

SB

12

Alaska State Legislature

PRESIDENT
907-465-3755

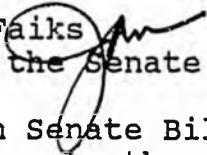
JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

February 2, 1987

MEMORANDUM

TO: Senator Paul Fischer, Chairman
Senate Health, Education, and Social Services
Committee

FROM: Senator Jan Faiks 
President of the Senate

SUBJECT: Background on Senate Bill 12
An Act relating to the university fund; and
providing for an effective date.

Senate Bill 12 has been referred to your committee for consideration. This bill represents an effort to provide a stable source of funding for the university system. SJR 1 is the accompanying legislation which amends the Constitution and places a ballot question before the voters in the 1988 general election to create a University Fund.

This fund would be capitalized by 5% of the mineral royalty income received by the state after January 1, 1989. That amount is estimated as follows for the next four years:

<u>Year</u>	<u>Total amount (Millions of Dollars)</u>
FY 89	16.3
FY 90	34.1
FY 91	33.2
FY 92	33.5

These estimates were derived from the Department of Revenue's estimated mineral revenues for January 1987 Revenue Sources. They reflect the loss of mineral revenues and the subsequent decrease in General Fund investment earnings.

All income received from the University Fund would be transferred to the Board of Regents to be used for the University. Legislative appropriation would not be required to spend the money.

The University Fund would be handled by the Permanent Fund Corporation, and current investment procedures of the Permanent Fund would be followed, with allowances for additional legislative appropriations.

Alaska State Legislature

PRESIDENT
907-465-3755

JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

March 20, 1987

MEMORANDUM

TO: Senator Paul Fischer, Chairman
Senate Health, Education, and Social Services
Committee

FROM: Senator Jan Faiks *Jan*
President of the Senate

SUBJECT: Proposed amendments to Senate Bill 12
An Act relating to the university fund

SB 12 is currently before your committee. Since its introduction, fiscal notes have been prepared by the Permanent Fund Corporation and the Department of Revenue. Based on that information, I ask that the committee consider the following changes to the bill.

As presently drafted, SB 12 provides that the university fund shall be managed by the Alaska Permanent Fund Corporation. The Permanent Fund Corporation has issued a fiscal note for management of the university fund with figures in the hundreds of thousands of dollars.

The Department of Revenue, on the other hand, has expressed interest in this legislation, and has offered to manage the university fund at a much lower operating expense.

Amend

Therefore, I recommend that the committee adopt changes to this legislation in a CS which will place the management of the university fund in the Department of Revenue.

The committee's consideration of these changes will be appreciated. Should you need any further information, please let me know.

OUT OF SESSION

6060 YUKON DRIVE ANCHORAGE, ALASKA 99516 907-274-6611

In other packets

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 42/HJR 2

Publish Date: _____

REQUEST _____

Revision Date: _____

Title: University Fund

Agency Affected: Permanent Fund Corp.

BRU: _____

Sponsor: Rep. Boucher

Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES		241.2	255.7	271.0	287.3	304.5
TRAVEL		31.0	32.9	34.8	36.9	39.1
CONTRACTUAL		192.8	204.4	216.6	229.6	243.4
SUPPLIES		3.2	3.4	3.6	3.8	4.0
EQUIPMENT	-	17.2	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	485.4	496.4	526.0	557.6	591.0
			THOUSANDS			
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME	-	5	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

* According to constitutional provision Article 9, Section 15 funds cannot be comingled with Permanent Fund Assets.

Prepared By: Royce Weller *FOR P.F.C.* Phone: 465-2300
 Division: Revenue/Commissioner's Office Date: 2/18/87

Approved by Commissioner: Hugh Malone *Hm* Date: 2/18/87
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)
 Senate Secretary

NOTE: THIS FISCAL NOTE IS BASED ON INFORMATION SUPPLIED BY THE PERMANENT FUND CORPORATION. *Hm*

page 1 of 1

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS SB 12 (HESS)
Publish Date: _____

REQUEST: _____

Revision Date: _____
Title: University Fund

Agency Affected: Department of Revenue
BRU: Treasury

Sponsor: Senate HESS
Requestor: Senate HESS

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	32.8	71.1	129.1	208.1
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	32.8	71.1	129.1	208.1
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	32.8	71.1	129.1	208.1
TOTAL	-	-	32.8	71.1	129.1	208.1

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker *MB*
Division: Treasury

Phone: 465-2350
Date: March 26, 1987

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

Date: 3/29/87

Distribution (by preparer):

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

University Fund
(\$ 000)

	(1)	(2)	(3)	(4)	(5)	(6)
<u>Fiscal Year</u>	<u>Principal Balance</u>	<u>Securities Safekeeping Fees</u>	<u>Common Stock Management Fees</u>	<u>Performance Measurement Fees</u>	<u>Audit Fees</u>	<u>Total Fees</u>
1989	15,800.0	.8	10.0	12.0	10.0	32.8
1990	48,900.0	2.6	46.5	12.0	10.0	71.1
1991	81,100.0	4.3	102.8	12.0	10.0	129.1
1992	113,600.0	6.0	180.1	12.0	10.0	208.1

Notes:

1. From 2-13-87 HB 42/HJR 2 Fiscal Note prepared by Robert Elliott, Department of Revenue
2. Column 1 x 5.25¢/\$1,000, per contract
3. Column 1 x .317%, per contract, x 20%, 30%, 40%, and 50% allocation to stocks for FY 89-92, respectively
4. Per contract
5. Department of Revenue estimate
6. Columns 2 + 3 + 4 + 5

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CS HJR 2 (HESS)

Publish Date: _____

REQUEST: _____

Revision Date: _____

Title: University Fund

Agency Affected: Department of Revenue

BRU: Treasury

Sponsor: House HESS

Requestor: House HESS

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	22.8	61.1	119.1	198.1
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	22.8	61.1	119.1	198.1
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	22.8	61.1	119.1	198.1
TOTAL	-	-	22.8	61.1	119.1	198.1

POSITIONS:

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

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: February 23, 1987

Approved by Commissioner: _____
Agency: Department of Revenue

Date: _____

Distribution (by preparer):

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

University Fund
(\$ 000)

<u>Fiscal Year</u>	<u>Principal Balance</u>	<u>Securities Safekeeping Fees</u>	<u>Common Stock Management Fees</u>	<u>Performance Measurement Fees</u>	<u>Total Fees</u>
1989	15,800.0	.8	10 0	12.0	22.8
1990	48,900.0	2.6	46.5	12.0	61.1
1991	81,100.0	4.3	102.8	12.0	119.1
1992	113,600.0	6.0	180.1	12.0	198.1

Notes:

1. From 2-13-87 HB 42/HJR 2 Fiscal Note prepared by Robert Elliott, Department of Revenue
2. Column 1 x 5.25¢/\$1,000, per contract
3. Column 1 x .317%, per contract, x 20%, 30%, 40%, and 50% allocation to stocks for FY 89-92, respectively
4. Per contract
5. Columns 2 + 3 + 4

Alaska State Legislature

PRESIDENT

907-465-3755

JAN FAIKS
POST OFFICE BOX V
JUNEAU, ALASKA 99811

Senate

February 2, 1987

MEMORANDUM

TO: Senator Paul Fischer, Chairman
Senate Health, Education, and Social Services
Committee

FROM: Senator Jan Faiks *[Signature]*
President of the Senate

SUBJECT: Background on Senate Bill 12
An Act relating to the university fund; and
providing for an effective date.

Senate Bill 12 has been referred to your committee for consideration. This bill represents an effort to provide a stable source of funding for the university system. SJR 1 is the accompanying legislation which amends the Constitution and places a ballot question before the voters in the 1988 general election to create a University Fund.

This fund would be capitalized by 5% of the mineral royalty income received by the state after January 1, 1989. That amount is estimated as follows for the next four years:

<u>Year</u>	<u>Total amount (Millions of Dollars)</u>
FY 89	16.3
FY 90	34.1
FY 91	33.2
FY 92	33.5

Supplant existing
Comm College

OUT OF SESSION

6060 YUKON DRIVE ANCHORAGE, ALASKA 99511

— BACKGROUND

These estimates were derived from the Department of Revenue's estimated mineral revenues for January 1987 Revenue Sources. They reflect the loss of mineral revenues and the subsequent decrease in General Fund investment earnings.

All income received from the University Fund would be transferred to the Board of Regents to be used for the University. Legislative appropriation would not be required to spend the money.

The University Fund would be handled by the Permanent Fund Corporation, and current investment procedures of the Permanent Fund would be followed, with allowances for additional legislative appropriations.



**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: SB12

Publish Date: _____

Revision Date: SB 12
Title: Relating to the University Fund

Agency Affected: University of Alaska
BRU: - all

Sponsor: Senator Faiks
Requestor: Senate HESS

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	Undetermined	Undet	Undet

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

REVENUE				Positive	Positive	Positive
---------	--	--	--	----------	----------	----------

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-			
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached

Prepared by: Brian Rogers, Director of Budget Development Phone: 474-6490
Division: University of Alaska Date: February 6, 1987

Approved by Vice President Sherman Carter Date: February 6, 1987
Agency: University of Alaska

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. Senate Bill 12

Analysis

Assumptions

The university fund will be managed by the board of trustees of the Alaska Permanent Fund. No university personnel will be involved in fund management. Income from the fund will be available to the university annually from the prior year's net revenues.

Program Summary

No new positions or expenditures will be necessary to manage the fund. Income from the fund will be used for university operations; decisions on use of the fund's income will be made by the board of regents of the University of Alaska.

Comments

The University of Alaska is in favor of the proposed legislation. Over time, it will build an endowment for the university system similar to that of other leading resource states. The fund's income will allow the university system to increase its delivery of programs and services to the people of Alaska, and will provide greater stability in the budget and expenditure process. It is impossible at this time to determine which programs and services the board of regents will provide utilizing the fund's income.

A projection of the amount of income from the fund which would become available to the university for programs and services depends on the assumptions chosen for oil prices and investment rates of return. Such a projection must be made by the Alaska Department of Revenue and/or the Alaska Permanent Fund Corporation, rather than the University of Alaska.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

Bill Version : SB 12/SJR 1
Publish Date : _____

REQUEST: _____
Revision Date: _____
Title : Creating the University Fund/
Amending the Constitution
Sponsor : Faiks
Requestor: _____

Agency Affected : Revenue
BRU : _____
Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

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

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

Millions
FUNDING: (Thousands of Dollars)

GENERAL FUND			(16.3)	(34.1)	(33.2)	(33.5)
Univ. Fund Prin. Balance			15.8	48.9	81.1	113.6
Univ. Fund Income			.5	1.9	3.9	5.8
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached

Prepared by: Robert Elliott Phone: 2173
Division: Research Section Date: _____

Approved by Commissioner: [Signature] Date: 12/3/87
Agency: REVENUE (CORRECTION)

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requester
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 12/SJR 1

Analysis:

Figures are based on estimated mineral revenues for January 1987 Revenue Sources, and assume a six percent nominal interest rate and voter approval of the Constitutional Amendment (SJR 1). University Fund Income represents amount transferred to the Board of Regents at the end of each fiscal year. The above decrease in General Fund revenues includes not only the loss of mineral revenues but the subsequent decrease in General Fund investment earnings. Estimated revenues from proposed bonus sales were not included since bids are impossible to anticipate prior to sales.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : SB12

Publish Date : _____

Revision Date: SB 12

Agency Affected: University of Alaska

Title: Relating to the University Fund

BRU: all

Sponsor: Senator Faiks

Components : _____

Requestor: Senate HFSS

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	Undetermined	Undet	Undet

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

REVENUE				Positive	Positive	Positive
---------	--	--	--	----------	----------	----------

FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-			
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached

Prepared by: Brian Rogers, Director of Budget Development Phone: 474-6490

Division: University of Alaska Date: February 6, 1987

Approved by Vice President Sherman Carter Date: February 6, 1987

Agency: University of Alaska

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. Senate Bill 12

Analysis

Assumptions

The university fund will be managed by the board of trustees of the Alaska Permanent Fund. No university personnel will be involved in fund management. Income from the fund will be available to the university annually from the prior year's net revenues.

Program Summary

No new positions or expenditures will be necessary to manage the fund. Income from the fund will be used for university operations; decisions on use of the fund's income will be made by the board of regents of the University of Alaska.

Comments

The University of Alaska is in favor of the proposed legislation. Over time, it will build an endowment for the university system similar to that of other leading resource states. The fund's income will allow the university system to increase its delivery of programs and services to the people of Alaska, and will provide greater stability in the budget and expenditure process. It is impossible at this time to determine which programs and services the board of regents will provide utilizing the fund's income.

A projection of the amount of income from the fund which would become available to the university for programs and services depends on the assumptions chosen for oil prices and investment rates of return. Such a projection must be made by the Alaska Department of Revenue and/or the Alaska Permanent Fund Corporation, rather than the University of Alaska.

5-0095L
Levy
3/23/87

Original sponsors: Faiks, Uehling,
Kelly and Kerttula

1 IN THE SENATE BY THE HEALTH, EDUCATION AND
2 SOCIAL SERVICES COMMITTEE

3 CS FOR SENATE BILL NO. 12 (HESS)

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 FIFTEENTH LEGISLATURE - FIRST SESSION

6 A BILL

7 For an Act entitled: "An Act relating to the university fund; and provid-
8 ing for an effective date."

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

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

11 Sec. 37.14.300. UNIVERSITY FUND. (a) There is established as a
12 separate endowment trust fund the university fund consisting of

13 (1) five percent of all mineral lease rentals, royalties,
14 royalty sale proceeds, net profit shares under AS 38.05.180(f) and
15 (g), and federal mineral revenue sharing payments received by the
16 state after January 1, 1989, from mineral leases issued on or before
17 December 1, 1979, and six percent of all bonuses received by the state
18 after January 1, 1989, from mineral leases issued on or before Febru-
19 ary 15, 1980;

20 (2) any other money appropriated to the university fund.

21 (b) Payments due the university fund under (a) of this section
22 shall be made to the fund once each month.

23 (c) The net income of the university fund shall be determined by
24 the commissioner of revenue in accordance with investment accounting
25 principles and in a manner that preserves the distinction between
26 principal and income.

27 Sec. 37.14.310. FUND USE. (a) The principal of the university
28 fund and the capital gains or losses realized on the principal shall
29 be perpetually retained in the fund for investment purposes.

(b) At the end of each fiscal year the net income from the

1 university fund as determined under AS 37.14.300(c) shall be trans-
2 ferred to the Board of Regents of the University of Alaska. Income of
3 the university fund transferred to the Board of Regents of the Univer-
4 sity of Alaska under this section shall be used for the University of
5 Alaska under AS 14.40 and other applicable provisions of law.

6 (c) Realized net income that has not been transferred to the
7 Board of Regents of the University of Alaska under (b) of this section
8 shall be invested until transferred.

9 Sec. 37.14.320. DUTIES OF THE COMMISSIONER OF REVENUE. The
10 commissioner of revenue is the treasurer of the university fund and
11 shall

12 (1) act as official custodian of the cash and investments
13 belonging to the fund by securing adequate and safe custodial facil-
14 ities;

15 (2) receive all items of cash and investments belonging to
16 the fund;

17 (3) collect the principal and income from investments owned
18 or acquired by the state treasury and deposit the amounts in separate
19 principal and income accounts for the fund;

20 (4) invest and reinvest the assets of the fund under
21 AS 37.14.330;

22 (5) generally exercise the powers of an owner with respect
23 to the assets of the fund;

24 (6) do all acts, whether or not expressly authorized, that
25 the commissioner of revenue considers necessary or proper in adminis-
26 tering the assets of the fund;

27 (7) maintain accounting records of the fund under invest-
28 ment accounting principles and with distinction between the principal
29 and income accounts of the fund;

1 (8) contract with an independent firm of certified public
2 accountants to annually audit the financial condition of the fund's
3 investments and investment transactions;

4 (9) enter into and enforce all contracts or agreements
5 considered necessary, convenient, or desirable for the investment
6 purposes of the fund; and

7 (10) report to the Board of Regents of the University of
8 Alaska the condition and investment performance of the fund.

9 Sec. 37.14.330. INVESTMENTS. (a) The commissioner of revenue
10 is the fiduciary of the university fund and shall invest the fund to
11 provide increasing net income over long-term periods. In investing
12 the assets of the fund the commissioner of revenue shall exercise the
13 judgment and care under the circumstances then prevailing that an
14 institutional investor of ordinary professional prudence, discretion,
15 and intelligence exercises in managing large trust investments with
16 consideration for the purpose of the funds, the investment objectives,
17 the continuing disposition of the fund's investments, and the probable
18 safety of the capital as well as the probable investment returns.

19 (b) In managing the university fund, the commissioner of revenue
20 shall

21 (1) consider the status and income of the fund's capital on
22 both a current and a probable future basis;

23 (2) determine the appropriate investment objectives;

24 (3) establish investment policies aimed at achieving the
25 objectives; and

26 (4) act only in regard to the long-term financial interests
27 of the fund's beneficiaries.

28 (c) The discretionary acquisition or disposition of investments
29 in the fund shall be at competitive national or international market

1 rates or prices or the equivalent in the judgment of the commissioner
2 of revenue.

3 (d) In exercising the duties and powers set out in this section
4 and AS 37.14.320, the commissioner of revenue may

5 (1) delegate investment, custodial, or depository authority
6 on a discretionary or nondiscretionary basis to officers or employees
7 of the state or to independent firms, banks, or trust companies, by
8 designation through appointments, contracts, or letters of authority;

9 (2) invest the university fund on the basis of probable
10 total rate of return as a means of promoting the long-term generation
11 of income;

12 (3) acquire or dispose of investments, either directly,
13 indirectly, or through investment pools or trusts, by competitive or
14 negotiated agreements, contracts, or auctions, in public or private
15 markets;

16 (4) concentrate or diversify the investments of the univer-
17 sity fund as appropriate in order to increase the probable total rate
18 of return on the fund or to decrease the fund's overall exposure to
19 potentially adverse market value risks;

20 (5) protect the market value or the rate of return of the
21 university fund's investments by entering into forward agreements to
22 buy or sell assets at a future date as a hedge against existing held
23 assets or as a pre commitment of future cash flows;

24 (6) lend under an agreement and for a fee assets of the
25 university fund against deposited collateral of equivalent market
26 value;

27 (7) hold investments in bearer form or in registered form
28 in the name of the university fund or authorized nominees;

29 (8) use consultants, advisers, custodians, investment

1 services, and legal counsel for assistance in investment matters on
2 either a continuing or a limited term basis and with or without com-
3 pensation; and

4 (9) withhold information that discloses the particulars of
5 the business or the affairs of a private enterprise, investor, bor-
6 rower, adviser, consultant, counsel, or manager as confidential and
7 nonpublic records subject to disclosure only as required in a court
8 proceeding or for purposes of an official law enforcement proceeding.

9 * Sec. 2. This Act takes effect on the effective date of a constitu-
10 tional amendment establishing a university fund.

11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

5-0095L
Levy
3/23/87

Original sponsors: Faiks, Uehling,
Kelly and Kerttula

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

CS FOR SENATE BILL NO. 12 (HESS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the university fund; and provid-
ing for an effective date."

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

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

Sec. 37.14.300. UNIVERSITY FUND. (a) There is established as a
separate endowment trust fund the university fund consisting of

(1) five percent of all mineral lease rentals, royalties,
royalty sale proceeds, net profit shares under AS 38.05.180(f) and
(g), and federal mineral revenue sharing payments received by the
state after January 1, 1989, from mineral leases issued on or before
December 1, 1979, and six percent of all bonuses received by the state
after January 1, 1989, from mineral leases issued on or before Febru-
ary 15, 1980;

(2) any other money appropriated to the university fund.

(b) Payments due the university fund under (a) of this section
shall be made to the fund once each month.

(c) The net income of the university fund shall be determined by
the commissioner of revenue in accordance with investment accounting
principles and in a manner that preserves the distinction between
principal and income.

Sec. 37.14.310. FUND USE. (a) The principal of the university
fund and the capital gains or losses realized on the principal shall
be perpetually retained in the fund for investment purposes.

(b) At the end of each fiscal year the net income from the

1 university fund as determined under AS 37.14.300(c) shall be trans-
2 ferred to the Board of Regents of the University of Alaska. Income of
3 the university fund transferred to the Board of Regents of the Univer-
4 sity of Alaska under this section shall be used for the University of
5 Alaska under AS 14.40 and other applicable provisions of law.

6 (c) Realized net income that has not been transferred to the
7 Board of Regents of the University of Alaska under (b) of this section
8 shall be invested until transferred.

9 Sec. 37.14.320. DUTIES OF THE COMMISSIONER OF REVENUE. The
10 commissioner of revenue is the treasurer of the university fund and
11 shall

12 (1) act as official custodian of the cash and investments
13 belonging to the fund by securing adequate and safe custodial facil-
14 ities;

15 (2) receive all items of cash and investments belonging to
16 the fund;

17 (3) collect the principal and income from investments owned
18 or acquired by the state treasury and deposit the amounts in separate
19 principal and income accounts for the fund;

20 (4) invest and reinvest the assets of the fund under
21 AS 37.14.330;

22 (5) generally exercise the powers of an owner with respect
23 to the assets of the fund;

24 (6) do all acts, whether or not expressly authorized, that
25 the commissioner of revenue considers necessary or proper in adminis-
26 tering the assets of the fund;

27 (7) maintain accounting records of the fund under invest-
28 ment accounting principles and with distinction between the principal
29 and income accounts of the fund;

1 (8) contract with an independent firm of certified public
2 accountants to annually audit the financial condition of the fund's
3 investments and investment transactions;

4 (9) enter into and enforce all contracts or agreements
5 considered necessary, convenient, or desirable for the investment
6 purposes of the fund; and

7 (10) report to the Board of Regents of the University of
8 Alaska the condition and investment performance of the fund.

9 Sec. 37.14.330. INVESTMENTS. (a) The commissioner of revenue
10 is the fiduciary of the university fund and shall invest the fund to
11 provide increasing net income over long-term periods. In investing
12 the assets of the fund the commissioner of revenue shall exercise the
13 judgment and care under the circumstances then prevailing that an
14 institutional investor of ordinary professional prudence, discretion,
15 and intelligence exercises in managing large trust investments with
16 consideration for the purpose of the funds, the investment objectives,
17 the continuing disposition of the fund's investments, and the probable
18 safety of the capital as well as the probable investment returns.

19 (b) In managing the university fund, the commissioner of revenue
20 shall

21 (1) consider the status and income of the fund's capital on
22 both a current and a probable future basis;

23 (2) determine the appropriate investment objectives;

24 (3) establish investment policies aimed at achieving the
25 objectives; and

26 (4) act only in regard to the long-term financial interests
27 of the fund's beneficiaries.

28 (c) The discretionary acquisition or disposition of investments
29 in the fund shall be at competitive national or international market

1 rates or prices or the equivalent in the judgment of the commissioner
2 of revenue.

3 (d) In exercising the duties and powers set out in this section
4 and AS 37.14.320, the commissioner of revenue may

5 (1) delegate investment, custodial, or depository authority
6 on a discretionary or nondiscretionary basis to officers or employees
7 of the state or to independent firms, banks, or trust companies, by
8 designation through appointments, contracts, or letters of authority;

9 (2) invest the university fund on the basis of probable
10 total rate of return as a means of promoting the long-term generation
11 of income;

12 (3) acquire or dispose of investments, either directly,
13 indirectly, or through investment pools or trusts, by competitive or
14 negotiated agreements, contracts, or auctions, in public or private
15 markets;

16 (4) concentrate or diversify the investments of the univer-
17 sity fund as appropriate in order to increase the probable total rate
18 of return on the fund or to decrease the fund's overall exposure to
19 potentially adverse market value risks;

20 (5) protect the market value or the rate of return of the
21 university fund's investments by entering into forward agreements to
22 buy or sell assets at a future date as a hedge against existing held
23 assets or as a precommitment of future cash flows;

24 (6) lend under an agreement and for a fee assets of the
25 university fund against deposited collateral of equivalent market
26 value;

27 (7) hold investments in bearer form or in registered form
28 in the name of the university fund or authorized nominees;

29 (8) use consultants, advisers, custodians, investment

1 services, and legal counsel for assistance in investment matters on
2 either a continuing or a limited term basis and with or without com-
3 pensation; and

4 (9) withhold information that discloses the particulars of
5 the business or the affairs of a private enterprise, investor, bor-
6 rower, adviser, consultant, counsel, or manager as confidential and
7 nonpublic records subject to disclosure only as required in a court
8 proceeding or for purposes of an official law enforcement proceeding.

9 * Sec. 2. This Act takes effect on the effective date of a constitu-
10 tional amendment establishing a university fund.
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29