

SB 182

(11)

HOUSE COMMITTEE REPORT

Date Referred: May 9, 1991

FURTHER REFERRALS:

Date of Committee Action: 5/14/91

The FINANCE Committee considered:

CSSB 182(FIN)

CS FOR SENATE BILL NO. 182 (FINANCE)

INVESTMENT POOLS FOR PUBLIC ENTITIES

"An Act relating to investment pools for public entities; and providing for an effective date."

RECOMMENDATIONS:

be replaced with _____ the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal impact _____

fiscal note(s) _____

zero fiscal note _____

2 zero fiscal note(s) Def Rev 3/22/91 DCPA 3/22/9

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Mike Savare ^{NAVARRE}	✓	Thomas Barnes ^{BARNES}		X	
M. K. Beyer ^{Beyer}	X	Bob Sharp ^{Sharp}			
Steve Koponen ^{Koponen}	✓	Phil Phillips ^{Phillips}			
J. Ulmer ^{Ulmer}	X	Donald Larson ^{LARSON}		X	
		Gary Jacko ^{JACKO}		X	

Mike Savare ^{NAVARRE}
CO- CHAIRMAN'S SIGNATURE

FISCAL NOTE

No.

Bill Version: SB 182

(S) Publish Date: 3/22/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Community & Regional Affairs

Title: "An Act relating to investment pools for public entities.." BRU: _____

Sponsor: Senate C&RA Committee Component: _____

Requestor: _____ COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact:

ANALYSIS. (Attach a:	Changes in <u>CS SB 182 (FIN)</u> have no fiscal impact. This fiscal note is appropriate. <u>4/9/91</u> <u>LF</u> date Comte Aide (initial)	Changes in <u>CS SB 182 (CIA)</u> have no fiscal impact. This fiscal note is appropriate. <u>3/21/91</u> <u>W Rick Salo</u> date Comte Aide (initial)
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Prepared By: Remond Henderson, Director Phone: 465-4708

Division: Administrative Services Date: 3/19/91

Approved by Commissioner: [Signature] 3/20/91

Agency: Community & Regional Affairs Date: 3/19/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

No. 1

Bill Version: SB 182

(S) Publish Date: 3/22/91

Revision Date: March 20, 1991

Department /

Title: Investment pools for public entities.

BRU: Treasury

Component: _____

Sponsor: Senate and House Community & Regional Affairs

Requestor: _____

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

Changes in CSSB 182 (FIM) have no fiscal impact. This fiscal note is appropriate.
 Changes in CS SB 182 (CA) have no fiscal impact. This fiscal note is appropriate.
4/9/91 date cal Comte Aide (initial)
3/21/91 date MT. Rick Seltz Comte Aide (initial)

ANALYSIS: See attached analy

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: March 20, 1991

Approved by Commissioner: _____

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Amendments proposed:

Section 37.25.050 (b) of Senate Bill 182 and House Bill 199 should be modified to include within the definition of "public entity" the State of Alaska as well as a subdivision of the State, including a municipality, school district, regional educational attendance area or service area within the unorganized borough; or an organization composed of public entities. The expanded definitions would allow the General Investment Fund of the State to be a participant in the investment pool.

The Department of Revenue believes that the formation of an investment pool for money market securities within the Division of Treasury would offer the following benefits.

1. Use of Treasury's expertise in investment and cash management matters.
2. Treasury's existing arrangements for custodial services can accommodate a participant investment pool.
3. Treasury has already established cash concentration procedures within banks located in Alaska which could be used by public entities to transfer funds to the investment pool.
4. Use of Treasury's existing ACH electronic funds transfer capabilities which accomodates movement of deposits and withdrawals to and from the bank accounts of the participants.
5. Inclusion of the General Investment Fund as a participant would assure the investment pool's objectives of enhanced yields, liquidity and preservation and safety of capital.
6. Probable overall lower cost benefits to all participants.

Treasury would anticipate the following annual costs if it was charged with the responsibility of establishing and managing an investment pool of an assumed size of \$500 million.

Personal	1 FTP Cash mgt position	\$ 50,000
	1/2 FTP Investment officer	40,000
	1 FTP Accountant	50,000
Contractual	Custodial fees @ 5 bps ¹	250,000

¹"bps", or "basis points", is the standard of measurements of less than one per cent. One bps equals one percent of one percent.

	External audit	25,000
Equipment/ Supplies	Communications, computer software and equipment enhancements	<u>75,000</u>
Total		\$490,000

\$490,000 represents a cost of 0.00098 (9.8 bps) of the \$500 million pool total. For example, an 8.0 per cent gross investment return will net to 7.9 per cent after Treasury's total expenses. The only variable cost is custodial fees which would increase slightly by additional asset amounts to the investment pool. Because of scales of economy, the impact of Treasury's expenses on gross earnings would be reduced further by investment pools greater than \$500 million.

CS FOR SENATE BILL NO. 182 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/10/91
Referred: Rules

Sponsor(s): SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to investment pools for public entities; and providing for an effective
2 date."

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

4 * Section 1. AS 37.25 is amended by adding a new section to read:

5 Sec. 37.25.050. INVESTMENT POOLS FOR PUBLIC ENTITIES. (a) A public entity
6 may enter into agreements with other public entities regarding the formation and operation of
7 investment pools under which funds of the participating public entities are administered and
8 invested jointly. One or more public entities may form a nonprofit corporation for the purpose
9 of operating an investment pool. An agreement entered into under this section may provide for
10 the employment of staff and other matters necessary for the operation of the investment pool.
11 Each participating public entity is authorized to spend funds necessary for the operation of the
12 investment pool.

13 (b) The prudent investor rule shall be applied to investments made by investment pools
14 formed under this section. The prudent investor rule means that the investors shall exercise the

1 judgment and care under the circumstances then prevailing that an institutional investor of
2 ordinary prudence, discretion, and intelligence exercises in the management of large investments (
3 entrusted to it not in regard to speculation but in regard to the permanent disposition of funds,
4 considering the probable safety of capital as well as probable income.

5 (c) For purposes of this section, "public entity" means a subdivision of the state,
6 including a municipality, school district, or regional educational attendance area; or an
7 organization composed of public entities.

8 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).