per cent of the estimated reasonable costs of land acquisition, planning, and construction of municipal civic, convention and community recreation centers and 50 per cent of the cost of feasibility studies relating to these facilities, in accordance with the provisions of this section.

(b) Grants for only one study and one project may be awarded to a local government under this section. Applications for grants shall be made in a form prescribed by the commissioner. A grant shall be allotted according to an agreement made between the commissioner on behalf of the state and the local government receiving the grant. The agreement may include any provision agreed upon by the parties and shall include in substance the following provisions:

(1) estimates of reasonable costs of a study or project as approved by the commissioner after consultation with the Department of Transportation and Public Facilities Works;

(2) a schedule of grant disbursements, if, as determined by the commissioner, a grant is to be disbursed other than in one sum;

(3) agreement by the local government to

(A) proceed with and complete the proposed study or project expeditiously;

(B) not discontinue operation or dispose of all or part of a project for which it receives a grant without the approval of the commissioner;

(C) apply for, and make reasonable efforts to secure, federal assistance which may be available for the study or project, subject to any conditions the commissioner may require in order to maximize the amounts of that assistance received or to be received for all projects in the state;

(D) provide for payment of the local government's share of the cost of the study or project;

(4) agreement by the local government that, if federal assistance for a study or project becomes available to the local government which was not included in the calculation of the amount of a grant authorized and disbursed under this section, the value of the federal assistance shall be ascertained and subtracted from the total value of the project and the balance shall be equally divided between the state and local government;

(5) provision for alteration or modification of an approved study or project and for remedies in case of failure to perform the agreement between the parties or noncompliance with regulations promulgated by the commissioner under this section;

(6) provision for alteration or modification of an existing facility which would have qualified under this section as a civic, convention or community recreation center at the time of initial construction if this section had been in effect and provision for remedies in case of failure to perform the agreement between the parties or noncompliance with regulations promulgated by the commissioner under this section.

(c) If funds appropriated by the legislature to provide grants under this section are not adequate to satisfy amounts required by approved grant applications, funds shall be allocated on the basis of priority established by the Department of Commerce and Economic Development by regulations promulgated to carry out the provisions of this section.

(d) This section does not require that a local government receiving a grant for a feasibility study under this section must proceed with construction of a project, notwithstanding the project is determined to be feasible.

(e) The commissioner shall require in the negotiations and agreements with the local government that continued maintenance of

the facility is the responsibility of the local government and the local government must show the feasibility of this before authorization of state funds.

(f) The commissioner shall provide an annual report to the legislature with respect to grants made under this section.

(g) The commissioner may adopt regulations to carry out the purpose of this section.

(h) In this section

(1) "commissioner" means the commissioner of commerce and economic development;

(2) "costs of construction" includes, in addition to costs directly related to the project, the sum total of all costs of financing and carrying out the project; these include, but are not limited to, the costs of all necessary studies, surveys, plans and specifications, architectural, engineering or other special services, acquisition of real property, site preparation and development, purchase, construction, reconstruction and improvement of real property and the acquisition of machinery and equipment as may be necessary in connection with the project; an allocable portion of the administrative and operating expenses of the grantee; the cost of financing the project, including interest on bonds issued to finance the project; and the cost of other items, including any indemnity and surety bonds and premiums on insurance, legal fees, fees and expenses of trustees, depositories, financial advisors, and paying agents for the bonds issued as the issuer considers necessary; it does not include the cost of feasibility studies;

(3) "local government" means a city of any class or a borough having power to implement the studies or projects for which grants are authorized in this section. (§ 1 ch 114 SLA 1971; am § 44 ch 71 SLA 1972; am § 26 ch 168 SLA 197E)

Revisor's notes. — Formerly AS 41.18.300. Renumbered in 1983.

The paragraphs in subsection (h) were reorganized in 1984 to place the defined terms in alphabetical order.

Cross references. — For bond issues to

finance improvements under this section that were rejected by the voters, see ch. 150, SLA 1972 and ch. 2, SLA 1973, in the 1972 and 1973 Temporary and Special Acts.

Chapter 90. State Aid for Hospital and Health Facility Construction.

(Repealed, § 10 ch 95 SLA 1983. For present provisions, see § 9, ch 95, SLA 1983, in the Temporary and Special Acts.)

Chapter 95. Administration of Municipal Financial Assistance Programs.

Section

10. Allocation and distribution
20. Qualification for minimum payment
30. Proration of payments

Editor's notes. — Section 12, ch. 155, SLA 1980 provides: "(a) Notwithstanding other provisions of secs. 1 — 11 of this act, (1) a municipality may not receive less than \$25,000 plus an area cost-of-living differential during the first fiscal year in which this act is effective, 1980-81, and (2) a municipality which would receive under AS 29.88, added by sec. 2 of this act, less than 125 percent of the amount which it received for the last fiscal year under AS 43.18.010 — 43.18.015, repealed by sec. 11 of this act, is, for each of the first five fiscal years during which secs. 1 — 10 of this act are effective, entitled to receive an amount equal to 125 percent of the amount which it received for the last fiscal year under the former provisions of AS 43.18.010 — 43.18.015 in accordance with those provisions. (b) For the first five fiscal years during which secs. 1 — 10 of this act are

effective, in order to pay the amounts required by (a) of this section, the allocations made by the Department of Community and Regional Affairs to the accounts established in AS 29.88.035, AS 29.89.080, and AS 29.90.020 (now repealed) shall be prorated by an amount which reduces the allocation to each account in equal proportion, and the prorated amounts shall be allocated to these accounts. (c) For the first five fiscal years during which secs. 1 — 10 of this act are effective, payment of an entitlement to a borough under AS 29.89 may be made to a borough only if the borough assembly agrees to allocate to each borough service area in the borough at least the amount of money that the service area received during the last fiscal year under the former provisions of AS 43.18.010 — 43.18.015, in accordance with those provisions."

Sec. 29.95.010. Allocation and distribution. (a) Each year, the Department of Community and Regional Affairs shall allocate money appropriated to the accounts established in AS 29.88, 29.89.010 — 29.89.100, and former AS 29.90 in the amounts determined by the legislature.

(b) Money in the miscellaneous services account established in AS 29.89.080 which exceeds the amount required to fully fund distributions authorized by AS 29.89.010 — 29.89.100 shall be reallocated to the tax equalization account established in AS 29.88.035 and distributed according to the provisions of AS 29.88.

(c) Money in the hospital construction assistance account established in former AS 29.90.020 which exceeds the amount required to fully fund distributions authorized by former AS 29.90 shall be

reallocated to the tax equalization account established in AS 29.88.035 and distributed according to the provisions of AS 29.88. (§ 5 ch 155 SLA 1980)

Revisor's notes. — In 1984, the word "former" was inserted before references to AS 29.90 in this section to reflect the 1983 repeal of that chapter.

Sec. 29.95.020. Qualification for minimum payment. (a) A municipality qualifying for an entitlement under AS 29.88 or AS 29.89.010 — 29.89.100 shall receive a minimum payment of \$25,000 plus an area cost-of-living differential for each fiscal year if:

(1) the municipality has conducted a regular election under AS 29.28.010 — 29.28.050 during the fiscal year preceding the year for which payment of an entitlement is authorized by AS 29.88 or AS 29.89.010 — 29.89.100 and has reported the results of the election to the commissioner of the Department of Community and Regional Affairs;

(2) regular council meetings are held in the municipality in accordance with the requirements of AS 29.23.210 during the fiscal year preceding the year for which payment of an entitlement is authorized by AS 29.88 or AS 29.89.010 — 29.89.100 and a record of the proceedings is maintained;

(3) a municipal budget has been adopted for the fiscal year during which payment of an entitlement is authorized by AS 29.88 or AS 29.89.010 — 29.89.100 and an audit or financial statement for the preceding fiscal year has been prepared and furnished to the Department of Community and Regional Affairs in accordance with AS 29.23.560(a); and

(4) local ordinances adopted by the governing body of the municipality have been codified in accordance with AS 29.48.180.

(b) The area cost-of-living differential payable to each municipality under this section shall be determined annually by election district under the provisions of AS 39.27.030. Except as provided in AS 29.95.030, application of the area cost-of-living differential may not result in a payment which is less than the minimum payment determined under (a) of this section. For purposes of this subsection, the election districts used are those designated by the proclamation of reapportionment and redistricting of December 7, 1961, and retained for the house of representatives by proclamation of the governor September 3, 1965.

(c) The Department of Community and Regional Affairs shall pay to each municipality eligible to receive a minimum payment under this section an amount equal to the difference between the minimum payment determined under (a) and (b) of this section and the sum of the amounts payable for the same fiscal year under AS 29.88 and AS 29.89.010 — 29.89.100.

(d) A payment under this section may be prorated and reduced under AS 29.95.030.

(e) Payments under this section shall be made from the money allocated to the tax equalization account established in AS 29.88.035. (§ 5 ch 155 SLA 1980)

Sec. 29.95.030. Proration of payments. (a) Payments under AS 29.95.020 and AS 29.88 shall equal the amount allocated to the tax equalization account (AS 29.88.035), adjusted in accordance with AS 29.95.010.

(b) Adjustments of payments shall be determined by prorating amounts payable under AS 29.95.020 and amounts payable under AS 29.88 by a factor which, when applied, reduces all payments in equal proportion so that payments under AS 29.95.020 and payments under AS 29.88 equal the amount allocated to the tax equalization account established in AS 29.88.035. (§ 5 ch 155 SLA 1980)



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 079-46-323

M E M O R A N D U M

DATE: September 6, 1983

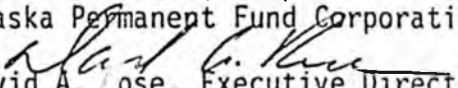
TO: Laura Davis, Assistant Attorney General
Department of Law

Milton B. Barker, Deputy Commissioner
Treasury, Department of Revenue

Vincent Wright, Chief of Research
Department of Revenue

Bill Smart
Price Waterhouse, Anchorage

Peter A. Bushre, Comptroller
Alaska Permanent Fund Corporation

FROM: 
David A. Rose, Executive Director
Alaska Permanent Fund Corporation

SUBJECT: Distributions of Permanent Fund Income

This memorandum will confirm the decisions made at our meeting on Monday, August 29, 1983. The meeting was called to resolve certain questions surrounding interpretations of AS 37.13.140, AS 37.13.145 and Section 15 of Chapter 81, SLA 1982. Specifically, the questions discussed and the decisions agreed upon by everyone present were as follows:

1. Does Sec. 15 of Ch. 81, SLA 82 include a partial distribution of FY 83 earnings? Section 15(a) provides that all of the income earned (including accrued income) prior to July 1, 1982 that was not distributable under prior law is to be transferred to the undistributed income account. The provision includes the portion of FY

81 and FY 82 earnings retained by the Fund (the undistributed portion of current income not distributable on an averaging basis) and accrued income at the end of FY 82. The section further provides that this amount is to be reduced by an amount equal to one-half of FY 83 distributable income, i.e., an amount equal to one-half of FY 83 distributable income is not retained by the Fund in the undistributed income account.

Section 15(b) provides that this amount is to be transferred to the general fund. The history of section 15 is that the legislature wanted a distribution of FY 83 earnings at least equal to the FY 82 accrual basis liability. The amount credited to the undistributed income account would be reduced by the amount of that distribution.

Conclusion: Ch. 81, SLA 82 includes a distribution of FY 83 earnings equal to one-half of distributable income for that year.

2. Is distributable income a cash basis or accrual basis calculation under Sec. 15 of Ch. 81, SLA 82? Section 15(b) provides that distributable income is to be calculated by the formula in AS 37.13.140 before it was amended by Ch. 81, SLA 82. Under prior law, AS 37.13.140 specified that the income of the Corporation was the interest received each fiscal year. Distributable income is a moving average of the income received each fiscal year.

Conclusion: Distributable income is a cash basis calculation under Ch. 81, SLA 82.

3. Is distributable income a cash basis or accrual basis calculation under AS 43.23.045(b)? Subsection (b) provides for the transfer of an amount to the dividend fund from Permanent Fund earnings (or undistributed income if current year earnings are not adequate) equal to one-half of the amount available for distribution. The amount available for distribution is determined by AS 37.13.140 which provides that it is an average of the net income of the Corporation for the last five fiscal years. Net income is defined by that section as being in accordance with generally accepted accounting principles, which is accrual basis income.

Conclusion: Distributable income is an accrual basis calculation

under AS 43.23.045(b).

4. Is net income for the years prior to adoption of Ch. 81, SLA 82, which is used in the calculation of distributable income for FY 83, calculated under current law for years prior to FY 83 or the law in effect when it was earned? AS 37.13.140 before the adoption of Ch. 81, SLA 82 specified that income was the interest received by the Corporation; after the adoption of Ch. 81, SLA 82 it was in accordance with generally accepted accounting principles. Under current law, AS 37.13.140 defines income available for distribution as an average of the net income of the Corporation for the last five fiscal years, and specifies that net income is to be computed in accordance with generally accepted accounting principles. The law makes specific reference to an accrual basis income for each of the five years in the average. Reference to an August 11, 1982 memorandum drafted by Thomas K. Williams which explains the intent of the Trustees revealed that income as calculated under the amendments of Ch. 81, SLA 82 was to be used in each year of the average.

Conclusion: Net income for the years prior to adoption of Ch. 81, SLA 82 used in the calculation of distributable income for FY 83 is determined by current law.

5. Is the liability to the Dividend Fund determined by AS 37.13.140 or by appropriation? The income distributable to the Dividend Fund for FY 83 under AS 37.13.140 is more than the appropriation for FY 83. Reference was made to an opinion of the Attorney General (file: 366-484-83) dated March 10, 1983, which held, in essence, that all or a portion of Permanent Fund earnings can be retained in the Fund by operation of law, but an appropriation is necessary for distributions to any fund other than the general fund.

Conclusion: The liability to the Dividend Fund is the amount of the appropriation.

6. Are earnings on undistributed income included in the calculation of income available for distribution? AS 37.13.145 makes specific reference to the definition of income in AS 37.13.140 as the income

Re: Distributions of Permanent Fund Income
September 6, 1983
Page 4

available for inflation-proofing, excluding the income attributed to the investment of undistributed income. AS 37.13.140 defines income available for distribution as the average net income of the Corporation for the last five fiscal years. The undistributed income account is identified by AS 37.13.145 as an account within the Permanent Fund, and its income is to be treated as an addition to that account.

Generally accepted accounting principles would treat the undistributed income account as corporate retained earnings available for distribution. A dividend or other distribution could be declared at any time by appropriation, but until it is, they are corporate earnings retained for reinvestment.

Conclusion: Earnings on undistributed income are included in the calculation of income available for distribution.

DAR/aef

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

September 4, 1985

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

The Honorable Edna DeVries
Alaska State Senate
P.O. Box 321
Palmer, AK 99645

Attn: Yvonne Alford

Dear Senator DeVries:

Thank you for notifying our office of your intent to hold Senate Community and Regional Affairs Committee hearings on SB 244 in September and October. The Department will be pleased to assist you and your committee staff by providing knowledgeable staff at each of the six hearings scheduled to be held in Southcentral and Interior Alaska. Tentatively, Mr. Doug Griffin, Deputy Director of the Division of Municipal and Regional Assistance will be in attendance at the Southcentral hearings scheduled for September 24-26. Mr. Griffin or Mr. James Plasman, the State Revenue Sharing/Municipal Assistance program manager, will be on hand for the October 22-24 hearings scheduled for the Interior.

Mr. Royce Weller, Special Assistant in the Department of Revenue assisted us in gathering the information you requested on Municipal Assistance funding over the last five years. Specifically, you requested a comparison between the actual level of appropriation and the formula suggested level for Municipal Assistance distribution. This comparison is as follows:

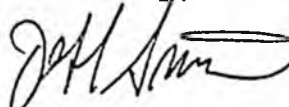
MUNICIPAL ASSISTANCE FUNDING
(in thousands of dollars)

<u>Year</u>	<u>Formula Amount</u>	<u>Actual Appropriation</u>
FY 82	\$87,400.0	\$87,974.6
FY 83	85,630.0	71,300.0
FY 84	70,500.0	70,500.0
FY 85	84,900.0	81,306.8
FY 86	87,900.0	81,306.8

The Honorable Edna DeVries
September 4, 1985
Page 2

I hope this adequately responds to your request. If you need additional information or clarification please feel free to contact this office or Mr. Doug Griffin at 465-4750.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jeff Smith".

Jeff Smith
Deputy Commissioner

Earnings on Undistributed Income

<u>Fiscal Year</u>	<u>Rate of Return</u>	<u>Previous Year's Ending Balance/U.I.A.</u>	<u>Earnings (in Millions)</u>
1982	15.10	58.7	\$ 8.9
83	12.76	243.8	31.1
84	10.89	353.8	38.5
85	11.61	557.4	64.7
86	10.53	763.3	80.4
87	9.0	1,001.1	90.1
88	9.0	997.2	89.8
89	9.0	986.8	88.8
90	9.0	969.4	87.3
91	9.0	952.0	85.7
92	9.0	937.2	84.4
93	9.0	914.8	82.3
94	9.0	884.5	79.6
95	9.0	845.5	76.1
96	9.0	796.6	71.7
97	9.0	737.0	66.3
98	9.0	665.5	59.9
99	9.0	581.3	52.3
2000	9.0	483.2	43.5
2001	9.0	370.0	33.3
2002	9.0	240.6	21.7
2003	9.0	93.3	8.4

Assumptions:

Rate of Return: 1982 - 15.10%
 83 - 12.76
 84 - 10.89
 85 - 11.61
 86 - 10.53
 1987-2003 - 9.0

Inflation: 1982 - 10.37%
 83 - 6.10
 84 - 3.22
 85 - 4.26
 86 - 3.53
 1987-2003 - 6.0

STATE OF ALASKA

AUG 30 1985

THE LEGISLATURE

August 29, 1985

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

Senator Edna DeVries, Chairman
Senate Community & Regional Affairs Committee
Box 321
Palmer, Alaska 99645

ATTN: vonne Alford

Dear Senator:

As you requested, I am providing estimates of the Permanent Fund Undistributed Income Account.

Two sets of estimates are provided - - the Mean Case and the Risk Adjusted.

The Mean Case has a probability of 50 percent that the estimate will be that amount or more. Similarly, the Risk Adjusted estimate has a 70 percent probability.

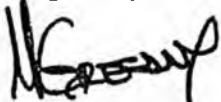
From the attached source tables I have extracted the information specific to your request:

Undistributed Income Account
(\$\$\$ millions)

<u>Fiscal Year</u>	<u>Mean Case</u>	<u>Risk Adjusted</u>
1985	\$ 759.9	\$ 759.9
1986	871.5	871.4
1987	921.0	920.7
1988	1,005.6	1,004.3
1989	1,072.1	1,069.5
1990	1,153.9	1,149.3

Please let us know if Legislative Finance Division can assist further.

Regards,



Mike Greany, Director
Legislative Finance Division

Attachments

MG/se

TABLE 4
State of Alaska
Permanent Fund Earnings & Balance
Mean Case
(millions of nominal \$)

Fiscal Year	Permanent Fund Contributions			Perm Fund Year-End Balance	Perm Fund Earnings	Undist'd Income Account	(1) Dividend Program
	Mineral Revenues	Approp- riations	Inflation Proofing				
76	.0			.0	.0		
77	4.0			4.0	.0		
78	50.5			54.5	1.3		
79	83.9			138.4	6.5		
80	344.8			483.2	23.7		
81	385.1	900.0		1,768.5	149.6	105.1	
82	400.5	800.0		2,969.0	368.6	330.4	
83	421.0	400.0	231.2	4,021.2	471.5	353.3	481.6
84	366.2	300.0	150.9	4,838.3	530.0	557.3	190.9
85	354.3	300.0	234.0	5,726.5	653.9	759.9	163.2
86	309.3		230.9	6,266.8	605.4	871.5	217.4
87	277.8		259.5	6,804.0	594.6	921.0	262.9
88	264.3		310.0	7,378.3	703.3	1,005.6	285.5
89	269.5		364.0	8,011.8	762.5	1,072.1	308.7
90	270.3		394.2	8,675.3	825.1	1,153.9	332.0
91	263.5		425.5	9,365.4	891.6	1,242.3	349.1
92	272.7		458.8	10,096.9	961.6	1,330.7	377.7
93	278.9		515.7	10,891.4	1,085.8	1,443.2	414.4
94	267.7		578.0	11,737.1	1,170.9	1,547.6	452.7
95	269.8		622.0	12,628.8	1,259.7	1,648.4	493.5
Total	5,154.0	2,700.0	4,774.6		11,065.5		4,329.4

(1) FY 83 dividend amount includes an appropriation of \$440.1 million from the General Fund.

Source: "Revenue Sources", Department of Revenue, June 85 mean case.

UNRESTRICTED GENERAL FUND REVENUES

<u>Fiscal Year</u>	<u>Risk Adjusted</u>	<u>Mean Case</u>
1976	709.8	709.8
1977	874.3	874.3
1978	764.9	764.9
1979	1,133.0	1,133.0
1980	2,501.2	2,501.2
1981	3,718.2	3,718.2
1982	4,108.4	4,108.4
1983	3,631.0	3,631.0
1984	3,390.1	3,390.1
1985	3,237.6	3,237.6
1986	2,872.8	2,939.6
1987	2,573.5	2,733.3
1988	2,267.6	2,443.0
1989	2,151.2	2,430.1
1990	2,052.4	2,452.6
1991	1,944.4	2,389.0
1992	1,931.5	2,430.5
1993	1,893.6	2,476.9
1994	1,805.8	2,393.6
1995	1,753.5	2,382.8

TABLE 5
State of Alaska
Permanent Fund Earnings & Balance
Risk-adjusted (30%)
(millions of nominal \$)

Fiscal Year	Permanent Fund Contributions			Perm Fund Year-End Balance	Perm Fund Earnings	Undist'd Income Account	(1) Dividend Program
	Mineral Revenues	Approp- riations	Inflation Proofing				
76	.0			.0	.0		
77	4.0			4.0	.0		
78	50.5			54.5	1.3		
79	83.9			138.4	6.5		
80	344.8			403.2	23.7		
81	385.1	900.0		1,768.5	149.6	105.1	
82	400.5	800.0		2,969.0	368.6	330.4	
83	421.0	400.0	231.2	4,021.2	471.5	353.3	481.6
84	366.2	300.0	150.9	4,838.3	530.0	557.3	190.9
85	353.9	300.0	234.0	5,726.2	653.9	759.9	163.2
86	299.7		230.5	6,256.4	604.9	871.4	217.4
87	254.0		258.1	6,768.5	592.7	920.7	262.9
88	237.1		307.2	7,312.9	698.8	1,004.3	285.3
89	228.3		359.0	7,900.1	754.6	1,069.5	308.0
90	215.5		386.3	8,501.9	812.5	1,149.3	330.5
91	200.8		414.3	9,116.9	872.8	1,234.7	346.4
92	201.7		443.6	9,762.2	935.5	1,319.2	373.2
93	196.7		495.0	10,453.8	1,049.5	1,431.3	407.4
94	185.3		551.1	11,190.2	1,124.4	1,525.1	442.5
95	180.8		589.0	11,960.0	1,202.1	1,619.7	479.5
Total	4,609.8	2,700.0	4,650.1		10,852.9		4,288.6

(1) FY 83 dividend amount includes an appropriation of \$440.1 million from the General Fund.

Source: "Revenue Sources", Department of Revenue, June 85 (30% case).

ALASKA PERMANENT FUND Corporation

Statement of Changes in Fund Balance

For the Years Ended June 30, 1982 and 1981

	<u>Total</u>	<u>Appropriations, Royalties and Other State Receipts</u>	<u>Undistributed Income</u>
Balance, July 1, 1980	\$ 483,208,000	\$ 483,208,000	
Appropriations from State of Alaska General Fund	900,000,000	900,000,000	
Royalties and other state receipts	385,128,000	385,128,000	
Investment income	149,867,000		\$149,867,000
Transfer of net investment gains to principal		219,000	(219,000)
Distributable income due to State General and Segregated Funds	<u>(90,904,000)</u>		<u>(90,904,000)</u>
Balance, June 30, 1981	1,827,299,000	1,768,555,000	58,744,000
Appropriation from State of Alaska General Fund	800,000,000	800,000,000	
Royalties and other state receipts	400,522,000	400,522,000	
Investment income	368,426,000		368,426,000
Distributable income due to State General and Segregated Funds	<u>(183,411,000)</u>		<u>(183,411,000)</u>
Balance, June 30, 1982	\$3,212,836,000	\$2,969,077,000	\$243,759,000

See accompanying notes to financial statements

Note 5 — Amount Due to the State General and Segregated Funds:

The amount due to the State General and Segregated Funds is determined on the basis of the current year's distributable income as provided by statute adjusted for actual cash distributions and prior year's accrued amount due to the Funds. Summarized below is the activity for the fiscal years ended June 30, 1982 and 1981.

Balance, July 1, 1980			\$ 19,669,000
Add: 1981 accrual of distributable income			90,904,000
Less: Cash transfers made —			
Amounts transferred applicable to 1980	\$ (19,669,000)		
Amounts transferred applicable to 1981	<u>(43,565,000)</u>	<u>(63,234,000)</u>	
Balance, June 30, 1981			47,339,000
Add: 1982 accrual of distributable income			183,411,000
Less: Cash transfers made —			
Amounts transferred applicable to 1981	(47,339,000)		
Amounts transferred applicable to 1982	<u>(94,592,000)</u>	<u>(141,931,000)</u>	
Balance, June 30, 1982			\$ 88,819,000

Note 6 — Administrative Expenses (Unaudited):

Administrative and other expenses are paid by the State of Alaska General Fund and are not included in the accompanying statements. The related budget and actual expenses for 1982 and budgeted expenses for 1983 for operations of the Permanent Fund Corporation are as follows (unaudited):

	<u>1982</u>		<u>1983</u>
<u>Budget</u>		<u>Actual</u>	<u>Budget</u>
\$450,500		\$391,200	\$3,070,500

Alaska Permanent Fund Corporation

Statement of Changes in Fund Equity
For The Years Ended June 30, 1983 and 1982

	<u>Total</u>	<u>Contributed Equity</u>	<u>Undistributed Income</u>
Balance, June 30, 1981	\$1,827,299,000	\$1,768,555,000	\$ 58,744,000
Appropriations from the State	800,000,000	800,000,000	
Dedicated state revenues	400,522,000	400,522,000	
Investment income	368,426,000		368,426,000
Distributions of income	<u>(183,411,000)</u>		<u>(183,411,000)</u>
Balance, June 30, 1982	3,212,836,000	2,969,077,000	243,759,000
Appropriations from the State	400,000,000	400,000,000	
Dedicated state revenues	420,957,000	420,957,000	
Net income from operations	471,125,000		471,125,000
Distributions of income	<u>(129,882,000)</u>		<u>(129,882,000)</u>
Provision for inflation		<u>231,192,000</u>	<u>(231,192,000)</u>
Balance, June 30, 1983	<u>\$4,375,036,000</u>	<u>\$4,021,226,000</u>	<u>\$353,810,000</u>

See accompanying notes to financial statements

Income Distributable to the State of Alaska

	<u>Total</u>	<u>Dividend Fund</u>	<u>General Fund</u>
Balance, June 30, 1981	\$ 47,339,000	\$ 23,670,000	\$ 23,669,000
Add: 1982 accrual of distributable income	<u>183,411,000</u>	<u>91,706,000</u>	<u>91,705,000</u>
	<u>230,750,000</u>	<u>115,376,000</u>	<u>115,374,000</u>
Less: Cash transfers - Applicable to 1981 accruals	(47,339,000)	(23,670,000)	(23,669,000)
Applicable to 1982 accruals	<u>(94,592,000)</u>	<u>(47,296,000)</u>	<u>(47,296,000)</u>
	<u>(141,931,000)</u>	<u>(70,966,000)</u>	<u>(70,965,000)</u>
Balance, June 30, 1982	88,819,000	44,410,000	44,409,000
Add: 1983 accrual of distributable income	<u>217,410,000</u>	<u>107,875,000</u>	<u>109,535,000</u>
	<u>306,229,000</u>	<u>152,285,000</u>	<u>153,944,000</u>
Less: Cash transfers applicable to 1982	(1,291,000)	(646,000)	(645,000)
Transition rule adjust- ment	<u>(87,528,000)</u>	<u>(43,764,000)</u>	<u>(43,764,000)</u>
	<u>(88,819,000)</u>	<u>(44,410,000)</u>	<u>(44,409,000)</u>
Balance, June 30, 1983	<u>\$217,410,000</u>	<u>\$107,875,000</u>	<u>\$109,535,000</u>

	<u>Total</u>	<u>Dividend Fund</u>	<u>General Fund</u>
<u>1983 Provision Charged To:</u>			
Earnings on undistributed income	\$ 31,104,000	\$ 31,104,000	
Balance of undistributed income	<u>98,778,000</u>	<u>33,007,000</u>	<u>\$ 65,771,000</u>
Sub-total	129,882,000	64,111,000	65,771,000
Transition rule adjustment	<u>87,528,000</u>	<u>43,764,000</u>	<u>43,764,000</u>
Income distributable to the State	<u>\$217,410,000</u>	<u>\$107,875,000</u>	<u>\$109,535,000</u>

Alaska Permanent Fund Corporation

Statement of Changes in Fund Equity For The Years Ended June 30, 1984 and 1983

	Total	Contributed Equity	Reserve for Inflation and Dividends	Unrealized Loss On Common Stock	Undistributed Income
Balance, June 30, 1982	\$3,212,836,000	\$2,969,077,000			\$243,759,000
Appropriations from the State	400,000,000	400,000,000			
Dedicated state revenues	420,957,000	420,957,000			
Net income from operations	471,125,000				471,125,000
Provision for 1983 dividends	(64,111,000)				(64,111,000)
Provision for distributions to the state general fund	(65,771,000)				(65,771,000)
Provision for 1983 inflation		231,192,000			(231,192,000)
Balance, June 30, 1983	4,375,036,000	4,021,226,000			353,810,000
Appropriations from the State	300,000,000	300,000,000			
Dedicated state revenues	366,183,000	366,183,000			
Net income from operations	529,457,000				529,457,000
Provision for 1983 dividend supplement	(11,869,000)				(11,869,000)
Provision for 1984 dividends	(163,116,000)				(163,116,000)
Provision for 1984 inflation		150,935,000			(150,935,000)
Allowance for unrealized loss on common stock	(20,871,000)			\$(20,871,000)	
Provision for future inflation and dividends			\$557,347,000		(557,347,000)
Balance, June 30, 1984	\$5,374,820,000	\$4,838,344,000	\$557,347,000	\$(20,871,000)	\$

See accompanying notes to financial statements

Income Distributable to the State of Alaska

	<u>Total</u>	<u>Dividend Fund</u>	<u>General Fund</u>
Balance due, June 30, 1982	\$ 88,819,000	\$ 44,410,000	\$ 44,409,000
Add: 1983 appropriation and transition rule liability	<u>217,410,000</u>	<u>107,875,000</u>	<u>109,535,000</u>
	<u>306,229,000</u>	<u>152,285,000</u>	<u>153,944,000</u>
Less: Cash transfers-- Applicable to 1982	(1,291,000)	(646,000)	(645,000)
Transition rule adjustment	<u>(87,528,000)</u>	<u>(43,764,000)</u>	<u>(43,764,000)</u>
	<u>(88,819,000)</u>	<u>(44,410,000)</u>	<u>(44,409,000)</u>
Balance due, June 30, 1983	<u>217,410,000</u>	<u>107,875,000</u>	<u>109,535,000</u>
Add: 1983 supplemental appropriation	11,869,000	11,869,000	
1984 appropriations	<u>163,116,000</u>	<u>163,116,000</u>	
	<u>174,985,000</u>	<u>174,985,000</u>	
Less: Cash transfers-- Applicable to 1983	(229,279,000)	(119,744,000)	(109,535,000)
Applicable to 1984	<u>(7,986,000)</u>	<u>(7,986,000)</u>	
	<u>(237,265,000)</u>	<u>(127,730,000)</u>	<u>(109,535,000)</u>
Balance due, June 30, 1984	<u>\$155,130,000</u>	<u>\$155,130,000</u>	<u>\$</u>

Note 8 - Contributed Equity:

The principal balances of the Alaska Permanent Fund at June 30, 1984 and 1983 are as follows:

	<u>June 30,</u>	
	<u>1984</u>	<u>1983</u>
Dedicated state revenues	\$2,056,217,000	\$1,690,034,000
Appropriations from the State	2,400,000,000	2,100,000,000
Cumulative provision for inflation	<u>382,127,000</u>	<u>231,192,000</u>
	<u>\$4,838,344,000</u>	<u>\$4,021,226,000</u>

In 1980, the State Legislature appropriated \$900,000,000 from general fund revenues to the Permanent Fund. This appropriation has been paid in full. In 1981, the Legislature appropriated an additional \$1,800,000,000 from general fund revenues to the Permanent Fund. This appropriation bill directs the Commissioner of Revenue to make monthly deposits of general fund operating surplus until the balance is reached. As of June 30, 1984, \$1,500,000,000 (June 30, 1983, \$1,200,000,000) of this appropriation had been deposited in the Permanent Fund.

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN FUND EQUITY
FOR THE YEARS ENDED JUNE 30, 1985 AND 1984

	<u>Total</u>	<u>Contributed Equity</u>	<u>Reserve for Inflation and Dividends</u>	<u>Unrealized Loss on Common Stock</u>	<u>Undistributed Income</u>
Balance, June 30, 1983	\$4,375,036,000	\$4,021,226,000			\$ 353,810,000
Appropriations from the State	300,000,000	300,000,000			
Dedicated State revenues	366,183,000	366,183,000			
Net income from operations	529,457,000				529,457,000
Provision for 1983 dividend supplement	(11,869,000)				(11,869,000)
Provision for 1984 dividends	(163,116,000)				(163,116,000)
Provision for 1984 inflation		150,935,000			(150,935,000)
Allowance for unrealized loss on common stock	(20,871,000)			\$(20,871,000)	
Provision for future inflation and dividends			\$557,347,000		(557,347,000)
Balance, June 30, 1984	5,374,820,000	4,838,344,000	557,347,000	(20,871,000)	
Appropriations from the State	300,000,000	300,000,000			
Dedicated State revenues	368,027,000	368,027,000			
Net income from operations	657,761,000				657,761,000
Citizen contributions	1,000	1,000			
Provision for 1985 dividends	(217,274,000)				(217,274,000)
Provision for 1985 inflation		234,570,000			(234,570,000)
Recovery of unrealized loss on common stock	20,871,000			20,871,000	
Provision for future inflation and dividends			205,917,000		(205,917,000)
Balance, June 30, 1985	<u>\$6,504,206,000</u>	<u>\$5,740,942,000</u>	<u>\$763,264,000</u>	<u>\$</u>	<u>\$</u>

See accompanying notes to financial statements

Income Distributable to the State of Alaska

	<u>Total</u>	<u>Dividend Fund</u>	<u>General Fund</u>
Balance due, June 30, 1983	\$ 217,410,000	\$ 107,875,000	\$ 109,535,000
Add: 1983 supple- mental appro- priation	11,869,000	11,869,000	
1984 appro- priations	<u>163,116,000</u>	<u>163,116,000</u>	
	<u>174,985,000</u>	<u>174,985,000</u>	
	<u>Total</u>	<u>Dividend Fund</u>	<u>General Fund</u>
Less: Cash trans- fers- Applicable to 1983	(229,279,000)	(119,744,000)	(109,535,000)
Applicable to 1984	<u>(7,986,000)</u>	<u>(7,986,000)</u>	
	<u>(237,265,000)</u>	<u>(127,730,000)</u>	<u>(109,535,000)</u>
Balance due, June 30, 1984	155,130,000	155,130,000	
Add: 1985 appro- priation	217,274,000	217,274,000	
Less: Cash trans- fers - Applicable to 1984	<u>(155,130,000)</u>	<u>(155,130,000)</u>	
Balance due, June 30, 1985	<u>\$ 217,274,000</u>	<u>\$ 217,274,000</u>	<u>\$</u>

7. CONTRIBUTED EQUITY:

The principal balances of the Alaska Permanent Fund at June 30, 1985 and 1984 are as follows:



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

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APR 22 1985

ALASKA
PERMANENT FUND CORPORATION 22, 1985

Mr. David Rose
Executive Director
Alaska Permanent Fund Corporation
Pouch 4-1000
Juneau, Alaska 99802

Dear Mr. Rose:

As a member of the Senate Finance Committee, I have spent considerable time and effort attempting to determine which state revenues are available of appropriation, and which are not. It is my understanding the Department of Revenue segregates funds which the State receives into three basis categories:

1. Unrestricted revenues--which are paid into the General Fund and may be appropriated for any purpose.
2. Restricted revenues--which are funds received for a specific purpose and primarily originate from the Federal government.
- 3: Special Fund revenues--which are funds received into statutorily established funds such as the International Airports Revenue Fund. These funds may or may not be available for appropriation and be treated as General Funds. I have attempted to determine into which category the Undistributed Income Account for the Permanent Fund falls. Logically, one would think that it would fall into the "Special Fund Revenues" category. However, in reviewing the Department of Revenue's last quarterly report, a listing for the undistributed Income Account is not shown. Neither is it listed in the "Restricted Revenues" nor in the "Unrestricted Revenues" categories of the quarterly report.

Therefore, I am confused as to the true nature of the undistributed Income Account. To clarify this issue, would you please answer the following questions:

PAGE 2

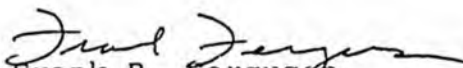
1. Is the Undistributed Income Account a dedicated fund, unavailable for appropriation?
2. Is the Undistributed Income Account an a count within the Permanent Fund, and therefore unavailable for appropriation?
3. If not then aren't the funds in the Undistributed Income Account simply General Funds bearing a different label?
4. If the Undistributed Income Account is simply a bookkeeping category for monies within the General fund, why aren't they listed as "Unrestricted Revenues?"
5. The March revenue forecast predicts an FY 1986 balance in the Undistributed Income Account of \$877 million, and increase of nearly \$140 million over the January forecast.

I understand that your office may have a forecast for the Undistributed Income account which predicts higher balances for both the short-and long-term.

Would you please send me the answers to the above questions and your office's predictions for FY 1986 through FY 2000 for the Undistributed Income Account?

Thank you for your assistance and corporation on this matter.

Sincerely,


Frank R. Ferguson
Alaska State Senator

FRF/cc



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

April 24, 1985

The Honorable Frank R. Ferguson
Alaska State Senator
Pouch V
State Capitol
Juneau, AK 99811

Dear Senator Ferguson:

Thank you for your letter of inquiry dated April 22, 1985 pertaining to the Undistributed Income Account. Answers are keyed to the questions posed as follows:

Q # 1. Is the Undistributed Income Account a dedicated fund, unavailable for appropriation?

According to legal counsel, the Undistributed Income Account is a partially dedicated fund (see attached letter from Office of the Attorney General, dated March 10, 1983). It is: (1) available for appropriation for any lawful purpose; (2) available to make up any shortfall in dividend payments subject to appropriation; and (3) available to make up any shortfall in inflation-proofing transfers to the corpus of the Fund, without appropriation.

* * *

Q # 2. Is the Undistributed Income Account within the Permanent Fund, and therefore unavailable for appropriation?

The Undistributed Income Account is an account within the Permanent Fund but does not constitute part of the "corpus" of the Fund. Thus, it is subject to appropriation while the "corpus" is not.

AS 37.13.145 states, in part, "...The balance of the net income as defined in AS 37.13.140 shall be transferred to the undistributed income account in the Alaska Permanent Fund" (emphasis added).

* * *

Q # 3. If not, then aren't the funds in the Undistributed Income Account simply General Funds bearing a different label?

Section 15, Article IX, the constitutional amendment which created the Permanent Fund states in part:

"...All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law" (emphasis added).

AS 37.13.145 specifically directs this income to the Undistributed Income Account in the Permanent Fund. Without these provisions, of course, income would automatically flow to the General Fund. More than just a label appears to be involved since substantive law was deliberately written to prohibit automatic flow to the General Fund.

* * *

Q # 4. If the Undistributed Income Account is simply a bookkeeping category for monies within the General Fund, why aren't they listed as "Unrestricted Revenues?"

The Undistributed Income Account is not simply a bookkeeping category for monies within the General Fund, as previously stated. The Undistributed Income Account is a holding account for prior years' income not used for dividends or inflation-proofing. All income of the current year is added to the account during the year. At the close of the year, dividend payments and inflation-proofing are subtracted from the account. If there is a balance, it is carried forward. The Trustees have designated the balance in the Undistributed Income Account as a "reserve for dividends and inflation-proofing." This designation by the Trustees treats the account in a manner similar to other corporations' "retained earnings" -- a buffer to be utilized in poor earnings years. The Trustees' designation, however, does not infer that these funds may not be appropriated. See Resolution 84-12 in the attached memorandum.

* * *

The Corporation makes projections each month. The current projection sheet (attached) reflects the following:

1. The Undistributed Income Account at June 30, 1985 is expected to be \$757.1 million.

Senator Frank R. Ferguson
April 24, 1985
Page 3

2. The balance of the Undistributed Income Account will be drawn down to zero to meet dividend and inflation-proofing by the year 1999, assuming an annual earnings rate of 9 percent and an inflation rate of 6 percent.

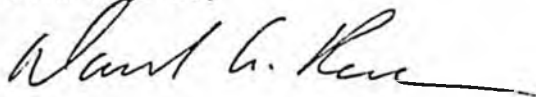
The Corporation's projections are more conservative than the Department of Revenue's because we assume a slightly higher long-term rate of inflation and a slightly lower real rate of return over time. The actual balance of the Undistributed Income Account on June 30, 1986 will depend on the actual earnings of the Corporation during the next fiscal year and on the actual inflation rate for 1985.

As I review your letter, it appears that the income held in the Undistributed Income Account after meeting the dual obligations of dividend payments and inflation-proofing transfers is unique.

I have also enclosed a recent memorandum, prepared by staff for the information of the Trustees, which describes the Undistributed Income Account, its purpose and how it works.

If you have further questions or need better clarity of explanation, please do not hesitate to contact me.

Warm regards,



David A. Rose
Executive Director

DAR/bn

Attachment

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 4/15/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in billions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)								
Beginning FY Balance	Dedicated Appropriations	State Revenues*	Inflation Proofing Balance	Ending Balance	Inflation Adjusted Proofing Shortfall	Ending Balance	Net Income	Distributions			Reserves		Total Assets	
								Inflation Dividends	State General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4		54.4		54.4	1.8			1.3	.5			55.0
79	54.4	84.1		138.5		138.5	8.0			6.6	1.4			140.5
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	11.9	8.5			502.9
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	59.7	58.7	1,874.6
82	1,768.5	800.0		2,969.0		2,969.0	358.4	71.1		71.1	41.1	185.1	243.8	3,301.7
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	353.8	4,593.0
84	4,021.2	300.0	366.2	4,839.3		4,839.3	529.5	175.0	150.9			203.6	557.4	5,530.8
85	4,839.3	300.0	358.3	5,730.8		5,730.8	650.9	217.0	234.2			199.7	757.1	6,704.9
86	5,730.8		307.6	6,400.7		6,400.7	625.9	264.6	362.3			(1.0)	756.1	7,421.4
87	6,400.7		283.9	7,085.6		7,085.6	687.8	296.5	401.1			(9.8)	746.3	8,128.4
88	7,085.6		273.7	7,800.9		7,800.9	751.0	324.5	441.6			(15.1)	731.2	8,856.6
89	7,800.9		267.1	8,552.1		8,552.1	816.7	353.2	484.1			(20.6)	710.6	9,615.9
90	8,552.1		256.1	9,336.7		9,336.7	985.0	376.6	528.5			(20.1)	690.5	10,403.8
91	9,336.7		237.1	10,148.2		10,148.2	955.1	409.7	574.4			(28.0)	562.5	11,220.4
92	10,148.2		237.3	11,008.6		11,008.6	1,030.0	443.9	623.1			(37.0)	625.5	12,078.0
93	11,008.6		229.5	11,912.4		11,912.4	1,107.2	479.5	674.3			(46.6)	578.9	12,970.8
94	11,912.4		218.0	12,858.2		12,858.2	1,187.5	516.6	727.8			(56.9)	522.0	13,896.8
95	12,858.2		207.8	13,850.0		13,850.0	1,270.7	555.2	784.0			(68.5)	453.5	14,858.7
96	13,850.0		202.5	14,895.7		14,895.7	1,357.5	595.3	843.2			(81.0)	372.5	15,863.5
97	14,895.7		199.6	16,001.0		16,001.0	1,448.3	637.1	905.7			(94.5)	278.0	16,916.1
98	16,001.0		197.4	17,170.3		17,170.3	1,543.4	680.7	971.9			(109.2)	168.8	18,019.8
99	17,170.3		195.0	18,407.2		18,407.2	1,643.2	726.3	1,041.9			(125.0)	43.8	19,177.3
00	18,407.2		187.3	19,612.5	98.2	19,710.7	1,747.7	774.0	1,017.5			(43.8)		20,386.5
01	19,612.5		267.8	20,916.8	156.3	21,073.1	1,860.9	824.4	1,036.5					21,741.2

* Source: Alaska Department of Revenue

** Chapter 81, SGA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 3rd Qtr FY85

-
- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.25% Inflation FY85
- 10.76% Return FY85
- 6% Average Inflation FY85-FY00
- 5% Average Return FY86-FY00




Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: February 25, 1985
TO: Trustees
FROM:  Jim Kelly
Research & Liaison Officer
SUBJECT: The Undistributed Income Account

In response to legislative questions about the Undistributed Income Account, I have compiled the attached set of documents which describe its purpose and how it works, particularly in regard to inflation-proofing.

A) Resolution 83-2: Describes the purpose of the Permanent Fund and acknowledges the Trustees' fiduciary obligation to protect the principal of the Fund from the effects of inflation.

B) Resolution 84-12: Describes the purpose of the Undistributed Income Account and designates it as a reserve for inflation and dividends.

C) Resolution 83-8: Defines the term "principal balance" as used by the Corporation in the computation for inflation proofing.

D) Memorandum of September 23, 1983: Provides a legal review of Resolution 83-8 by the Attorney General and makes it clear that money in the Undistributed Income Account is "available for appropriation, or for reinvestment pursuant to AS 37.13.145 in a year when the current income earned on principal of the fund is insufficient to offset the effect of inflation in that year".

E) Legislative Budget and Audit Committee Resolution of January 17, 1984: Supports and approves Resolution 83-8 of the Board of Trustees of the Alaska Permanent Fund Corporation.

Undistributed Income Account
February 25, 1985
Page 2

F) Resolution 83-7: Adopts the U.S. Consumer Price Index as the index to be used in the computation for inflation-proofing.

G) Excerpt from the 1984 Annual Report: Describes the rate of inflation for each year from 1977-1984.

H) Resolution 83-11: Defines the term "net income" to include both the earnings on the principal of the Fund and the earnings of the Undistributed Income Account.

I) Alaska Statutes: Sections 37.13.140-145 describe State law pertaining to income of the Permanent Fund.

JK/bn

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION REGARDING
THE PURPOSE OF THE PERMANENT FUND

RESOLUTION NO. 83-2


WHEREAS, the people of the state created the Alaska Permanent Fund by constitutional amendment in 1976, requiring that "...at least..." 25 percent of mineral royalties and related income be set aside for "...income-producing investments..." to benefit all generations of Alaskans, and

WHEREAS, the enabling law for the management and investment of the Permanent Fund directs the Trustees "...to maintain safety of principal while maximizing...disposable income..." AS 37.13.020(2) and (3),

NOW THEREFORE BE IT RESOLVED that the Trustees acknowledge the Permanent Fund to be an inviolate trust and recognize their prime obligation to be the protection of principal, not only against inordinate risk to current worth but also against the impact of inflation on future worth. They will honor this obligation by observing the Prudent Investor Rule in judging the quality and reasonable diversification of the Fund's investments (AS 37.13.120(a) and (c)) and in defending the rule of retaining sufficient income to offset the effects of inflation on principal, and

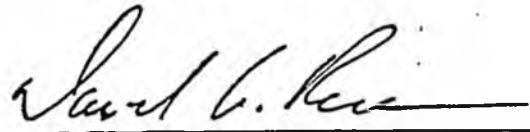
BE IT FURTHER RESOLVED, the Trustees recognize their obligation to provide maximum disposable income for the uses of the people of Alaska, as such uses may be designated by law. They will honor this obligation by pursuing an investment policy which offers the highest possible investment yield commensurate with minimal risk.

PASSED AND APPROVED by the board of trustees of the Alaska Permanent Fund Corporation, this 30th day of March, 1983.



Dr. George Rogers, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

RESOLUTION OF THE BOARD OF TRUSTEES
ALASKA PERMANENT FUND CORPORATION
PERTAINING TO THE DESIGNATION OF A CONTINUING
RESERVE OF UNDISTRIBUTED INCOME FOR THE PURPOSE
OF FUTURE INFLATION IMPACT AND DIVIDEND PAYMENTS

RESOLUTION 84-12

WHEREAS, section 37.13.145 of the Alaska Statutes provides that net income of the Alaska Permanent Fund Corporation not required to offset the impact of inflation on principal during the previous fiscal year, and not appropriated for the payment of dividends during the current fiscal year, shall be held in an undistributed income account by the Alaska Permanent Fund Corporation; and

WHEREAS, the Legislature of the State of Alaska has defined the purpose of the undistributed income account as a reserve to insure a stable source of income from which the real earning power of the Fund can be sustained, and from which dividend payments and other distributions appropriated by the Legislature can be made; and

WHEREAS, dividend payments are the only distributions of net income currently defined by the Alaska Statutes; and

WHEREAS, the Board of Trustees is granted full authority to manage the assets of the Alaska Permanent Fund Corporation, including the undistributed income account, by the provisions of section 37.13.040 of the Alaska Statutes; and

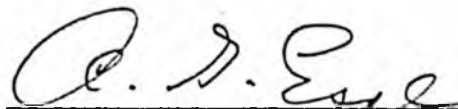
WHEREAS, the Board of Trustees have a fiduciary responsibility to provide for the future impact of inflation and for future distributions of net income by designating reserves of undistributed income; and

WHEREAS, regardless of accounting treatment, said account is subject to legislative appropriation pursuant to section 37.13.145 of the Alaska Statutes;

WHEREAS, the Board of Trustees believes that it is sound public policy and incumbent upon them as fiduciaries to designate such reserves;

NOW THEREFORE BE IT RESOLVED, that the balance of the undistributed income account shall be designated as a reserve to offset the future impact of inflation on the principal of the Permanent Fund and for the future payment of dividends.

PASSED AND APPROVED by the Board of Trustees of the
Alaska Permanent Fund Corporation, this 21st day of September,
1984.



A.G. Espe, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

c

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION
DEFINING THE TERMS "PRINCIPAL BALANCE" AS UTILIZED BOTH
IN THE COMPUTATION FOR INFLATION PROOFING AND FOR
COMPUTATION OF EARNED INCOME OF THE UNDISTRIBUTED
INCOME ACCOUNT

RESOLUTION 83-8

WHEREAS, an end-of-year calculation must be made to determine the amount of money to be retained for inflation proofing; and

WHEREAS, another end-of-year calculation must be made to determine the amount of money represented by income earned on the Undistributed Income Account which will be placed in a restricted sub-account; and

WHEREAS, both calculations must be based on a single-point-in-time valuation of the corpus of each account identified as a "principal balance"; and

WHEREAS, the Trustees desire to establish the definition of each "principal balance" for the above stated calculations;

NOW THEREFORE BE IT RESOLVED that the Trustees direct the Executive Director to utilize the following definition of "principal balance" for the purpose of inflation proofing calculations:

THE PRINCIPAL BALANCE OF THE PERMANENT FUND

That balance of the Fund at the end of each fiscal year that is to be protected from the ravages of future inflation. This sum is comprised of all:

1. Constitutional and statutory contributions to the Fund since its inception;
2. Special appropriations paid to the Fund since its inception;
3. All prior "inflation proofing" funds retained.

AND BE IT FURTHER RESOLVED that the Trustees direct the Executive Director to utilize the following definition of "principal balance" for the purpose of computing income earned on the Undistributed Income Account so that the appropriate amount of funds can be removed from the income of commingled investments, segregated for reporting purposes and placed into the Undistributed Income Account:

THE PRINCIPAL BALANCE OF THE UNDISTRIBUTED INCOME ACCOUNT

That balance of the Undistributed Income Account which has been invested, along with Permanent Fund revenues on a commingled basis, during the entire fiscal year just ended. This is the sum reported

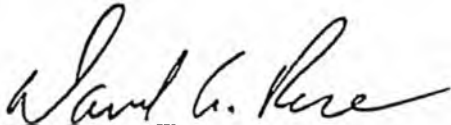
in the prior-year audited financial statements of the Alaska Permanent Fund Corporation for the Undistributed Income Account. This balance will include, as of the end of the prior year, all accrued interest payable regardless of when paid and all transfers due from the Permanent Fund regardless of when transfer has actually taken place.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 22nd day of July, 1983.



Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

MEMORANDUM

State of Alaska

TO: David Rose, Executive Director DATE: September 23, 1983
 Alaska Permanent Fund Corporation

FILE NO: 366-104-84

TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch SUBJECT: Resolution defining
 Attorney General principal balance

By: *Laura L. Davis*
 Laura L. Davis
 Assistant Attorney General
 Governmental Affairs-Juneau

At your request, I have reviewed resolution no. 83-8 of the board of trustees of the Alaska Permanent Fund Corporation, which addresses the method of determining annually (1) the amount of income to be reinvested to offset the effect of inflation and (2) the amount of income to be credited to the undistributed income account. I believe the resolution is a reasonable interpretation of AS 37.13.145. However, I see a few potential questions or problems which could be avoided by changes to this resolution. In addition, I recommend that you adopt it in the form of a regulation as authorized by AS 37.13.205.

First, AS 37.13.145 provides for the reinvestment as principal of "an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by a nationally recognized index." The resolution provides that this amount shall be determined with reference to the principal balance at the end of each year (i.e., including all deposits to principal made during the year). The resolution does not specify the "nationally recognized index" to be used.

The permanent fund will continue to receive regular monthly deposits to principal as provided by both constitution and statute as long as the state receives revenue from mineral lease rentals, royalties, and royalty sale proceeds, and federal mineral revenue sharing payments. Alaska Const. art IX, § 15; AS 37.13.010. As long as the principal is growing, it may overcompensate somewhat for the effect of inflation on the principal during the year to use the year end principal balance as a referent. A more precise figure could be obtained by using an average monthly principal balance or using a sum of monthly computations. 1/ However, the statute does not establish a precise stan-

1/ For example, you could provide that the "amount sufficient to offset the effect of inflation on principal" means the sum of the amounts which are calculated for that purpose at the end of each month during a fiscal year, and based on the principal balance at

dard, but simply requires reinvestment of an amount "sufficient to offset the effect of inflation."

The concept of inflation itself is a composite of economic circumstances rather than a unitary force or event capable of precise measurement. The board is not required to select a method which will minimize the amount of income to be reinvested. ^{2/} The resolution adopts a simple and convenient method of calculation which will use the regular accounting practice of the corporation and will result in the reinvestment of an amount sufficient to offset the effect of inflation on the principal of the fund.

If this resolution were challenged in a legal action, the court would use one of two standards of judicial review. If it determined that the board's interpretation of AS 37.13.145 either involved the formulation of fundamental policy or required particular administrative expertise, it would inquire only whether the resolution has a rational or reasonable basis. Kelly v. Zamarello, 486 P.2d 906 (Alaska 1971). Otherwise, the court would exercise its independent judgment to determine whether the board's interpretation of AS 37.13.145 is correct. Union Oil Co. v. Dept. of Revenue, 560 P.2d 21, 23 (Alaska 1977); State v. Aleut Corp., 541 P.2d 730, 736 (Alaska 1975). Under the former standard, we expect the resolution would be sustained. Under the latter standard, the result is less predictable. 3/

1/ Cont....

the end of each month in accordance with the definition of principal balance as stated in the resolution.

2/ Had the legislature intended to limit the trustees' discretion or to minimize the amount to be reinvested, it could easily have provided for reinvestment of an amount "no more than that sufficient to offset inflation." There is no indication that the legislature intended this result. The pertinent part of AS 37.13.145 was added to SB 684 by amendment on the floor of the Senate on May 6, 1982 without debate. 1982 S. Jour. at 1178. (Tape recording of Senate proceedings on May 6, 1982, Alaska State Film Library.)

3/ The Alaska Supreme Court has found that decisions regarding the allocation of scarce fishery resources and procedures for disposal of state land do not involve fundamental policy formulation or require particular administrative expertise. CFEC v. Templeton, 598 P.2d 77 (Alaska 1977); State v. Aleut Corp., 541 P.2d at 736. We expect that the court would find no fundamental

As a practical matter, regardless of which test applies, the result may depend on the magnitude of the actual financial consequences. 4/ If the difference between the amount to be reinvested pursuant to this resolution and the amount estimated using an average monthly balance or a sum of monthly calculations were insignificant, the resolution would undoubtedly be sustained. On the other hand, if the difference were so large as to substantially interfere with the use of the fund income for other purposes, the resolution would probably be found to be inconsistent with AS 37.13.145. We cannot say that the present estimated difference of \$34 million in the context of total net income of \$471 million is insignificant. However, the total amount to be reinvested pursuant to the resolution is still less than one-half of the net income of the fund. This amount should be sufficient to offset the effect of inflation on principal without interfering with the permanent fund dividend program under AS 43.23 or other uses of the income chosen by the legislature. If the monthly principal deposits to the fund are relatively uniform or declining, this situation would remain. However, if the deposits to principal increase toward the end of a fiscal year, the difference between the amount reinvested pursuant to the resolution and the amount otherwise estimated as suggested above could become more significant. We believe that the resolution reasonably interprets this aspect of the statute under present circumstances but that the likelihood of avoiding or surviving a potential legal challenge could be enhanced by using a monthly average or series of monthly figures for the principal balance.

Second, AS 37.13.145 provides that the balance of net income after the reinvestment to offset inflation is deposited in an undistributed income account. Income generated by that account accrues to that account. AS 37.13.145. The resolution defines "principal balance of the undistributed income account" to mean the amount credited to the account in the prior year's financial statement, including "all accrued interest payable re-

3/ Cont....

policy issue involved or particular expertise needed to determine the amount needed to offset the effect of inflation and would use its independent judgment to interpret the statute.

4/ We understand that the amount to be reinvested for fiscal year 1983 in accordance with this resolution is approximately \$231 million, and that the amount estimated using an average monthly principal balance is \$34 million less. The total net income of the corporation for fiscal year 1983 is approximately \$471 million.

David Rose, Executive Director
Alaska Permanent Fund Corporation
366-104-84

September 23, 1983
Page 74

ardless of when paid and all transfers due from the Permanent Fund regardless of when transfer has actually taken place." This apparently means that income due the undistributed income account is measured using the prior year end balance of that account as a referent and using the accrual method of accounting, which is adopted by implication as part of "generally accepted accounting principles" under AS 37.13.140. While this appears to be a reasonable interpretation of AS 37.13.145, we see some potential for confusion in the wording of the resolution.

The resolution uses the term "principal balance of the undistributed income account." "Principal" is used in the applicable constitutional and statutory provisions only to refer to the principal of the fund, which is constitutionally dedicated for permanent prudent investment, and may not be appropriated or used for any other purpose. Alaska Const art. IX, § 15; AS 37.13.020, 37.13.145. It would be preferable to avoid using the term "principal balance" in connection with the undistributed income account. In addition, the resolution refers to transfers due "from the Permanent Fund." This is somewhat confusing since AS 37.13.145 refers to the undistributed income account as being "in the Alaska permanent fund." As we understand it, the undistributed income account consists of all that money generated as income by the fund which is neither reinvested pursuant to AS 37.13.145, nor appropriated or dedicated (to the extent that a dedication is constitutionally permitted under article IX, section 7). This money is available for appropriation, or for reinvestment pursuant to AS 37.13.145 in a year when the current income earned on principal of the fund is insufficient to offset the effect of inflation in that year.

These sources of confusion could be avoided by revising the resolution so that it defines or implements only the precise terms used in AS 37.13.145. In addition, we suggest that the board consider promulgating a regulation under AS 37.13.205 to give this resolution the force and effect of law. This would ensure that interested persons have the opportunity to comment on the board's interpretation of AS 37.13.145, and may increase the deference or weight given to the board's interpretation if it is challenged. Please let us know if you would like any further assistance in this matter.

LLD/pjg

cc: Members of the board of trustees

State of Alaska

E

211 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
907-452-3421
907-452-3471



ROOM 500, CAPITOL BUILDING
POUCH V
JUNEAU, ALASKA 99811
907-465-4984

LEGISLATIVE BUDGET & AUDIT COMMITTEE
REP. ROBERT BETTISWORTH, CHAIRMAN

RECEIVED
JAN 25 1984

ALASKA
PERMANENT FUND CORPORATION

DATE: January 17, 1984
TO: Dave Rose, Executive Director
Alaska Permanent Fund Corporation
FROM: Rep. Robert Bettisworth, Chairman
Legislative Budget & Audit Committee
SUBJECT: Resolution 83-8

Please be advised that at the January 12, 1984 meeting of the Legislative Budget and Audit Committee, the Committ passed a resolution sustaining resolution 83-8 of the Board of Trustees of the Alaska Permanent Fund Corporation.

A copy of said resolution is enclosed.

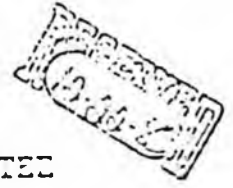
Handwritten signature of Robert Bettisworth in cursive script.

Rep. Robert Bettisworth, Chairman
Legislative Budget & Audit Committee

encl.

RESOLUTION

OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE



WHEREAS the Board of Trustees of the Alaska permanent fund has found it necessary to define the term "principal balance" as used in the statutory computation of "inflation-proofing" and the computation of earned income on the undistributed income account of the permanent fund; and

WHEREAS the Board of Trustees has elected to use a balance fixed at a single point in time rather than an averaged balance to define the term "principal balance"; and

WHEREAS, on July 22, 1983, the Board of Trustees adopted Resolution 83-8, approving the single balance method for computing "principal balance" for purposes of implementing the provisions of the Alaska Statutes with regard to the Alaska permanent fund; and

WHEREAS the Executive Director of the Alaska Permanent Fund Corporation requested an opinion from the Attorney General on Resolution 83-8; and

WHEREAS, on September 23, 1983, the requested opinion indicated that Resolution 83-8 is a reasonable interpretation of the Alaska Statutes; and

WHEREAS the Executive Director of the Alaska Permanent Fund Corporation has requested that this committee sustain

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION
PERTAINING TO DETERMINATION OF A NATIONALLY RECOGNIZED INDEX
FOR THE RETENTION OF CERTAIN EARNINGS ("INFLATION PROOFING")

RESOLUTION 83-7

WHEREAS, Alaska Statute 37.13.145 provides:

"At the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by a nationally recognized index, shall be transferred from net income as defined in AS 37.13.140, excluding income on the undistributed income account in the Alaska permanent fund, to the principal of the Alaska permanent fund for reinvestment."; and

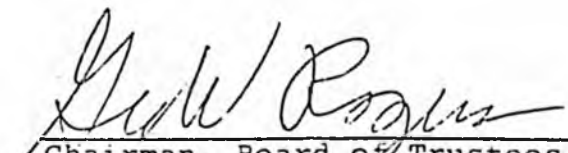
WHEREAS, the Trustees have reviewed the philosophy and composition of the United States Consumer Price Index calendar year average for all urban consumers and the Gross National Product Implicit Price Deflator as set forth in a Memorandum of the Executive Director on the subject dated July 22, 1983; and

WHEREAS, the Trustees desire to adopt an index which (i) accurately measures the impact of inflation on the Alaska Permanent Fund, and (ii) is generally recognized as a representative measure of inflation throughout the nation;

NOW THEREFORE BE IT RESOLVED that the Trustees adopt the United States Consumer Price Index calendar year average for all urban consumers as the index to calculate the impact of inflation as required by AS 37.13.145;

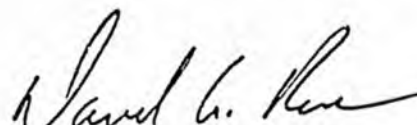
AND BE IT FURTHER RESOLVED that the Trustees direct the Executive Director to utilize the percentage change in that index for the preceding calendar year just ended as the basis for calculation on June 30 of each year.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 22nd day of July, 1983.



Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director



Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: July 22, 1983

TO: Trustees

FROM: David A. Rose, Executive Director

SUBJECT: Inflation Proofing Index

It is recommended that the Consumer Price Index (CPI) calendar year average for all urban consumers be selected as the inflation proofing index of the Alaska Permanent Fund Corporation. The background to this recommendation and a review of the two major indices are outlined below. A schedule of annual inflation rates for the past ten years is also attached.

BACKGROUND

AS 37.13.145 directs the Trustees to select a nationally recognized index for inflation proofing, but does not specify which. The choice is at the discretion of the Trustees as long as the index (i) accurately measures the impact of inflation, and (ii) is generally recognized as a representative measure of inflation throughout the nation.

The most frequently cited measures of national inflation are the CPI (which we recommend) and the Gross National Product Implicit Price Deflator (GNP Deflator). Each of them weights the prices of goods and services according to predetermined criteria and are known as representative measures of inflation, but they are very dissimilar in character and in the results which they produce.

CONSUMER PRICE INDEX

The CPI measures changes in price of certain economic goods and services using base year consumption patterns. The most widely used version of the CPI reflects the consumption patterns of all urban consumers.

Advantages

- °Most accurate measure of changes in price.
- °Most widely recognized measure of inflation.

Trustees
July 22, 1983
Page 2

- °Covers the price of everything people buy for living.
- °Includes imports (e.g. petroleum) which have a significant impact on consumption patterns.

Disadvantages

- °Housing is treated as a commodity subject to annual consumption.
- °Ignores changes in consumption patterns.
- °Luxury items are overweighted and necessities are underweighted.
- °Limited to specific population groups.
- °Does not distinguish price change from price movement due to change in quality.
- °Does not measure trends in national output.
- °Averages the consumption patterns of many population groups.
- °More volatile than the GNP Deflator.

GNP DEFLATOR

The GNP Deflator is a weighted average of each item in the national output using current period consumption patterns. Changes in the GNP Deflator reflect both changes in composition of output and changes in prices.

Advantages

- °Most comprehensive measure of trends in the national economy.
- °Change in the level of GNP closely reflects change in the level of economic activity.
- °Less volatile than CPI.

Disadvantages

- °Not recognized by the general public.
- °Tends to underestimate changes in price.
- °Mixes changes in composition with changes in price.
- °Does not measure true domestic consumption; excludes imports.

AVERAGE ANNUAL
INFLATION INDEXES: RATES OF INCREASE
1972 - 1982

<u>Year</u>	<u>GNP Deflator</u>	<u>CPI</u>
1972	4.1	3.3
1973	5.8	6.2
1974	9.7	11.0
1975	9.6	9.1
1976	5.2	5.8
1977	6.0	6.5
1978	7.3	7.7
1979	8.8	11.3
1980	8.0	13.5
1981	9.4	10.4
1982	6.0	6.1

Alaska Permanent Fund Corporation

A Public Trust Investing For Alaska's Future

Alaska Permanent Fund Realized Rates of Return 1984 - 1977 (Percent)			
<u>Year</u>	<u>Nominal</u>	<u>Inflation</u>	<u>Real</u>
1984	10.89	3.22	7.67
1983	12.76	6.10	6.66
1982	15.10	10.37	4.73
1981	16.00	13.52	2.48
1980	11.29	11.26	.03
1979	8.24	7.66	.58
1978	7.53	6.45	1.08
1977*	5.54	5.77	(.23)

*Four months ended 12/31/77

The inflation rate used consistently by the Trustees is the published U. S. Consumer Price Index previous calendar year average for all urban consumers.

H

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION
REPEALING RESOLUTION 83-9 DEFINING "NET INCOME"
AND ADOPTING A REPLACEMENT DEFINITION

RESOLUTION 83-11

WHEREAS, the Trustees adopted Resolution 83-9 on July 22, 1983 defining "net income" for purposes of income averaging; and

WHEREAS, the resolution was further reviewed at a meeting on August 29, 1983 attended by representatives of the Department of Law, Department of Revenue, Permanent Fund Staff, and accountants Price Waterhouse (Memorandum of September 6, 1983 is attached hereto); and

WHEREAS, aforementioned representatives now believe that Resolution 83-9 improperly interprets AS 37.13.140 and AS 37.13.145 taken in full context; and

WHEREAS, generally accepted accounting principles would, more properly, treat the undistributed income account as corporate retained earnings available for distribution;

NOW THEREFORE, BE IT RESOLVED that the Trustees repeal their approval of Resolution 83-9 dated July 22, 1983; and

BE IT FURTHER RESOLVED that the Trustees determine that earnings on undistributed income are earnings of the Corporation; and

BE IT FURTHER RESOLVED that the Trustees direct the Executive Director to account for "net income" and utilize same for the calculation of "net income available for distribution" in such a manner as to include both earnings on the corpus of the Fund and earnings on the undistributed income account.

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 27th day of September, 1983.

Steve Cowper, Chairman
Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:

David A. Rose, Executive Director

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE ALASKA PERMANENT FUND CORPORATION
DEFINING "NET INCOME" FOR PURPOSES OF INCOME AVERAGING

RESOLUTION 83-9

WHEREAS, AS 37.13.140 specifies in part:

"Sec. 37.13.140. Income. Net income of the corporation must be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals the average net income of the corporation for the last five fiscal years, including the fiscal year just ended, ..."; and

WHEREAS, the Statute does not specifically include or exclude earnings on the Undistributed Income Account from the term "net income"; and

WHEREAS, the Trustees wish to clarify the terminology as it has a bearing on calculations of income available for distribution; and

WHEREAS, earnings on the Undistributed Income Account are calculated separately and are restricted in that they cannot be utilized for inflation proofing; and

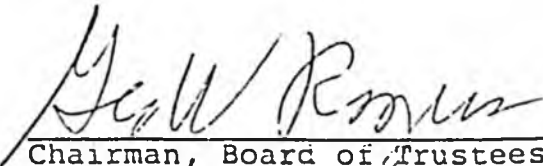
WHEREAS, these earnings are in investment and custody status with the Corporation and not subject to its use;

NOW THEREFORE, BE IT RESOLVED that the Trustees determine that the term "net income" as used in AS 37.13.140 pertains to the net income earned from the investment of those funds belonging to the Alaska Permanent Fund which it considers its corpus and over which it has total ownership, control and use; and

BE IT FURTHER RESOLVED that the Trustees determine that the net income of other funds such as the Undistributed Income Account which are invested on a commingled basis, shall be separately computed and applied to its respective parent account or fund as appropriate; and

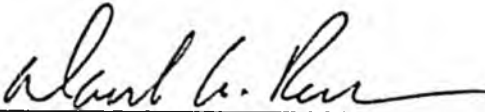
BE IT FURTHER RESOLVED that the Trustees direct the Executive Director to account for "net income" and utilize same in computations required by AS 37.13.140 in such a manner as to exclude earnings on the Undistributed Income Account from "net income" and thus also exclude these earnings from computations involving "income available for distribution."

PASSED AND APPROVED by the Board of Trustees of the Alaska Permanent Fund Corporation, this 22nd day of July, 1983.



Chairman, Board of Trustees
Alaska Permanent Fund Corporation

ATTEST:



David A. Rose, Executive Director

Sec. 37.13.140. Income. Net income of the corporation must be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals the average net income of the corporation for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the corporation for the fiscal year just ended plus the balance in the undistributed income account described in AS 37.13.145. (§ 5 ch 18 SLA 1980; am § 8 ch 81 SLA 1982)

Effect of amendments. — The 1982 amendment, effective July 1, 1982, rewrote this section.

§ 37.13.145

ALASKA STATUTES SUPPLEMENT

§ 37.13.170

Sec. 37.13.145. Disposition of income. At the end of each fiscal year, an amount sufficient to offset the effect of inflation on principal of the Alaska permanent fund during that year, as measured by a nationally recognized index, shall be transferred from net income as defined in AS 37.13.140, excluding income on the undistributed income account in the Alaska permanent fund, to the principal of the Alaska permanent fund for reinvestment. The balance of the net income as defined in AS 37.13.140 shall be transferred to the undistributed income account in the Alaska permanent fund. Money in the undistributed income account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the undistributed income account shall be treated as an addition to that account. (§ 9 ch 81 SLA 1982)

Effective dates. — Section 16, ch. 81, SLA 1982, makes this section effective July 1, 1982.

Editor's notes. — Section 15, ch. 81, SLA 1982, provides: "TRANSITION. (a) All income earned by the Alaska permanent fund before the effective date of this Act [July 1, 1982] that is not income available for disbursement shall be transferred to the undistributed income account established in AS 37.13.145 added by sec. 9 of this Act. However, the amount transferred

under this section shall be reduced by an amount equal to one-half of the income available for disbursement for fiscal year 1983.

"(b) The amount equal to the reduction in income under (a) of this section shall be transferred to the general fund.

"(c) In this section 'income available for disbursement' shall be determined as set out in AS 37.13.140 before amendment by this Act."

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TELECON RECORD

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* DATE: Aug 27 1985

* CALL PLACED BY: -21-

* PHONE NUMBER: 465-4700

* CALL RECEIVED BY: Jeff - Smith

* PHONE NUMBER: _____

* SUBJECT: 5B244 Hearings

* _____

* _____

* _____

* _____

* _____

* _____

* _____

NOTES: _____

Will have witness

*Will put together info for years
Muni Assistance under-funded
and amt of underfunding.
Asked for this info for past 5 yrs*

phone call
9/12/85

Mun Ass't Title 4, 42

AS 37:05.317

Doug Griffin

RDA grants

Non profit corp. (Hastarus)
unincorporated community 25 filing fee

If in unorganized borough: can receive
revenue sharing

PT Graham, English Bay

somewhere between . . . \$25,000/yr
sp

RDA grants, bulk fuel storage tanks

Fire Service Area - Contact Fire Marshall

\$10/cap. for each person served
outside organized borough

Packet on unincorporated community
IRA or non profit

Jennifer Fate - grants, revenue sharing -
2 yrs apply for revenue-sharing
Cantwell -

Alciachuk - - debts extinguishment through
Muni assistance
circle -

(Klukwan) Contracting agent -- is what IRA's are



Official Business

Alaska State Legislature

Senate

Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

September 12, 1985

Senator Frank Ferguson
Alaska State Senate
Box 131
Kotzebue, AK 99752

Dear Senator Ferguson:

SUBJECT: Senate C&RA Committee Meetings, September 24 through 26, 1985

As follow-up to earlier correspondence concerning committee hearings scheduled during September, Senator DeVries has asked me to advise you of the logistical details of the meetings schedule.

Airline tickets were previously mailed to you in order to give your staff adequate time to arrange reservations best suited to your personal schedule.

Hearings are scheduled as follows:

September 24 - Anchorage Legislative Information Office, 2-6 P.M.

September 25 - Mat-Su Legislative Information Office, 2-6 P.M.

September 26 - Kenai Peninsula Legislative Information Office, 2-6 P.M.

At the present time, only Senator Sturgulewski has indicated a possible conflict to attending the September 26th hearing.

Some of the available airline flights from Anchorage to Kenai and return Anchorage are:

Southcentral Airlines Flight #16 -- DEPARTS ANCHORAGE at 11:00 A.M. and ARRIVES KENAI at 11:30 A.M.

Alaska Airlines Flight #832 (ERA Airlines Counter) -- DEPARTS ANCHORAGE at 11:30 A.M. and ARRIVES KENAI at 12:00 Noon.

AAI (Alaska Aeronautical Industries) Flight #154 -- DEPARTS KENAI 6:30 P.M. and ARRIVES ANCHORAGE at 7:00 P.M.

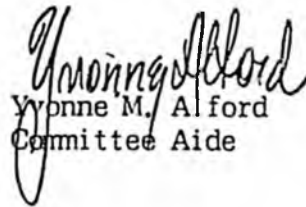
Southcentral Airlines Flight #43 -- DEPARTS KENAI at 7:00 P.M. and ARRIVES ANCHORAGE at 7:30 P.M.

Senator DeVries and the committee staff will arrive in Kenai at 11:30 A.M. on September 26th.

A map of the route to the Kenai Peninsula Legislative Information Office on Tyee Street in Soldotna is enclosed.

If you require additional information, please contact me at 745-3281.

Sincerely,


Yvonne M. Alford
Committee Aide

Enclosure

P.S. Information on the October meetings will be sent to you next week.

ALASKA PERMANENT FUND
CORPORATION
MONTHLY FINANCIAL REPORT
FEBRUARY 1985

The Honorable
Edna Armstrong-De Vries
Alaska State Senate
Pouch V
Juneau, AK 99811

for the past eight months of this fiscal year has been added in the amount of \$421,826,000. An amount to be utilized for dividend payments is set aside each month and for the eight months of this fiscal year that amount equals \$142,916,000. Similarly, amounts are set aside each month for inflation-proofing. The eight month amount is \$156,267,000. Graphically, funds can be traced through the account as follows:

Opening Balance, July 1, 1984	\$ 557,347,000	+ * # 731,247,000
Plus: Eight months net income	421,826,000	
Gross amount in account	<u>979,174,000</u>	
Less: Eight month set-aside for dividends	(142,916,000)	
Less: Eight month set-aside for inflation-proofing	(156,267,000)	
Less: Unrealized gain on real estate	(3,898,000)	
Net balance	<u>\$ 676,092,000</u>	

↓
 Est. balance in undistributed income acct as of 6/30/85

Updated projections for the period July 1, 1984 through June 30, 1985 based upon eight months operations are as follows:

- Realized net income	\$ 622,100,000
- Transfer to State for payment of dividends	<u>214,100,000</u>
- Transfer to corpus for inflation-proofing	234,100,000-
- Addition to reserves	173,900,000*

In making these projections, we estimate a 10.87 percent realized nominal return. The inflation rate has been established at 4.26 percent. This is the calendar year 1984 average increase over calendar year 1983 in the U.S. Consumer Price Index For All Urban Consumers. The projected realized real rate of return is 6.61 percent which is substantially above the long range average target rate of 3.0 percent.

DAR:aef/bn

1. 8.802



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: March 18, 1985

TO: Recipients of February 1985 Financial Statements

FROM: David A. Rose
Executive Director

SUBJECT: Report Highlights

Attached please find the Corporation's financial statements for February 1985 and the fiscal year to date (July 1, 1984 - February 28, 1985).

Total assets amounted to \$6,365,445,000, representing an increase of approximately \$830,000,000 from the fiscal year beginning balance of \$5,530,799,000. The increase during the month of February amounted to \$84,777,000.

Net income fiscal-year-to-date amounted to \$421,826,000 and for February amounted to \$57,596,000. These earnings include an unrealized gain on the investment in real estate equity pools of \$3,898,000 which cannot be used in the computation of distributable income. Net income fiscal-year-to-date without this unrealized gain amounted to \$417,928,000 and \$53,698,000 for the month of February.

As of this report, an analysis of portfolio composition and investment yield is as follows:

	<u>Percent of Portfolio</u>	<u>Current Interest and Dividend Yield</u>
Cash	----	6.30
Repurchase agreements	.8	8.66
Money markets	.4	9.09
Treasury bills	1.3	9.11
Certificates of deposit	.4	10.25
U.S. notes and bonds	79.9	11.62
Corporate bonds	.4	10.95
Common stock	10.1	4.20
Mortgages	.7	13.71
Alaskan certificates of deposit	1.6	10.63
Real estate equity	1.7	7.18
Interest receivable	2.7	----
	<u>100.0</u>	<u>10.70</u>

SCRA I

The average life-to-maturity of fixed income marketable securities is six years.

Common stock dividend yield is estimated at 4.2 percent. The combination of dividend yield, realized gains on the sale of stock and unrealized gains on the stock portfolio indicates a total return of approximately 18 percent during the first eight months of this fiscal year.

The realized cash yield reflected on real estate equity investment is 7.18 percent. The addition of the unrealized gain on the investment in real estate equity pools indicates a total return of 13.85 percent during the first eight months of this fiscal year.

Commitments on Alaska mortgages are currently being made by the Corporation at 12.375 percent. Commitment rates are adjusted monthly.

✓ The following table sets forth the balance of commitments and net disbursements on Alaskan investments at February 28, 1985:

	<u>Committed</u>	<u>Net Disbursed</u>
Alaska home mortgages	\$ 80,000,000	\$ 46,113,000
Alaska bank certificates of deposit	200,000,000	102,500,000
Corporate bonds (AHFC)	23,500,000	23,500,000
	<u>\$323,500,000</u>	<u>\$172,113,000</u>
As a percent of Fund assets	5.08%	2.70%

Last month's analysis discussed the Statement of Changes in Fund Equity and the relationships between the corpus of the Fund and undistributed income (designated Reserve For Inflation And Dividends by the Trustees). Several individuals have suggested that this analysis be repeated each month, utilizing current month figures, to insure that there is a better understanding of these accounts. Therefore, it is important to note the following:

- ° The corpus of the Fund is \$5,385,867,000
- ° The Reserve For Inflation And Dividends is 979,174,000

The reserve account is very large because it serves several purposes. It contains reserves from prior years, it is a deposit account for all income received during the current year to date, and it is a holding account from which dividend payments and inflation-proofing disbursements are made. At the beginning of the fiscal year (July 1, 1984) the reserves amounted to \$557,347,000. To that amount, net income

for the past eight months of this fiscal year has been added in the amount of \$421,826,000. An amount to be utilized for dividend payments is set aside each month and for the eight months of this fiscal year that amount equals \$142,916,000. Similarly, amounts are set aside each month for inflation-proofing. The eight month amount is \$156,267,000. Graphically, funds can be traced through the account as follows:

Opening Balance, July 1, 1984	\$ 557,347,000	+ * \$ 731,247,000
Plus: Eight months net income	421,826,000	
Gross amount in account	<u>979,174,000</u>	
Less: Eight month set-aside for dividends	(142,916,000)	
Less: Eight month set-aside for inflation-proofing	(156,267,000)	
Less: Unrealized gain on real estate	(3,898,000)	
Net balance	<u>\$ 676,092,000</u>	

↓
 Est. balance in undistributed income acct as of 6/30/85

Updated projections for the period July 1, 1984 through June 30, 1985 based upon eight months operations are as follows:

- Realized net income	\$ 622,100,000
- Transfer to State for payment of dividends	214,100,000
- Transfer to corpus for inflation-proofing	234,100,000-
- Addition to reserves	173,900,000*

In making these projections, we estimate a 10.87 percent realized nominal return. The inflation rate has been established at 4.26 percent. This is the calendar year 1984 average increase over calendar year 1983 in the U.S. Consumer Price Index For All Urban Consumers. The projected realized real rate of return is 6.61 percent which is substantially above the long range average target rate of 3.0 percent.

DAR:aef/bn

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF PORTFOLIO ASSETS, LIABILITIES AND FUND EQUITY

FEBRUARY 28, 1985

<u>ASSETS</u>	<u>¢</u>	<u>AMOUNT</u>
Cash		\$ 359,000
Receivables and prepaid expense	3	170,435,000
Investments:		
Marketable debt securities -		
Repurchase agreements	1	48,800,000
Short-term issues	2	137,446,000
Intermediate and long-term issues	<u>81</u>	<u>5,166,428,000</u>
Total marketable debt securities	84	5,352,674,000
Real Estate -		
Equity pools	1	69,118,000
Participating mortgages		8,000,000
General partnership	<u>---</u>	<u>28,097,000</u>
Total real estate	1	105,215,000
Preferred & common stock	9	587,984,000
Conventional mortgages	1	46,113,000
Alaska certificates of deposit	<u>2</u>	<u>102,500,000</u>
Total investments	12	<u>6,194,486,000</u>
Property and equipment, net of accumulated depreciation	<u>---</u>	<u>165,000</u>
Total assets	<u>100</u>	<u>\$ 6,365,445,000</u>
<u>LIABILITIES</u>		
Accounts payable		\$ 404,000
<u>EQUITY</u>		
Contributed equity	85	5,385,867,000
Reserve for inflation and dividends	<u>15</u>	<u>979,174,000</u>
Total equity	<u>100</u>	<u>6,365,041,000</u>
Total liabilities & equity	<u>100</u>	<u>\$ 6,365,445,000</u>

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF REVENUES AND OPERATING EXPENSES
FEBRUARY 28, 1985

	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
<u>REVENUES</u>		
Interest	\$ 48,501,000	\$398,376,000
Dividends	4,166,000	15,742,000
Realized gain on the sale of:		
Marketable debt securities	236,000	3,017,000
Common stock	<u>1,215,000</u>	<u>2,344,000</u>
Net gain	1,451,000	5,361,000
Unrealized gain on real estate	3,898,000	3,898,000
Reimbursement of consulting fees	-----	----- <u>100,000</u>
Gross Revenues	<u>58,016,000</u>	<u>423,477,000</u>
<u>OPERATING EXPENSES</u>		
Salaries and benefits	66,000	450,000
Travel	2,000	39,000
Trustee Honoraria	5,000	24,000
Communications	15,000	101,000
Consulting and studies, advisors	13,000	123,000
Printing and advertising		13,000
Office rent	8,000	61,000
Custody and safekeeping fees	52,000	111,000
Common stock and real estate management fees	239,000	498,000
Conventional mortgage service fees	13,000	82,000
Public Information Program		66,000
Depreciation	4,000	53,000
Other	<u>3,000</u>	<u>30,000</u>
Total Operating Expenses	<u>420,000</u>	<u>1,651,000</u>
Net Income	<u>\$ 57,596,000</u>	<u>\$421,826,000</u>

ALASKA PERMANENT FUND CORPORATION

STATEMENT OF CHANGES IN FUND EQUITY
FEBRUARY 28, 1985

<u>Current Month</u>	<u>Total</u>	<u>Contributed Equity</u>	<u>Reserve for Inflation and Dividends</u>	<u>Unrealized Loss on Stock</u>	<u>Undistributed Income</u>
Balance, January 31, 1985	\$ 6,280,275,000	\$ 5,358,697,000	\$921,578,000		
Net income from operations	57,596,000				\$ 57,596,000
Dedicated state revenues	27,170,000	27,170,000			
Provision for 1985 dividends			18,033,000		(18,033,000)
Provision for 1985 inflation proofing			19,533,000		(19,533,000)
Provision for future inflation and dividends			20,030,000		(20,030,000)
Balance, February 28, 1985	<u>\$ 6,365,041,000</u>	<u>\$ 5,385,867,000</u>	<u>\$979,174,000</u>	<u>\$</u>	<u>\$</u>
<u>Year-to-Date</u>					
Balance, June 30, 1984	\$ 5,374,820,000	\$ 4,838,344,000	\$557,347,000	\$(20,871,000)	
Net income from operations	421,826,000				\$421,826,000
Dedicated state revenues	547,522,000	547,522,000			
Citizen Contribution	1,000	1,000			
Provision for 1985 dividends			142,916,000		(142,916,000)
Provision for 1985 inflation proofing			156,267,000		(156,267,000)
Allowance for unrealized loss on preferred & common stock	20,871,000			20,871,000	
Provision for future inflation and dividends			122,644,000		(122,644,000)
Balance, February 28, 1985	<u>\$ 6,365,041,000</u>	<u>\$ 5,385,867,000</u>	<u>\$979,174,000</u>	<u>\$</u>	<u>\$</u>

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN CONDITION
FEBRUARY 28, 1985

FUNDS WERE PROVIDED BY:	CURRENT MONTH	YEAR-TO-DATE
Investment operations:		
Net income	\$ 57,596,000	\$ 421,826,000
Items not affecting funds-		
Amortization	(282,000)	(1,375,000)
Depreciation	4,000	53,000
Decrease in receivables & prepaid expenses	19,900,000	816,000
Increase/(Decrease) in accounts payable	11,000	(444,000)
Unrealized gain on real estate	<u>(3,898,000)</u>	<u>(3,898,000)</u>
Total provided by operations	73,331,000	416,978,000
Sale of:		
Marketable securities	71,681,000	1,845,308,000
Common stock	<u>13,269,000</u>	<u>59,491,000</u>
Total sales	84,950,000	1,904,799,000
Maturity of debt obligations		612,504,000
Conventional mortgage repayments	406,000	2,610,000
Recovery of value of common stock		20,871,000
Citizen Contribution		1,000
Contributions from the State of Alaska	<u>27,170,000</u>	<u>547,522,000</u>
Total funds provided	<u>185,857,000</u>	<u>3,505,285,000</u>
<u>FUNDS WERE USED FOR:</u>		
Purchases of:		
Marketable securities	226,022,000	2,866,626,000
Conventional mortgages	1,851,000	14,174,000
Common stock	55,548,000	335,769,000
Real estate equity	6,576,000	85,817,000
Property & equipment	13,000	97,000
Alaska certificates of deposit	<u> </u>	<u>102,500,000</u>
Total purchases	290,010,000	3,404,983,000
Increase in value of preferred & common stock		20,871,000
Payments to the State of Alaska	<u> </u>	<u>155,130,000</u>
Total funds used	<u>290,010,000</u>	<u>3,580,984,000</u>
Net change in funds	<u>\$ (104,153,000)</u>	<u>\$ (75,699,000)</u>

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN CONDITION

(continued)

	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
<u>SUMMARY OF CHANGES</u>		
Increase in cash	\$ 47,000	\$ 101,000
Decrease in repurchase agreements	<u>(104,200,000)</u>	<u>(75,800,000)</u>
Net Change in Funds	<u>\$ (104,153,000)</u>	<u>\$ (75,699,000)</u>

ALASKA PERMANENT FUND CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FEBRUARY 28, 1985

1. ENTITY

The Constitution of the State of Alaska was amended by public referendum in 1976 to provide for the dedication of certain natural resource revenues to the Permanent Fund. The principal of the Permanent Fund is invested in perpetuity. In 1980, the State Legislature created the Alaska Permanent Fund Corporation (the "Corporation"), a public corporation separate from the agencies of State government and governed by a Board of Trustees, (the "Trustees"), to manage the investments of the Permanent Fund. In 1982, the Legislature amended the law to provide that a portion of the annual earnings would be made available to the State for the payment of dividends and that a portion would be contributed to the principal of the Permanent Fund sufficient to offset the impact of inflation. The balance was to be retained by the Corporation in an undistributed income account.

2. SIGNIFICANT ACCOUNTING POLICIES

Contributions -

Contributions by operation of statute are recorded when they become due from the State, i.e., when certain revenues are received by the State Department of Natural Resources.

Contributions by appropriation are recorded when they are received.

Depreciation -

Furniture and equipment are depreciated on a straight-line basis over a three year useful life. Other property is depreciated on a straight-line basis over a five year useful life.

Dividend appropriations -

Current law directs that one-half of a five year moving average of the net income of the Corporation be made available for the payment of dividends each year.

Funds -

For purposes of the Statement of Changes in Financial Position, the term "Funds" has been defined as cash and repurchase agreements.

Inflation Impact -

The impact of inflation is measured by the United States Consumer Price Index previous calendar year average for all urban consumers applied against the balance of contributed equity at the end of the fiscal year.

Interest Income -

Interest income on all securities is accrued monthly as earned.

Interest income is shown net of amortization of premiums and accretion of discounts.

Investments -

In accordance with Statement of Position of the Accounting Standards Division No. 78-10, investments in the aggregate are valued as follows:

<u>Type</u>	<u>Basis</u>
Marketable debt securities	Cost adjusted for amortization of premiums and accretion of discounts
Common stock	Lower of cost or market value
Real estate	Market value
Conventional mortgages	Cost
Alaska certificates of deposit	Cost

Realized gains or losses on the sale of investments are determined by specific identification.

Undistributed Income -

Net earnings are credited to the undistributed income account at the end of the fiscal year. Earnings attributed to the investment of undistributed income are based upon the balance at the beginning of the fiscal year.

3. RECEIVABLES AND PREPAID EXPENSES

Receivables and prepaid expenses consisted of the following as of February 28, 1985:

State of Alaska dedicated revenues	\$ 10,825,000
Purchased interest receivable	2,188,000
Accrued interest receivable	152,763,000
Dividends receivable	4,631,000
Prepaid expenses	<u>28,000</u>
	<u>\$170,435,000</u>

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4. MARKETABLE DEBT SECURITIES

The estimated market values of debt securities at February 28, 1985 are as follows:

	<u>AMOUNT</u>	<u>YIELD</u>
Repurchase Agreements	\$ 48,800,000	8.66%
Short Term Issues	138,234,000	9.31%
Intermediate and Long Term Issues	<u>5,123,723,000</u>	<u>11.62%</u>
	<u>\$5,310,757,000</u>	<u>11.53%</u>

All of the Corporation's investment securities are held by commercial lending institutions pursuant to custodial agreements.

5. COMMON STOCK

At February 28, 1985, the investment in preferred and common stock was valued at cost, which was less than the aggregate market value of \$644,327,000 on that date. The dividend yield on preferred and common stock amounted to 4.20 percent.

6. REAL ESTATE

Equity Pools

At February 28, 1985, the investment in real estate equity pools was valued at market, which approximates cost in all cases save one. On December 31, 1984, Corporate Property Investors completed an independent appraisal of the properties which underlie the investment of the Corporation. The appraisal reported a 15.6% increase in net asset value or \$11.69 per common share, for a total unrealized gain of \$3,898,000 to the Corporation. Future adjustments to market value will be based upon independent appraisals of the properties which constitute the pools.

Participating Mortgages

The investment in participating real estate mortgages conveys an undivided interest in real property acquired in connection with a loan made on and collateralized by certain real estate. At February 28, 1985 the investment was valued at market, which approximates cost. Future adjustments to market value will be determined by the combined total of (i) an annual appraisal of the real property, and (ii) the difference between the present value of the mortgage and the outstanding principal balance of the note. Terms of the mortgage note provide for interest at 10.5 percent per annum. In addition, the Corporation will participate to the extent of its percentage of ownership in future net cash flow derived from leasing the property. The total amount of interest and net cash flow each year is limited to the maximum rate for interest allowed under applicable State of Texas or federal law.

General Partnership

At February 28, 1985, the investment in real estate general partnerships was valued at market, which approximates cost. Future adjustments to market value will be based upon independent appraisals of the properties. The Corporation will participate to the extent of its percentage of ownership in future net cash flow derived from leasing the properties.

7. CONTRIBUTED EQUITY

The principal balance of the Alaska Permanent Fund at February 28, 1985 was composed of the following elements:

Dedicated state revenues	\$ 2,303,740,000
Appropriations from the State	2,700,000,000
Provision for inflation	<u>382,127,000</u>
	<u>\$ 5,385,867,000</u>



RESERVE FOR INFLATION AND DIVIDENDS

The Trustees of the Permanent Fund have designated the balance of the undistributed income account to be continuously reserved for future inflation impact and dividend payments. Although the State Legislature could legally appropriate this amount for other purposes, in the opinion of the Trustees, this designation is in accordance with the stated purpose of undistributed income, i.e., to provide a reserve for the current statutory uses of Corporation income against the possibility of future declines in that income. Such a reserve is intended to enable the Corporation to fully offset the impact of inflation and still maintain a constant level of dividends in years when Permanent Fund earnings are not enough to do both.

The Board of Trustees
Alaska Permanent Fund Corporation

Gentlemen:

The financial report and statements presented herein were prepared from the books of account without audit, and no independent opinion on the fairness of these statements has been rendered.

Sincerely,

Peter A. Bushre
Comptroller

ALASKA PERMANENT FUND CORPORATION

FINANCIAL PROJECTIONS AS OF 3/15/85

-----PRINCIPAL: ACTUAL & PROJECTED----- (in millions)						-----INCOME: ACTUAL & PROJECTED----- (in millions)								
Beginning FY Balance	Appro- priations	Dedicated		Ending Balance	Inflation Proofing Shortfall	Adjusted Ending Balance	Net Income	Distributions		Reserves			Total Assets	FY
		State Revenues*	Inflation Proofing					Inflation Proofing	State General Fund	Trans. Adj.**	Add (Delete)	Balance		
78		54.4		54.4		54.4	1.8		1.3	.5			55.0	78
79	54.4	84.1		138.5		138.5	8.0		6.6	1.4			140.5	79
80	138.5	344.4	.3	483.2		483.2	32.4	11.8	.3	11.8	8.5		502.9	80
81	483.2	900.0	.2	1,768.5		1,768.5	149.9	27.5	.2	27.5	36.0	58.7	1,874.6	81
82	1,768.5	800.0		2,969.0		2,969.0	368.4	71.1		71.1	41.1	185.1	3,301.7	82
83	2,969.0	400.0	231.2	4,021.2		4,021.2	471.1	107.9	231.2	109.5	(87.5)	110.0	4,593.0	83
84	4,021.2	300.0	150.9	4,838.3		4,838.3	529.5	175.0	150.9			203.6	5,530.8	84
85	4,838.3	300.0	234.1	5,730.5		5,730.5	622.1	214.1	234.1			173.9	6,675.9	85
86	5,730.5		359.9	6,455.8		6,455.8	597.8	258.9	365.4			(26.5)	7,419.5	86
87	6,455.8		345.3	7,209.2		7,209.2	660.0	288.1	408.1			(36.2)	8,165.9	87
88	7,209.2		356.6	8,019.7		8,019.7	725.1	313.5	453.9			(42.3)	9,059.5	88
89	8,019.7		361.7	8,884.3		8,884.3	794.4	339.9	502.9			(48.4)	9,802.1	89
90	8,884.3		353.8	9,792.4		9,792.4	867.5	364.5	554.3			(51.3)	10,683.5	90
91	9,792.4		342.6	10,743.1		10,743.1	944.1	399.1	608.1			(63.1)	11,605.7	91
92	10,743.1		342.8	11,751.1		11,751.1	1,024.0	435.5	665.2			(76.7)	12,573.4	92
93	11,751.1		338.9	12,815.4		12,815.4	1,107.7	473.8	725.4			(91.5)	13,584.5	93
94	12,815.4		319.6	13,923.1		13,923.1	1,194.3	513.8	788.1			(107.6)	14,624.6	94
95	13,923.1		324.1	15,102.0		15,102.0	1,284.6	555.5	854.8			(125.7)	15,719.5	95
96	15,102.0		306.9	16,250.6	82.8	16,333.4	1,378.6	598.9	841.7			(62.0)	16,849.5	96
97	16,250.6		290.2	17,372.3	160.9	17,533.2	1,475.6	644.1	831.5				18,016.4	97
98	17,372.3		282.2	18,539.8	174.0	18,713.8	1,576.2	690.9	885.3				19,230.7	98
99	18,539.8		265.8	19,746.5	187.4	19,933.9	1,680.5	739.6	940.9				20,486.1	99
0	19,746.5		253.2	20,998.3	201.4	21,199.7	1,788.6	790.0	998.6				21,788.3	0

* Source: Alaska Department of Revenue

** Chapter 81, SLA 1982, Sec. 15(b)

ASSUMPTIONS: 30% CASE FORECAST - 2nd Qtr: FY85

- 25% Pre-1980 Contribution Rate
- 50% Post-1979 Contribution Rate
- 4.26% Inflation FY85
- 10.87% Return FY85
- 6% Average Inflation FY86-FY00
- 9% Average Return FY86-FY00



Official Business

Alaska State Legislature

Senate

Pouch V
State Capitol
Juneau, Alaska 99811

September 23, 1985

To: C&RA Committee

From: C&RA Staff *gja*

Subj: Contents of SB 244 Folder

Contents of the folder are as follows:

- 1) Statement by Senator Coghill on the purpose of bill
- 2) Sectional analysis of SB 244 by Division of Legal Services
- 3) Graphic explanation of the relationship of the permanent fund to the undistributed income account
- 4) Earnings on undistributed income account projected through 2003
- 5) Memorandum from Dept of C&RA on municipal assistance funding from FY 82 through FY 86
- 6) Memorandum from Legislative Finance stating their Mean case and Risk Adjusted case projections for the undistributed income account from 1985 through 1990. Attachments to the memo give detailed information through 1995.
- 7) A statement of changes in undistributed income over the period July 1, 1980 through June 30, 1985
- 8) Memoranda: From Senator Ferguson to Dave Rose and Dave Rose answer to the Senator on questions concerning the availability for appropriation of the undistributed income account
- 9) Memo from Jim Kelly, Perm Fund staff, to Perm Fund Trustees attaching certain resolutions passed by the Trustees, pertaining specifically to the undistributed income account.
- 10) Miscellaneous financial/fiscal information on the Permanent Fund

ALASKA
STATE LEGISLATURE
MEMORANDUM

SEP 16 1985

To: Senator Edna DeVries
From: Frank R. Ferguson *FRF*
Alaska State Senator
Date: September 11, 1985
Subject: Interim Hearings (Senate Bill 244)

This memo is to inform you that I will be unable to attend the hearings set for September 24,25 and October 22,23 regarding Senate Bill 244. I understand the Sheffield Administration has a task force addressing both municipal assistance and revenue sharing and believe the committee efforts are a duplication of efforts and cost.

Enclosed please find the airline tickets provided by you to attend these meetings.

If you should have any questions, please contact my office.

Enclosures

FRF/cc

Senator John B. (Jack) Coghill
Alaska State Legislature

Branch V
Juneau, Alaska 99811
(907) 465-1715

Box 158
Nenana, Alaska 99760
(907) 852-5171

TO: All members of the Committee on Community and Regional Affairs
FROM: Senator John B. Coghill
RE: SB 244, two-year funding of municipal programs

The main purpose of this bill lies with the commitment the state has made to the municipalities and subdivisions of the state under the Shared Revenue and Municipal Assistance programs. These programs can best be managed in declining revenues with a two-year funding cycle.

We are obligated legally, politically and morally to fund the two assistance programs. Using a two-year funding cycle will allow the local officials to manage their budgetary programs in times of declining revenue. This is very essential to assure proper services and stability. This is not a raid on the permanent fund or the interest account known as the undistributed income account.

The reason why I choose that conduit is the constitutional ability to bind one legislative process to the next legislative process i.e. from one two year cycle to another. This ability stems from Sect. 15, Article 9 of the constitutional amendment setting up the permanent fund allowing that "All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

In our forward funding proposal we would guarantee that the amount we are allocating is the amount we are appropriating. Therefore, it is necessary to say that if we find our treasury unable to meet that commitment the balance would be taken from the undistributed income account to make up that commitment.

If we appropriate the fund into the undistributed income account it would be in a holding position in that fund for distribution to the municipalities, then it would not be necessary to implement the clause I have in the bill establishing the shortfall provisions.

Regardless of the formula the program uses and regardless of requirements of statutes, the Legislature can shortfall appropriations because of lack of funds. When the Legislature allocates the forward funding under the bill, they will, by necessity, have to make it clear by legislative intent what the allocation is for the same as they do in a general appropriations bill.

Senator John B. (Jack) Coghill
Alaska State Legislature

Pouch V
Juneau, Alaska 99811
(907) 165-1715

Box 458
Nenana, Alaska 99760
(907) 852-5171

Some questions and answers regarding SB 244

1. Would SB 244 change the current shared revenue and municipal assistance formulae used by the state?

No. We are not addressing the issue of the calculation method of the formula. The Governor's Task Force on Shared Revenue is working on that.

2. When would the local governments receive their payments?

They would get their payments in one lump sum in June. They would receive notice of the amount they would receive the following June at the same time.

3. How will this assist in local government budget preparation?

This will be a revelation. Local government will be able to account on the amount of state funds available and will be able to plan with that in mind.

Get AG's opinions

Sept 25, 1985

Present: John Musgrove, Assembly
Walt Harris, Assembly
Vern Roberts, Boro Finance Director
Dorothy Jones, Mayor
Elsie O'Brien, City of Houston
Jim Hoag, Assembly
Dave Soulak, City of Palmer
Willett Bushnell

City of Fairbanks going to lose much money when "hold harmless" goes into effect →

<5-yr phase-in>

Most other governments will gain some money

Plan to increase pre-payments

Revenue Sharing

Municipal Assistance - put into effect when gross business tax repealed

A base amount (what city got under gross bus. Tax act)

Excess of appropriation based on per capita
10% of prior year's oil & gas tax
now 30% of income tax (corporate income tax)

Population figures are those used by C&RA
C&RA → pop. figures by Dec
DOL has their figure in the Spring

rely basically on what municipalities say is their population

Muni Ass't totally unrestricted as to use prog. being transferred from Dept Rev to C&RA

Distribution of funding checks different for calendar year, and for gov. that have a June-July fiscal year.

Vern Roberts Task Force deal w/ when money pd. out use of prior yr. data necessary

Alie O'Bryan

Can one Legislature bind another one?
AG's opinion — GET

Saulak

Muni League does want forward funding. If you use undist. income for Rev. Sharing & Muni Ass't -- what do you do with that money that was formally being used for this purpose out of the general fund. No official opinion - will discuss at FHL

Jones

Have not taken a stand, but would like to know how much money we are going to get ahead of budget time

Bushnell

For equalizing payments in terms of gov's fiscal years - want to know money amt. early, but am against a "raid on permanent fund". Since we're in hi growth period, prior yr figures penalize us

THE SENATE
COMMUNITY & REGIONAL AFFAIRS COMMITTEE
Will Hold Public Hearings

on

SB 244, "Two-Year Cycle for Municipal Aid"

OCTOBER 22, 1985, - 9:30 A.M.

Fairbanks Legislative Information Office
315 Barnette Street
Fairbanks, Alaska (452-4448)

OCTOBER 22, 1985 - 2:00 P.M.
North Pole City Council Chambers
Second and Cary Avenue
North Pole, Alaska

OCTOBER 23, 1985, - 10:00 A.M.
Nenana City Council Chambers
City Hall, "A" Street
Nenana, Alaska

Please publicize the hearing scheduled in
in your area.

Edna DeVries, Chair

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Edna DeVries, Chair



ISER RESEARCH SUMMARY

Institute of Social and Economic Research, University of Alaska

October 1984, R.S. No. 22

The Alaska Permanent Fund Dividend Program: Economic Effects and Public Attitudes

How do Alaskans feel about the Permanent Fund Dividend Program and what have been its economic effects? Researchers at the University's Institute of Social and Economic Research recently addressed these questions in a new report for the Alaska Permanent Fund Corporation. They found that:

- About 60 percent of Alaskans think the dividend program is a good idea, 29 percent have mixed feelings, and 10 percent think it a bad idea.
- The "average" recipient saved \$200 of his 1982 dividend, paid \$200 in federal taxes, paid off \$50 in debt, and spent \$550 (\$450 for day-to-day expenses such as food, heat, clothing and \$100 for special items such as airline tickets and video recorders).
- Dividends create more spending money and jobs—and result in more population growth—than other ways of spending the same amount of public money, including bigger operating and capital budgets, tax reductions, and subsidizing economic activity.

Alaskans' Attitudes Toward the Dividend Program

Based on a telephone survey of 1,016 households, most Alaskans prefer the dividend program over such alternatives as local construction projects, reduced property taxes, subsidized loan programs, or saving the dividend money in the Permanent Fund. Given the choice, however, 71 percent would now choose to end the dividend program rather than bring back the personal income tax, and a majority would support using part of the dividend money to pay for the state's longevity bonus program.

Most persons interviewed thought they were entitled to a share of the earnings of the Permanent Fund and had no problem with receiving money directly from the state. Most emphatically believed that how they used the money should not determine whether or not the program continued. Most respondents also thought that the dividend program helped to protect the principal of the Permanent Fund and was

a better use of the money than legislative appropriations. In addition, they thought that the dividend program had made them pay closer attention to how the state spent the money it received.

Respondents widely supported the dividend program, particularly those from lower income groups, rural residents, recent immigrants, persons with relatively less education, and younger and older Alaskans. However, even 45 percent of those from high-income households (receiving over \$60,000 income in 1983) supported the program.

Respondents were much more likely to favor dividends if they felt that: (1) residents were entitled to a share in the state's wealth; (2) Alaska residents were better able to decide how to spend the state's money than the legislature; and (3) dividends were an important source of income in their communities.

Attitudes toward Alaska's fiscal future also influenced respondents' views. Those who expected state revenues to decline in the next 10 years were likely to oppose the dividend program in favor of increased state savings, while the reverse was true for those who firmly believed revenues would not decline.

Impact of the Dividends on Income

More than 456 thousand 1982 dividend checks of \$1,000 and more than 430 thousand 1983 dividend checks of \$386.15 were distributed to Alaskans under the Alaska Permanent Fund Dividend Program. The impact of these dividends on income varied widely among Alaskan households. For 35 percent of Alaskans, 1982 Permanent Fund dividend income represented less than a 5-percent increase in their families' after-tax incomes. For another 47 percent, the dividends represented an increase in after-tax incomes of 5 to 20 percent.* For the remaining 17

*Adults paid 28.4 percent of their 1982 dividends as federal income taxes. Since 31 percent of the dividend income went to children, most of which was not taxed, the average tax rate for all dividend income was about 20.2 percent. Total federal income taxes were \$88 million on 1982 dividends and \$32 million on 1983 dividends.

percent of Alaskans, the dividends represented more than a 20-percent increase in family incomes. The contribution of dividends to family income was relatively greater in rural Alaska, and especially so for rural Alaska Natives. Nineteen eighty-two dividends represented more than a 20-percent increase in family income for over half of rural Alaska Natives. Since the 1983 dividends were smaller than those of 1982, their contribution to after-tax income was also smaller.

How Alaskans Used Their Dividend Income

Based on the survey, Alaskans spent about 10 percent of their dividend income on special purchases, the most common of which were airline tickets (one-fifth of all special purchases), furniture, houses, home additions, televisions, appliances, bicycles, snow machines, and three-wheelers. They spent 45 percent for day-to-day purchases such as food, heat, clothing, and rent. Based on the survey, they saved about 20 percent of their dividend income and used about 5 percent to reduce debt. They paid the remaining 20 percent to the federal government in taxes.

Lower-income and rural households used less of their dividend income for taxes or savings and more for debt reduction and special purchases.

Parents decided how their children's dividends would be used in over one-half of all households, while children made the decisions in less than one-tenth. In the remainder of households, the decisions were made jointly. The greater the children's say in the use of the dividends, the more was spent, while the greater the parents' say, the more was saved or used to reduce debt.

Economic Effects of the Dividend Program

The dividends have provided one of the most important sources of growth in disposable (after-tax) personal income in Alaska since the current economic boom began in 1980. The dividends directly accounted for 17 percent of the increase in disposable income for the years 1981-1983. They also created 5,000 new jobs by 1983. People moving to Alaska to fill these new jobs increased the state's population by 4,000 by 1983, resulting in higher government expenditures and private investment. In addition, earnings from the new jobs further increased disposable income by 23 percent in 1983 over and above the direct amount of the dividend.

The dividend program has not noticeably affected inflation. Few, if any, people have left the labor force as a result of dividend income. There is no evidence of substantial migration to Alaska by people hoping to receive dividends,

although some people may have postponed their departure from Alaska for that reason. The secondary economic effects of dividends were felt most in the support industries of trade, services, and finance, which are concentrated in the urban parts of the state. Private holdings of wealth increased modestly and tended to be concentrated among the higher-income groups. The availability of funds resulted in a small amount of capital investment for business purposes.

The dividends produce larger increases in before- and after-tax income than spending an equivalent amount for other public purposes. In the long run, the dividends also cause larger increases in employment and population. While the employment growth from dividends takes place in the support sector, other public expenditures produce more jobs in government or construction-related industries.

Because nearly all state revenues come from the production of finite petroleum reserves, total public spending—in the form of dividends or for other uses—cannot be sustained at its current level. If current public spending patterns—including paying of dividends—continue, significant and continuing reductions in government expenditures will become inevitable early in the next decade, cutting per capita real public spending to half its current level by the turn of the century. Thus, any use of public funds involves a trade-off not only between different uses but also the timing of use. Permanent Fund earnings spent as dividends produce the largest effect on economic growth in the present but reduce the level of future public assets in the same way as other public spending.

In contrast, saving Permanent Fund earnings has no effect on the economy in the present but increases future opportunities for public or private spending by enlarging state fund balances in the future—augmenting future public revenues that are projected to be much smaller than those of today.

The report summarized here, The Alaska Permanent Fund Dividend Program: Economic Effects and Public Attitudes, was prepared for the Alaska Permanent Fund Corporation by Gunnar Knapp, Scott Goldsmith, and Jack Kruse of the Institute of Social and Economic Research and Gregg Erickson of Erickson and Associates, Juneau. It is available through the Alaska Permanent Fund Corporation, 601 W. Fifth Avenue, Suite 435, Anchorage, Alaska 99501 • Telephone 277-1496.

RESEARCH SUMMARY (No. 22)

Institute of Social and Economic Research
Lee Gorsuch, Director
707 "A" Street, Suite 206
Anchorage, Alaska 99501

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TELECON RECORD

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NOTES: Asked for Corb Nordale - wanted to

discuss hearings - Royce said he

would have her call



Official Business

Alaska State Legislature

House of Representatives

Committee on State Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

(907) 465-4963

TO: Members
Fourteenth Alaska Legislature

FROM: Representative Katie Hurley
House State Affairs Chair *KH*

DATE: 2/4/85

RE: Overview Regarding Alaska Permanent Fund
Transcript and additional information

Attached is the transcript of an extensive overview of the Alaska Permanent Fund presented on January 24, 1985 to the House State Affairs Committee by Dave Rose, Executive Director. Mr. Rose also provided commentary on specific proposed legislation.

Also included in this packet:

- ° Brief description and analysis of bills concerned with the Permanent Fund to date
- ° Calculations used in determining dividend payments and undistributed income
- ° Graphic illustrations of assets and investments
- ° Monthly Financial Report, Permanent Fund Corporation, December 1984

HOUSE STATE AFFAIRS COMMITTEE

Regarding an Overview of the Alaska Permanent Fund

Juneau, Alaska
January 24, 1985

P R O C E E D I N G S

CHAIRMAN HURLEY:

House State Affairs Committee will come to order on January 24 at 3:00 PM. Present, in addition to the Chair, Vice Chair Representative Navarre, Representative Jenkins, Representative Cato, and Representative Boucher. I have a message from Representative Miller that he won't be able to be here today and I know that Representative Collins will be here shortly.

Our agenda today is an overview of the Permanent Fund Program; a briefing by Dave Rose, Executive Director of the Alaska Permanent Fund Corporation. And we have four bills that so far have been assigned to the committee under the five-day notice. And we would be happy to have discussion on these but we are not going to take any action today after we hear from Dave Rose. Could you come forward, please? Please, everyone who is here, would you register so we will have a record of those in attendance. And if I'm missing someone, a VIP around here, I hope that you will stand up so I can see you so I can introduce for the record. I know there are several staffers here and I appreciate your attendance. Dave?

DAVE ROSE:

Madam Chairman, members of the Committee. For the record, I'm David Rose, Executive Director of the Alaska Permanent Fund. I also serve as an officer as secretary and treasurer of the Alaska Permanent Fund Corporation.

My presentation today is structured in six parts. First a description of the magnitude of the Fund in the context of major endowment, foundation, and pension funds with n our country today. Next, a brief history of the Fund, why it was created and how it was created. Next, the organization and operation of the Fund and how investment strategy is formulated. Some current numbers that may be of interest to all of you in terms of projections, earnings, what-have-you. Certainly a point for questions by members of the committee, and finally, commentary on specific proposed legislation to whatever degree you wish to explore the various bills and wish any impact analysis that we may be able to offer. In that regard, while we don't, as a Fund, take an advocacy position one way or the other on the Fund, on these bills we do feel it is our responsibility to give you the dollar impact of each bill so that you have a feeling for what you may be getting yourself into with the adoption of any one of them.

First just let's examine, based on latest available numbers, where our Fund ranks among the major trust funds established within the United States today, because I think that context is important. If the Permanent Fund were considered an endowment fund, we would be the largest endowment fund in the United States. Second to us would come the Texas Permanent Fund, next the University of Texas, and third, the Harvard University Trust. If the Permanent Fund were considered a foundation, we would be the largest foundation in the United States today. Ranking next to us would be the Ford Foundation, followed by the PEW Trusts and the J. Paul Getty Trust. If we were to wear the hat of a union pension fund, which of course we're not, but that's another large type of trust, we would again rank the largest in the United States. We would be followed by the Teamster Central States, Southeast and Southwest Areas, by the Teamsters Western Conference third, and probably by the United Mine Workers fourth. If we were ranked as a corporation trust fund, pension fund, which of course are some of the largest in the country, your Permanent Fund would rank about seventh. We would be smaller than U.S. Steel, A.T. & T., General Electric, G.M., and Dupont. But we would be larger than I.B.M., larger than Exxon, larger than Ford, and larger than Sears. If the Permanent Fund were a Fortune 500 company, and it is a big business organization, and we were to be measured on a net income basis, we would be ranked about 24th on the Fortune 500 index. If we were measured on a stockholder equity basis, we would place about 16th on the Fortune 500 list.

In short, your Fund is one of the largest in the country and perhaps one of the fastest growing institutions in the country. It should be interesting to note that in Alaska, the Alaska Permanent Fund is the largest producer of net income in our state, other than the petroleum industry itself. And what has happened, in a sense, is that the citizens of Alaska have created an industry, a business if you will, a money making institution, which is now the largest in the state other than the petroleum industry itself.

Let's examine why the Permanent Fund was created and the shape it took because I think that gives you a feel for why we are what we are today. Some of you, I'm sure, remember the fateful day of September 10, 1969, which was the date the state received \$900,041,605.34 as a result of the Prudhoe Bay sale. And there was an awful lot of debate at the time as to what we should do with this \$900 million. We had the Brookings Institution come into the state and conduct seminars throughout the state, and we had a lot of testimony, a lot of public hearings. And the conclusion reached by, I think, an overwhelming consensus of Alaskans at that time was that the money should be spent. It should be spent on physical plants, basically I guess some people call it infrastructure today, but we are talking water,

sewer, schools, and access. Access being roads, ports and airports. And, of course, to meet a lot of the human needs of Alaska in terms of health and education.

The money was spent, as you all know. And it was momentarily appreciated. But a few years, really shortly thereafter, the spending consensus of Alaskans was forgotten and there was statewide negative reaction to the "wasting" of the \$900 million. This reached its height in 1975 when people sort of looked back at money having been spent and there was no new money available and certainly no investment or income stream coming from it. And there were several proposals which resulted in the Alaska Permanent Fund.

In November of 1976, the people of Alaska passed Section 15 of Article 9, which was an amendment to the State Constitution which created the Fund and it dedicated 25 percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses received by the state to the Fund. It further provided that investments must be income producing and that the income would flow to the General Fund unless provided otherwise by law. Well, during the next four years, from 1976 until 1980, debate raged as to whether the Fund should take the form of a development bank on the one hand, and an old fashioned trust on the other. And the concept of the trust eventually prevailed in the 1980 legislation which is known as the Permanent Fund Act.

The tenants of that involved several things--first, the principles should remain inviolate. Secondly, the safety of principal was paramount. Investments have to be conservative and have to be made at market rates. There are two or three ways that a major fund can be wasted. One is a direct attack on its principal. Second is through the investments it makes, if it makes them at less than market, you can erode the fund until you don't have what it was originally worth. And the third, of course, is wasted in terms of purchasing power because inflation has an impact on a fund when it remains stable, it's purchasing power is reduced.

The third tenant was that the prudent investor rule would be adhered to. And I will say a few words about the prudent investor rule in a few minutes. And lastly, the Fund would be managed independently from the state, to separate the saving from the spending function. In 1980 and in 1981, in remembrance of the famous quote, "wasting of the \$900 million," the state legislature passed special appropriations of so-called surplus funds. In 1980 the amount was, symbolically, \$900 million. And in 1981 the amount appropriated was, also symbolically, twice \$900 million, or \$1.8 billion. So the thread of the special appropriations, the appropriations of surplus to the

Fund, has always been in remembrance, if you will, of the original \$900 million, which was spent in accordance with the general consensus of what Alaskans wanted, but quite apparently a few years later they decided that that really wasn't what they wanted. They didn't want to spend, they wanted to save.

In 1982, which is the only amendment we have to the Permanent Fund Act, the Act was amended and there were several provisions but the central provision was a requirement that a sufficient amount of income be reinvested after operating expenses were taken care of and after dividend payments were taken care of, to protect the Fund's principal from inflation. And this procedure is widely referred to today as inflation-proofing. So much for the history. It took a lot of years and just a few minutes to talk about, and probably I've slighted a few events and people, but I think those are the basic highlights.

The Fund today is operated in accordance with Chapter 13 of Title 37 of Alaska Statutes. We call it the Permanent Fund Act. And that is, Title 37, Chapter 13, is the basic structure for the Fund. I believe that the organization is one of the strongest points of the Permanent Fund Corporation. The Fund is established with an entity called the Alaska Permanent Fund Corporation. We've been created in the corporate form, separate from the State of Alaska, although we are clearly an instrumentality of the state. And it was intended that this isolation from the state itself would serve to clearly separate the saving from the spending function. Governments which have gracious spending appetites generally do not mix well with institutions dedicated to save. And clearly the establishment of the Fund within an independent corporation serves to buffer and defuse efforts to turn a savings account into a spending account.

The Corporation is directed by a six-person board of trustees. Four members are citizens from the private sector appointed by the Governor for a four-year term. They serve these terms on a staggered basis. A fifth trustee is, by law, the State Commissioner of the Department of Revenue, and the sixth is a Cabinet Member of the free choice of the Governor. The Board of Directors serve on a part-time, unpaid basis. Four are, obviously, fully employed with other jobs in the private sector. And the two Cabinet Members have major public responsibilities and are engaged in operating large departments of the State government. The private sector trustees so receive an honorarium for their attendance at meetings and their participation in the Fund. Obviously, the two Cabinet Members are on the State payroll and they do not receive any honorarium for their service. Currently the Board of Trustees is composed of the following six people: the Chairman is Arnold Espe. Arnold is a banker and accountant by background. He practices

banking. Clyde Sherwood, who is a principal in Arthur Young and Company, a CPA. Byron Mallott, corporate executive. Byron is, of course, with Sealaska. Hugh Malone, recently appointed. A land surveyor and a former legislator. I'm sure you all know Hugh. Mary Nordale as the Commissioner of Revenue. And Norman Gorsuch as the Attorney General.

The Trustees convene regular and special meetings for the purpose of policy making. They also convene work sessions to discuss investment strategy, to review certain investments and to formulate policy proposals for formal action. The Trustees employ an Executive Director--in this case, myself--to conduct the daily operations of the Fund. The Executive Director in turn hires his staff and together they execute the policy as promulgated by the Trustees.

The Fund is administered by a very lean and very professional staff of eleven people. Eleven people is an extraordinarily small amount. Ten of whom operate from the Corporation's Offices located here in Juneau, and one is in Anchorage. In addition to the Executive Director, the breakdown of the organization is, very simply, three people responsible for making investments, we call them Investment Officers. These three people open up our shop a little bit before six each morning because we operate the Permanent Fund on New York time basically. The administrative staff and people such as myself come in at 8 or a few minutes before and generally we close the doors of our shop somewhere between 4:30 and 5 o'clock. It is one of the few organizations that is open almost twelve hours a day.

In addition to the three Investment Officers, we have three charged with all accounting, custody, and clearing functions. These are the important functions of making sure that securities are properly safeguarded, that we account for every cent that we are responsible for. We don't round to the nearest million dollars, we round to the nearest penny. I recall last year, as an aside, being off 36 cents because we had 36 cents of the State's money and it was physically necessary to issue a check for 36 cents to balance. But that's only illustrative of the case that this Fund is balanced to the penny; we don't deal in gross numbers.

We also have three people involved in the office management function which really sort of makes the organization work. They keep track of everybody else. One other staff person divides his time between Anchorage and Juneau. He serves as research and liaison officer responsible for researching the issues, for answering questions of the Executive and Legislative branches, answering an awful lot of public mail making inquiries about the Fund, how it works, why it was established, and what have you.

And in that regard I have behind me Pete Bushre, our controller. Pete is a senior member of our staff and is the fellow who worries about those pennies. And to his left is Jim Kelly who is our research and liaison officer, who is the person charged with response to Legislative and Executive Branch requests. Our rule in our shop is that any request that comes in will be handled within 72 hours, and if there is a reason why we can't handle it within 72 hours, you'll get a note from us telling you what the problem is.

In addition to the small staff of eleven, the Fund employs some specialty contractors. And these include bank custodians to help with the safekeeping of securities, to collect funds when due, whether it is interest or dividends, to make payments and transfer of funds when securities are purchased and sold. Additionally, we have under contract some equity managers. These are professionals in the stock area. We do not pretend to be experts in common stock, living in Alaska some 5,000 miles away from the markets. We employ, by contract, professionals to do the research and to handle a lot of the stock transactions that we become engaged in. And lastly, we retain real estate advisors who assist in the purchase and sale of real estate, and ensure that these assets are properly leased, that rents are collected, that properties are properly maintained, and that it appreciates in value, as, of course, is the reason we have it.

I mentioned before that the Fund operates under the prudent man rule. And the prudent man rule means very simply that it will invest using the same standards as other sophisticated, institutional investors. It is a high degree of reliance and importance placed on receipt of one, market yields; two, engendering as low a risk as possible; three, broad diversification; and four, adequate liquidity. These are the major tenants of the prudent investor rule. Also, the Fund serves as a fiduciary. That is, it acts in a trust capacity, adhering to very high standards of investment and safekeeping. Certainly not the kind of standards you and I would adhere to in the management of our own particular personal wealth. It involves itself with some functions associated with the very hard economics of investing for gain. And it does not engage in political or social investing. It is a hard guts, bottom line corporate entity involved in investing for gain. And the concept, basically, is that there are other elements without our state which should be responsible, primarily, for political or social investments, and this basically is your state General Fund.

The Fund has the normal trust responsibilities of first protecting and preserving its corpus or principal, and second, earning a yield commensurate with risk. If we have a choice, we would rather enjoy less yield in favor of reduced risk. We

are a very, very risk [indisc.] We take our responsibilities of accountability very seriously. Your Fund is very public. Not only do legislators have questions, but the public has a tremendous amount of inquiry as to what the Fund does. Any time you distribute 400,000 or more dividend checks, people have a vested interest in the Fund and how it operates. We do get a steady stream of inquiry as to how we invest, and what our yields are, and how well we are doing, and have we lost any money. There is an awful lot of public awareness of the Fund.

With respect to accountability, we do subject the Funds to audits. These are outside audits by an independent Big-8 firm. Last year we not only had a financial audit, we had an audit of internal controls, we also had an audit on funds that had been transferred from the state to the Permanent Fund to make sure that there wasn't a drop that leaked out in the transfer of funds between the state and the Fund itself.

We have an extensive system of internal controls. After all, we don't want you or me or anyone to wake up one morning that a few million dollars has disappeared to, say, Venezuela. The internal control system within our organization is very, very stringent and you would probably have to collude more than half of the organization if there was to be any kind of leakage of money. And that is done by design, not by default.

We do publish an annual report. We publish our financials throughout the state in every judicial district. We advertise and conduct open meetings and speak before groups throughout the state to answer questions and to provide information. And we are also accountable to the Legislature. Specifically, in this regard, we report to the Legislative Budget and Audit Committee, which is responsible for Fund oversight. We do advise Budget and Audit Committee of major shifts in investment strategy prior to meetings being conducted. While we do not request or require assent from the Committee, we make sure the Committee is notified of what the planned actions are and, of course, there is always a space on Permanent Fund agenda for any Legislator to attend at any time. There is a special portion of the agenda in addition to the availability to the public testimony, which is also welcomed at any meeting.

You also all receive or should receive, you new folks, meeting notices so you know when our meetings are conducted. We generally try to conduct meetings in Juneau during the session rather than someplace else in the state.

The Fund operates on its receipts. We don't get a General Fund appropriation for operation. Expenditures currently run at less than one-half of one percent of the net income figure. The Corporation's annual budget is, if course, approved by the

Legislature. So there is Legislative oversight and control within the budget process. Obviously, you don't want to create a situation where a fund like this has a blank check, can earn \$528 million a year and spend anything it wants. So the budget is very closely regulated and must be justified on the same basis as all other budgets before the Legislative Committee.

Allow me to spend a few minutes on investment philosophy, and if I see you start to glaze over or doze off, I'll know you probably know more than you want to know about investment philosophy. But it is important. First of all, the Trustees have established an earnings goal of three percent after inflation. We have several terms that we use, we use nominal. Nominal means simply the raw amount of earnings. We subtract from that the inflation rate and you have something called the real rate of return. The real rate of return is the return of the earnings after the rate of inflation. The Trustees have established a three percent real rate of return. The amount earned after inflation. And this goal is to be achieved over time, realizing that there will be years when we will be substantially above three percent, and other years we will be substantially below three percent. The three percent real rate of return is better than most trusts have attained during the past 15 years. In this day and age, three percent in current market is relatively easy to attain with a relatively small degree of risk. But over time, a three percent real rate of return is a handsome return, if you look at it in the historical perspective. You must recognize, of course, that whatever real rate of return you have as your target, in order to earn that, you must engender risk, because the only way you earn great sums of money is to risk a great deal. So it is very important that when we set our target of what we want to earn, that we set it as a reasonable target lest we throw the Fund into a very risky situation.

Now, when we take a look at how we will invest, we take a look at the whole spectrum of instruments or types of investments that we can put our money into. On the very top of the scale is something called U.S. Treasury Bills, almost like cash. Obligations of the United States government, very short term. I was going to say sound as a dollar, but that's probably not the way to put it. Very, very sound, but a very, very small return, but very safe. The next on the spectrum is U.S. Treasury Notes and Bonds. And these Treasury Bonds, again, are direct obligations of the United States, but they are of longer term. And, obviously, the longer the term, the more risk you become involved in, because if you have a 30-year U.S. Treasury Bond, lots of things can happen in 30 years. It is obviously not as safe as a two-year Treasury Bond. The next thing on the rung is Certificates of Deposit. These are obligations of banks, it's private sector. And private sector has a little bit more risk to it than the United States government. Things

seem to be able to happen a little bit more, volatily, if you will, in the private sector. The next instrument is something called bankers' acceptance, which is a combination of bank and private sector debt. Bankers' acceptances give you a higher yield than the other instruments, but they also have a great deal more risk. Following that is corporate debt. These are the instruments of corporation's bonds, generally, but lots of things can happen to corporations and they are subject to a lot of forces, both internally and externally. So again, corporate debt gives you a better return, but there is a little bit more risk. And going down the line, you have real estate next with more volatility. Then you have common stock of large corporations, the IBM's, the AT&T's, the Exxon's. A great deal of risk in common stock, but very healthy returns on an historical basis. And then perhaps the largest risk factor, other than venture capital which we cannot invest in by law, is the common stock of small corporations. Small corporations have tremendous volatile swings, some do extremely well--hit home runs, and others are pure stike outs. So again, you can make lots of money on common stock of small corporations, but you can also lose everything as well.

What the Trustees do is they try to blend all of these kinds of instruments, and we use some linear programmings and regression and correlation. We use standard deviation and one of these days when you have some free time and you want to sit in on an a mass allocation meeting, you are more than welcome. But basically what we do is try to mesh all of these, given the different risk factors, into a blended portfolio which gives you the highest possible potential return with the lowest possible coefficient of risk. And it is a rather technical type operation. And it isn't always right. We do it on two bases. One on a historical basis of what has happened in the past fifty years. And then we do it on a second basis which adjusts for the current market that we know, because we know that this is not necessarily a mirror of the past fifty years. We take that blend and then we choose the different types of investments we want; fixed income, bonds, real estate and equities, which are stocks. But we have more than those three categories because in those categories, which all of these other instrument fall into, is the necessity to balance and blend within each of them. For example, in fixed income bonds, we may and do balance our portfolio so that bonds are balanced between very short maturities, immediate maturities, and very long maturities. Because I indicated before that there is a very great deal of risk. Little risk for short maturities and little return. Greater risk with long maturities but a greater return. And intermediates are just that, intermediate. Within equities, we balance them between what we call passive index investments and active investments. Passive investment is no more than a computer model of the market as a whole. We do the

computer model and we say, okay, we are going to invest a portion of our common stock in the market. Whatever the market does--and the market is measured by the Standard and Poors 500--whatever the market does we will suffer the same fortune. We will take roughly two-thirds of our stock allocation and put it in our statistical mirror of the S&P 500. The other one-third is placed in the hands of specialty managers who have different disciplines, balanced again, and their charge is to do better than the S&P 500. Or, if the S&P 500 does miserably, to still do better. Not lose as much money. And so you have that balance within the common stock area.

And lastly, in real estate, you have several regimens of balance. We have pools, and that is where we join with many other investors and go into a pool where we all chip in money and we buy major shopping centers and industrial parks and residential housing, multiple family, and office buildings. We are in a rather large pool now. Some of our partners, for interest, Carnegie Corporation, Cornell, Yale, Stanford, Notre Dame, United Methodist Church, University of Southern California, Vanderbilt, many of the educational institutions happen to be in that pool. All of these folks, our partners, give these investments the same kind of scrutiny that we give it, and there is a lot of police in knowing that very established, long-term institutions are making the same kind of investments that we are making. And it is not uncommon for us to pick up a phone and--well, maybe it is uncommon, we don't do it that often, but we do do it--pick up a phone and reach a counterpart and say, what are some of the analysis points, why do you think this is good or why do you think it is bad.

Our present portfolio target established by the Trustees to produce that three percent rate of return with least risk is 75 percent fixed income, 15 percent equities, common stock, and 10 percent real estate. And that is their target. That is, you may not invest in less than 75 percent fixed income, and you may not invest in more than 10 percent real estate or 15 percent in stock. Those are caps. The actual investment profile as of December 31, was 90 percent of the Fund was actually invested in fixed income, 2 percent in real estate, and 8 percent in stock. Fixed income gives us a very, very high real rate of return in today's economy. It offers the least risk. And so this is just a portrayal of some of the risk aversity that we have.

Let me at this point move on to a few numbers. As of December 31, 1984, which was our last reporting period--and, incidentally, we do not have long gaps between our reports. Generally our reports for the month just ended are issued within 20 to 25 days after the month just ended, so that you don't wait two and three months for a report. The December 31 report

indicated that we had some \$6,193,000,000 in the Fund, rounded to \$6.2 billion. Income last year was some \$529 million. This fiscal year we expect it to exceed \$618 million. The assets of the Fund last year increased by about a billion dollars and we expect a greater increase this fiscal year. The rate of return last year was a record-breaking 7.67 percent. This is measured after inflation. This year after inflation it will be about 6.6 percent, which is lower, but still more than double the long term target of three percent. And here we are speaking of realized returns. We are talking about hard money. We are not talking about paper profits or paper losses. When I talk to you in terms of real return, I'm talking in terms of realized real return.

It is important, I think, to note a couple of complexities of a fund dealing with the distribution of its earnings. Because I think your legislation is going to involve many of the questions of distribution of earnings as well as the Fund itself. And there are three items that I would like to cover. These are dividends, inflation proofing, and the undistributed income account which the Trustees have designated as reserve.

First, let's talk about the dividend program. You should be aware that the Corporation does not administer this program. That's handled by the Departments of Revenue and Administration. Each have respective functions with respect to the Permanent Fund dividends. We, the Corporation, simply earn money and we send it to the Department of Revenue in response to an annual legislative appropriation made in accordance with the statutory formula. The formula provides that we average the last five years of realized, again not paper but realized, net income. You take that average for five years and we multiply it by 50 percent. And this amount is forwarded to the Department of Revenue. The Department of Revenue, in turn, deducts its costs of administering the dividend program, and divides the balance available to distribute by the number of applicants that file for the dividends, and that of course gives you the per capita dividend. So, we give a lump sum payment to Revenue. From it they deduct the expenses of running the dividend program, they take the balance of that and divide into it the number of applicants and that is the per capita that you get. A rule of thumb, for example, last year we paid over \$175 million to the Department. This year we project payment of \$213.8 million. If you were to take \$213.8 million, deduct a couple of million dollars for expenses and divide into it the population of whatever you think the applicants will be, maybe 500,000, you'd see that this year's dividend might approximate \$400, up substantially from last year. That's the easiest rule of thumb way to get there.

The second item is inflation proofing. Inflation proofing, we think, is inherent in any well managed trust. And inflation proofing, perhaps more than any other item, is of major concern to the Trustees as fiduciaries. You must recognize that the Trustees are concerned with their fiduciary relationship. They want to protect the Fund and they are extremely parochial when it comes to protection of the Fund in a fiduciary capacity. Simply stated, inflation proofing means that the purchasing power of the fund which is decreased by the effects of inflation each year must be replaced. And it is restored by a contribution equal to that rate of inflation. So if you have the fund at a given rate, you have three percent inflation, the purchasing power of the fund is eroded by three percent, it must be replaced. And what happens then is the Fund, by replacing it, retains its purchasing power continuously over time. How this works is simply that the Trustees, in accordance with law, have selected a nationally recognized inflation index in order to make this annual computation and contribution. They use the United States Consumer Price Index for Urban Consumers on an average year to average year basis. So for this year we will take the average of the last full calendar year, 1984, the average, and we will take the average for 1983, and we will measure the year-to-year average and that will be the inflation rate. We won't know that rate until about February sometime when it is published by the U.S. Department of Commerce. We then take that rate, we multiply it by the principal balance at the end of each year, a figure is arrived at then which is retained from earnings and put into the corpus of the fund. So, you have earnings from it, a check to the Department of Revenue for dividends, another use of earnings for inflation proofing, and then you may have something left over. And that leads me to the next element.

The most understood element, perhaps, of the Fund, which is called the undistributed income account. In years when the Fund earns enough money to meet its dual obligation of paying dividends first, and second, transferring funds for inflation proofing, and it still has money left over, the surplus is held as undistributed income. Conversely, in years when there is not sufficient earnings to meet dividends and inflation proofing, funds are withdrawn from the undistributed income account, if there is a balance in that account. So in a sense, the undistributed income account is a reserve account of retained earnings which will increase or decrease as we have good and bad earnings years, and in direct relation to inflation. Now whether you call this account a buffer, a reserve, retained earnings, or undistributed income, it is extremely important to those of us who manage the Fund. And this importance stems from the fact that the priority distribution of earnings is first for dividends and second for inflation proofing. Now, if we have a poor income year or a year marked by very high inflation, we almost

certainly will have adequate funds to meet the dividend obligation, but not enough to inflation proof. The shortfall for inflation proofing has to come from this reserve. Our analysis shows over time using an earnings rate of 9 percent, which we consider reasonable over time, an inflation rate of 6 percent, that we will not be able to cover our inflation proofing needs over the long run. We will for about 10 or 12 years. And it is this concern and our desire to protect the integrity of the Fund over time, which makes us protective of this reserve account. And it stems from the fiduciary concern about inflation proofing the Fund. Of course, we have had three outstanding years in a row when earnings hit an all-time record and inflation rate has really plummeted. Thus, this reserve is abnormally high. The undistributed income account or the reserve account at the end of last year was in excess of \$550 million. It will grow again this year. But a sense of reality and history clearly indicates that this will not always be the case. Your Fund managers, while I like to think my staff is extremely professional and very, very good, and in fact, they are some of the best in the nation; the fact of the matter is that we are very market reactive. And if markets and inflation are such, we are not going to be able to maintain the kind of equilibrium that we have for the last three years. We have been extremely fortunate and we have built up huge reserves. But, of course, those huge reserves create some problems in the sense that they now loom so large that they may be susceptible to use, to a detriment. And there is a question then, if you have a reserve, how large a reserve must you have; what is the proper amount? Our projections indicate that over time, you will use every bit of the huge reserve you build up now, if we return to some kind of normalcy. One of the judgments and decisions of the Legislature is the adequacy of that reserve and how large should it be for future needs. And I think there will probably be questions about that later on.

Let me conclude by saying that there is an awful lot of question and discussion about the Fund. What it is going to be used for. The Trustees have not really enunciated any particular use for the Fund. The Trustees generally feel very strongly that their function is to earn money for the Fund and to protect the Fund. But the disposition of earnings of the Fund are legislative prerogative, and not the prerogative of the Trustees of the Permanent Fund to dictate or necessarily interfere with. And they have enunciated that on many occasions. But I think more people each day are realizing that income can be used in the future to offset the predicted fall in state revenues, to assist in the operations of state government. The major question facing us all is if the Fund is going to be used for that purpose, to make up the shortfall in revenues, how large does the Fund have to be in future years to provide the income that we will all need. It boils down to some simple questions of do

you save today so you can spend tomorrow, or do you spend today and not have anything available for tomorrow, or very little. The shortfall between revenue and expenditure in future years will either have to come from the Fund or it may have to come from reimposition of taxation or some other source. We haven't quite figured out what it will be yet. And perhaps then the overall legacy of the Fund may be to forestall new taxation and preserve some tax rate stability which business can depend on and thrive on in the future. In short, the legacy could be the creation of a climate for the long term business expansion and development that we all hope to achieve. Enough philosophy on that realm.

We do have some charts. I think I have covered most of the figures but if you certainly have questions we can graphically display them. And I am prepared at this point, Madam Chairman, to respond to any question that you have.

REPRESENTATIVE BOUCHER:

I want to compliment you. I've probably got more information in this one half-hour than I've gotten the rest of the time. The first thing we hear so much about this undistributed income over there and I finally understand what it is all about. There's one thing in watching, there appears to be a balancing affect in national and world economics. In other words, our Fund seems to be healthy when our oil prices are going down. The United States seems to have an economic recovery where we're having the down side. And obviously you folks are into what is the major resource--money. I mean, money is produced by oil, and money is produced by money.

One thing that concerns me, we met this morning and we've met, and does this magic day of March when somebody is going to fly in here and tell us, "what is the down side of the dollars," and I've heard figures from \$300 to \$500 million. Is it not possible, since you are dealing in the world money markets and oil has been the generator in this world money market that we might not be asking you what is the reality of the down side of world oil prices. Or is that a far-fetched question?

DAVE ROSE:

Well, I think in response to that, we are general economists and we don't have any great sagacity when it comes to oil. But there are a couple things that we know. Number one, we know that we have a conflict within the Fund in the sense that as oil prices decline, it has a tremendous downward affect on the inflation factor, and therefore our investment returns are great. Of course, the down side is we get dedicated state revenues which are oil derived, so we want those revenues to be as high

as possible. So we do have to look at it. You are quite correct. I think the thing that strikes us more than anything else is with respect to OPEC, when OPEC controlled 70 percent of the supply of petroleum in the world and they were raising prices, it was easy to maintain very solid discipline. If you control 70 percent and everything is going up and you're making a bundle of money, great discipline for OPEC. But because of conservation, OPEC now controls less than 50 percent of the world market of petroleum and they are having to cut prices. And you do not have discipline under that kind of scenario. So I think from our meager economist viewpoint, we really don't give much credence to much discipline within the OPEC structure. We think that oil prices are going to fall and, indeed, right now while we do invest in common stock of major oil companies, we will probably be reviewing that strategy to see whether or not, because Alaska is so attuned to oil, whether it makes any sense at all for us to have any large degree of investment in oil companies at all. Because as their fortunes decline, ours decline, and that's obviously not where Alaska ought to be. That kind of discussion will go on within the Fund in the next thirty days. Not to infer that we would sell all our oil stocks. But we may change our strategy [indiscernible].

REPRESENTATIVE BOUCHER:

My second part of that question--do you and the Department of Revenue, who we are receiving projections from, and you operate on information and we are trying to operate on information, talk to each other about this subject? I see a lot of brain power in this room. Before we were focusing on one man, Vince Wright, saying what's the magic number. And it appears that we have got to wait for somebody to come in. I, somehow or other, feel that within the investments and knowing you as I do, there's a lot more knowledge in how these world prices are going to fluctuate. So my question is, are you talking to each other? Do we have the best information to make decisions on? Because these are mind boggling numbers.

DAVE ROSE:

Number one, we do talk. Number two, I don't know whether we have the best information. Number three, we depend and accept the Department of Revenue numbers. All of our projections for our number structuring relies on the Department of Revenue. We don't replicate or duplicate that. Now, for our investment decisions, that's just general research and market feel. But that is nowhere near as stylized or as finite as Vince Wright's. So, for example, all the numbers we will ever present, for example, to Legislators in our projections are Vince Wright's figures, the 30 percent case. Now, we also maintain full data on the 50 percent projections which we don't

generally use because we like to conserve them as 30 percent. But I think that is the best answer. We're not sure we have all the answers collectively, and we do talk, but we do depend heavily on the Department of Revenue.

REPRESENTATIVE BOUCHER:

Are we getting the best information?

DAVE ROSE:

I can't give a value judgment. Because what I haven't done is, I haven't tracked, for example, the 30 percent case against reality over a period of years. I think it would be interesting to see just how close that 30 percent case turns out in reality. You know, the interesting thing is that the 30 percent case, it almost is a... let's say they do track, I assume that they may. That means that 70 percent chance exists that you will do better than the 30 percent case and history would indicate that that is not happening, that 30 percent case is indeed the most probable case. So there should be some intuition there that maybe the 30 percent case is really the medium, or whatever you're normally going to find. I have never seen the 70 percent case, you know, the other 70 percent which says that you are going to do much better. If I understand the 30 percent case, it means that 30 percent probability you will earn at least that amount of money. And if it is the same, but you have to use your own intuition.

REPRESENTATIVE BOUCHER:

Thank you.

CHAIRMAN HURLEY:

Does any other committee member have a question? Representative Pignalberi is here and I see him waiting to ask a question.

REPRESENTATIVE PIGNALBERI:

Thank you for entertaining a question from a non-committee member, Madam Chairman.

Dave, first I want to echo Representative Boucher's comments. You deal with a complex topic and no one has ever said, through the whole time that you've been there, that the Permanent Fund is anything but excellently managed. I think that's a real tribute to you and your staff. You don't need Legislators, especially freshmen, to come in and muck things up for you. And I'm going to ask you a couple of questions now and hopefully I won't do that.

I've always been curious about what to me is an apparent contradiction in the fact that inflation proofing, from the standpoint of public policy, is the first priority. And yet, in the distribution of the earnings of the Fund, it really comes number two because we take the dividends out first. And I'm wondering what you would think, or what the board would think if we were to go ahead and inflation proof first and then do away with the five year average and pay dividends only out of the money that is left over after inflation proofing, because that, to get back to a basic Hammond concept, lets the people know how the Fund did that particular year, and it's not distorted by the earnings or losses from the over five years. I know you must have considered that before and I wondered if you would share your thoughts with us.

DAVE ROSE:

Yes. There are a couple of questions within that question. First is the question of priority. Certainly from the parochial viewpoint of the Fund the change in priority would probably be desirable in the sense that we would meet our obligations of protecting the Fund through inflation proofing. And what that also does, you see, is meets the needs of the Fund and the Trustees and so that from the Trustees consideration, beyond the point of inflation proofing, i.e., the expenditure of earnings, is really none of their concern. They only are concerned about earnings as long as inflation proofing is involved.

Now, with respect to the elimination of the five year income averaging, that is in there for a particular reason and the reason that it is there--well there are several. Number one, for whatever the earnings are used, whether it is dividends or sometime down the road for the operation of state government, or whatever, if those earnings each year are sensitive to market, in other words, if we earn a lot of money and we can meet inflation proofing and there is some left over we will have money to pay out. If we have little money, there is nothing left. What happens is, you have a market like this, and in good years everybody gets a payroll and in bad years everybody is in the pits. The purpose of the five year income averaging set up was so that even if in one year you had zero earnings, you would still not affect the amount of money being paid out any more than 20 percent, because you would then have four years of positive earnings divided by the five year average. And even if the fifth year was zero, it's only 20 percent different. So the idea was whatever that income is used for, whether it's for state government or dividends or whatever, rather than have a market fluctuation like this, because it's not only good performance or bad performance, it's also market performance. That what you would attempt to do is have a modular rather than a peak and valley. That's the first thing

it does. So the income averaging is important if you want a steady stream of payments at roughly the same amount of money, it's important for that purpose. It's probably also important from a managerial standpoint because there are managers, people in my position, who may wish to hit homeruns and who may wish to look very, very good on a short range basis--gee, this guy gets continually high earnings. But what happens is, you find a manager making short term decisions to look good, as most corporate industry does today, and then three or four or five years down the road because nobody has done the wise long planning that's needed, these corporations fall apart. So you don't want to have somebody reacting or having the ability to react to hitting home runs in any one year or two, to make themselves look good, to the detriment of the Fund. For example, today we have substantial earnings on paper. Now, I could say, boy, would you give me a pay increase if I go out and I sell this and I return a huge increase and look good. Well, that might be good for the manager of the day, but it might not be good for the Fund because if I sell off things that are very well invested today, they might even increase in value and be better tomorrow. So I think those are the two important ingredients in answer to your second question.

I think from an economic standpoint and a managerial standpoint, you probably want to keep the income averaging.

REPRESENTATIVE PIGNALBERI:

Maybe not the dividend but the income averaging. Thank you, Madam Chairman.

CHAIRMAN HURLEY:

Does anyone else have a question? I have one. Do you have any real estate in Alaska?

DAVE ROSE:

At this point we have a commitment to involve ourselves in the long term financing for Cottonwood Mall at Wasilla. That transaction has not yet closed. We had expected that it would close by now, it has not yet. That is the only commercial real estate we have in Alaska. We do have a home mortgage program where we make loans from single family to four-plex. It must be owner-occupied. It's at floating rates. We have an \$80 million availability commitment; \$40 million of that has been taken. But again, that's a market rate program which competes with Alaska Housing Finance Corporation, which is a subsidized rate program. So generally, we do not have too many people taking that program unless they are buying very expensive homes or they like and find attractive the floating rate as opposed

to the fixed rate. Also, AHFC has about a 16-year term, roughly, and we allow a 30-year term. So we have a little bit more flexibility. But anytime you have a market program as opposed to a subsidized program, obviously we, as financiers and anyone else would take the subsidized program.

CHAIRMAN HURLEY:

Anyone else? I sure do appreciate your... I hope that you will give us a copy of your testimony if you have it.

DAVE ROSE:

I do have some charts and illustrations that you may find interesting. Certainly when you get to questions about specifics in any of the legislation, Jim Kelly or myself are prepared to give you the dollar impacts, both on the Fund and on an annual basis.

CHAIRMAN HURLEY:

We would like to have you here when we get it. We do have four bills but we do not... Representative Boucher?

REPRESENTATIVE BOUCHER:

I have a question. You have seen all of the bills that have been introduced, have you not?

DAVE ROSE:

Oh, yes.

REPRESENTATIVE BOUCHER:

That relate to the Permanent Fund.

DAVE ROSE:

Many times.

REPRESENTATIVE BOUCHER:

What do you think of them? [Laughter] That's really what this is all about. Maybe I asked pointed questions, and if you don't want to answer that, fine, don't.

CHAIRMAN HURLEY:

Why don't you ask specifically instead of all of them. Why don't you say...

REPRESENTATIVE BOUCHER:

Well, is there a good one? I'm looking through there to see which one is good, you know.

DAVE ROSE:

Well, what we would, I think, prefer to do on the bills is to tell you the advantages and disadvantages of the bills and let you draw your own conclusions. We are prepared, whenever you want to get into that, to very dispassionately tell you these are the very plus parts of the bill and the very negative sides. We see plus things in all bills, incidentally. There are also some negatives.

Madam Chairman, we are at your disposal at any time.

CHAIRMAN HURLEY:

We don't want you to leave yet. We need to have a look at these bills in order to comply with the five-day rule. That doesn't mean that we are going to be discussing them necessarily in depth, but I think we should ask some questions about this or else we are going to have to reassign them and not discuss them for five days. So I thought that since they are... Am I not correct?

REPRESENTATIVE CATO:

We can make mention of them without actually discussing them in detail, merely that we have brought bill 71 before the committee on this date and we will take it up at a later time. Then you will not have to republish.

CHAIRMAN HURLEY:

Okay. Mr. Miller told me otherwise so I bow to you. You are more experienced.

REPRESENTATIVE CATO:

Oh. He may be correct.

REPRESENTATIVE JENKINS:

Madam Chairman? Mr. Rose, a follow-up from Mr. Boucher, but a little more important in terms of timing. These bills that we have in front of us were indeed prefiled and drafted prior to the last two or three weeks. The information of the last two or three weeks, I assure you from a responsible, hopefully, member of this committee and member of this legislature,

give us some very sobering viewpoints of the world and the way our revenue projection is. And obviously, as you indicate, there are some good things, there are some pluses in each of these and some minuses in others. In view of the last two or three weeks and the possible projections and information, obviously, we are going to know better, can you reflect on that?

DAVE ROSE:

Well, one of the major questions that you have with all of these bills is whether or not you want to create a system whereby you dedicate additional monies, i.e., take the money off the table so that it is never considered by the legislature and it flows automatically into the fund on one hand. Or, the option of not changing the dedicated stream of money but making flat appropriations as was done in 1980 and 1981. One obviously takes money off the table so there is no competition for it, it is gone before anyone sees it in the Legislature. The other is to have to compete and compare with priorities. That makes it very difficult. So that's clearly one of the options. The overall question, of course, is still spending versus saving. And the hard decision, ultimately, which the Legislature has to make is if you want to pay for the programs that you are going to have in the future, where are you going to get the resources to do it, and should we take steps now to preserve the ability to pay in the future. But regardless of the substance of the vote, the hard decision is do you want to save now or spend now. It is really no more complex than that. It really isn't.

CHAIRMAN HURLEY:

Since we do have about a half an hour left, would it be possible for you to just look at each bill and give us a little of the advantages and disadvantages, and that would take care of any kind of notice about having had the bills on the table, and maybe save you from having to come over. And we will have Mr. Kelly come in next time.

DAVE ROSE:

We would be pleased to. Let me ask Jim if he would pull his chair up because Jim has the license to interrupt and grab me by the throat anytime I make a misstatement here.

CHAIRMAN HURLEY:

Well, the first bill that we had is House Bill 9. One of our committee members is a co-sponsor: Szymanski, Clocksin, Pourchot, and Navarre.

REPRESENTATIVE CATO:

Madam Chairman?

CHAIRMAN HURLEY:

Yes?

REPRESENTATIVE CATO:

In noticing House Bill 9 and House Bill 32 and reading them over, they seem to have a great deal of similarity. I was wondering if we could combine the two bills for their discussion and our discussion and very possibly looking at them in the situation of possibly combining the two bills and the best and pertinent points of each -- taking them both up at the same time is what I am saying.

CHAIRMAN HURLEY:

Yes. When I read them through, what Marrou's bill does is take the law and amend it with specific amendments. And what the other bill is, is they have repealed it and reenacted it. So they are very similar, but not altogether. Let's look at 9 first and then 32.

DAVE ROSE:

Okay. House Bill 9, under section 2, has the effect of increasing the dedicated amount of revenues that flow into the Fund. Currently, 25 percent of the described revenues for fields before 1980... I'm sorry. The percentage is 25 percent for all fields before 1980 and 50 percent for all fields after 1979. What this bill would do would make it 50 percent across the board. That doesn't mean then, of course, that you have a doubling of the contribution rate since we already receive 50 percent of development after 1979. So the first thing that should be clear in your minds is that while you would increase the dedicated amount, you don't double it, but you do increase it substantially. Because we are already entitled under the statute to receive 50 percent for everything after Prudhoe Bay and Kuparuk. What this would do basically is include Prudhoe Bay and Kuparuk. This has the effect then of increasing the income flow to the Fund automatically, from Department of Natural Resources to the Permanent Fund. The impact, and I will give you a few years numbers. Starting with fiscal year 76 is \$360 million more; the next year \$345.4 million; three years hence is \$328.0 million; the fourth year \$313.8 million; and in the fifth year \$296.9 million. Now this, then, is additional money not now received by the Fund that would automatically flow without appropriation or anything else. It is a

pure dedication. The effective costs over time, if you compare the Fund by the year 2000 under this scheme as to what you would have under the status quo, I think the figure is about \$6 billion more, \$7... \$6.8 billion more in the Fund. So over the next fifteen years until the year 2000, the Fund would grow more, at a larger rate, by that figure.

Let's take a look at what the bill will do. It will make the Fund larger, therefore it will increase the dividend payments. It will increase the amount of money withheld for inflation proofing each year. And it will, based on our projections, affect the undistributed income account in the inflation proofing area where the availability of that money would be drawn down a year earlier. The most immediate impact of this bill in terms of your budget deliberations this year--remember I said in '86 you would take \$360.0 million into the Fund--that is \$360 million off the table for the fiscal year, the budget year that you are now considering. So that if you have an effective date immediately it means that you are short \$360 million in addition to other shortages for this fiscal year. And you must be aware.., and I'm not making a value judgment on that but you should be very clear that that's what you are doing to yourselves. If the effective date were not immediately and it was a year hence, beyond your budget consideration, that might be an alternative that you might wish to consider. But it will take \$360 million off of the table. And that is not intended to be negative, just dispassionately direct.

Jim, is there any other impact on 9 that I haven't covered?

JIM KELLY:

No, but there was one alternative also that you didn't mention and that was the... not increasing the contribution to 50 percent. If the numbers, the revenue that you have to take off the table seem too large, you could consider reducing the contribution from 50 percent to something higher than 25 percent, but less than 50.

DAVE ROSE:

One thing we would urge there, is that since everything post 1979 is currently 50 percent and everything pre 1980 is 25 percent, that if there is any consideration of adjusting the rates, you don't adjust the post 1979, you only deal with Prudhoe and Kuparuk.

CHAIRMAN HURLEY:

Representative Cato?

REPRESENTATIVE CATO:

Madam Chairman, in other words what we would be doing in this bill is going back and picking up past monies spent. We have spent the revenue from Kugaruk and Prudhoe. I don't think you get what I want. I'm not saying it as well as I probably could. What I am saying is that inasmuch as we already get 50 percent from everything since Kugaruk and Prudhoe, so what we would be doing is backtracking and picking up what could have been picked up at that time, had it been at 50 percent.

DAVE ROSE:

Well, except that it would not be a retroactive bill, so it would kick in immediately.

REPRESENTATIVE CATO:

In other words, just exactly what you said. It would be taking current... Well, to me it would be paying... currently out of our pocket for something we have already spent.

DAVE ROSE:

No, I'm not sure that's a correct interpretation. What it is really saying is now you depend on getting 75 percent of the money from Kugaruk and Prudhoe. And what this bill would do, it would only give you 50 percent. So you would have to adjust this year's revenue this direction.

REPRESENTATIVE BOUCHER:

Madam Chairman?

CHAIRMAN HURLEY:

Yes, Mr. Boucher.

REPRESENTATIVE BOUCHER:

As you invest in this, when we are downsiding on the oil and inflation is down, does not the Permanent Fund begin to produce more for us. We're taking... to a small degree, turning lemon into lemonade, so to speak? In other words, if we put this in and the oil prices continued to slide, would there be one point in time that we were actually hoping that the oil prices flattened out?

DAVID ROSE:

Oh, I would think so. But we would look.., for example, under this bill, were it to go in at the level proposed, the

projected net income, for example, in the year 2000, is some \$2.3 billion per year in the Fund. Jim, I don't have the current projection, do you...

REPRESENTATIVE BOUCHER:

The net.

DAVID ROSE:

This is net income after expenses, but that is not very much. The income is \$1.7 billion. See, you go from \$1.7 or \$1.8 billion projected now, to \$2.35 billion then. So it does begin to pay very heavy dividends down the line. But it is a long range decision. The problem is, how much does that hurt to make that decision for the immediate year in exchange for the long run.

REPRESENTATIVE BOUCHER:

Excuse me, I'm really stimulated. Finally I've got some questions and I'm a little excited about it. At what point do we arrive where our money becomes a greater resource than Prudhoe Bay? Is there such a point? You said it's the largest net income producer now. Would there not be a point if we arrived at that we would be assured of that future? Have I asked the right question there?

DAVE ROSE:

Well, you've asked the right question, but I don't know the answer. Do you have it?

JIM KELLY:

Page 37 of the Revenue Source book, there are some numbers. Again, I think they are from Vince Wright. They are long-range revenue projections and they break out the Permanent Fund, the contributions from the royalties, Prudhoe Bay money essentially, and it breaks out how much comes from there off into the future. And if you compare that with our net income, probably somewhere about ten years from now we'll end up having more net income from the Permanent Fund than what the oil is producing.

REPRESENTATIVE BOUCHER:

And that becomes an infinite resource, huh? Off of a finite resource.

CHAIRMAN HURLEY:

Go ahead Representative Jenkins.

REPRESENTATIVE JENKINS:

Is the [indiscernible] in total or just the Prudhoe Bay/
Kuparuk share?

JIM KELLY:

That's that share, that's right.

DAVE ROSE:

I think on House Bill 9, that's probably the gist of our comments. Now, we do have, not a written analysis, but we do have projection runs that show the impact of the bill and would certainly make that available for the record. Maybe not today but will get it over tomorrow. Do you want to go on to House Bill 28?

CHAIRMAN HURLEY:

Well, 32, since it is similar. Similar subject.

DAVE ROSE:

House Bill 32 does a couple of things. It does front load the Fund in the same manner as House Bill 9 does. That is similar. The construction of the verbage is different but the effect is the same. It front loads the Fund to the same degree. It does, however, in section 2, have a greater payoff of dividends. So what it does is, while it front loads the Fund, it also pays out a great deal of money for dividends. The net effect of this bill by the year 2000 is that it increases the overall value of the Fund by some \$1 billion, but it also, of course, increases the payout over time of dividends which I have not calculated in terms of the sum. So what it means is the Fund grows under House Bill 32, but also the money in the pocket of Alaskans grow to the same degree.

Some of the other impacts of the bill is that it does effect inflation proofing negatively because it does retain the priority payment of dividends first and inflation proofing second. Which means that there is less money available for inflation proofing, so while there is a definite positive effect on dividends, there is a negative effect with respect to inflation proofing. And our printouts available on this indicate some very substantial shortfalls in the inflation proofing arena. But the net effect of the bill over time is a positive, from a parochial sense of the Fund of some \$1 billion.

CHAIRMAN HURLEY:

Thank you. I think that we will just go on to 28 then, and we will be able to cover these.

DAVE ROSE:

Okay. House Bill 28 does several things. First of all, it changes the priority of the payout of earnings. That's the first thing it does. It switches it from dividends first and inflation proofing second to inflation proofing first and dividends second. The second thing it does is it indicates that the undistributed income account ought to be maintained to the degree possible at a five percent reserve. So that you have in your undistributed income account five percent as the buffer to meet the needs of the future rather than eradicate that account entirely, for example. The third thing it does is it strikes a computation immediately and says of your undistributed income account, take five percent, leave that in your account, and everything else in the undistributed income account move immediately into the coffers of the principal. And the fourth thing it does is it says that in any succeeding year, if you exceed five percent in the undistributed income account, that amount of money can flow automatically into the principal. So what that account basically does is takes a hard look at the undistributed income account, makes the determination that five percent for retained earnings is probably realistic on a corporate basis, and says absorb everything over that five percent into the coffers of the Fund.

This bill is interesting by way of subjective analysis in juxtaposition to the other bills we talked about. Because House Bill 28 does move money into the Permanent Fund immediately and directly into the coffers, without taking money off the table. In other words, it is a point for this year where money can be moved into the Permanent Fund without having to go through the appropriation process in terms of competing monies. When you take this into juxtaposition with House Bill 32, for example, or even House Bill 9, it may be possible to consider a different effective date on those bills so that what happens is you use House Bill 28 immediately to achieve movement of money into the Fund for this year, but you adopt these other bills prospectively with an effective date that doesn't take money off the table immediately because you achieve that with 28, and in some succeeding year when it may be less odious to do it, you adopt it now. In other words, 9, 32 may be more palatable in some succeeding year if you have a forward effective date, whereas 28 might be the thing to do this year in terms of some immediate action to do something from a parochial viewpoint. That's why I said it is difficult to look at these bills because it is a question of timing. There is certainly nothing wrong

with House Bill 9. Perspectively, there's nothing wrong with 28. Immediately, and put together, they work very well and they complement each other. That's the subjectivity... and that's Dave Rose talking, not his Trustees.

CHAIRMAN HURLEY:

Representative Jenkins?

REPRESENTATIVE JENKINS:

I'll accept Dave Rose talking. This act is retroactive to June 30, 1984. Does that mean money that would already...

DAVE ROSE:

Yes. The retroactivity on 32 works sort of interesting on the numbers. If you took House bill 32 and you have the retroactivity, it has the effect of us making an immediate computation on the effective date and transferring... what was that, Jim... \$315.5 million immediately, and approximately \$99.4 million at the end of this fiscal year. If you didn't have the retroactivity, strangely enough you would have a transfer of a greater amount of money. That's the way the numbers work. The retroactivity actually is less by about \$30 million, at least on our raw calculations. But in any event, if you struck the five percent balance and you transferred all of undistributed income account, that's what you would be adding to the Fund, about \$415 million.

CHAIRMAN HURLEY:

The other bill is 71 that we had before us. We have since then received some other bills but we haven't had the five day rule so we will have to talk about those later. If you want to comment briefly.

DAVE ROSE:

Yes. On House Bill 71, of course, this was introduced at the request of the Governor and it provides a \$500 million appropriation which is open-ended. This bill is, of course, almost identical, not quite, but it would work the same way. Identical to the 1980 and the 1981 appropriations which basically says that you add money to the Fund when it is determined to be available in an excess of General Fund revenues necessary. The advantage of this bill, I think, from a legislative perspective, is a sense that it gives you a great deal of flexibility. It gives you the flexibility in a sense that... as opposed to dedication, you don't take money off the table and lock yourself in so you never see it. You always have a chance to see all

your revenues. It gives you that flexibility. It gives flexibility to the Governor, obviously because he would call the shots as to when that money would go in. So it probably is the most flexible bill both from the Administration and the Legislative viewpoint. From the parochial Fund viewpoint, it is not hard cash until it is actually received.

REPRESENTATIVE BOUCHER:

Madam Chairman. Might that not be subject to the variable who's governor? You know.

DAVE ROSE:

Well, yes. Except the Permanent Fund would probably hound the incumbent to death until he got his money. When I first came over to set up the Fund as a separate corporation I went through the books and, of course, I found that \$700 million was due the Fund. So I sent a bill to the Department of Revenue. I mean, I didn't know any better. And I laid out an easy payment plan. [Laughter] We did obviously, Governor Sheffield did... while he didn't quite meet the easy payment plan, he did pay it entirely. So I guess if you hound any person enough you can get it. And, of course, he was willing to be hounded. So I think that whatever incumbent you have... Certainly \$500 million is still well within Governor Sheffield's term. If it was appropriated, I'm sure we could get him to pay it one way or the other.

CHAIRMAN HURLEY:

Representative Cato.

REPRESENTATIVE CATO:

This doesn't have anything to do with the Permanent Fund. It has to do with Mr. Rose and his office staff. When I met you in Anchorage sometime not too long ago, or maybe it was a long time ago, you said that you have been relegated to the basement of the capitol building, are your quarters somewhat nicer now?

DAVE ROSE:

No, no. That wasn't quite true. That was in a different context.

REPRESENTATIVE CATO:

Yes. We were... I was just asking where your quarters are.

DAVE ROSE:

We are over in the Goldbelt Building which is a three story modern building on tenth street, which is the same street that the bridge comes off of. Very modern quarters that we rent and we have been allowed to set up the organization with all of the electronic equipment to meet the market needs so that we are pretty current. We have everything from telephones which are supported by batteries so that if the market is hot and the power goes out we are able to react, to Rueters machines which are by satelite which gives us stock market results, to tellury by land lines which give us the bond results. It's a very modern and efficient operation. It's really keen.

REPRESENTATIVE CATO:

Great. I would have hated to find you in the corner of the print shop.

CHAIRMAN HURLEY:

I want to thank you, Mr. Rose, for your very excellent presentation. It's been informative for all of us. And it's been a very good meeting. I can't believe an hour and a half went by so quickly.

DAVE ROSE:

Thank you for asking us and it is our pleasure any time.

CHAIRMAN HURLEY:

We will be calling you because we do need to take up these bills and the issue soon.

DAVE ROSE:

We will submit for the record what little written analysis we have so that you have the benefit of it.

CHAIRMAN HURLEY:

I think we have quite a bit of it in our folders that Tim has taken care of.

The Committee will not meet tomorrow or Monday. Our next meeting will be Tuesday. That's right--Saturday for the public hearing. 2 PM here. I'm sorry, thank you. The meeting is adjourned at 4:30 PM.



Alaska Permanent Fund Corporation
Pouch 4-1000 Juneau, Alaska 99802
TEL 907/465-2047 TLX 099-46-323

MEMORANDUM

DATE: January 25, 1985
TO: Trustees
FROM: Jim Kelly, Research & Liaison Officer
SUBJECT: 1985 Legislation

This is to inform you of the status of legislation pending in the First Session of the 14th Alaska State Legislature which, if passed, would directly affect the Alaska Permanent Fund. To date, there have been six such bills introduced in the House and two in the Senate. A brief description of the bills follows.

Attached are copies of the bills, as well as financial projections, prepared by Alaska Permanent Fund Corporation staff, which illustrate the impact of the proposed legislation.

- House Bill No. 9 by Rep. Szymanski: This bill would increase the current statute dedication to a 50% contribution rate. It would increase Permanent Fund dedicated State revenues by \$360 million in FY 86, \$345.4 million in FY 87, etc. By the year 2000, the Permanent Fund principal would be \$6.6 billion higher, and the annual net income \$561 million more, than under the status quo. This bill would also have the effect of causing a shortfall in inflation-proofing in FY 95 (one year earlier than under the status quo), increasing the size of the dividends, and increasing the amount of the annual net income. The bill has an immediate effective date.

- House Bill No. 28 by Rep. Duncan: This bill does four things:
 - * Changes the priority of use of Fund earnings. Currently, dividends are paid first and inflation-proofing second. This revises the order and provides for inflation-proofing first.

- * Provides that the Undistributed Income Account shall equal not more than 5% of the corpus.
- * Amounts in the Undistributed Income Account in excess of the 5% reserve are transferred to the corpus each year.
- * The bill is retroactive to FY 84 and transfers all surplus over the 5% level on June 30, 1984 to the corpus. Transfers to the corpus would amount to \$315.5 million for FY 84, and \$99.4 million for FY 85. These are the only two years in which transfers are projected.

The bill would result in an eventual shortfall in the dividend fund, expected in FY 90. Thereafter it would have the effect of decreasing the size of the dividends, and increasing the amount of the annual net income. By the year 2000, the Permanent Fund principal would be \$1.9 billion higher, and the annual net income \$145.5 million more, than under the status quo.

- House Bill No. 32 by Rep. Marrou: This bill would increase the current statute dedication to a 50% contribution rate, like HB 9, but it also would increase the amount of transfer to the dividend fund from 50 to 75%. This would result in an increase in the Fund's size in the year 2000 of \$945.2 million over the status quo, but it also creates an ever-increasing inflation-proofing shortfall each year after FY 88. It would immediately increase the size of the dividend payments and the amount of the annual net income. The projected payout to the Permanent Fund Dividend program for the next 15 years under this bill would be \$12.1 billion, compared to \$7.4 billion under the status quo.
- House Bill No. 71 by the Rules Committee by Request of the Governor: This bill would make a special appropriation of \$500 million to the Permanent Fund. The timing of the appropriation would be at the Governor's discretion, in a manner virtually identical to that of the \$1.8 billion appropriation made by the 1981 Legislature. The language of this bill is slightly different from the earlier one, but the net effect would be the same.

Assuming deposit of the full amount by June 30, 1987, the Permanent Fund principal, by the year 2000, would be \$1.1 billion higher, and the annual net income \$90.2 million more, than under the status quo.

- House Bill No. 82 by Rep. Martin: This bill would amend the statutory dedication to the Permanent Fund to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement. The financial impact of this bill has not yet been determined due to the uncertain nature of the various oil lawsuits still pending.

- House Bill No. 84 by Rep. Pignalberi: This bill would appropriate the entire Undistributed Income Account to the principal of the Permanent Fund on July 1, 1985.

- Senate Bill No. 24 by Sen. Fischer: This bill, like HB 9, would increase the current statute dedication to a 50% contribution rate, and like HB 82, would amend the statutory dedication to include 100% of the type of oil revenues normally received by the Fund, if they are received by the State as a result of a court order or an out-of-court settlement.

- Senate Bill No. 56 by Sen. Ray: This bill amends the longevity bonus program, and establishes a new annuity program. It affects the Permanent Fund only in that a provision is included in the bill which specifically authorizes the Legislature to appropriate funds from the Undistributed Income Account to fund the new annuity program. This represents no change from current law as the Legislature already has the power to appropriate these funds. The Governor, however, in this year's budget address "strongly suggests" that the Undistributed Income Account be left alone as he considers that money to be part of the Permanent Fund.

The House bills all have State Affairs and Finance referrals. SB 24 has referrals to State Affairs, Judiciary and Finance; SB 56, State Affairs and Finance. All bills are still in the committee of first referral.

CONSTITUTIONAL AMENDMENT

Section 15. ALASKA PERMANENT FUND. At least twenty-five per cent of all mineral lease rentals, royalties, royalty share proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund, the principal of which shall be used only for those income producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

CALCULATIONS USED IN DETERMINING
DIVIDEND PAYMENTS
AND
UNDISTRIBUTED INCOME

<u>UNDISTRIBUTED INCOME ACCOUNT</u>	<u>DIVIDEND PAYMENT TO STATE</u>
NET INCOME FOR CURRENT YEAR ON PERMANENT FUND PRINCIPAL	NET INCOME FOR CURRENT YEAR
<u>PLUS NET INCOME FOR CURRENT YEAR ON ACCOUNT</u>	<u>ADD: NET INCOME PRIOR 4 YEARS</u>
<u>EQUALS: CURRENT YEAR ADDITION TO ACCOUNT</u>	<u>DIVIDE: BY 5</u>
<u>PLUS: PRIOR YEAR ACCUMULATION IN ACCOUNT</u>	<u>EQUALS: FIVE YEAR INCOME AVERAGE</u>
<u>EQUALS: TOTAL IN ACCOUNT</u>	<u>DIVIDE: BY 2</u>
<u>LESS: DIVIDENDS AS CALCULATED</u>	<u>EQUALS: DIVIDEND PAYMENT TO STATE</u>
PAID FIRST FROM INTEREST EARNED ON ACCOUNT	
PAID SECOND FROM THE ACCOUNT	
<u>LESS: INFLATION PROOFING</u>	
<u>EQUALS: BALANCE IN ACCOUNT</u>	

ALASKA PERMANENT FUND
MATURITY OF FIXED INCOME HOLDINGS
AS OF NOVEMBER 15, 1984

<u>MATURITY</u>	<u>PERCENT</u>
0 - 4 YEARS	53.1
4 -10 YEARS	38.3
10+ YEARS	8.6

Average life to maturity of portfolio --- 6 years, 2 months

ALASKA PERMANENT FUND CORPORATION

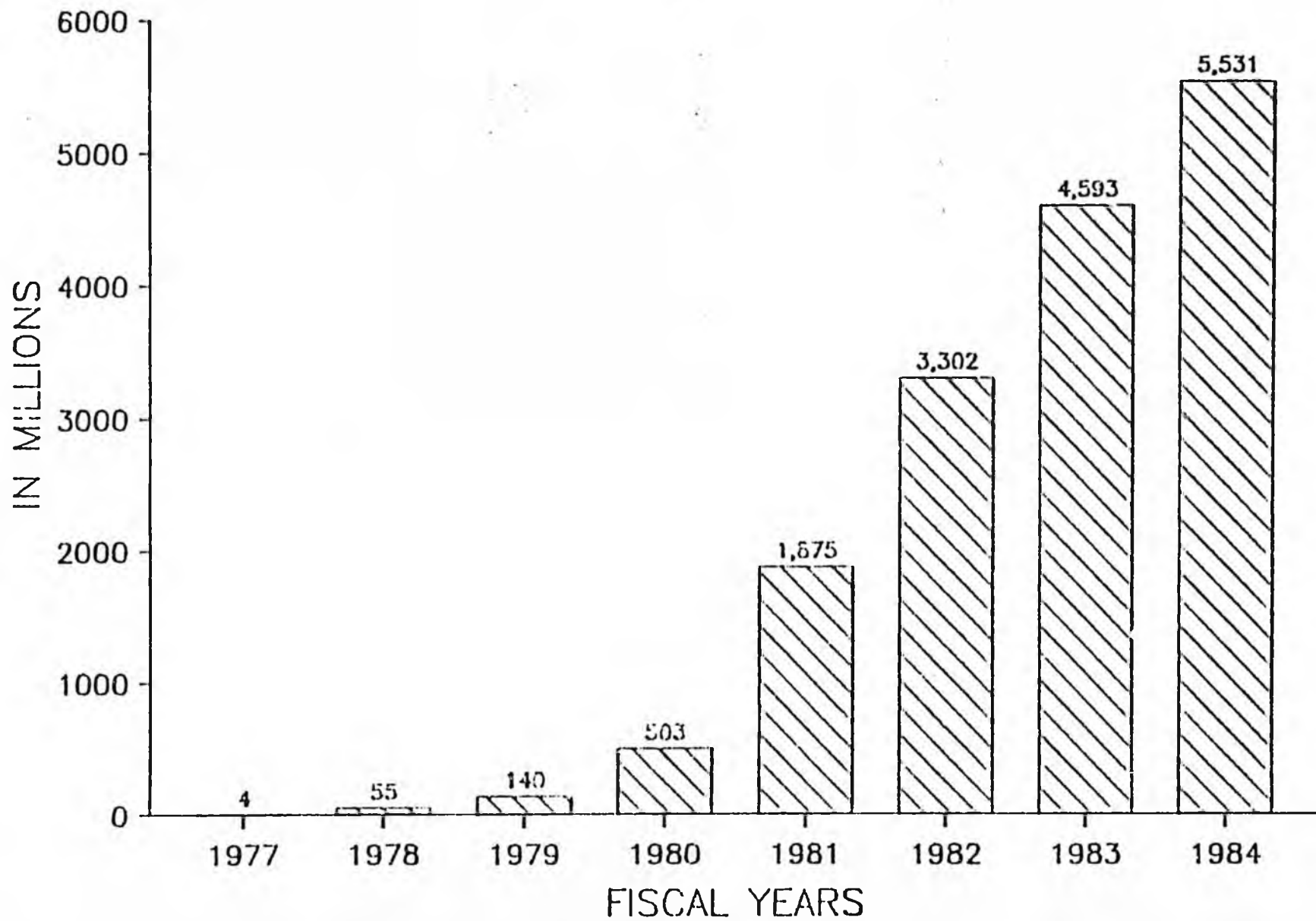
Invested Funds

December 31, 1984

	<u>AMOUNT</u>	<u>%</u>	<u>YIELD</u>
Cash	\$ 350,000		9.72
Marketable Securities, at market:			
Repurchase Agreements	24,100,000	.4	8.46
SFS Treasury Obligations	30,110,000	.5	9.09
UST Bills	92,458,000	1.5	9.21
Certificates of Deposit	25,289,000	.4	10.25
U. S. Notes & Bonds	5,179,318,000	82.9	11.61
Corporate Bonds	27,959,000	.5	10.90
Stock	<u>514,908,000</u>	<u>8.2</u>	<u>4.49</u>
Total Marketable Securities	\$5,894,142,000	94.4	10.92
Contributions/Interest Receivable	151,505,000	2.4	
Other Investments, at cost:			
Loans and Mortgages	43,033,000	.7	14.10
Alaska Certificates of Deposit	102,500,000	1.6	11.09
Real Estate Equity	<u>54,250,000</u>	<u>.9</u>	<u>7.78</u>
	<u>\$6,245,780,000</u>	<u>100.0</u>	<u>10.91</u>

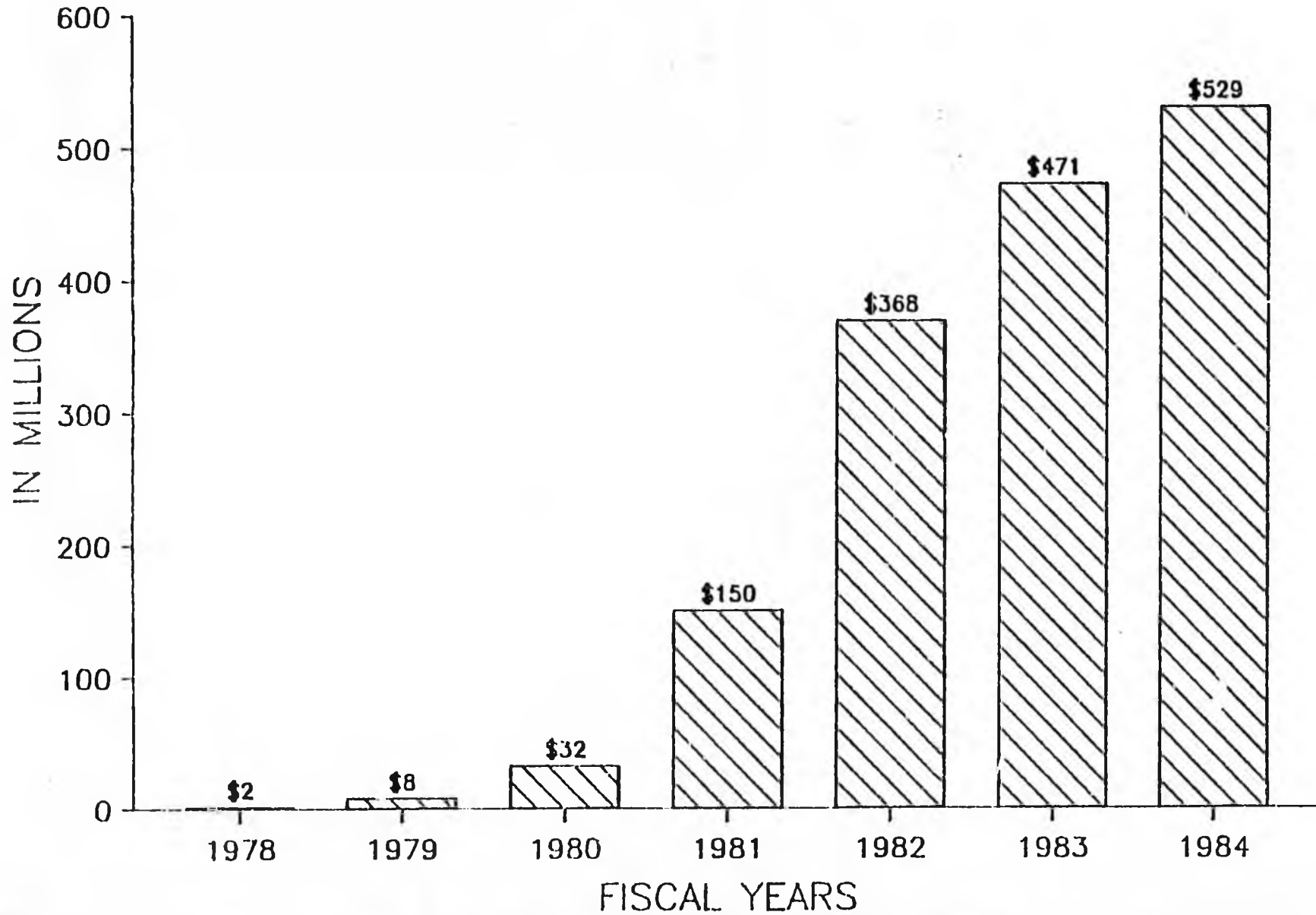
ALASKA PERMANENT FUND CORPORATION

TOTAL ASSETS



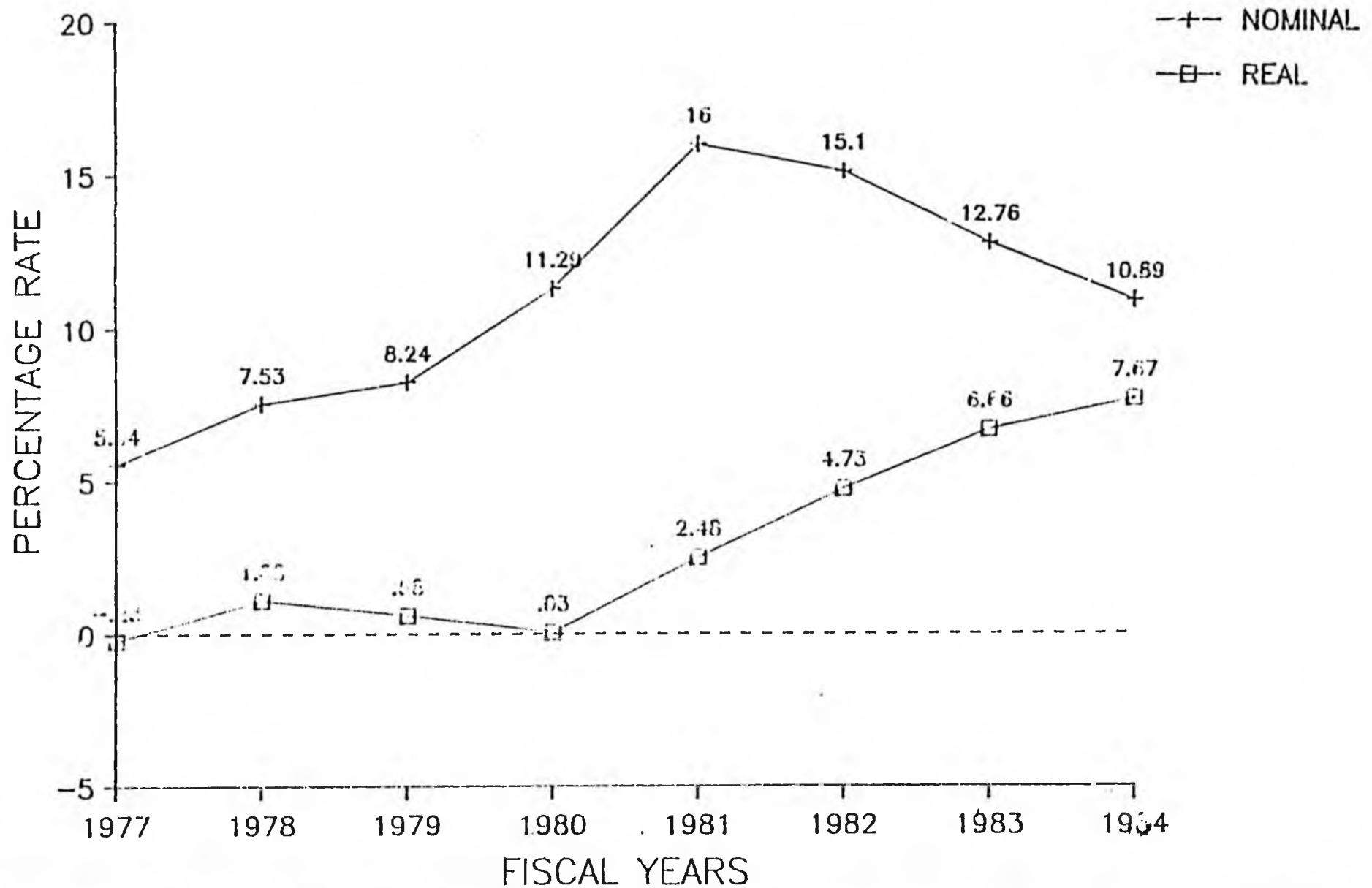
ALASKA PERMANENT FUND CORPORATION

NET INCOME



ALASKA PERMANENT FUND CORPORATION

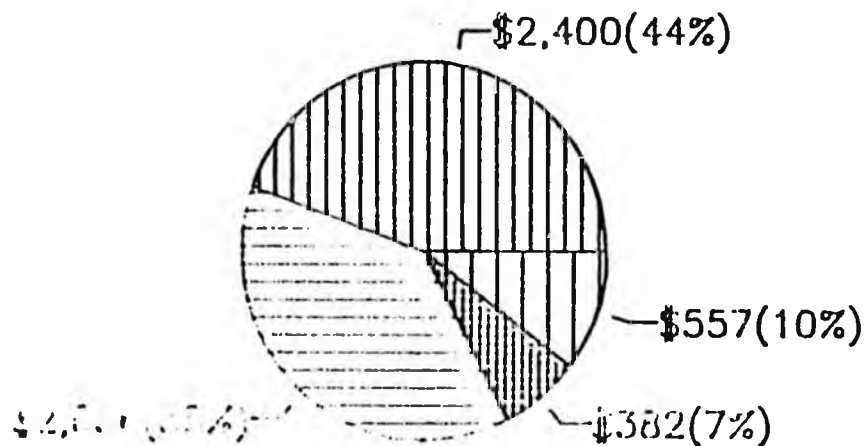
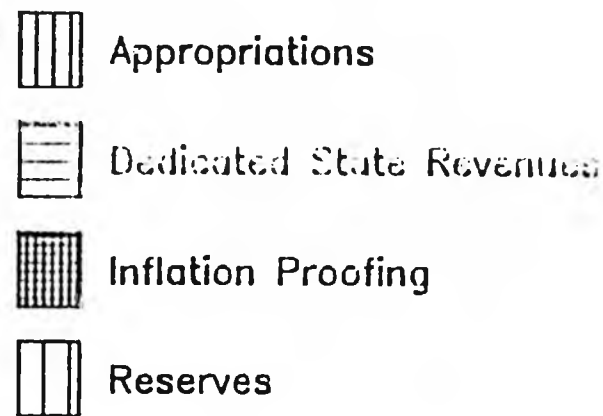
REALIZED RATES OF RETURN



ALASKA PERMANENT FUND CORPORATION

SOURCE OF ASSETS SINCE INCEPTION

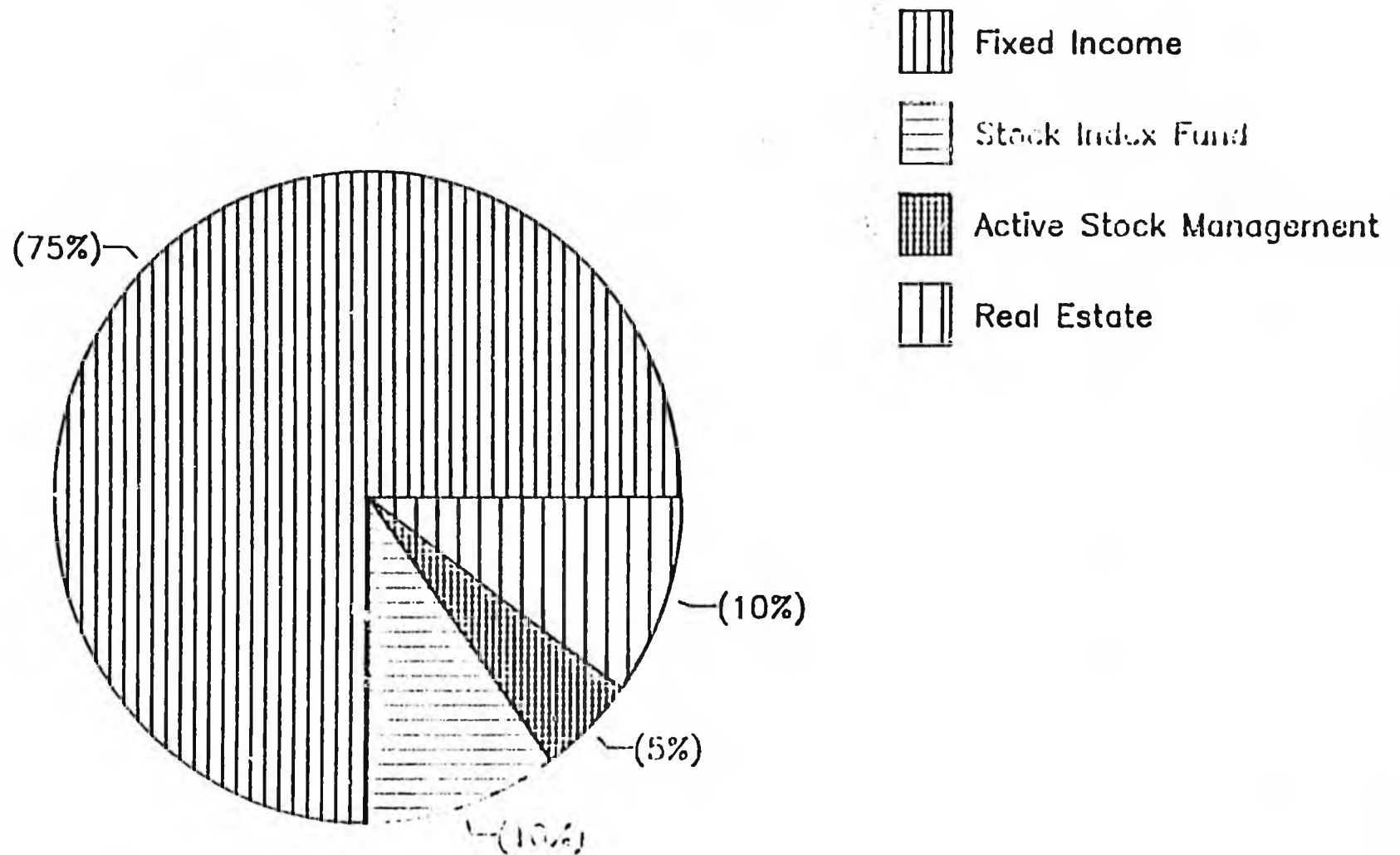
IN MILLIONS



JUNE 30, 1984

ALASKA PERMANENT FUND CORPORATION

INVESTMENT ASSET ALLOCATION



OCTOBER 31, 1984

ALASKAN INVESTMENTS
DECEMBER 31, 1984

	<u>COMMITTED</u>	<u>DISBURSED</u>
Home Mortgages	\$ 80,000,000	\$ 43,033,000
Alaskan Bank Deposits	200,000,000	102,500,000
Corporate Bonds	23,500,000	23,500,000
Real Estate	<u>10,000,000</u>	<u>-0-</u>
	<u>\$ 313,500,000</u>	<u>\$ 169,033,000</u>
As a percentage of the Fund (\$6.2B)	5.06%	2.73%

BANK CERTIFICATES OF DEPOSIT - FULLY COLLATERALIZED

ALASKA MUTUAL	\$ 35,000,000
ALASKA PACIFIC	13,000,000
FIRST FEDERAL BANK OF ALASKA	30,000,000
FIRST INTERSTATE BANK OF ALASKA	4,500,000
FIRST NATIONAL BANK OF FAIRBANKS	14,000,000
UNITED BANK ALASKA	<u>6,000,000</u>
	<u>\$ 102,500,000</u>

ALASKA PERMANENT FUND
CORPORATION
MONTHLY FINANCIAL REPORT
DECEMBER 1984



Alaska Permanent Fund Corporation

Pouch 4-1000 Juneau, Alaska 99802

TEL 907/465-2047 TLX 099-46-323

M E M O R A N D U M

DATE: January 17, 1985

TO: Recipients of December 1984 Financial Statements

FROM: *David A. Rose*
David A. Rose
Executive Director

SUBJECT: Report Highlights

This report indicates that the Fund's total assets approximate \$6.2 billion as of the close of the calendar year.

The increase during the month of December is primarily attributable to: a capital contribution in the amount of \$200,000,000, deposited by Governor Sheffield in final satisfaction of the special \$1.9 billion appropriation made by the Legislature in 1981; receipt of dedicated state revenues in the amount of \$29,871,000; and net income from operations of \$54,499,000.

During the first half of the fiscal year, the Fund posted net income of \$306,335,000. Operating expenses totalled less than one-half of one percent of gross revenues.

A comparison of marketable securities held at the end of December, valued in terms of both cost and market, reflects unrealized gains as follows:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gains</u>
Marketable debt securities	\$5,337,261,000	\$5,379,234,000	\$41,973,000
Common stock	503,811,000	514,908,000	11,097,000

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF PORTFOLIO ASSETS, LIABILITIES AND FUND EQUITY

DECEMBER 31, 1984

<u>ASSETS</u>	<u>\$</u>	<u>AMOUNT</u>
Cash	\$	350,000
Receivable and prepaid expense	3	151,797,000
investments:		
Marketable debt securities -		
Repurchase agreements		24,100,000
Short-term issues	2	147,525,000
Intermediate and long-term issues	<u>83</u>	<u>5,165,636,000</u>
Total marketable debt securities	85	5,337,261,000
Preferred & common stock, net of valuation allowance	8	503,811,000
Real estate equity pools	1	46,250,000
Participating real estate mortgages		8,000,000
Conventional mortgages	1	43,033,000
Alaska certificates of deposit	<u>2</u>	<u>102,500,000</u>
Total investments	12	6,040,855,000
Property and equipment, net of accumulated depreciation	<u> </u>	<u>150,000</u>
Total assets	<u>100</u>	<u>\$ 6,193,152,000</u>
<u>LIABILITIES</u>		
Accounts payable		\$ 406,000
<u>EQUITY</u>		
Contributed equity	86	5,329,063,000
Reserve for inflation and dividends	<u>14</u>	<u>863,683,000</u>
Total equity	<u>100</u>	<u>6,192,746,000</u>
Total liabilities & equity	<u>100</u>	<u>\$ 6,193,152,000</u>

ALASKA PERMANENT FUND CORPORATION

STATEMENT OF CHANGES IN FUND EQUITY
DECEMBER 31, 1984

<u>Current Month</u>	<u>Total</u>	<u>Contributed Equity</u>	<u>Reserve for Inflation and Dividends</u>	<u>Unrealized Loss on Stock</u>	<u>Undistributed Income</u>
Balance, November 30, 1984	\$ 5,908,005,000	\$ 5,099,192,000	\$809,184,000	(371,000)	
Net income from operations	54,499,000				\$ 54,499,000
Dedicated state revenues	229,871,000	229,871,000			
Provision for 1985 dividends			18,084,000		(18,084,000)
Provision for 1985 inflation proofing			17,256,000		(17,256,000)
Allowance for unrealized loss on preferred and common stock	371,000			371,000	
Provision for future inflation and dividends			19,159,000		(19,159,000)
Balance, December 31, 1984	<u>\$ 6,192,746,000</u>	<u>\$ 5,329,063,000</u>	<u>\$863,683,000</u>	<u>\$</u>	<u>\$</u>
<u>Year-to-Date</u>					
Balance, June 30, 1984	\$ 5,374,820,000	\$ 4,838,344,000	\$557,347,000	\$(20,871,000)	
Net income from operations	306,336,000				\$306,336,000
Dedicated state revenues	490,718,000	490,718,000			
Citizen Contribution	1,000	1,000			
Provision for 1985 dividends			106,459,000		(106,459,000)
Provision for 1985 inflation			110,047,000		(110,047,000)
Allowance for unrealized loss on preferred & common stock	20,871,000			20,871,000	
Provision for future inflation and dividends			89,830,000		(89,830,000)
Balance, December 31, 1984	<u>\$ 6,192,746,000</u>	<u>\$ 5,329,063,000</u>	<u>\$863,683,000</u>	<u>\$</u>	<u>\$</u>

ALASKA PERMANENT FUND CORPORATION
STATEMENT OF CHANGES IN CONDITION

(continued)

	<u>CURRENT MONTH</u>	<u>YEAR-TO-DATE</u>
<u>SUMMARY OF CHANGES</u>		
(Decrease)/Increase in cash	\$ (389,000)	\$ 91,000
Decrease in repurchase agreements	<u>(52,100,000)</u>	<u>(100,500,000)</u>
Net Change in Funds	<u>\$ (52,489,000)</u>	<u>\$ (100,409,000)</u>

ALASKA PERMANENT FUND CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1984

1. ENTITY

The Constitution of the State of Alaska was amended by public referendum in 1976 to provide for the dedication of certain natural resource revenues to the Permanent Fund. The principal of the Permanent Fund is invested in perpetuity. In 1980, the State Legislature created the Alaska Permanent Fund Corporation (the "Corporation"), a public corporation separate from the agencies of State government and governed by a Board of Trustees, (the "Trustees"), to manage the investments of the Permanent Fund. In 1982, the Legislature amended the law to provide that a portion of the annual earnings would be made available to the State for the payment of dividends and that a portion would be contributed to the principal of the Permanent Fund sufficient to offset the impact of inflation. The balance was to be retained by the Corporation in an undistributed income account.

2. SIGNIFICANT ACCOUNTING POLICIES

Contributions -

Contributions by operation of statute are recorded when they become due from the State, i.e., when certain revenues are received by the State Department of Natural Resources.

Contributions by appropriation are recorded when they are received.

Depreciation -

Furniture and equipment are depreciated on a straight-line basis over a three year useful life. Other property is depreciated on a straight-line basis over a five year useful life.

Dividend appropriations -

Current law directs that one-half of a five year moving average of the net income of the Corporation be made available for the payment of dividends each year.

Funds -

For purposes of the Statement of Changes in Financial Position, the term "Funds" has been defined as cash and repurchase agreements.

4. MARKETABLE DEBT SECURITIES

The estimated market values of debt securities at December 31, 1984 are as follows:

	<u>AMOUNT</u>	<u>YIELD</u>
Repurchase Agreements	\$ 24,100,000	8.46%
Short Term Issues	147,857,000	9.36%
Intermediate and Long Term Issues	<u>5,207,277,000</u>	<u>11.61%</u>
	<u>\$5,379,234,000</u>	<u>11.53%</u>

All of the Corporation's investment securities are held by commercial lending institutions pursuant to custodial agreements.

5. COMMON STOCK

At December 31, 1984, the investment in preferred and common stock was valued at cost, which was less than the aggregate market value of \$514,908,000 on that date. The dividend yield on preferred and common stock amounted to 4.49 percent.

6. REAL ESTATE EQUITY POOLS

At December 31, 1984, the investment in real estate equity pools was valued at market, which approximates cost. Future adjustments to market value will be based upon independent appraisals of the properties which constitute the pools.

7. PARTICIPATING REAL ESTATE MORTGAGES

The investment in participating real estate mortgages conveys an undivided interest in real property acquired in connection with a loan made on and collateralized by certain real estate. At December 31, 1984 the investment was valued at market, which approximates cost. Future adjustments to market value will be determined by the combined total of (i) an annual appraisal of the real property, and (ii) the difference between the present value of the mortgage and the outstanding principal balance of the note. Terms of the mortgage note provide for interest at 10.5 percent per annum. In addition, the Corporation will participate to the extent of its percentage of ownership in future net cash flow derived from leasing the property. The total amount of interest and net cash flow each year is limited to the maximum rate for interest allowed under applicable State of Texas or federal law.

8. CONTRIBUTED EQUITY

The principal balance of the Alaska Permanent Fund at December 31, 1984 was composed of the following elements:

Dedicated state revenues	\$ 2,246,936,000
Appropriations from the State	2,700,000,000
Provision for inflation	<u>382,127,000</u>
	<u>\$ 5,329,063,000</u>

40. Mayor Frank W. Geiger
City of Delta Junction
P.O. Box 229
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T29:110 895-4656
41. Louis E. Heinbockel, V. Mayor
City Council
City of Delta Junction
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T29:110
42. Marvin Hinsley, Member
City Council
City of Delta Junction
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T29:110
43. Mary A. Dowling, Member
City Council
City of Delta Junction
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T29:110
44. Leonard A. Lemon, Member
City Council
City of Delta Junction
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T29:110
45. Donald G. Cox, Member
City Council
City of Delta Junction
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T29:110
46. Frederick Ready, Member
City Council
City of Delta Junction
P.O. Box 229
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T29:110
47. Stan Orcutt, Chairman
Planning/Zoning Commission
City of Delta Junction
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Delta Junction, AK 99737
T29:110
48. Dan Webber, Member
Planning/Zoning Commission
City of Delta Junction
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T29:110
49. Kent Scifres, Member
Planning/Zoning Commission
City of Delta Junction
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T29:110
50. Jim Funderburk, Member
Planning/Zoning Commission
City of Delta Junction
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T29:110
51. Fran Colombo, Member
Planning/Zoning Commission
City of Delta Junction
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T29:110

52. Al Abreu, Member
Planning/Zoning Commission
City of Delta Junction
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T29:110
53. Steve Phillips, Member
Planning/Zoning Commission
City of Delta Junction
P.O. Box 229
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T29:110
61. Mayor B. B. Allen
Fbks. No. Star Borough
P.O. Box 1267
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T29:110 452-4761
62. Assemblyman Chris Birch
Municipal Assembly
Fbks. No. Star Borough
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T29:110
63. Bonnie Brody, Member
Borough School Board
Fbks. No. Star Borough
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T29:110
64. Assemblyman J. B. Carnahan
Municipal Assembly
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T29:110
65. Assemblyman Paul Chizmar
Municipal Assembly
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
66. Marvin Falk, Member
Borough School Board
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
67. Audrey Foldoe, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
Fairbanks, AK 99707
T29:110
68. Charles Goff, Jr.
Commissioner
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
69. Deputy Clerk Martha Harrell
Municipal Assembly
Fbks. No. Star Borough
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T29:110
70. Assemblyman Juanita Helms
Municipal Assembly
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T29:110

71. Ronald Hunt, Commissioner
Planning/Zoning Commission
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Fairbanks, AK 99707
T29:110
72. Jeanette James, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
73. Edward Malhiot, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
74. Ray Marley, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
75. Stella Marshall, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
76. Sharon Mavencamp, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
77. Karen Morris, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
P.O. Box 1267
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T29:110
78. Gary Newman, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
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T29:110
79. Assemblyman Jerry Norum
Municipal Assembly
Fbks. No. Star Borough
P.O. Box 1267
Fairbanks, AK 99707
T29:110
80. Assemblyman Buzz Otis
Municipal Assembly
Fbks. No. Star Borough
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T29:110
81. Doris Ray, Member
Borough School Board
Fbks. No. Star Borough
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T29:110
82. Gene Redden, Member
Borough School Board
Fbks. No. Star Borough
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T29:110

83. Assemblyman Harry Reimer
Municipal Assembly
Fbks. No. Star Borough
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T29:110
84. Gerald J. Romick, Commissioner
Planning/Zoning Commission
Fbks. No. Star Borough
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T29:110
85. Assemblyman Ed Shellinger
Municipal Assembly
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T29:110
86. Marguerite Stetson, Member
Borough School Board
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Fairbanks, AK 99707
T29:110
87. Assemblyman Sandra Stringer
Municipal Assembly
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T29:110
88. Barbara Tabbert, President
Borough School Board
Fbks. No. Star Borough
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T29:110
89. Mayor Bill Walley
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T29:110
90. Assemblyman Bruce Wammack
Municipal Assembly
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T29:110
91. H. O. Williams, Member
Borough School Board
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T29:110
92. Assemblyman Phil Younker
Municipal Assembly
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T29:110
93. Chris Anderson, Member
City Council
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T29:110
94. Valerie Therrien, Member
City Council
City of Fairbanks
410 Cushman Street
Fairbanks, AK 99701
T29:110

95. Paul Whitney, Member
City Council
City of Fairbanks
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T29:110
96. Ted Lehne, Member
City Council
City of Fairbanks
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T29:110
97. John Immel, Member
City Council
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T29:110
98. Janet Halvarson, Member
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99. Robert Wolting, Fin. Director
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100. W. C. Droz, Manager
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102. Mayor Jonathon Solomon, Sr.
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103. James Filip, City Manager
City of Fort Yukon
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T29:110
104. Diane Firmin, Member
City Council
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T29:110
105. Clarence Alexander, Member
City Council
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T29:110
106. Robert Michael, Member
City Council
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T29:110
107. Ray C. Nickelson, Member
City Council
City of Fort Yukon
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T29:110

108. James E. Carroll, Member
City Council
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T29:110
109. Steven Ginnis, P.O.
Advisory School Board
City of Fort Yukon
P.O. Box 269
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T29:110
110. Richard C. Carroll, Member
Advisory School Board
City of Fort Yukon
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T29:110
111. Grafton Bergman, Member
Advisory School Board
City of Fort Yukon
P.O. Box 269
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T29:110
112. Linda Evans, Member
Advisory School Board
City of Fort Yukon
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T29:110
113. Woodie Salmon, Member
Advisory School Board
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T29:110
114. Harold Simon, Member
Advisory School Board
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T29:110
115. Walter Peter, Chairman
Planning/Zoning Commission
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T29:110
116. Clarence Alexander, Member
Planning/Zoning Commission
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T29:110
117. Susan Peter, Member
Planning/Zoning Commission
City of Fort Yukon
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T29:110
118. Johnny Thomas, Member
Planning/Zoning Commission
City of Fort Yukon
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T29:110
132. Nina Dahl
City Council
City of Kotzebue
P.O. Box 46
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133. John Evans, Sr.
City Council
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134. Art Fields, Sr.
City Council
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T29:110
135. Charles E. Greene
City Council
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T29:110
136. Chuck Greene
City Council
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T29:110
137. Jeff Hadley
City Council
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138. _____
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139. Willie Goodwin, Council Member
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140. Danny Thomas, P.O.
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T29:110
141. Charles Huss, Member
Advisory School Board
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T29:110
142. Beatrice Mills, Member
Advisory School Board
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T29:110
143. Sharron Lie, Member
Advisory School Board
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T29:110
144. Sue Adams, Member
Advisory School Board
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145. Elmer Goodwin, Member
Advisory School Board
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T29:110
146. Suzie Erlich, Member
Advisory School Board
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T29:110
147. Brad Reeve, Chair
Planning/Zoning Commission
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T29:110
148. Pat Peacock, Member
Planning/Zoning Commission
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P.O. Box 46
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T29:110
149. Chester Ballot, Member
Planning/Zoning Commission
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P.O. Box 46
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T29:110
150. Henry Bush, Member
Planning/Zoning Commission
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T29:110
151. Chuck Winkel, Member
Planning/Zoning Commission
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T29:110
152. Bruce Kovarik, City Manager
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T29:110
153. Thomas Smith, Fin. Director
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156. Robert Chambers, Member
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T29:110
157. James Coghill
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T29:110
158. Terrance Forness
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159. Karen Harvey
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T29:110 832-5441
160. Robert Knight
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T29:110
161. Dave Stone, Council Member
City Council
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Nenana, AK 99760
T29:110
162. Sherwood Clouse, Member
School Board
City of Nenana
P.O. Box 00070
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T29:110
163. George Hobson, Member
School Board
City of Nenana
P.O. Box 00070
Nenana, AK 99760
T29:110
164. Marlene Coghill, Member
School Board
City of Nenana
P.O. Box 00070
Nenana, AK 99760
T29:110
165. Ted Boatsman, Member
School Board
City of Nenana
P.O. Box 00070
Nenana, AK 99760
T29:110
166. Gail Stevens, Member
School Board
City of Nenana
P.O. Box 99760
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T29:110
167. Rick Hoffman, Member
Planning/Zoning Commission
City of Nenana
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T29:110
168. Bob Coghill, Member
Planning/Zoning Commission
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T29:110
169. Joe Knabe, Member
Planning/Zoning Commission
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T29:110
170. William Spear, Member
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*Mayor
Joe Cooper*

172. Bob Bean
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173. Jack Carpenter
Nome City Council
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174. Clinton Gray
Nome City Council
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T29:110
175. Gary L. Peed
Nome City Council
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T29:110
176. Caleb Pungowi
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T29:110
177. Lincoln T. Trigg
Nome City Council
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T29:110
178. Matilda Davena, Member
School Board
City of Nome
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T29:110
179. Nancy Mendenhall, Member
School Board
City of Nome
P.O. Box 281
Nome, AK 99762
T29:110
180. Matthew Iya, Member
School Board
City of Nome
P.O. Box 281
Nome, AK 99762
T29:110
181. Fran Elmore, Member
School Board
City of Nome
P.O. Box 281
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T29:110
182. Michael K. Saclamana, Member
School Board
City of Nome
P.O. Box 281
Nome, AK 99762
T29:110
183. Thomas Johnson, Chair
Planning/Zoning Commission
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T29:110

184. Jim West, Member
Planning/Zoning Commission
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T29:110
185. Chris Karp, Member
Planning/Zoning Commission
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T29:110
186. Carl Grauvogel, Member
Planning/Zoning Commission
City of Nome
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T29:110
187. Jane Perkins, Member
Planning/Zoning Commission
City of Nome
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T29:110
188. Marv Baker, Member
Planning/Zoning Commission
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T29:110
189. Lyle Larson, City Manager
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190. Linda Conley, Clerk/Treasurer
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T29:110
191. Caroline Reardon, Fin. Director
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193. Melissa Bidwell
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T29:110
194. Russ Cary
City Council
City of North Pole
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North Pole, AK 99705
T29:110
195. Lute Cunningham
City Council
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T29:110
196. Shelley Dugan
City Clerk
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197. Bill Lane
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198. Mayor Carleta Lewis
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199. Ned Trowbridge
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200. Jack Wright
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