

HB

390

# HOUSE COMMITTEE REPORT

(11)

Date referred: 2/26/88

FURTHER REFERRALS:

DATE: 3-9-88

The Finance Committee has considered HB 390

"An Act establishing the Alaska Science and Technology Foundation; relating to the membership of the science and engineering advisory commission; and providing for an effective date."

**RECOMMENDS:**

- replace with CS HB 390 (FIN)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact 3/2/88  same as previous fiscal note published 1/22/88
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

Adams Al Adams

Goll Peter Goll

Boyer Marcel Boyer

Brown Fay Brown

Davis Alvin Davis

Frank John Frank

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Burchot Ray Burchot No rec.

Larson Donald Larson No rec.

Swack Clarence Swack NO REC

Rieger Steve Rieger No Recommendation

Wallis Key Wallis --

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Al Adams  
Chairman's signature

**STATE OF ALASKA  
1988 LEGISLATIVE SESSION**

BILL VERSION: CS HB 390 (FIN)  
PUBLISH DATE: HOUSE 1/22/88

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: AK Science & Technology  
Foundation  
Sponsor: Rules  
Requestor: Governor

Agency Affected: Revenue  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		176.4	223.0	308.0	318.0	328.3
TRAVEL		29.0	57.0	82.0	82.0	82.0
CONTRACTUAL		46.0	41.5	41.5	41.5	41.5
SUPPLIES		5.0	5.0	5.0	5.0	5.0
EQUIPMENT		11.8	3.0	6.5	1.5	1.5
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>268.2</b>	<b>329.5</b>	<b>443.0</b>	<b>448.0</b>	<b>458.3</b>

CAPITAL						
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REVENUE						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	268.2	329.5	443.0	448.0	458.3
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		3	4	6	6	6
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

This analysis shows funding required for staff, travel for Board of Directors and staff, contractual, supply and equipment requirements for start-up and operation of Alaska Science and Technology Foundation.

Prepared by: Henry Cole, Sr. Science Advisor Phone: 465-3568  
Division: Office of the Governor Date: 1/21/88

Approved by Commissioner: Hugh Malone Date: January 21, 1988  
Agency: Revenue

**Distribution (by preparer):**

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

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Establishing the Alaska Science  
and Technology Foundation  
Sponsor: \_\_\_\_\_  
Requestor: \_\_\_\_\_

Agency Affected: Alaska Permanent Fund  
Corporation  
BRU: \_\_\_\_\_  
Components: Alaska Permanent Fund  
Corporation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		9.0	9.0	9.0	9.0	9.0
TRAVEL		3.0	3.0	3.0	3.0	3.0
CONTRACTUAL		87.0	87.0	87.0	87.0	87.0
SUPPLIES		1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		100.0	100.0	100.0	100.0	100.0

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		100.0	100.0	100.0	100.0	100.0
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Computed at the rate of 10 basis points per \$1000 of funds invested.  
(Note: Costs above for FY 90-93 do not account for inflation.)  
These costs are based on CSHB 390 (HESS) WITH attached Amendment No. 1.

Prepared by: Alaska Permanent Fund Corporation Phone: 465-2047  
Division: \_\_\_\_\_ Date: 3/2/88

Approved by Commissioner: David A. Rose Date: 3/2/88  
Agency: Alaska Permanent Fund Corporation

Distribution (by preparer):

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

Page 2 of 2  
 Fiscal Note  
 (Establishing the Alaska Science and Technology Foundation)

This bill establishes the Alaska Science and Technology Foundation as a fund to be invested by the Alaska Permanent Fund Corporation.

Passage of this bill would require the addition of part-time accounting support to the Alaska Permanent Fund Corporation for investments, accounting and financial reporting; bank custody fees; audit fees; investment management fees; and travel to report to the Science and Technology Foundation Board of Trustees.

FY 89 costs:	<u>Pers.</u> <u>Svcs.</u>	<u>Travel</u>	<u>Contr.</u>	<u>Suppl.</u>
Part-time Accounting	9.0			
Bank Custody, Audit, & Management Fees			87.0	
Investment Officer Travel		3.0		
Miscellaneous Supplies				<u>1.0</u>
<u>TOTAL</u> <u>\$100.0:</u>	\$ 9.0	3.0	87.0	1.0

Original Sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 390 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Science and Technolo-  
7 gy Foundation; relating to the membership of the  
8 science and engineering advisory commission; and  
9 providing for an effective date."

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

11 \* Section 1. AS 37 is amended by adding a new chapter to read:

12 CHAPTER 17. ALASKA SCIENCE AND TECHNOLOGY FOUNDATION.

13 Sec. 37.17.010. FOUNDATION ESTABLISHED. (a) The Alaska Science  
14 and Technology Foundation is established as a public corporation in  
15 the Department of Revenue.

16 (b) The purpose of the foundation is to promote and enhance  
17 through basic and applied research: economic development and techno-  
18 logical innovation in Alaska; public health; and sustained growth and  
19 development of Alaskan scientific and engineering capabilities.

20 Sec. 37.17.020. ENDOWMENT ESTABLISHED; INVESTMENT. (a) In  
21 order to support the foundation, the Alaska science and technology  
22 endowment is established, consisting of money appropriated to the  
23 Alaska Permanent Fund Corporation for the benefit of the foundation.

24 (b) The endowment shall be held and invested by the Alaska  
25 Permanent Fund Corporation as part of the principal of the Alaska  
26 permanent fund, subject to AS 37.13.120; however, net income from the  
27 endowment shall be distributed under this chapter. Net income from  
28 the endowment may not be included in the computation of net income  
29 available for distribution under AS 37.13.140.

1           Sec. 37.17.030. ENDOWMENT INCOME; EXPENSES; GRANTS. (a) Upon  
2 application of the foundation's board of directors or its authorized  
3 representative, the Alaska Permanent Fund Corporation shall pay to the  
4 foundation a portion or all of the income then accrued from the endow-  
5 ment. The net annual realized capital gains of the endowment may be  
6 equally divided between the income and the principal of the endowment.  
7 The distribution of the income and realized capital gains of the  
8 endowment is subject to AS 37.07.

9           (b) In addition to endowment income, the foundation may receive  
10 gifts, grants, and other aid. The foundation may accumulate income,  
11 gifts, grants, and other aid from any one year and distribute them in  
12 a later year.

13           (c) The administrative expenses of the foundation are subject to  
14 AS 37.07 and shall be paid from the income of the endowment.

15           (d) The board of directors shall distribute the income of the  
16 endowment through competitive grants under this chapter. The board  
17 may disburse money that is received by the foundation for special or  
18 general purposes.

19           (e) Subject to AS 37.07, the board of directors may pay into the  
20 principal of the endowment any part of the endowment income. Money  
21 paid to the principal under this subsection may not later be withdrawn  
22 by the board of directors.

23           Sec. 37.17.040. BOARD OF DIRECTORS. (a) The foundation is  
24 governed and administered by a board of directors appointed by the  
25 governor to serve staggered terms of four years. A member serves on  
26 the board until a successor qualifies and is appointed. A member of  
27 the board of directors may be removed from the board by the governor  
28 for cause.

29           (b) The board of directors is composed of nine members, as

1 follows:

2 (1) two members must be scientists or engineers residing in  
3 Alaska who are recognized contributors in the science or engineering  
4 fields, one of whom is employed by the University of Alaska;

5 (2) two members must be scientists or engineers residing  
6 outside Alaska who are recognized contributors in the science or  
7 engineering fields;

8 (3) four members of the public, at least two of whom have  
9 recognized expertise or experience in resource development, manufac-  
10 turing, finance, or public health;

11 (4) one member who is employed by a department or agency of  
12 the state, other than the University of Alaska.

13 Sec. 37.17.050. ELECTION OF OFFICERS. The board of directors  
14 shall elect a chairperson and a secretary from its members, each to  
15 serve for a term not to exceed two years.

16 Sec. 37.17.060. QUORUM. A majority of the board constitutes a  
17 quorum for the transaction of business.

18 Sec. 37.17.070. MEETINGS AND REIMBURSEMENT FOR EXPENSES. The  
19 board shall meet at least twice a year. Additional meetings may be  
20 called at the discretion of the chairperson. Board members are enti-  
21 tled to per diem and travel expenses authorized for boards and com-  
22 missions under AS 39.20.180. Board members not employed by the state  
23 or the University of Alaska receive an honorarium of \$400 for each day  
24 spent on official business of the board, not to exceed a total of 30  
25 days per annum.

26 Sec. 37.17.080. STAFF. The board of directors shall employ and  
27 determine the salary of an executive director, subject to AS 37.07.  
28 The executive director serves at the pleasure of the board. The  
29 executive director may, with approval of the board, select and employ

1 additional staff as necessary. An employee of the foundation, includ-  
2 ing the executive director, may not be a member of the board. The  
3 executive director and the other employees of the foundation are in  
4 the exempt service under AS 39.25.110.

5 Sec. 37.17.090. GRANT PROCEDURES, LIMITATION, AND REQUIREMENTS.

6 (a) The board of directors shall provide adequate and appropriate  
7 notice of all solicitations for grant proposals at least once a year.  
8 The board shall give preference, consistent with the purposes of this  
9 chapter, to soliciting proposals for research projects that are rea-  
10 sonably expected to use or enhance research capabilities for basic and  
11 applied research in the state. The board may actively solicit per-  
12 sons, organizations, or institutions to apply for general or specific  
13 grants.

14 (b) Grant proposals must be submitted for impartial and competi-  
15 tive peer review for scientific and technical validity by a panel of  
16 recognized experts appointed by the board of directors. Members of a  
17 peer review panel are entitled to per diem and travel expenses author-  
18 ized under AS 39.20.180. The identity of members of a peer review  
19 panel is confidential until final action is taken by the board on the  
20 grant proposal. The board shall consider the recommendations of the  
21 panel in deciding whether to award a grant. The board may exempt  
22 grants of \$5,000 or less from peer review.

23 (c) Grant awards by the board must be consistent with the policy  
24 and research priorities identified by the Alaska Science and Engineer-  
25 ing Advisory Commission.

26 (d) Not less than 50 percent of the endowment income that is  
27 distributed as grants by the foundation in a fiscal year must be for  
28 grants of \$100,000 or less, exclusive of other funding.

29 (e) The board of directors shall, as a condition of a grant, and

1 as necessary, set the maximum percentage of a grant award that may be  
2 expended by a grantee to pay for overhead costs of the grantee's proj-  
3 ect.

4 (f) The board shall require from each grant recipient periodic  
5 reports and a final report. The board shall disseminate to the  
6 scientific community and to the public, on a regular basis, the re-  
7 sults of research sponsored by the foundation. Proprietary reports  
8 and other information voluntarily filed with the board or critical to  
9 patent applications may be kept confidential if the person providing  
10 the information so requests and the board finds that it is in the best  
11 interest of the state. Information developed under a grant awarded by  
12 the board is public information unless the applicant requests and the  
13 board grants confidentiality prior to the award of the grant. Dis-  
14 semination of sponsored research must be in a form of greatest utility  
15 to the scientific community and the general public and may include  
16 technological transfer or applications information for promising  
17 results.

18 (g) As a condition of all grants awarded under this chapter, the  
19 board of directors shall require that a fair and reasonable percentage  
20 of all income, if any, from royalties, licenses, and patents produced  
21 as a result of the grant be paid into the principal of the endowment,  
22 subject to AS 37.07.

23 (h) In awarding a grant under this chapter, the board of direc-  
24 tors shall give preference to an applicant who is an Alaska resident,  
25 association, organization, or institution. If the board determines  
26 that an Alaskan applicant does not have the expertise or capability to  
27 satisfactorily perform the grant research without assistance from an  
28 out-of-state person or institution, the board may award a grant,  
29 jointly, to the Alaskan applicant and an approved out-of-state person

1 or institution. If a grant is awarded to an out-of-state person or  
2 institution, the board may require that the out-of-state grantee  
3 associate with an Alaska scientific or technical organization while  
4 performing the grant research. In all cases, a grant may be awarded  
5 only if the board determines that the research to be performed will  
6 further the purposes of the foundation under AS 37.17.010(b).

7 (i) A grant may include money to obtain equipment. The equip-  
8 ment is the property of the foundation. At the termination of the  
9 grant, the equipment shall be disposed of at the discretion of the  
10 board.

11 (j) The board of directors shall provide a written report of its  
12 activities and finances to the governor and the legislature no later  
13 than January 30 each year.

14 Sec. 37.17.100. CONFLICT OF INTEREST. (a) Members of the board  
15 of directors are subject to AS 39.52 (Alaska Executive Branch Ethics  
16 Act).

17 (b) The board of directors shall adopt a written policy, in  
18 addition to the requirements of AS 39.52, to address potential con-  
19 flicts of interest of its members and members of a peer review panel.

20 Sec. 37.17.110. REGULATIONS. The board of directors may adopt  
21 regulations to implement this chapter.

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

23 (25) the executive director and staff of the Alaska Science  
24 and Technology Foundation (AS 37.17.010).

25 \* Sec. 3. AS 44.19.257(a) is amended to read:

26 (a) The commission is composed of eight [SEVEN] members ap-  
27 pointed by the governor as follows:

28 (1) one member is to be appointed from individuals from the  
29 academic institutions in [OF] the state with expertise in areas of

1 research relating to the state, including the physical, biological,  
2 health, environmental, social, and behavioral sciences;

3 (2) one member is to be appointed from individuals who are  
4 engaged in activities furthering the welfare of the human and physical  
5 environment and who have expertise in areas of research relating to  
6 the state, including the physical, biological, health, environmental,  
7 social, and behavioral sciences;

8 (3) one member is to be appointed from state departments  
9 with research needs;

10 (4) one member is to be appointed from individuals familiar  
11 with the state and representative of the needs and interests of pri-  
12 vate industry;

13 (5) one member is to be appointed from individuals with  
14 experience in national and international research programs;

15 (6) one member is to be appointed from the general public;

16 [AND]

17 (7) the executive director of the Alaska Science and Tech-  
18 nology Foundation established under AS 37.17; and

19 (8) the senior science advisor in the governor's office,  
20 who serves as chairperson [CHAIRMAN] and director of the commission.

21 \* Sec. 4. AS 44.19.259 is amended to read:

22 Sec. 44.19.259. TERM OF MEMBERS OF THE COMMISSION. Members of  
23 the commission, other than the senior science advisor and the execu-  
24 tive director of the Alaska Science and Technology Foundation, serve  
25 staggered terms of four years and until a successor qualifies and is  
26 appointed.

27 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

Offered in the HOUSE

By Rieger

TO: CSHB 390(FIN)

Page 4, after line 7:

Insert "The board shall give preference, consistent with the purposes of this act, to soliciting proposals for research projects that are reasonably expected to use or enhance research capabilities for basic and applied research in the state."

adopted  
3/8/88

go0038hL  
Utermohle  
3/7/88

Original Sponsor: Rules/Governor

[ ] DELETED  
LANGUAGE

NEW LANGUAGE

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 390 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Science and Technolo-  
7 gy Foundation; relating to the membership of the  
8 science and engineering advisory commission; and  
9 providing for an effective date."

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

11 \* Section 1. AS 37 is amended by adding a new chapter to read:

12 CHAPTER 17. ALASKA SCIENCE AND TECHNOLOGY FOUNDATION.

13 Sec. 37.17.010. FOUNDATION ESTABLISHED. (a) The Alaska Science  
14 and Technology Foundation is established as a public corporation in  
15 the Department of Revenue.

16 (b) The purpose of the foundation is to promote and enhance  
17 through basic and applied research: economic development and techno-  
18 logical innovation in Alaska; public health; and sustained growth and  
19 development of Alaskan scientific and engineering capabilities.

20 Sec. 37.17.020. ENDOWMENT ESTABLISHED; INVESTMENT. (a) In  
21 order to support the foundation, the Alaska science and technology  
22 endowment is established, consisting of money appropriated to the  
23 Alaska Permanent Fund Corporation for the benefit of the foundation.

24 [ For the purposes of investment of the endowment, the AK Perm Fund Corp. is subject to  
25 (b) The endowment shall be held and invested by the Alaska  
26 AS 37.13.120, except that amounts approp. for purposes of the endowment do not become a  
27 Permanent Fund Corporation as part of the principal of the Alaska  
28 part of the principal of the AK perm. fund, & the endowment income must be distributed  
29 permanent fund, subject to AS 37.13.120; however, net income from the  
endowment shall be distributed under this chapter. Net income from  
the endowment may not be included in the computation of net income  
available for distribution under AS 37.13.140.

1           Sec. 37.17.030. ENDOWMENT INCOME; EXPENSES; GRANTS. (a) Upon  
2 application of the foundation's board of directors or its authorized  
3 representative, the Alaska Permanent Fund Corporation shall pay to the  
4 foundation a portion or all of the income then accrued from the endow-  
5 ment. The net annual realized capital gains of the endowment <sup>[shall]</sup> ~~may~~ be  
6 equally divided between the income and the principal of the endowment.  
7 The distribution of the income and realized capital gains of the  
8 endowment is subject to AS 37.07.

9           (b) In addition to endowment income, the foundation may receive  
10 gifts, grants, and other aid. The foundation may accumulate income,  
11 gifts, grants, and other aid from any one year and distribute them in  
12 a later year.

13           (c) The administrative expenses of the foundation are subject to  
14 <sup>[The EXEC. Budget Act + must]</sup> AS 37.07 and shall be paid from the income of the endowment.

15           (d) The board of directors shall distribute the income of the  
16 endowment through competitive grants <sup>[in accordance with]</sup> under this chapter. The board  
17 may disburse money that is received by the foundation for special or  
18 general purposes.

19           (e) Subject to AS 37.07, the board of directors may pay into the  
20 principal of the endowment any part of the endowment income. Money  
21 paid to the principal under this subsection may not later be withdrawn  
22 by the board of directors.

23           Sec. 37.17.040. BOARD OF DIRECTORS. (a) The foundation is  
24 governed and administered <sup>[in accordance w/this chapter]</sup> by a board of directors appointed by the  
25 <sup>[+ confirmed by the legislature]</sup> governor to serve staggered terms of four years. A member serves on  
26 the board until a successor qualifies and is appointed. A member of  
27 the board of directors may be removed from the board by the governor  
28 for cause.

29           (b) The board of directors is composed of nine members, as

1 follows:

2 (1) two members must be scientists or engineers residing in  
3 Alaska who are recognized contributors in the science or engineering  
4 fields, one of whom is employed by the University of Alaska;

5 (2) two <sup>[non-voting]</sup> members must be scientists or engineers residing  
6 outside Alaska who are recognized contributors in the science or  
7 engineering fields;

8 (3) four members of the public, at least two of whom have  
9 recognized expertise or experience in resource development, manufac-  
10 turing, finance, or public health;

11 (4) one member who is employed by a department or agency of  
12 the state, other than the University of Alaska.

13 Sec. 37.17.050. ELECTION OF OFFICERS. The board of directors  
14 shall elect a chairperson and a secretary from its members, each to  
15 serve for a term not to exceed two years.

16 Sec. 37.17.060. QUORUM. A majority of the board constitutes a  
17 quorum for the transaction of business.

18 Sec. 37.17.070. MEETINGS AND REIMBURSEMENT FOR EXPENSES. The  
19 board shall meet at least twice a year. Additional meetings may be  
20 called at the discretion of the chairperson. Board members are enti-  
21 tled to per diem and travel expenses authorized for boards and com-  
22 missions under AS 39.20.180. Board members not employed by the state  
23 or the University of Alaska receive an honorarium of \$400 for each day  
24 spent on official business of the board, not to exceed a total of 30  
25 days per annum.

26 Sec. 37.17.080. STAFF. The board of directors shall employ and  
27 determine the salary of an executive director, subject to AS 37.07.A <sup>[The</sup>  
28 <sup>Exec Budget Act]</sup> The executive director serves at the pleasure of the board. The  
29 executive director may, with approval of the board, select and employ

1 additional staff as necessary. <sup>[no]</sup> An employee of the foundation, includ-  
2 ing the executive director, may not be a member of the board. The  
3 executive director and the other employees of the foundation are in  
4 the exempt service under AS 39.25.110.

5 Sec. 37.17.090. GRANT PROCEDURES, LIMITATION, AND REQUIREMENTS.

6 (a) The board of directors shall provide adequate and appropriate  
7 notice of all solicitations for grant proposals at least once a year.  
8 The board may actively solicit persons, organizations, or institutions  
9 to apply for general or specific grants.

10 (b) Grant proposals must be submitted for impartial and compet-  
11 itive peer review for scientific and technical validity by a panel of  
12 recognized experts appointed by the board of directors. Members of a  
13 peer review panel are entitled to per diem and travel expenses autho-  
14 riized under AS 39.20.180. The identity of members of a peer review  
15 panel is confidential until final action is taken by the board on the  
16 grant proposal. The board shall consider the recommendations of the  
17 panel in deciding whether to award a grant. The board may exempt  
18 grants of \$5,000 or less from peer review.

19 <sup>[In making its grant awards, the board shall take into consideration]</sup>  
20 (c) Grant awards by the board must be consistent with the policy  
21 and research priorities identified by the Alaska Science and Engineer-  
22 ing Advisory Commission.

23 (d) Not less than 50 percent of the endowment income that is  
24 distributed as grants by the foundation in a fiscal year must be for  
25 grants of \$100,000 or less, exclusive of other funding.

26 (e) The board of directors shall, as a condition of a grant, and  
27 as necessary, set the maximum percentage of a grant award that may be  
28 expended by a grantee to pay for overhead costs of the grantee's proj-  
29 ect.

(f) The board shall require from each grant recipient periodic

1 reports and a final report. The board shall disseminate to the  
2 scientific community and to the public, on a regular basis, the re-  
3 sults of research sponsored by the foundation. Proprietary reports  
4 and other information voluntarily filed with the board or critical to  
5 patent applications may be kept confidential if the person providing  
6 the information so requests and <sup>[it is considered necessary</sup> the board finds that it is in the best  
7 <sup>by the board.]</sup> interest of the state. Information developed under a grant awarded by  
8 the board is public information unless the applicant requests and the  
9 board grants confidentiality prior to the award of the grant. Dis-  
10 semination of sponsored research must be in a form of greatest utility  
11 to the scientific community and the general public and may include  
12 technological transfer or applications information for promising  
13 results.

14 (g) As a condition of all grants awarded under this chapter, the  
15 board of directors shall <sup>[MAY]</sup> require that a fair and reasonable percentage  
16 of all income, if any, from royalties, licenses, and patents produced  
17 as a result of the grant be paid into the principal of the endowment,  
18 subject to AS 37.07.

19 (h) In awarding a grant under this chapter, the board of direc-  
20 tors shall give preference to an applicant who is an Alaska resident,  
21 association, organization, or institution. If the board determines  
22 that an Alaskan applicant does not have the expertise or capability to  
23 satisfactorily perform the grant research without assistance from an  
24 out-of-state person or institution, the board may award a grant,  
25 jointly, to the Alaskan applicant and an approved out-of-state person  
26 or institution. If a grant is awarded to an out-of-state person or  
27 institution, the board may require that the out-of-state grantee  
28 associate with an Alaska scientific or technical organization while  
29 performing the grant research. In all cases, a grant may be awarded

1 only if the board determines that the research to be performed will  
2 further the purposes of the foundation under AS 37.17.010(b).

3 (i) A grant may include money to obtain equipment. The equip-  
4 ment is the property of the foundation. At the termination of the  
5 grant, the equipment shall be disposed of at the discretion of the  
6 board.

7 (j) The board of directors shall provide a written report of its  
8 activities and finances to the governor and the legislature no later  
9 than January 30 each year.

10 Sec. 37.17.100. CONFLICT OF INTEREST. (a) Members of the board  
11 of directors are subject to AS 39.52 (Alaska Executive Branch Ethics  
12 Act).

13 (b) The board of directors shall adopt a written policy, in  
14 addition to the requirements of AS 39.52, to address potential con-  
15 flicts of interest of its members and members of a peer review panel.

16 Sec. 37.17.110. REGULATIONS. The board of directors may adopt  
17 regulations to implement this chapter.

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

19 (25) the executive director and staff of the Alaska Science  
20 and Technology Foundation (AS 37.17.010).

21 \* Sec. 3. AS 44.19.257(a) is amended to read:

22 (a) The commission is composed of eight [SEVEN] members ap-  
23 pointed by the governor as follows:

24 (1) one member is to be appointed from individuals from the  
25 academic institutions in [OF] the state with expertise in areas of  
26 research relating to the state, including the physical, biological,  
27 health, environmental, social, and behavioral sciences;

28 (2) one member is to be appointed from individuals who are  
29 engaged in activities furthering the welfare of the human and physical

1 environment and who have expertise in areas of research relating to  
2 the state, including the physical, biological, health, environmental,  
3 social, and behavioral sciences;

4 (3) one member is to be appointed from state departments  
5 with research needs;

6 (4) one member is to be appointed from individuals familiar  
7 with the state and representative of the needs and interests of pri-  
8 vate industry;

9 (5) one member is to be appointed from individuals with  
10 experience in national and international research programs;

11 (6) one member is to be appointed from the general public;

12 [AND]

13 (7) the executive director of the Alaska Science and Tech-  
14 nology Foundation established under AS 37.17; and

15 (8) the senior science advisor in the governor's office,  
16 who serves as chairperson [CHAIRMAN] and director of the commission.

17 \* Sec. 4. AS 44.19.259 is amended to read:

18 Sec. 44.19.259. TERM OF MEMBERS OF THE COMMISSION. Members of  
19 the commission, other than the senior science advisor and the execu-  
20 tive director of the Alaska Science and Technology Foundation, serve  
21 staggered terms of four years and until a successor qualifies and is  
22 appointed.

23 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

**STATE OF ALASKA  
1988 LEGISLATIVE SESSION**

BILL VERSION: CS HB-390 (FIN)  
PUBLISH DATE: HOUSE 1/22/88

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_  
Title: AK Science & Technology  
Foundation  
Sponsor: Rules  
Requestor: Governor

Agency Affected: Revenue  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		176.4	223.0	308.0	318.0	328.3
TRAVEL		29.0	57.0	82.0	82.0	82.0
CONTRACTUAL		46.0	41.5	41.5	41.5	41.5
SUPPLIES		5.0	5.0	5.0	5.0	5.0
EQUIPMENT		11.8	3.0	6.5	1.5	1.5
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>268.2</b>	<b>329.5</b>	<b>443.0</b>	<b>448.0</b>	<b>458.3</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER	-0-	268.2	329.5	443.0	448.0	458.3
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		3	4	6	6	6
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

This analysis shows funding required for staff, travel for Board of Directors and staff, contractual, supply and equipment requirements for start-up and operation of Alaska Science and Technology Foundation.

Prepared by: Henry Cole, Sr. Science Advisor Phone: 465-3568  
Division: Office of the Governor Date: 1/21/88

Approved by Commissioner: Hugh Malone Date: January 21, 1988  
Agency: Revenue

**Distribution (by preparer):**

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

not acted on  
motion to  
amdt.

A M E N D M E N T

Offered in the HOUSE

By Rieger

TO: CSHB 390 (<sup>Fin</sup>HESS)

Page 4, after line <sup>7</sup>~~6~~:

\* considered w/ papers & set

Insert "The board shall give preference/~~to~~ soliciting proposals for research projects that are reasonably expected to <sup>use</sup> ~~use or~~ enhance research capabilities for basic and applied research in the state."

CS HOUSE BILL 390 (HESS)

AMENDMENT NO. 1

Page 1, lines 24-28: Delete and replace with:

(b) The endowment will be held and invested by the Alaska Permanent Fund Corporation as part of the principal of the Alaska permanent fund, subject to AS 37.13.120; however, net income from the endowment will be distributed in accordance with this chapter. Net income from the endowment is not included in the computation of net income available for distribution under AS 37.13.140.

Page 2, line 4: Insert between "annual" and "capital" the word "realized" so that the phrase reads:

"net annual realized capital gains"

CS HOUSE BILL 390 (HESS)

AMENDMENT NO. 2

Page 2, line 4: Delete "shall" and insert "may"

Page 2, line 5: Add the following:

The transfer of the realized capital gains to the principal  
is subject to the Executive Budget Act.

Page 2, line 18: Add after "income":

, subject to the Executive Budget Act.

Page 5, line 11: Add after "endowment":

, subject to the Executive Budget Act.

CS HOUSE BILL 390 (HESS)

AMENDMENT NO. 3

Page 3, line 4: Delete "nonvoting"

CS HB 390 (Hess)  
Amendment No. 4

by Brown

Page 5, line 9

delete "may"  
insert "shall"

Page 5, line 10

after the word "income", insert  
", if any,"

FRANK

delete: lines 16-18

add: Grant awards by the Board shall be consistent with the policy and research priorities identified by the Alaska Science and Engineering Advisory Commission.

3/3/88

QUESTIONS AND ANSWERS ABOUT  
THE ALASKA SCIENCE AND ENGINEERING FOUNDATION

1) What is the Alaska Science and Engineering Foundation?

The Foundation is an agency to fund Alaskan projects and programs of a scientific and technical nature whose results will be economically or scientifically useful to the state.

2) What are the goals of the Science Foundation?

The goals are to use the tools of basic and applied research to promote: economic development and technological innovation, public health and the sustained growth of science and engineering capability in the state.

3) How important is the Foundation to Alaska's future?

Science and technology will be a key driving force for future economic development in the State of Alaska. Over the past 50 years, the research and development expenditures in the United States have been responsible for 30 to 50% of the improvements in society. There is no more important single task in Alaska than to convert our economy from one based upon natural resources and their erratic

cycles to one of significant value added to our resources and broad economic diversity.

4. Why should the State of Alaska be involved with research and development activities? Is the private sector not capable of selecting and providing this necessary effort?

Investment in research and development is risky under any circumstances, so most businesses make such investments only if there is a good probability of an adequate return. Of course, the possibility that technology may create entirely new forms of wealth and provide a large payoff constitutes an even greater incentive. Because most small firms have little funding available for research, government assistance in funding research and development is necessary in order to spread the risk while insuring that necessary research gets done.

More than most other states, Alaska is deficient in income from sources other than raw natural resources. On a national scale, Alaska firms rank lowest in terms of their expenditures of research and development dollars. Applying technology to our natural resources to produce "value added" products or new forms of manufacturing is therefore likely to be the most direct way to improve our economic development.

Finally, special consideration must be given to the future citizens of Alaska, and to the establishment of programs for their benefit. Government traditionally assumes this responsibility, and through forward-looking research programs can provide the data bases and knowledge which are prerequisites for the formation of future businesses and areas of economic growth.

- 5) What economic benefits to Alaska can reasonably be expected from the State's investment in the Foundation?

All of the evidence at the level of the firm, the industry, and the general economy indicates that the contribution of research and development (R&D) to economic growth and productivity is positive, significant and high.

The current consensus among professionals who have studied national R&D issues is that the average gross social rate of return on R&D expenditures lies between 30 percent and 50 percent. (In this context, the "average gross social rate of return" includes the profits of the innovator plus any profits which accrue to imitators or which can be directly attributed to the use of the innovation.) Typically, one-third to two-thirds of this return is captured by the investor, with the remainder accruing to other beneficiaries. By focusing its research grants on Alaskan problems, and Alaskan scientists and researchers, the

Foundation can maximize the in-state capture of these benefits.

R&D investments are of course inherently risky. There is a great deal of variation in R&D rates of return, both across projects and for given projects over time. There are no guarantees of success. Still, while a downside loss potential exists (i.e., the amount of R&D investments), the upside potential, potentially much greater, is worth reaching for.

- 6) Does the need for a long-term commitment and funding mean no immediate returns are foreseeable for funded projects?

No. Many practical and useful technical projects of rapid return will be funded by this foundation.

- 7) What are some examples of programs that might be funded?

Research into the enhanced recovery of oil and utilization of natural gas.

The chemistry of the drying and stabilization of coal in order to raise its heating value from 7200 BTU/lb to 11,000 BTU/lb and thus increase its marketability.

The determination of the maximum sustainable yield of bottomfish and other fisheries in Alaska waters.

The investigation of causes of seasonal affective disorder in the Arctic climate and its relationship to injury and suicide.

Seed capital for engineering and development of a recirculating salmon hatchery in western Alaska.

Research on the genetic differences between pen reared salmon and the wild stock.

8) Who will be eligible to apply for funding?

All Alaskan residents, businesses, organization, institutions, state or private universities shall be given primary consideration for funding. When no Alaskan group or individual is capable of doing the work, whether through lack of personnel or equipment, they are encouraged to enter into a joint venture with a group from outside the state. In cases where there is no one in the state capable of addressing a problem, outside scientists and engineers would be encouraged to apply.

- 9) Why is it important that the foundation be financed through an endowment rather than annual appropriations?

A long-term, serious commitment to science and technology at a suitable level of funding will achieve the maximum effectiveness for the state's science dollar. In technical business, projects only come to fruition after several years. Many scientific projects, particularly those in renewable resources, require studies which must be sustained in an uninterrupted fashion through time. No satisfactory answer is available unless a long-term research commitment is assured.

- 10) About how much money will be available for research support?

An endowment of \$100 million housed in the Permanent Fund will produce an annual basis from \$6 to \$8 million dollars. This is not an excessive amount for research but can be the basis of a long-term commitment.

- 11) How does the organization of this foundation compare with well-known examples such as the National Science Foundation or the Ford Foundation?

Aside from differences in their stated objectives, the Alaskan Foundation will have many features similar to other

foundations: a nine member board of directors comprised of four scientists or engineers, two of whom are from outside the state, plus four public members and one member of a state agency. Technical review will be performed by an advisory panel of technical experts selected from within and outside the state. The daily operation of the Foundation will be guided by an executive director and staff.

12. Why should the board of the Alaska Science and Technology Foundation include members from outside Alaska?

Because Alaska has a relatively small population of scientists and engineers, much of the knowledge and critically useful expertise about Alaska resides in the lower 48 and in other countries. If we are serious about producing the best science that we can -- and attracting to Alaska the best talent that we can -- the Foundation will need to include in its board outstanding representatives of the national scientific community. This link will be critical in establishing the Foundation as a credible and meaningful scientific institution on a national scale. From another perspective, it also will provide a measure of protection against undue parochialism in the pursuit of the Foundation's goals (a perceived flaw in some previous research funding efforts in Alaska). Additionally, an organic link with outside scientists and agencies (such as the National Science Foundation, the National Institute of Health, et

al.) will enhance the Foundation's opportunities for participating in joint programs and federal funding.

Because the Foundation's proposed enabling legislation (HB 390) specifically provides that Foundation-sponsored research shall focus on Alaskan problems, with preference given to Alaska's applicants, there is little question that the benefits of Foundation-sponsored research will accrue primarily to Alaskans.

- 13) Have other states established science and engineering foundations?

Yes. Forty-three other states have spent a total of \$700 million to establish research parks, incubator programs, small grant programs or other mechanisms to assist the link up of technology with economic development. The top seven states have spent \$350 million for this purpose. Alaska has spent nothing.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 23, 1988

SUBJECT:           Constitutionality of resident preference  
                  measures in HB 390 (Establishing the Alaska  
                  Science and Technology Foundation)

TO:                Representative Johnny Ellis  
                  Co-chairman, House HESS Committee

FROM:             Teresa B. Cramer *IBC*  
                  Legislative Counsel

You have asked for an opinion concerning whether the provision of HB 390 which requires that the board of directors of the Alaska Science and Technology Foundation give preference to state residents in making grant awards pose constitutional problems.

The bill provides that the foundation is a state agency funded by legislative appropriations. The purpose of the foundation is to encourage basic and applied research in Alaska by making grants to fund the research project. The board of directors is required to give preference to an applicant who is an Alaska resident, association, organization, or institution when awarding grants. If a state applicant lacks the expertise or capability to perform the research without assistance from a nonresident, the board may jointly award the grant to the resident and a nonresident.

In my opinion, the resident preference portions of HB 390 may be subject to challenge under the state equal protection clause, Art. I, sec. 1 of the state constitution.

The state supreme court has adopted a sliding scale for determining whether legislation violates the equal protection clause, depending on the importance of the individual right that is infringed. Alaska Pacific Assur. Co. v. Brown, 687 P.2d 264 (Alaska 1984). The court looks first to the nature of the interest. In HB 390,

Representative Johnny Ellis  
Page 2  
February 23, 1988

nonresidents are placed at a substantial disadvantage in applying for grants to perform research. This right is akin to the right to employment, which has been held a substantial right, requiring that the state demonstrate greater justification for the discrimination and establish that the means used to achieve its goals fit closely with the ends that the legislation seeks to accomplish.

In Sec. 37.17.010(b), set out in sec. 1 of the bill, the purpose of the foundation is given as

to promote and enhance economic development, technological innovation and capability, and public health in Alaska through basic and applied research.

Economic development is a justifiable state interest. However, the tie between encouraging economic development and restricting the research to achieve it to state residents is less clear. To survive a challenge under the equal protection clause the state would have to demonstrate that state residents as a group were substantially better able to accomplish this goal than nonresidents. The court has held in Lyndon Transport v. State, 532 P.2d 700, 711 (Alaska 1975) that

[a] discrimination between residents and nonresidents based solely on the object of assisting the one class over the other economically cannot be upheld under either the federal privileges and immunities or the equal protection clauses.

The justification for preferring residents cannot be based on providing residents jobs at the expense of nonresidents.

HB 390 might also be subject to challenge under the federal privileges and immunities clause, Art. IV, sec. 2 of the federal constitution. That clause applies to "fundamental rights" and protects "citizens" and not corporations and therefore might not apply to all potential plaintiffs. If the court held that the right to compete for grants was an employment right, the clause would clearly apply. Francis v. Robison, 713 P.2d 259 (Alaska 1986). The analysis under the clause would be similar to analysis under the state equal protection clause. The state would have to demonstrate that the reason for the discrimination against nonresidents was to remedy a problem that was causing social ills and that nonresidents were a "peculiar source of the

Representative Johnny Ellis  
Page 3  
February 23, 1988

evil." The preference imposed would have to be shown to be closely tied to solving the problem.

If I may be of further assistance, please advise.

TBC:bb  
wkb3/019

# STATE OF ALASKA THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

## LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 24, 1988

SUBJECT: CSHB 390 (HESS), an Act establishing the  
Alaska Science and Technology Foundation

TO: Representative Johnny Ellis

FROM: George Utermohle *GU*  
Legislative Counsel

This memorandum is in regards to CSHB 390 (HESS).

### I. Legislative Confirmation of Board Members.

CSHB 390 (HESS) contains a provision for the legislative confirmation of members of the board of directors of the Alaska Science and Technology Foundation.

The power of the legislature to confirm appointments made by the Governor is set out in Article III, section 26 of the Alaska State Constitution:

SECTION 26. When a board or commission is at the head of a principal department or a regulatory or quasi-judicial agency, its members shall be appointed by the governor, subject to confirmation by a majority of the members of the legislature in joint session, and may be removed as provided by law. They shall be citizens of the United States. The board or commission may appoint a principal executive officer when authorized by law, but the appointment shall be subject to the approval of the governor. (emphasis added)

The Alaska Supreme Court has narrowly construed this provision of the constitution and has found that the legislature has only those powers to confirm the governor's appointments as provided for by the constitution. Bradner v. Hammond, 553 P.2d 1 (Alaska 1976). If a board is not at the head of a principal department, a regulatory agency, or a quasi-judicial agency, the legislature has no authority to confirm the members of the board.

Representative Johnny Ellis

Page 2

February 24, 1988

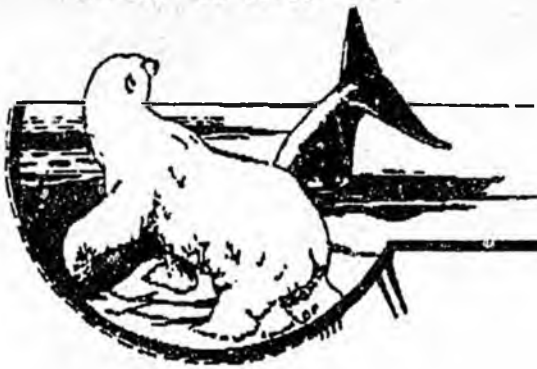
The board of directors of the Alaska Science and Technology Foundation does not fall into any of the categories subject to confirmation. The board is not at the head of a principal department like the Board of Education. The board is not a regulatory agency like the Alaska Public Utilities Commission. The board is not a quasi-judicial agency like the Commercial Fisheries Entry Commission. Thus the legislature does not have the authority to subject the governor's appointments to the board to legislative confirmation.

## II. Dedication of Funds.

In section 1 of the bill, Sec. 37.17.090(g) provides that, if the foundation so decides, the grantee must pay to the principal of the endowment a portion of all income from royalties, licenses, and patents produced as the result of a grant made by the foundation. There is not any constitutional bar to the foundation requiring that a grant recipient return a portion of the money that they make as a result of a grant from the foundation. However, requiring the money to be deposited into the principal of the endowment is at odds with the prohibition against dedicated funds, Art. IX, sec. 7, of the Alaska Constitution. Any money that the foundation would receive under conditions attached to a grant would fall into the category of program receipts. Program receipts are subject to the prohibition against dedicated funds. (1982 Opinion of the Attorney General, March 4, 1982) Thus the constitution must be amended to allow the dedication of this money to the endowment or the money must be deposited into the general fund for appropriation by the legislature.

If I can provide you with further assistance on these issues, please contact me.

GU:gc  
wkg2/04



# **UIC-NARL**

TELECONFERENCE ON H.B. 390 & 391; 2-23-88  
TESTIMONY BY DALE. B. STOTTS, PROJECT COORDINATOR UIC/NARL

On behalf of the Ukpeagvik Inupiat Corporation, through its President, Ronald H. Brower, Sr., I am pleased to express UIC's support for the enactment of H.B. 390 & 391.

As the present operator, and soon to be owner of the former Naval Arctic Research Laboratory, UIC is very encouraged by legislation to establish an Alaska Science and Technology Foundation, along with the funding mechanism provided by an endowment to the Foundation.

Governor Cowper and state legislators that support these two bills should be comended. The vital role of science and technology in Alaska's growth and development is yet to emerge at the level this great land and its citizens deserve.

We recommend that the Foundation develop a close association with the Arctic Research Commission and the National Science Foundation. Tremendous amounts of time and resources have gone towards the reorganization of the national interest in arctic research and science, and any duplication of effort would constitute a poor investment of tax payer monies.

(907) 852-7800, Pouch UIC/NARL, Barrow, Alaska 99723  
Ukpeagvik Industrial Center / National Arctic Research Laboratory  
(Formerly: Naval Arctic Research Laboratory)

TELECONFERENCE ON H. B. 390 & 391  
2-23-88  
Page 2.

As an organization with some expertise in providing logistical support to government, education, industry, and science and research, we recommend that the Foundation carefully weigh regional differences in cost of project support. This would be helpful when establishing the maximum percentage of a grant award that may be expended to pay for overhead costs of a grantee's project.

In the fall of 1987, I provided to the Governor's Science Advisor's office, information on logistic support capabilities of the UIC/NARL facilities. It is our understanding that three (3) regional arctic research centers will be designated in the near future. Should this come to pass, we urge the Foundation to consider the vital role that logistic support plays in the conduct of field research, whether it be in the arctic or subarctic areas.

Passage of H.B. 390 & 391 has far reaching implications for the benefit of the Alaskan economy, health, and well being of its residents. UIC stands in full support of this legislation.

Thank you.

Original Sponsor: Rules/Governor

1 IN THE HOUSE  
2  
3 CS FOR HOUSE BILL NO. 390 (HESS)  
4 IN THE LEGISLATURE OF THE STATE OF ALASKA  
5 FIFTEENTH LEGISLATURE - SECOND SESSION  
6 A BILL  
7 For an Act entitled: "An Act establishing the Alaska Science and Technolo-  
8 gy Foundation; relating to the membership of the  
9 science and engineering advisory commission; and  
10 providing for an effective date."  
11 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:  
12 \* Section 1. AS 37 is amended by adding a new chapter to read:  
13 CHAPTER 17. ALASKA SCIENCE AND TECHNOLOGY FOUNDATION.  
14 Sec. 37.17.010. FOUNDATION ESTABLISHED. (a) The Alaska Science  
15 and Technology Foundation is established as a public corporation in  
16 the Department of Revenue.  
17 (b) The purpose of the foundation is to promote and enhance  
18 through basic and applied research; economic development and techno-  
19 logical innovation in Alaska; public health; and sustained growth and  
20 development of Alaskan scientific and engineering capabilities.  
21 Sec. 37.17.020. ENDOWMENT ESTABLISHED; INVESTMENT. (a) In  
22 order to support the foundation, the Alaska science and technology  
23 endowment is established, consisting of money appropriated to the  
24 Alaska Permanent Fund Corporation for the benefit of the foundation.  
25 (b) For the purposes of investment of the endowment, the Alaska  
26 Permanent Fund Corporation is subject to AS 37.13.120, except that  
27 amounts appropriated for purposes of the endowment do not become a  
28 part of the principal of the Alaska permanent fund, and the endowment  
29 income must be distributed in accordance with this chapter.  
30 Sec. 37.17.030. ENDOWMENT INCOME; EXPENSES; GRANTS. (a) Upon

1 application of the foundation's board of directors or its authorized  
2 representative, the Alaska Permanent Fund Corporation shall pay to the  
3 foundation a portion or all of the income then accrued from the endow-  
4 ment. The net annual capital gains of the endowment shall be equally  
5 divided between the income and the principal of the endowment.

6 (b) In addition to endowment income, the foundation may receive  
7 gifts, grants, and other aid. The foundation may accumulate income,  
8 gifts, grants, and other aid from any one year and distribute them in  
9 a later year.

10 (c) The administrative expenses of the foundation are subject to  
11 the Executive Budget Act and must be paid from the income of the  
12 endowment.

13 (d) The board of directors shall distribute the income of the  
14 endowment through competitive grants in accordance with this chapter.  
15 The board may disburse money that is received by the foundation for  
16 special or general purposes.

17 (e) The board of directors may pay into the principal of the  
18 endowment any part of the endowment income. Money paid to the princi-  
19 pal under this subsection may not later be withdrawn by the board of  
20 directors.

21 Sec. 37.17.040. BOARD OF DIRECTORS. (a) The foundation is  
22 governed and administered in accordance with this chapter by a board  
23 of directors appointed by the governor and confirmed by the legisla-  
24 ture to serve staggered terms of four years. A member serves on the  
25 board until a successor qualifies and is appointed. A member of the  
26 board of directors may be removed from the board by the governor for  
27 cause.

28 (b) The board of directors is composed of nine members, as fol-  
29 lows:

1           (1) two members must be scientists or engineers residing in  
2 Alaska who are recognized contributors in the science or engineering  
3 fields, one of whom is employed by the University of Alaska;

4           (2) two nonvoting members must be scientists or engineers  
5 residing outside Alaska who are recognized contributors in the science  
6 or engineering fields;

7           (3) four members of the public, at least two of whom have  
8 recognized expertise or experience in resource development, manufac-  
9 turing, finance, or public health;

10           (4) one member who is employed by a department or agency of  
11 the state, except for the University of Alaska.

12           Sec. 37.17.050. ELECTION OF OFFICERS. The board of directors  
13 shall elect a chairperson and a secretary from its members, each to  
14 serve for a term not to exceed two years.

15           Sec. 37.17.060. QUORUM. A majority of the board constitutes a  
16 quorum for the transaction of business.

17           Sec. 37.17.070. MEETINGS AND REIMBURSEMENT FOR EXPENSES. The  
18 board shall meet at least twice a year. Additional meetings may be  
19 called at the discretion of the chairperson. Board members are enti-  
20 tled to per diem and travel expenses authorized for boards and com-  
21 missions under AS 39.20.180. Board members not employed by the state  
22 or the University of Alaska receive an honorarium of \$400 for each day  
23 spent on official business of the board, not to exceed a total of 30  
24 days per annum.

25           Sec. 37.17.080. STAFF. The board of directors shall employ and  
26 determine the salary of an executive director, subject to the Execu-  
27 tive Budget Act. The executive director serves at the pleasure of the  
28 board. The executive director may, with approval of the board, select  
29 and employ additional staff as necessary. No employee of the

1 foundation, including the executive director, may be a member of the  
2 board. The executive director and the other employees of the founda-  
3 tion are in the exempt service under AS 39.25.

4 Sec. 37.17.090. GRANT PROCEDURES, LIMITATION, AND REQUIREMENTS.

5 (a) The board of directors shall provide adequate and appropriate  
6 notice of all solicitations for grant proposals at least once a year.  
7 The board may actively solicit persons, organizations, or institutions  
8 to apply for general or specific grants.

9 (b) Grant proposals must be submitted for impartial and compet-  
10 itive peer review for scientific and technical validity by a panel of  
11 recognized experts appointed by the board of directors. The identity  
12 of members of a peer review panel is confidential until final action  
13 is taken by the board on the grant proposal. The board shall consider  
14 the recommendations of the panel in deciding whether to award a grant.  
15 The board may exempt grants of \$5,000 or less from peer review.

16 (c) In making its grant awards, the board shall take into con-  
17 sideration the policy and research priorities identified by the Alaska  
18 Science and Engineering Advisory Commission.

19 (d) Not less than 50 percent of the endowment income that is  
20 distributed as grants by the foundation in a fiscal year must be for  
21 grants of \$100,000 or less, exclusive of other funding.

22 (e) The board of directors shall, as a condition of a grant, and  
23 as necessary, set the maximum percentage of a grant award that may be  
24 expended by a grantee to pay for overhead costs of the grantee's proj-  
25 ect.

26 (f) The board shall require from each grant recipient periodic  
27 reports and a final report. The board shall disseminate to the  
28 scientific community and to the public, on a regular basis, the re-  
29 sults of research sponsored by the foundation. Proprietary reports

1 and other information voluntarily filed with the board or critical to  
2 patent applications may be kept confidential if the person providing  
3 the information so requests and it is considered necessary by the  
4 board. Dissemination of sponsored research shall be in a form of  
5 greatest utility to the scientific community and the general public,  
6 and may include technological transfer or applications information for  
7 promising results.

8 (g) As a condition of all grants awarded under this chapter, the  
9 board of directors may require that a fair and reasonable percentage  
10 of all income from royalties, licenses, and patents produced as a re-  
11 sult of the grant be paid into the principal of the endowment.

12 (h) In awarding a grant under this chapter, the board of direc-  
13 tors shall give preference to an applicant who is an Alaska resident,  
14 association, organization, or institution. If the board determines  
15 that an Alaskan applicant does not have the expertise or capability to  
16 satisfactorily perform the grant research without assistance from an  
17 out-of-state person or institution, the board may award a grant,  
18 jointly, to the Alaskan applicant and an approved out-of-state person  
19 or institution. If a grant is awarded to an out-of-state person or  
20 institution, the board may require that the out-of-state grantee  
21 associate with an Alaska scientific or technical organization while  
22 performing the grant research. In all cases, a grant may be awarded  
23 only if the board determines that the research to be performed will  
24 further the purposes of the foundation under AS 37.17.010(b).

25 (i) A grant may include money to obtain equipment. Such equip-  
26 ment is the property of the foundation. At the termination of the  
27 grant, the equipment must be disposed of at the discretion of the  
28 board.

29 (j) The board of directors shall provide a written report of its

1 activities and finances to the governor and the legislature no later  
2 than January 30 each year.

3 Sec. 37.17.100. CONFLICT OF INTEREST. (a) Members of the board  
4 of directors are subject to the Alaska Executive Branch Ethics Act,  
5 AS 39.52.

6 (b) The board of directors shall adopt a written policy in addi-  
7 tion to the requirements of AS 39.52, to address potential conflicts  
8 of interest of its members and members of a peer review panel.

9 Sec. 37.17.110. REGULATIONS. The board of directors may adopt  
10 regulations to implement this chapter.

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

12 (5) the executive director and staff of the Alaska Science  
13 and Technology Foundation (AS 37.17.010).

14 \* Sec. 3. AS 44.19.257(a) is amended to read:

15 (a) The commission is composed of eight [SEVEN] members ap-  
16 pointed by the governor as follows:

17 (1) one member is to be appointed from individuals from the  
18 academic institutions in [OF] the state with expertise in areas of  
19 research relating to the state, including the physical, biological,  
20 health, environmental, social, and behavioral sciences;

21 (2) one member is to be appointed from individuals who are  
22 engaged in activities furthering the welfare of the human and physical  
23 environment and who have expertise in areas of research relating to  
24 the state, including the physical, biological, health, environmental,  
25 social, and behavioral sciences;

26 (3) one member is to be appointed from state departments  
27 with research needs;

28 (4) one member is to be appointed from individuals familiar  
29 with the state and representative of the needs and interests of

1 private industry;

2 (5) one member is to be appointed from individuals with  
3 experience in national and international research programs;

4 (6) one member is to be appointed from the general public;

5 [AND]

6 (7) the executive director of the Alaska Science and Tech-  
7 nology Foundation established under AS 37.17; and

8 (8) the senior science advisor in the governor's office,  
9 who serves as chairperson [CHAIRMAN] and director of the commission.

10 \* Sec. 4. AS 44.19.259 is amended to read:

11 Sec. 44.19.259. TERM OF MEMBERS OF THE COMMISSION. Members of  
12 the commission, other than the senior science advisor and the execu-  
13 tive director of the Alaska Science and Technology Foundation, serve  
14 staggered terms of four years and until a successor qualifies and is  
15 appointed.

16 \* Sec. 5. This Act takes effect immediately under AS 01.10.070(c).

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2

HOUSE BILL NO. 390

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act establishing the Alaska Science and Technolo-  
gy Foundation; relating to the membership of the  
science and engineering advisory commission; and  
providing for an effective date."

7

8

9

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

11 \* Section 1. AS 37 is amended by adding a new chapter to read:

12

CHAPTER 17. ALASKA SCIENCE AND TECHNOLOGY FOUNDATION.

13

Sec. 37.17.010. FOUNDATION ESTABLISHED. (a) The Alaska Science  
and Technology Foundation is established as a public corporation in  
the Department of Revenue.

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(b) The purpose of the foundation is to promote and enhance  
economic development, technological innovation and capability, and  
public health in Alaska through basic and applied research.

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Sec. 37.17.020. ENDOWMENT ESTABLISHED; INVESTMENT. (a) In  
order to support the foundation, the Alaska science and technology  
endowment is established, consisting of money appropriated to the  
Alaska Permanent Fund Corporation for the benefit of the foundation.

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(b) For the purposes of investment of the endowment, the Alaska  
Permanent Fund Corporation is subject to AS 37.13.120, except that  
amounts appropriated for purposes of the endowment do not become a  
part of the principal of the Alaska permanent fund, and the endowment  
income must be distributed in accordance with this chapter.

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Sec. 37.17.030. ENDOWMENT INCOME; EXPENSES; GRANTS. (a) Upon  
application of the foundation's board of directors or its authorized

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1 representative, the Alaska Permanent Fund Corporation shall pay to the  
2 foundation a portion or all of the income then accrued from the endow-  
3 ment. The net annual capital gains of the endowment shall be equally  
4 divided between the income and the principal of the endowment.

5 (b) In addition to endowment income, the foundation may receive  
6 gifts, grants, and other aid. The foundation may accumulate income,  
7 gifts, grants, and other aid from any one year and distribute them in  
8 a later year.

9 (c) The administrative expenses of the foundation are subject to  
10 the Executive Budget Act and must be paid from the income of the  
11 endowment.

12 (d) The board of directors shall distribute the income of the  
13 endowment through competitive grants in accordance with this chapter.  
14 The board may disburse money that is received by the foundation for  
15 special or general purposes.

16 (e) The board of directors may pay into the principal of the  
17 endowment any part of the endowment income. Money paid to the  
18 principal under this subsection may not later be withdrawn by the  
19 board of directors.

20 Sec. 37.17.040. BOARD OF DIRECTORS. (a) The foundation is  
21 governed and administered in accordance with this chapter by a board  
22 of directors appointed by the governor to serve staggered terms of  
23 four years. A member serves on the board until a successor qualifies  
24 and is appointed. A member of the board of directors may be removed  
25 from the board by the governor for cause.

26 (b) The board of directors is composed of nine members, as fol-  
27 lows:

28 (1) two members must be scientists or engineers residing in  
29 Alaska who are recognized contributors in the science or engineering

1 fields, one of whom is employed by the University of Alaska;

2 (2) two members must be scientists or engineers residing  
3 outside Alaska who are recognized contributors in the science or  
4 engineering fields;

5 (3) four members of the public, at least two of whom have  
6 recognized expertise or experience in resource development, man-  
7 ufacturing, finance, or public health;

8 (4) one member who is employed by a department or agency of  
9 the state, except for the University of Alaska.

10 Sec. 37.17.050. ELECTION OF OFFICERS. The board of directors  
11 shall elect a chairperson and a secretary from its members, each to  
12 serve for a term not to exceed two years.

13 Sec. 37.17.060. QUORUM. A majority of the board constitutes a  
14 quorum for the transaction of business.

15 Sec. 37.17.070. MEETINGS AND REIMBURSEMENT FOR EXPENSES. The  
16 board shall meet at least twice a year. Additional meetings may be  
17 called at the discretion of the chairperson. Board members are enti-  
18 tled to per diem and travel expenses authorized for boards and com-  
19 missions under AS 39.20.180 and must receive an honorarium of \$400 for  
20 each day spent at a meeting of the board or at a meeting of a sub-  
21 committee of the board.

22 Sec. 37.17.080. STAFF. The board of directors shall employ and  
23 determine the salary of an executive director, subject to the Execu-  
24 tive Budget Act. The executive director serves at the pleasure of the  
25 board. The executive director may, with approval of the board, select  
26 and employ additional staff as necessary. No employee of the founda-  
27 tion, including the executive director, may be a member of the board.  
28 The executive director and the other employees of the foundation are  
29 in the exempt service under AS 39.25.

1           Sec. 37.17.090. GRANT PROCEDURES, LIMITATION, AND REQUIREMENTS.

2           (a) The board of directors shall provide adequate and appropriate  
3 notice of all solicitations for grant proposals at least once a year.  
4 The board may actively solicit persons, organizations, or institutions  
5 to apply for general or specific grants.

6           (b) Grant proposals must be submitted for impartial and compet-  
7 itive peer review for scientific and technical validity by a panel of  
8 recognized experts appointed by the board of directors. The identity  
9 of members of a peer review panel is confidential until final action  
10 is taken by the board on the grant proposal. The board shall consider  
11 the recommendations of the panel in deciding whether to award a grant.  
12 The board may exempt grants of \$5,000 or less from peer review.

13           (c) In making its grant awards, the board shall take into con-  
14 sideration the policy and research priorities identified by the Alaska  
15 Science and Engineering Advisory Commission.

16           (d) Not less than 50 percent of the endowment income that is  
17 distributed as grants by the foundation in a fiscal year must be for  
18 grants of \$100,000 or less, exclusive of other funding.

19           (e) The board of directors shall, as a condition of a grant, and  
20 as necessary, set the maximum percentage of a grant award that may be  
21 expended by a grantee to pay for overhead costs of the grantee's proj-  
22 ect.

23           (f) The board shall require from each grant recipient periodic  
24 reports and a final report. The board shall disseminate to the  
25 scientific community and to the public, on a regular basis, the re-  
26 sults of research sponsored by the foundation. Proprietary reports  
27 and other information voluntarily filed with the board or critical to  
28 patent applications may be kept confidential if the person providing  
29 the information so requests and it is considered necessary by the

1 board.

2 (g) As a condition of all grants awarded under this chapter, the  
3 board of directors shall require that a fair and reasonable percentage  
4 of all income from royalties, licenses, and patents produced as a re-  
5 sult of the grant be paid into the principal of the endowment.

6 (h) In awarding a grant under this chapter, the board of direc-  
7 tors shall give preference to an applicant who is an Alaska resident,  
8 association, organization, or institution. If the board determines  
9 that an Alaskan applicant does not have the expertise or capability to  
10 satisfactorily perform the grant research without assistance from an  
11 out-of-state person or institution, the board may award a grant,  
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15 associate with an Alaska scientific or technical organization while  
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17 only if the board determines that the research to be performed will  
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20 ment is the property of the foundation. At the termination of the  
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15 environmental, social, and behavioral sciences;

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17 engaged in activities furthering the welfare of the human and physical  
18 environment and who have expertise in areas of research relating to  
19 the state, including the physical, biological, health, environmental,  
20 social and behavioral sciences;

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29 [AND]

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