

**SB374**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/26/92

FURTHER:

DATE TURNED INTO OFFICE:                     

The Finance Committee considered

SENATE BILL NO. 374

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

and recommends:

replace with                                                                 
or  adopt previous        CS                      (      )  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts                      Letter of Intent

further referral to the                     

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes                     

fiscal notes                     

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes                     

fiscal notes                     

**DO PASS:**

**OTHER RECOMMENDATIONS:**

                     No Rec.  
                     No Rec.  
                      
                    

1.                       
Co-Chair: Signature/Recommendation

2.                      No Rec.  
Co-Chair: Signature/Recommendation

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

FISCAL NOTE  
REPORTED OUT OF  
SFC 3/10/92

NO. 2

Bill Version: SB 374

(S) Publish Date: 2-26-92

Revision Date: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.

Title: Investment Pools for Public Entities

BRU: Banking, Securities & Corporations

Sponsor: Senate Rules

Component: \_\_\_\_\_

Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

1	2	3
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE FUND RESOURCE:</b>	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	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 separate page)

Changes in CS SB 374 (FIN) have no fiscal impact. This fiscal note is appropriate.

3-10-92 date [Signature] Comte Aide (initial)

Changes in CS SB 374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

2/25/92 date [Signature] Comte Aide (initial)

Prepared By: Willis F. Kirkpatrick, Director

Phone: 465-2521

Division: Banking, Securities & Corporations

Date: \_\_\_\_\_

Approved by Commissioner: Glenn A. Olds

Agency: Department of Commerce & Economic Development

Date: 2-13-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).

Page 1 of 1

WFK/dg11452D-1/021392a

(Rev. 12/91)

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

FISCAL NOTE  
REPORTED OUT OF  
SFC 3/10/92

No. 3  
Bill Version: SB 374  
E (S) Publish Date: 2-26-92

Revision Date: \_\_\_\_\_  
Title: Investment pools for public entities  
Sponsor: Senate Rules by Request of Governor  
Requestor: (S) CRA Committee

Department Affected: Community and Regional Affairs  
BRU: \_\_\_\_\_  
Component: \_\_\_\_\_

COMPONENT SERIAL NO. 

0	0	0	0
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact No impact

ANALYSIS: (Attac) Changes in CS5B 374 (FIN) have no fiscal impact. This fiscal note is appropriate.  
3/10/92 date [Signature] Comte Aide (initial)

Changes in CS5B 374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
2/25/92 date [Signature] Comte Aide (initial)

Prepared By: Remond Henderson  
Division: Administrative Services Division

Phone: 465-4708  
Date: 2/10/92

Approved by Commissioner: [Signature]  
Agency: Department of Community and Regional Affairs

Date: 2-12-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 2/6/92

Title: An act relating to investment pools for public entities; and providing for an effective date.

Sponsor: Rules Committee

Requestor: Senator Frank

FISCAL NOTE  
REPORTED OUT OF  
SFC 3/10/92

No. 4

Bill Version: SB 374

(S) Publish Date: 2-26-92

Department Affected: Revenue

BRU: Operations

Component: Treasury Management

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: February 6, 1992

Approved by Commissioner: David Reynolds

Agency: Revenue

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

Rev 12/91

Changes in CS SB 374 (FIN) have no fiscal impact. This fiscal note is appropriate.

3-10-92

[Signature]  
Comptroller (initial)

Changes in CS SB 374 (ORA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

2/25/92  
date

[Signature]  
Comptroller (initial)

Page \_\_\_ of \_\_\_

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 2/7/92  
Title: An Act relating to investment pooling by public entities.  
Sponsor: Senate Rules Committee  
Requestor: Governor

Department Affected: Education  
BRU: Executive Administration  
Component: Commissioner's Office

COMPONENT SERIAL NO. 

1	8	9
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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 FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: (Att) Changes in CSSB 374 (FIN) have no fiscal impact. This fiscal note is appropriate.  
date 3/10/92 [Signature]  
Comte Aide (initial)

Changes in CSSB 374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.  
date 2/12/92 [Signature]  
Comte Aide (initial)

Prepared by: Mike Maher  
Division: Commissioner's Office

Phone: 465-2800  
Date: 2/7/92

Approved by Commissioner: [Signature]  
Agency: Education

Jerry Covey  
Date: February 7, 1992

**CS FOR SENATE BILL NO. 374 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**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. PURPOSE.** The purpose of this Act is to provide a means for certain public entities to  
5 secure the maximum investment return consistent with the preservation of capital and liquidity by  
6 pooling money temporarily available for investment. The Act allows for the establishment of

7 (1) centralized investment through pooling of certain available money by participating  
8 public entities; and

9 (2) operational and investment criteria for investment pools in order to attain the  
10 maximum investment return for the public entities' money consistent with the preservation of capital and  
11 liquidity.

12 \* **Sec. 2.** AS 29.35 is amended by adding a new section to read:

13 **Sec. 29.35.015. INVESTMENT POOLS.** A municipality may invest money in  
14 investment pools for public entities as authorized under AS 37.23 only if that municipality has

1 obtained the consent of its governing body through an ordinance authorizing the participation.

2 \* Sec. 3. AS 37 is amended by adding a new chapter to read:

3 CHAPTER 23. INVESTMENT POOLS FOR PUBLIC ENTITIES.

4 Sec. 37.23.010. INVESTMENT POOL PARTICIPATION. (a) Subject to this chapter,  
5 a public entity may enter into an agreement with other public entities to form and manage an  
6 investment pool under which funds of the participating public entities are administered and  
7 invested jointly. A public entity, by itself or with other public entities, may form a nonprofit  
8 corporation for the purpose of managing an investment pool.

9 (b) A public entity participating in an investment pool or a nonprofit corporation formed  
10 under (a) of this section may spend money reasonably necessary for the management of the pool,  
11 including the employment of staff. Income from investments of the pool may be used for  
12 management costs.

13 (c) The registration requirements of AS 45.55 do not apply to an investment pool formed  
14 under this chapter or to participating public entities with respect to activities of the pool.

15 Sec. 37.23.020. AUTHORIZED INVESTMENTS. An investment pool may invest only  
16 in securities that have a final maturity date within 13 months after the date of purchase.  
17 Investments may only include

18 (1) obligations of the United States and of an agency or instrumentality of the  
19 United States;

20 (2) repurchase and reverse repurchase agreements secured by the Treasury of the  
21 United States and obligations of an agency or instrumentality of the United States;

22 (3) certificates of deposit, bankers acceptances, and other similar obligations of  
23 a bank domiciled in the United States that has

24 (A) outstanding debt rated A or higher by at least one of the nationally  
25 recognized rating services; and

26 (B) a combined capital and surplus aggregating at least \$500,000,000;

27 (4) commercial paper and other short-term taxable instruments that, at the time  
28 of investment, maintain the highest rating by at least two nationally recognized rating services;

29 (5) obligations of a corporation domiciled in the United States or obligations of  
30 a municipality that are taxable under federal law, if the obligations are rated A or higher by at  
31 least two nationally recognized rating services at the time of investment;

1 (6) certificates of deposit that are issued by a state or federally chartered financial  
2 institution that is a commercial or mutual bank, savings and loan association, or credit union, if  
3 the institution's principal office is in the state, and if the institution's accounts are insured  
4 through the appropriate federal insuring agency of the United States, regardless of whether the  
5 institution meets the requirements of (3) of this section;

6 (7) money market funds in which the securities of the fund consist of obligations  
7 listed in this section and otherwise meet the requirements of this chapter;

8 (8) other cash equivalent investments with a maturity date of one year or less after  
9 date of the investment that are of similar quality to those listed in (1) - (7) of this section, are  
10 rated A or higher by at least one of the nationally recognized rating services, and are approved  
11 by the public entities participating in that investment pool.

12 Sec. 37.23.030. COLLATERALIZATION. Investment in certificates of deposit under  
13 AS 37.23.020(6) and the entire amount of principal and interest payable upon maturity of the  
14 certificates must be collateralized by a combination of securities that are marked to market at  
15 least monthly and have maturity dates that do not exceed five years. Only the following  
16 securities may serve as collateral:

17 (1) obligations of the United States with a maturity date of five years or less after  
18 the date of the pool's investment transaction, and with a market value of at least 102 percent;

19 (2) securities in United States agencies or instrumentalities that are actively traded,  
20 other than mortgage pass-through securities, with a maturity date of

21 (A) one year or less after the date of the pool's investment transaction, and  
22 with a market value of at least 103 percent;

23 (B) of more than one year and less than five years after the date of the  
24 pool's investment transaction, and with a market value of at least 107 percent;

25 (3) mortgage pass-through securities issued by the Government National Mortgage  
26 Association with a market value of at least 120 percent;

27 (4) obligations of the state or its political subdivisions secured by the full faith,  
28 credit, and taxing power of the state or its political subdivisions, rated A or higher by at least one  
29 of the nationally recognized rating services, with a maturity date of

30 (A) one year or less after the date of the pool's investment transaction, and  
31 with a market value of at least 102 percent;

1 (B) more than one and less than five years after the date of the pool's  
2 investment transaction, and with a market value of at least 107 percent.

3 Sec. 37.23.040. PORTFOLIO RESTRICTIONS. The portfolio of an investment pool  
4 under this chapter may not contain

5 (1) more than five percent of total investments in securities of one issuer unless  
6 the securities are an obligation of or guaranteed by the United States;

7 (2) more than 30 percent of total investments in securities of companies whose  
8 principal business is in the same industry; or

9 (3) transactions in futures, options, derivative securities, or short sales.

10 Sec. 37.23.050. INVESTMENT MANAGEMENT. The public entities participating in  
11 an investment pool under this chapter shall provide for management of investments in the pool  
12 by contracting for investment management and related services with

13 (1) a securities broker-dealer registered under AS 45.55.030 and under 15 U.S.C.  
14 78o (Securities Exchange Act of 1934) if the broker-dealer is employed by a company with a  
15 permanently staffed office located in the state;

16 (2) an investment adviser registered under AS 45.55.030 and under 15 U.S.C.  
17 80b-3 (Investment Advisers Act of 1940);

18 (3) the Department of Revenue; or

19 (4) a financial institution that is a state or federally chartered commercial or  
20 mutual bank, savings and loan association, or credit union, if the institution's principal office is  
21 in the state, if the institutions's accounts are insured through the appropriate federal insuring  
22 agency of the United States, and if the institution has trust powers under state or federal law.

23 Sec. 37.23.060. INVESTMENT RESPONSIBILITIES. The management and investment  
24 of assets by investment pools shall be done with the care, skill, prudence, and diligence under  
25 the circumstances then prevailing that an institutional investor would use in the conduct of an  
26 enterprise of a like character and with like aims.

27 Sec. 37.23.070. REPORTS; DISCLOSURE STATEMENT. (a) The manager of an  
28 investment pool shall provide to the participating public entities a monthly report on the  
29 allocation of income of investments of the pool and describing activities of the pool. At least  
30 annually, the manager of an investment pool shall provide a disclosure statement on the  
31 management and operation of the pool to each public entity participating in the pool. The

1 disclosure statement must include a copy of the annual audit required under AS 37.23.080.

2 (b) A public entity participating in an investment pool that is an organization composed  
3 of political subdivisions of the state shall promptly provide a copy of each report or statement  
4 received under (a) of this section to its members who are participating in the investment pool.

5 (c) The manager of an investment pool shall provide to a prospective participant in the  
6 pool copies of monthly reports prepared under (a) of this section for the past year, and a copy  
7 of the most recent disclosure statement prepared under (a) of this section.

8 Sec. 37.23.080. ANNUAL AUDIT. By September 30 of each year, the manager of an  
9 investment pool shall submit to the participating public entities an audit of the pool's investments  
10 as of June 30 of that year. The audit must be performed by a certified public accountant licensed  
11 under AS 08.04 who is not

12 (1) an employee of a public entity participating in the investment pool; or

13 (2) a contractor or an employee of a contractor who performed investment  
14 services for the investment pool.

15 Sec. 37.23.090. LIMITATION OF LIABILITY. The state, except when providing  
16 investment management and related services under AS 37.23.050(3), and participating public  
17 entities are not liable for any acts or omissions of an investment manager with whom the  
18 participating entities have contracted for investment management and related services under  
19 AS 37.23.050.

20 Sec. 37.23.900. DEFINITION. For purposes of this chapter, "public entity" means a  
21 political subdivision of the state, including a municipality and its subdivisions, a school district,  
22 a regional educational attendance area, or an organization composed of political subdivisions of  
23 the state.

24 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR POURCHOT

TO:CSSB 374 (FIN) Draft: Cook 3/6/92

Page 4, lines 14-15 after "1934)"

Delete (IF THE BROKER-DEALER IS EMPLOYED BY A COMPANY WITH A PERMANENTLY STAFFED OFFICE LOCATED IN THE STATE)

Page 4, lines 20-21 after "credit union,"

Delete (IF THE INSTITUTION'S PRINCIPAL OFFICE IS IN THE STATE)

~~FINANCE CS~~  
~~CHANGES. See~~  
~~Page 4, Lines 13-15~~

7-GS2031NG ✓  
Cook  
3/6/92

**CS FOR SENATE BILL NO. 374 (FINANCE)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE FINANCE COMMITTEE**

Offered:  
Referred:

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**A BILL**

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8 corporation for the purpose of managing an investment pool.

9 (b) A public entity participating in an investment pool or a nonprofit corporation formed  
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22 (3) certificates of deposit, bankers acceptances, and other similar obligations of  
23 a bank domiciled in the United States that has

24 (A) outstanding debt rated A or higher by at least one of the nationally  
25 recognized rating services; and

26 (B) a combined capital and surplus aggregating at least \$500,000,000;

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2 institution that is a commercial or mutual bank, savings and loan association, or credit union, if  
3 the institution's principal office is in the state, and if the institution's accounts are insured  
4 through the appropriate federal insuring agency of the United States, regardless of whether the  
5 institution meets the requirements of (3) of this section;

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7 listed in this section and otherwise meet the requirements of this chapter;

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27 (4) obligations of the state or its political subdivisions secured by the full faith,  
28 credit, and taxing power of the state or its political subdivisions, rated A or higher by at least one  
29 of the nationally recognized rating services, with a maturity date of

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3 Sec. 37.23.040. PORTFOLIO RESTRICTIONS. The portfolio of an investment pool  
4 under this chapter may not contain

5 (1) more than five percent of total investments in securities of one issuer unless  
6 the securities are an obligation of or guaranteed by the United States;

7 (2) more than 30 percent of total investments in securities of companies whose  
8 principal business is in the same industry; or

9 (3) transactions in futures, options, derivative securities, or short sales.

10 Sec. 37.23.050. INVESTMENT MANAGEMENT. The public entities participating in  
11 an investment pool under this chapter shall provide for management of investments in the pool  
12 by contracting for investment management and related services with

13 ~~(1) a securities broker-dealer registered under AS 45.55.030 and under 15 U.S.C.~~  
14 ~~780 (Securities Exchange Act of 1934) if the broker-dealer is employed by a company with a~~  
15 ~~permanently staffed office located in the state;~~

16 (2) an investment adviser registered under AS 45.55.030 and under 15 U.S.C.  
17 80b-3 (Investment Advisers Act of 1940);

18 (3) the Department of Revenue; or

19 (4) a financial institution that is a state or federally chartered commercial or  
20 mutual bank, savings and loan association, or credit union, if the institution's principal office is  
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13 (2) a contractor or an employee of a contractor who performed investment  
14 services for the investment pool.

15 Sec. 37.23.090. LIMITATION OF LIABILITY. The state, except when providing  
16 investment management and related services under AS 37.23.050(3), and participating public  
17 entities are not liable for any acts or omissions of an investment manager with whom the  
18 participating entities have contracted for investment management and related services under  
19 AS 37.23.050.

20 Sec. 37.23.900. DEFINITION. For purposes of this chapter, "public entity" means a  
21 political subdivision of the state, including a municipality and its subdivisions, a school district,  
22 a regional educational attendance area, or an organization composed of political subdivisions of  
23 the state.

24 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).




217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)463-5480

February 28, 1992

**MEMORANDUM**

TO: Senator Pat Pourchot, Co-Chairman, Senate Finance Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: Hearing Request for SB 374 - Investment Pools

I would appreciate your scheduling a hearing on SB 374, An Act relating to investment pools for public entities, on Monday, March 16, 1992 or as soon thereafter as possible. As you know, this bill incorporates a legislative priority of the Alaska Municipal League. I will be in Washington, D.C. on business March 5-14, 1992 and am told the Committee's schedule will not permit a hearing prior to those dates.

CS for SB 374 (CRA) passed out February 26, 1992 and has a further referral to the Finance Committee. The Alaska Municipal League supports the CS as an improvement over the bill as introduced. In addition to drafting changes made by Legal Services, the CS (marked copy attached) makes substantive changes in two areas:

1. Deleted the original language in Section 2. The original language referenced investment pools and REAA's in AS 14 and approval by the Commissioner of Education. This was determined to be unnecessary by the CRA Committee because DOE does not oversee any other investments by REAA's, DOE objected as not having the expertise to determine proper investments but does audit REAA's, and the bill limits authorized investments. The AML supports this deletion.
2. Clarifies the application of the Alaska Security Act. The language in (c) on lines 13-14 on page 2 of the CS clarifies that the pool is exempted from the registration requirements (not the fraud provisions) of the Alaska Security Act as are political subdivisions; and, on line 13, page 4, adds that an investment adviser must be registered under AS 45.55.030 (Alaska Securities Act) as well as under the federal securities act. The Division of Banking and Securities and AML support these additions.

While removing the Department of Revenue as a contractor in Section 37.23.050(2) was discussed, the Department objected and no change was made. AML does not intend to use the Department but it does not object to the language providing another contract option given the legislation does not authorize the state to form or invest in a public entity pool.

Thank you for scheduling SB 374 for March 16 or soon thereafter, and for your support.

Attachment



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

February 10, 1992

## Position Paper

### SB 374 - Investment Pools for Public Entities

The Alaska Municipal League supports SB 374, an Act relating to investment pools for public entities. Such legislation authorizing the formation and operation of investment pools by and for public entities, such as municipalities, school districts, and organizations composed of public entities, is a legislative priority of the Alaska Municipal League. SB 374 represents a compromise on behalf of the AML and the administration to meet their objections which resulted in Governor Hickel's veto of SB 182, introduced last year by the Senate Community and Regional Affairs Committee at the request of the League. See a copy of the AML's Municipal Platform statement on investment pool legislation attached.

The major difference between SB 374 and CS for SB 182 (Finance), the legislation approved by the legislature last year, is one of philosophy. As authorizing legislation requiring cooperative agreements, CS for SB 182 (Finance) relied on the agreements or contracts between the public entities (which do not include the State of Alaska and state funds) choosing to participate in an investment pool to spell out in detail investment criteria and policies. SB 374, which also requires such agreements, puts many of these criteria and policies, such as a list of authorized investments, collateralization and reporting requirements, and liability limitations, in statute. The result is a longer bill with perhaps less flexibility on the part of the pool to respond to the sometimes rapidly changing world of finance; but, the effect will be the same - an investment alternative for public entities to realize maximum returns on short-term, non-pension funds consistent with the preservation of capital and liquidity. SB 374 would allow municipalities, school districts, and the AML to form, operate, and invest in an investment pool for public entities.

The AML has spent considerable time and money researching and developing an investment pool and has been ready to proceed with the formation of a pool for public entities under this or similar legislation for over a year. The Alaska Municipal League urges the passage of SB 374 or similar legislation as soon as possible.

Attachment

8^36:SB374HB4.32



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

## **Investment Pooling for Public Entities**

**The Alaska Municipal League urges the legislature and the governor to approve legislation authorizing public entities to enter into agreements with other public entities regarding the formation and operation of investment pools under which funds of the participating public entities can be administered and invested jointly.**

Governor Hickel vetoed investment pool legislation (SB 182) introduced at the request of the Alaska Municipal League and passed by the 17th Legislature in 1991. The League continues to support such legislation to allow formation of a pool to provide professional investment advice and services to "public entities" for short-term, non-pension funds. Investments in such a pool would emphasize security and liquidity while providing a good rate of return. Investment policies and procedures would be included in the agreement between the pool and the entity choosing to participate. The pool would utilize only prime grade securities with short-term maturities and those with active secondary markets. "Public entities" should include municipalities, municipal school districts, REAA's, and organizations composed of such entities.

Such legislation would clarify the "joint powers" statute (AS 29.35.010 (13)) to specifically authorize such pools, give the AML the authority to establish the pool as a service program, and assist the pool in receiving a favorable IRS tax ruling. The AML is not seeking the assistance of the state in operating the pool. No state funds would be involved, and therefore there is no liability on the state. This is an example of how municipalities and school districts can work together to assist themselves and reduce their dependence on the state.

Local government investment pools exist in over 28 states. Some are operated by the state treasury and some are independent of the state. In November 1989, the AML membership, representing 125 municipalities, passed a resolution asking the AML Board of Directors to investigate the feasibility of a municipal investment pool. After a great deal of research and expense, the AML 1) determined the feasibility of such a pool and decided to proceed with the formation of a pool, 2) introduced legislation to clarify the League's authority to form and operate a pool, and 3) after sending out a request for proposals, selected a professional investment management firm and financial institution to assist the League with the formation and operation of the pool. Unfortunately, even though the legislation was approved by the legislature, Governor Hickel vetoed the legislation, delaying the implementation of the League pool.

The AML is waiting for the passage of legislation to establish a pool to provide investment services to public entities to protect and make the most of public funds.



February 1991

Alaska Municipal League  
Investment Pool Legislation and Program Justification

The Alaska Municipal League (AML) urges the passage of legislation to authorize the formation of investment pools under Title 29. The AML wishes to form an investment pool to improve the efficiency and effectiveness of municipalities and other local public entities statewide in the investment of their short-term, "idle," public funds. The objectives of the pool's investments, in order of priority, will be 1) security, 2) liquidity, and 3) return. In the absence of an Alaska "joint powers act," the AML is seeking legislation to authorize a public entity or a nonprofit corporation to form and enter into agreements for the purpose of investing funds.

Many AML member municipalities and school districts do not have banks in their communities, much less investment options. In certain cases, municipalities lost funds when several banks folded in the 1980's because their funds were not collateralized. As federal and state financial assistance to municipalities have declined, making the most of local funds through interest revenues continues to be important.

The AML membership of over 125 municipalities passed a resolution in November 1989 directing the AML Board of Directors to investigate the feasibility of a municipal investment pool. The AML formed a committee of municipal officials to investigate the need and feasibility of a pool. The committee surveyed municipalities and school districts in June 1990 to gather information on local investment practices and interest in participating in a pool. Over 50 responses were received indicating:

- o Idle funds may be sufficient to form a pool
- o A significant number of respondents do not have written investment policies
- o Few municipalities and school districts employ investment professionals
- o Few do not collateralize their investments
- o Most respondents invest in a broad variety of investment instruments
- o Some respondents indicated that they had investments of over 2 years in terms which may not be prudent for these public funds
- o An investment pool would broaden the investment options available to even the most sophisticated, investor municipalities/school districts
- o The less sophisticated municipalities/school districts would benefit from safekeeping, yield of a pool, and professional advice.

AML Investment Pool  
February 1991  
Page 2

The committee reviewed investment pools operating in 13 states. These pools are operated within the state treasurer's office or a independent non-profit corporations. The committee is leaning toward using a money market fund limited to very secure types of investments. The return on investments would be improved by increasing volume and term through pooling rather than on increasing risk.

In September 1990, the AML Board authorized the committee to proceed with establishing an investment pool by introducing legislation and distributing a request for proposal for a firm(s) to assist the AML with managing pool and investing the funds on behalf of entities who choose to participate in the pool.

A request for proposal from firms wishing to bid on providing administration, custodial and investment services has been finalized and will be distributed in March. AML is also working with a law firm to develop the necessary legal documents. If the legislation passes this session as planned, it is the intent of the AML to establish the pool and accept funds as of July 1, 1991.

The legislation would have a zero fiscal note and would not affect the State of Alaska. Participation in the pool by eligible public entities would be optional. The AML Board of Directors urges the Legislature to pass the investment pool legislation in the First Session of the 17th Alaska State Legislature to enable the AML to immediately begin to improve the efficiency and effectiveness of participants in the investments of their public funds.

invpool:investwh

# STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### OFFICE OF THE COMMISSIONER

April 9, 1989

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

The Honorable Al Adams  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Dear Senator Adams:

RE: EFFECT OF SB 182 ON LOCALLY GENERATED REVENUES FOR STATE  
"REVENUE SHARING PROGRAM PURPOSES

This is in response to your inquiry before the Senate Finance Committee on April 9, of the potential effect SB 182 may have on locally generated revenues under the State Revenue Sharing Program. Pursuant to Alaska Statute 29.60.010 (c)(2)(B) (enclosed), revenue derived from interest earned on investments is excluded in the calculation for the State Revenue Sharing payment under the Municipal Tax Resource Equalization Account.

Please feel free to contact me at 465-4733 should you have further questions.

Sincerely,

  
Edgar Blatchford  
Commissioner

cc: Senator Kerttula, Co-Chairman  
Senator Pourchot, Co-Chairman  
Senator Duncan, Vice-Chairman  
Senator Hoffman, Committee Member  
Senator Shultz, Committee Member  
Senator Uehling, Committee Member  
Senate Finance Committee

Robert H. Knight, Director  
Pauline Valha, State Revenue Sharing Program Manager  
Municipal and Regional Assistance Division

- 5. Community Facilities Grants (Secs. 29.60.400 - 29.60.440)
- 6. Shared Fisheries Business Tax (Sec. 29.60.450)

**ARTICLE 1. Municipal Tax Resource  
Equalization.**

Section

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>10. State equalization of tax resources for municipal services</li> <li>20. Determination of population</li> <li>30. Determination of millage rate equivalent</li> </ul> | <ul style="list-style-type: none"> <li>40. Reports</li> <li>50. Limitation on computation and use of payments</li> <li>60. Tax equalization account</li> <li>70. Administration</li> <li>80. Definitions</li> </ul> |
|---|---|

Sec. 29.60.010. State equalization of tax resources for municipal services. (a) During each state fiscal year the department shall compute an equalization entitlement for municipal services provided by a taxing unit for payment the following state fiscal year.

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

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

where P=population, and

R=millage rate equivalent, determined by dividing the sum of the locally generated revenue of the taxing unit by one-tenth of one percent of the full and true value of assessed property of the taxing unit determined under AS 29.60.030(d); however, the per capita property value used under this subsection may not be less than 15 percent of the statewide average per capita full and true assessed property value.

(c) For purposes of this section, locally generated revenue (1) includes

- (A) the actual revenue derived from the levy and collection of local taxes in the taxing unit for municipal services;
- (B) motor vehicle payments received by the municipality under AS 28.10.431;

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

(D) special assessments received; and

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

(2) excludes

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

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

(C) all other revenue from whatever service derived;

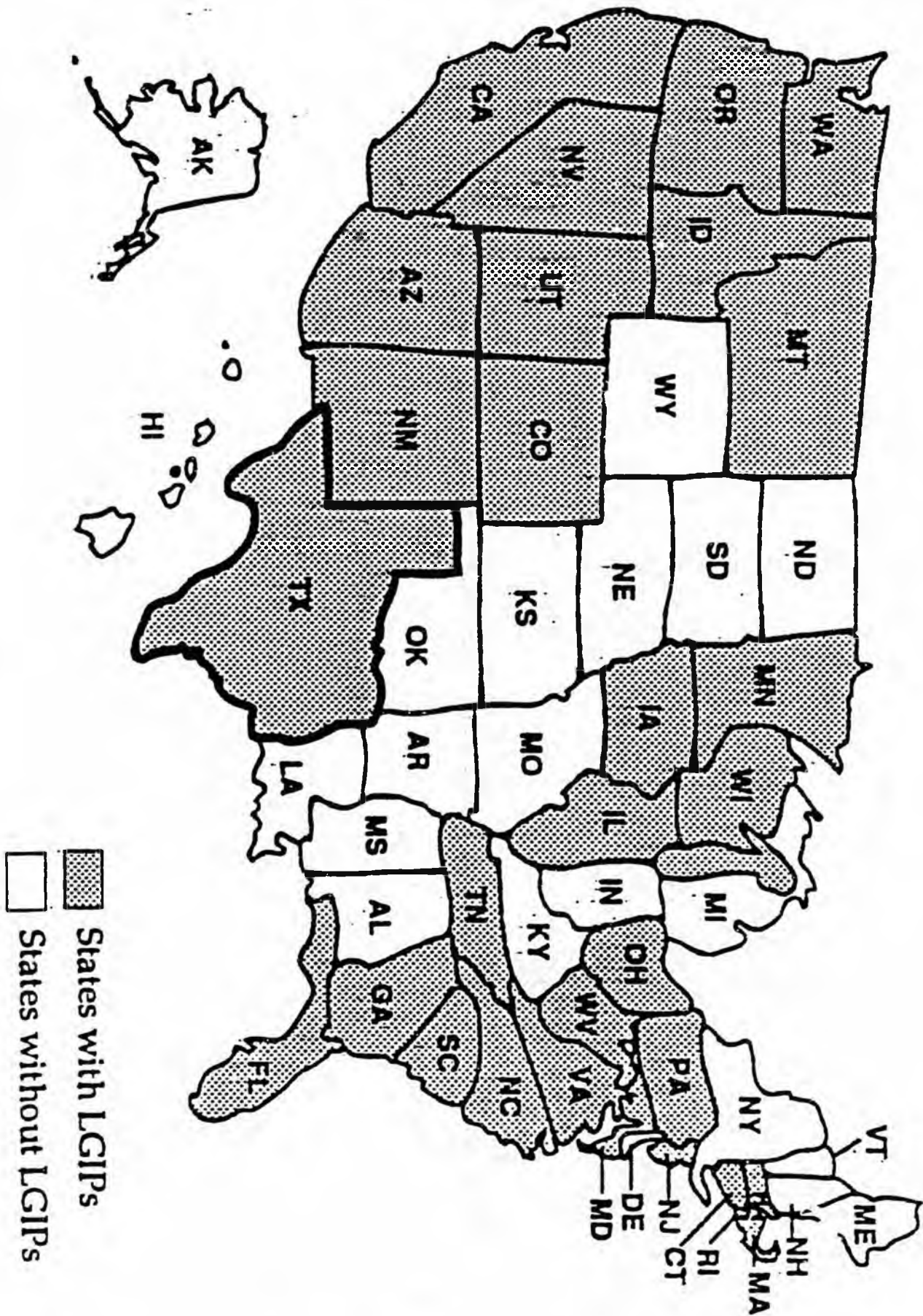
(3) is calculated on the basis of the actual revenue received during the fiscal year of the taxing unit preceding the year in which the department's determination of the millage rate equivalent is made under AS 29.60.030. (Sec. 16 ch 74 SLA 1985; am sec. 1 ch 10 SLA 1987)

#### EFFECT OF AMENDMENTS

The 1987 amendment in subsection (a) inserted "state" preceding "fiscal year" and added "for payment the following state fiscal year" at the end of the subsection; in subsection (c)(1) deleted "during the preceding fiscal year of the taxing unit" at the end of subparagraph (A), deleted "during the preceding fiscal year" following "municipality" in subparagraph (B), deleted "during the preceding fiscal year" following "permits received" in subparagraph (C), and deleted "during the preceding fiscal year" at the end of subparagraph (D); and added subsection (c)(2)(C)(3).

Sec. 29.60.020. Determination of population. For purposes of AS 29.60.010 - 29.60.080, the population of a taxing unit shall be determined annually by the latest figures of the United States Bureau of the Census or other population data that in the judgment of the department is reliable. (Sec. 16 ch 74 SLA 1985)

# States With Local Government Investment Pools



**DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

P.O. Box Y, Juneau, Alaska 99811  
(907) 465-3867 or 465-2450  
FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

**MEMORANDUM**

March 22, 1991

**SUBJECT:** Investment Pools for Public Entities (CSSB 182(CRA))  
**TO:** Senator Arliss Sturgulewski  
**FROM:** Tamara Brandt Cook  
Director TBC

CSSB 182(CRA) permits municipalities and school districts to form investment pools under which the funds of the public entities are administered and invested jointly. You have asked what the implications are regarding the state's financial responsibility in the event that an investment pool suffers financial losses.

As a matter of law, losses experienced by an investment pool would not create any particular liability on the part of the state. However, as a practical matter the state is hardly likely to stand by and allow a municipality to sink into financial ruin. With respect to school districts, of course, there exists the additional constitutional responsibility to maintain a system of public education. These considerations exist completely aside from the question of an investment pool, although, to the extent that the investment pool provides an opportunity for larger losses simply because a pool will involve larger amounts of money, I suppose, the cause for concern may increase. This would have to be looked into by someone with financial expertise.

Note, however, that with respect to municipalities CSSB 182(CRA) may not substantially change existing law. AS 29.35.010(13) already grants every municipality the authority ". . . to enter into an agreement, including an agreement for cooperative or joint administration of any function or power with a municipality, the state, or the United States. . ." Since it is quite possible that municipalities could form investment pools right now under this provision of law, it is hard to argue that CSSB 182(CRA) substantially changes the state's potential responsibility in situations involving investment losses of municipal funds.

TBC:gc  
91-165.glc

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

April 18, 1986

Honorable Bill Sheffield  
Governor  
State of Alaska  
P.O. Box A  
Juneau, AK 99811

Re: HCS CSSB 57(Fin) --  
preferential use of Alaska  
agricultural and fisheries  
products  
Our File No. 883-86-0016

Dear Governor Sheffield:

At Jim Ayers' request on your behalf, we have reviewed HCS CSSB 57(Fin), which relates to the preferential use of Alaska agricultural and fisheries products when state money is spent for their purchase. The bill was introduced last session by Senators Kerttula and Eliason, was accompanied by a "zero" fiscal note, and recently passed the legislature. While the bill raises significant constitutional and legal questions, we do not believe that they provide a basis for not signing the bill.

The bill adds a new chapter 16 to AS 36. Section 1 of bill has two components. The first component is a new AS 36.16.010. It would require that when "state money" is spent, only agricultural products (including timber) harvested in Alaska and seafood products harvested or processed in Alaska may be purchased, when such products are otherwise competitively priced, available, and of like quality with those harvested or processed outside Alaska. The second component is a new AS 36.16.020. It would require insertion of a clause containing the substance of the new AS 36.16.010 in all calls for bids and in "all contracts awarded" that involve the use of agricultural or seafood products.

With respect to the new AS 36.16.010, a Letter of Intent adopted by the House (1986 H.J. 2611) and by the Senate (1986 S.J. 2266) expressed an intent that "state money" be construed to include, but not be limited to, state reimbursement of municipalities and school districts for school or related construction, foundation funding for

SFC 3-10-92  
SB374

BILL SHEFFIELD, GOVERNOR

REPLY TO:

1031 W 4th AVENUE  
SUITE 200  
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PHONE: (907) 276-3550

1st NATIONAL CENTER  
100 CUSHMAN ST.  
SUITE 400  
FAIRBANKS, ALASKA 99701  
PHONE: (907) 452-1568

P.O. BOX K-STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

Honorable Bill Sheffield, Governor  
HCS CSSB 57(Fin)

April 18, 1986  
Page 2

education to municipalities and school districts, municipal assistance, revenue sharing, and general fund financing for capital projects.

Passage of HCS CSSB 57(Fin) follows closely in time your own Administrative Order No. 87 dated March 15, 1986, which effectuates the same policy as embodied in the bill. Unlike the bill, however, Administrative Order No. 87 expressly directs the commissioner of the Department of Administration to undertake responsibility for implementing the policy. Also, unlike the bill, Administrative Order No. 87 directs in its paragraph 2(c) that "No state agency may violate any requirement of a state or federal statute or constitution provision" in implementing the Order. This is, in essence, a direction to state administrators to ensure that each project and contract potentially subject to the policy be individually assessed so that insertion of the preference as a contractual requirement does not run afoul of any other legal requirement.

Both HCS CSSB 57(Fin) and Administrative Order No. 87 touch on a sensitive and somewhat unsettled area of case law concerning the Commerce Clause, U.S. Const. art. I, § 8. Absent express Congressional consent, the Commerce Clause prohibits a state from regulating interstate or foreign commerce when the reason that a state does so is solely to favor its local economic interests over nonresident interests. Pike v. Bruce Church, Inc., 397 U.S. 137, 145 (1970). When, however, a state uses its own funds as a participant in a market, rather than a regulator of the market, it may elect to favor its local economic interests over those outside its borders. Hughes v. Alexandria Scrap Corp., 426 U.S. 794, 806 (1976). Thus, a state ordinarily may, in purchasing goods and services to fulfill its own needs, favor its local businesses over nonresident businesses without incurring Commerce Clause scrutiny. Id. at 808, 810. See also Reeves, Inc. v. Stake, 447 U.S. 429, 437 n.9 (1980) (citing favorably two state court cases upholding statutes requiring home-state purchasing preferences by counties as well as state agencies); Perkins v. Lukens Steel Co., 310 U.S. 113, 127 (1940) ("Like private individuals and businesses, the Government enjoys the unrestricted power to produce its own supplies, to determine those with whom it will deal, and to fix the terms and conditions upon which it will make needed purchases"); American Yearbook Co. v. Askew, 339 F. Supp. 719 (M.D. Fla.), summarily aff'd, 409 U.S. 904 (1972) (distinguishing state purchases of goods for its own use from other state burdens imposed on interstate commerce).

When, however, a state sells its own resources and attempts to reach too far "downstream" so as to interfere with

Honorable Bill Sheffield, Governor  
HCS CSSB 57(Fin)

April 18, 1986  
Page 3

natural market forces, the fact that state funds or resources are used in making the sale may not necessarily insulate a state contractual requirement from Commerce Clause scrutiny. See Southcentral Timber Development, Inc. v. Wunnicke, 104 U.S. 2237 (1984) (district court enjoined in-state primary manufacturing contract requirement in a sale of state-owned timber, and later four of nine justices of the United States Supreme Court agreed that the requirement violated the Commerce Clause). It is not exactly clear how the current United States Supreme Court will treat state home-state purchasing preference laws when such "downstream" effects are substantial. However, home-state purchasing preference laws have received substantial criticism in the legal literature, and comparable "Buy American" state laws have received very mixed court reactions. Thus, to avoid Commerce Clause challenges to calls for bids and contracts that contain the substance of the new AS 36.16.010, state and municipal corporation administrators using state money to finance public projects should be cautious about reaching too far into the market place beyond those directly supplying to and contracting with public agencies, and should be especially cautious when foreign commerce is involved.

On its face and so administered, HCS CSSB 57(Fin) should pose no Commerce Clause problems, even though it may impose obligations beyond state government to municipal corporations and other state-created entities, since "[A] municipal corporation is merely a political subdivision of the State from which its authority derives." United Building and Construction Trade Council v. Mayor and Council, 465 U.S. 208 (1984).

While the Commerce Clause should pose no problems, those charged with the responsibility to administer HCS CSSB 57(Fin) will also need to use caution when the state uses federal matching or other federal funds, since federal money may have special restrictions that would prevent application of a purchasing preference contractual requirement.

HCS CSSB 57(Fin) does not direct the Department of Administration to adopt implementing regulations. However, AS 37.05.020 and AS 37.05.220 already give the department authority to do so, consistent with paragraph 2(c) of your Administrative Order No. 87. Regulations might be helpful in

Honorable Bill Sheffield, Governor  
HCS CSSB 57(Fin)

April 18, 1986  
Page 4

more fully delineating the requirements of both the Order and HCS  
CSSB 57(Fin) so as to insure their consistency with applicable  
state and federal law.

Sincerely yours,

Harold M. Brown  
Attorney General

HMB:MJF:amh

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 29, 1992

*The Honorable Richard I. Eliason  
President of the Senate  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182*

*Dear President Eliason:*

*Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to investment pools for public entities.*

*Section 2 of the bill amends AS 14.08.101 by allowing a regional educational attendance area (REAA) to participate in an investment pool, but only if approved by the commissioner of education. This will provide state oversight of an REAA's desire to participate in an investment pool. I believe such oversight is necessary because of the potential state liability problems associated with REAA's (which do not enjoy a distinct legal existence separate from the state). However, because only temporarily available surplus cash is allowed to be invested in an investment pool, the commissioner of education can determine whether a particular REAA is financially healthy and should be allowed to participate.*

*Section 3 of the bill amends AS 29 by requiring a municipality's governing body to consent to the municipality participating in an investment pool established under AS 37.27 before it may join.*

*Section 4 of the bill adds a new chapter on investment pools for public entities to AS 37. Specific investment criteria, objectives and guidelines, audit requirements, and disclosure policies to be followed by participants in an investment pool are set out in this section. Additionally, investment portfolio restrictions are established.*

53374

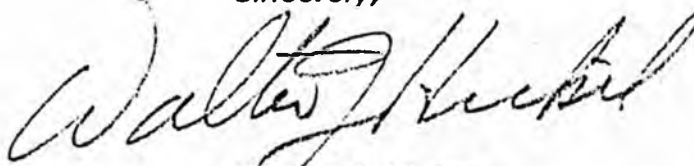
The Honorable Richard I. Eliason  
January 29, 1992  
Page 2

*The bill provides that public entities participating in an investment pool may form nonprofit corporations for the purpose of overseeing the management of a pool. A nonprofit corporation and the participants in a pool are given explicit authority to spend money reasonably necessary for the management of the pool, including the hiring of necessary employees. However, the nonprofit corporation may not provide direct investment services. Instead, all investment pools (whether managed by nonprofit corporations or not) must provide for investment management and related services by contracting with one of the following: (1) an investment advisor registered under the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 - 80b-2); (2) the state Department of Revenue; or (3) an Alaska financial institution having trust powers. Investment managers are subject to the prudent-expert rule in performance of investment management and related services.*

*Finally, the bill defines those public entities allowed to participate in an investment pool as including all classes of municipalities and their subdivisions, school districts, REAA's (with the approval of the commissioner of education), organizations composed of political subdivisions (such as the Alaska Municipal League). Villages and nonprofit community corporations are excluded as public entities for the purposes of this bill.*

*I urge your support of this bill. Investment pools for public entities have been highly successful in other states that allow such investments. By allowing our public entities to invest jointly in investment pools, it is my hope that these entities will realize maximum investment returns with preservation of capital and liquidity and, eventually, help alleviate the growing local government burden on decreasing state revenue.*

Sincerely,



Walter J. Hickel  
Governor



**(ORDINANCE/ORDER/RESOLUTION)  
AUTHORIZING JOINT INVESTMENT  
OF PUBLIC FUNDS**

---

WHEREAS, \_\_\_\_\_ (this "Governmental Entity") is a "local government" within the meaning of The Interlocal Cooperation Act, Article 4413(32c), Vernon's Texas Civil Statutes, as amended (the "Interlocal Act"), and as such is authorized to contract with one or more other such local governments for the joint investment of public funds of such local governments in any investments in which each such local government is authorized to invest its funds:

WHEREAS, this Governmental Entity is authorized by the Public Funds Investment Act of 1987, Article 842a-2, Vernon's Texas Civil Statutes, as amended (the "Public Investment Act"), to invest its public funds in any of the obligations or securities described in section 2 or 3 of the Public Investment Act, as amended.

WHEREAS, the joint investment of local public funds is in the best interest of this Governmental Entity and its inhabitants; and

WHEREAS, this Governmental Entity therefore desires to authorize the joint investment of its public funds with other local governments pursuant to the Interlocal Act and to enter into a contract with such local governments to provide for the terms on which public funds so invested may be combined, invested, secured, and accounted for:

NOW, THEREFORE, BE IT [ORDAINED/ORDERED/RESOLVED] BY THE [CITY COUNCIL/CITY COMMISSION/COMMISSIONERS COURT/BOARD OF TRUSTEES] (THIS "GOVERNING BODY") OF \_\_\_\_\_ THAT:

**Section 1. *Authorization of Contract.*** The terms of the Common Investment Contract attached hereto as Exhibit A, including the investment objectives and purposes described therein, are hereby approved. The [Mayor/County Judge/President of the Board of Trustees] of the Governmental Entity is hereby authorized and instructed to execute and deliver, and the [Secretary/County Clerk/Secretary of the Board of Trustees] of this Governmental Entity is hereby authorized to attest, a Common Investment Contract substantially in the form and to the effect so attached (the "Interlocal Contract"), and there upon the designations, delegations, approvals, and authorizations described thereby shall be authorized, approved, and granted by this Governmental entity without further act by this Governing Body.

**Section 2. *Authorization of Investments.*** Upon the execution of the Interlocal Contract by this Governmental Entity, each officer and employee of this Governmental Entity who is designated to be responsible for the investment of public funds of this Governmental Entity pursuant to Article 4413(34c), Vernon's Texas Civil Statutes, as amended (the "Investment Procedures Act"), is authorized to transfer public funds of this Governmental Entity to the Fund to be created by the Interlocal Contract in order to acquire an interest in any Series thereof, provided that, in the case of any Series other than the initial Series created by the Interlocal Contract, (1) the funds of such Series may be invested solely in obligations described in the Public Investment Act or in any other obligations in which this Governmental Entity may lawfully invest its funds and (2) this Governing Body has approved the investment rules and policies governing such investments. All such transfers shall be made in accordance with investment policies and procedures heretofore adopted by this Governmental Entity pursuant to the Investment Procedures Act, as such policies and procedures may be amended from time to time, but to the same extent as if such policies and procedures expressly authorized such transfers as direct investments of public funds of this Governmental Entity.