

COMMITTEE REPORT
SENATE

FURTHER:

Date _____

Mr. President

The Committee on FINANCE considered _____

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Chairman

Chairman recommendation

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date _____

REQUEST

Bill/Resolution No: SB 233
 Title: State and municipal bonds as
Permanent Fund collateral
 Sponsor: Rodey
 Requestor: Senate Finance
 Date of Request: April 23, 1985

FISCAL DETAIL

Agency Affected: Department of Revenue
 Program Category Affected: _____
 BRU, Program of Subprogram(s) Affected:
Permanent Fund

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 SUPPLIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LANDS & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker ^{MB}
 Division: Treasury

Phone: 465-2350
 Date: April 24, 1985

Approved by Commissioner: [Signature]
 Agency: Department of Revenue

Date: 4/24/85

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

PATRICK M. RODEY
3271 MONTCLAIRE CT.
ANCHORAGE, AK 99503



AB 233
DURING SES
POUCH
JUNEAU, AK
(907) 485-3

ALASKA STATE SENATE

DATE: March 29, 1985

TO ✓ Senator Jan Faiks, Co-Chair, Senate Finance
Senator John Sackett, Co-Chair, Senate Finance

FROM: Senator Pat Rodey *Pat*

RE : Senate Bill 233, An Act adding obligations of the state or instrumentalities of the state to the list of collateral that may be used to secure certain investments of the Alaska permanent fund; and providing for an effective date

I would like to propose the following amendment to Senate Bill 233, which was suggested by the Permanent Fund Corporation.

Line 19 after "state" add "which are rated at least "A" by a major bond rating service and have a demonstrated secondary market"

4/24/85

Introduced: 3/14/85
Referred: Finance

1 IN THE SENATE

BY RODEY

2

SENATE BILL NO. 233

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act adding obligations of the state or instrumen-
7 talities of the state to the list of collateral that
8 may be used to secure certain investments of the
9 Alaska permanent fund; and providing for an effective
10 date."

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

12 * Section 1. AS 37.13.120(m) is amended to read:

13 (m) Certificates of deposit or the equivalent instruments that
14 [WHICH] are not of a quality that may be readily sold in a secondary
15 market at prices reflecting fair value must be secured by a pledge as
16 collateral of investments authorized for the Alaska permanent fund
17 under (g)(1), (2), (8), or (12) - (17) of this section or by a pledge
18 as collateral of obligations of the state or instrumentalities of the
19 state, which investments or obligations have value at least equal to
20 the face value of the certificate of deposit. The board may require
21 substitution of collateral in order to ensure continued satisfaction
22 of the requirements set out in this subsection.

23 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
24 10.070(c).

Original sponsor: Rodey

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 233 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

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19 state that are rated at least "A" by a major bond rating service and
20 have a demonstrated secondary market, which investments or obligations
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24 subsection.

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Rec'd 4/25/85
SB 233

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

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600 LANDS & STRUCTURES	-	-	-	-	-	-
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800 MISCELLANEOUS	-	-	-	-	-	-
<u>TOTAL OPERATING</u>	-	-	-	-	-	-
<u>CAPITAL</u>	-	-	-	-	-	-
<u>REVENUE</u>	-	-	-	-	-	-

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FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<u>TOTAL</u>	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
 Division: Treasury

Phone: 465-2350
 Date: April 24, 1985

Approved by Commissioner: *Shirley A. Sturdale*
 Agency: Department of Revenue

Date: 4/24/85

Distribution (by Agency preparing fiscal note):

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C4V

ANALYSIS FOR SENATE BILL 233

An Act adding obligations of the state or instrumentalities of the state to the list of collateral that may be used to secure certain investments of the Alaska permanent fund

Currently, the Alaska Permanent Fund Corporation lends money to financial institutions as part of their investment procedures. In order to obtain a loan, these financial institutions must put up 105% collateral. At this time, the statutes limit what kinds of collateral can be used to such things as government securities, loans etc. This bill would allow the banks to use tax-exempt government bonds such as the type sold by municipalities and boroughs as collateral for these loans.

The Permanent Fund Corporation is not opposed to this legislation but has suggested that a proposed amendment by Senator Rodey be adopted. They would like to limit eligible tax-exempt bonds to those that are at least rated "A".



SB 233

Permanent fund
Separate bill

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

February 22, 1985

Representative Steve Frank
Room 503, Capitol Building
Pouch V
Juneau, AK 99811

Dear Representative Frank:

You have asked that we comment on the propriety of allowing Alaskan financial institutions to use debt issued by the State or instrumentalities of the State as collateral against funds borrowed from the Permanent Fund under our Certificate of Deposit Purchase Program.

Unfortunately, this type of collateral is not permissible under AS 37.13.120(m), the statute which governs the Permanent Fund on this issue. It appears that its omission was inadvertent and probably derived from the fact that such debt is not an approved investment. (Obviously, the Permanent Fund should not invest at tax-exempt rates.) There is, however, nothing wrong with using these bonds as collateral.


It would appear that AS 37.13.120(m) could be expanded to allow this. Nonetheless, I would strongly urge that the Alaska Permanent Fund Act not be opened up for this particular amendment unless there are strong assurances that other amendments would not surface which would seriously injure the Fund.

Perhaps it would be possible to draft a bill accomplishing the desired change, but with a very tight title to prevent any other amendments. One suggestion might be:

"An Act adding debt issued by the State or instrumentalities of the State to the approved collateral list of the Alaska Permanent Fund as set forth in AS 37.13.120(m)."

I hope this answers your questions. If you need additional assistance on this or any other matter regarding the Permanent Fund, please contact me.

Sincerely,


David A. Rose
Executive Director

DAR/JK/bn

2-11-85 - see Keith. Levy to do final draft -