SB

161

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORT

DATE: 4/15/97

FURTHER: SFC 4/17/97

DATE TURNED IN TO OFFICE: 4/17/97

Finance Committee considered SENATE BILL NO. 161

"An Act relating to management of certain municipal assets by the Alaska Permanent Fund Corporation."

and recommends:

[✓] be **replaced** with _____ CS SB 161 (FIN)

[ ] adopt **previous** _____ CS _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to the _____ Committee

Senate Bill:
[✓] same title
[ ] new title

House Bill:
[ ] same title
[ ] technical change
[ ] new: SCR# _____

SIGNING DO PASS	*DP*	*OTHER RECOMMENDATIONS*	*NR*	*DNP*	*AM*
			✓		
			✓		
			X		
			✓		
			✓		
Co-Chair:	✓	*Co-Chair:*			
Co-Chair:	✓	*Co-Chair:*			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Revenue	4/11/97		300.0

[ ] **APPROPRIATION -- no fiscal note**

***include fiscal notes accompanying Governor's bill**

STATE OF ALASKA
1997 LEGISLATIVE SESSION

FISCAL NOTE

No. 1
Version: SB 161
(S) Publish Date: 4-15-97

Revision Date:
Dept. Affected: Revenue
Title: An Act relating to management of certain municipal assets by the Alaska Permanent Fund Corporation.
BRU: Alaska Permanent Fund Corporation
Component: Alaska Permanent Fund Corporation
Sponsor: Senator Sharp
Requestor: CRA [redacted]
COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	300.0	309.0	318.0	328.0	341.0	355.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	300.0	309.0	318.0	328.0	341.0	355.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	300.0	309.0	318.0	328.0	341.0	355.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other-Corporate Receipts	300.0	309.0	318.0	328.0	341.0	355.0
TOTAL	300.0	309.0	318.0	328.0	341.0	355.0

Estimate of any current year (FY97) cost $

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
See Attached.

Prepared by: Byron I. Mallott
Phone: 465-3172
Division: Alaska Permanent Fund Corporation
Date: April 11, 1997
Approved by Commissioner: Wilson L. Condon
Date: April 11, 1997
Agency: Revenue

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Analysis to Accompany Fiscal Note for
Proposed Senate Community & Regional Affairs
Committee Substitute for Senate Bill 161

April 11, 1997

Proposed SCS SB161(C&RA) provides for the management of certain municipal assets by the Alaska Permanent Fund Corporation (APFC). The APFC would hold and invest the municipal assets, provide quarterly financial reports and audited annual reports, make certain transfers and advise the municipality of revisions to investment policy or changes in asset allocation. The municipality will pay the corporation a management fee to cover the costs of managing these assets. This fee shall be deposited in the earnings reserve account and the APFC would request that the legislature appropriate these funds for the operations of the corporation.

The projected costs above are calculated based on a municipal fund value of $90 million and a 3-4% growth rate. The management fee represents a pro-rata share of the APFC operating expenses which includes investment manager and custody fees and administrative costs for accounting, reporting, communications and other support.

This fiscal note is prepared on the assumption that the APFC would be directed to invest one municipal fund with approximately $90 million in assets. If it turns out that a number of municipalities seek to take advantage of this legislation, it would likely raise at least two issues at the legislative level:

- Would the increased operating costs and administrative, accounting and reporting responsibilities required for the APFC to effectively and prudently manage a number of municipal funds be consonant with the corporation's primary fiduciary responsibility – the preservation of the Alaska Permanent Fund's principal and the cost-effective management and investment of its assets?

- Is it appropriate public policy for the APFC to compete with private sector investment firms who are able to provide virtually the same investment management services as the APFC?

Alaska State Legislature

SENATOR
BERT SHARP

DISTRICT P

CO-CHAIRMAN
SENATE FINANCE COMMITTEE

MEMBER
RESOURCE COMMITTEE

Senate

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SPONSOR STATEMENT

SB-161

BY: SENATOR BERT SHARP

THIS LEGISLATION AUTHORIZES THE PERMANENT FUND CORPORATION TO MANAGE THE ASSETS OF A MUNICIPAL SAVINGS OR INVESTMENT ACCOUNT.

THE PARAMETER OF A MANAGEMENT AGREEMENT STARTS ON PAGE 1, LINE 9 THROUGH THE REMAINDER OF THE BILL.

THESE WERE SET BY THE PERMANENT FUNDS CORPORATION AS CONDITIONS THEY COULD ACCOMMODATE WITHOUT COMPROMISING THEIR MISSION.

THIS OFFERS MUNICIPALITIES THE OPTION OF INVESTMENT MANAGEMENT SERVICES WITHIN ALASKA AND ONE IN WHICH THE AVERAGE CITIZEN HAS CONFIDENCE.

MANAGEMENT COSTS ARE TOTALLY REIMBURSABLE TO THE PERMANENT FUND CORPORATION BY THE MUNICIPALITIES .

CITY OF FAIRBANKS
James C. Hayes, Mayor
800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4683
OFFICE: 907-459-6793

March 7, 1997

Senator Bert Sharp
State Capitol
Juneau, Alaska 99801-1182

Re: City of Fairbanks' Permanent Fund

Dear Senator Sharp:

Pursuant to our conversation earlier this week, I wish to formally request your sponsorship of legislation regarding the management of the City's Permanent Fund. As I explained to you, it is the City's desire that it be allowed to deposit the proceeds of the utility sale into the State's Permanent Fund, to be managed by the State Permanent Fund Corporation. Because the sale is expected to take place this summer, I would respectfully request that this legislation be proposed by late summer, and acted upon during this Legislative Session.

I am certain you are aware that this is currently being done for both the Alaska Mental Health LandsTrust and the Alaska Science Technology Foundation. This, I am sure, will help pave the way for the passing of this proposed legislation.

Thank you for your assistance. If you have any further questions, please do not hesitate to contact me.

Sincerely,

CITY OF FAIRBANKS

James C. Hayes

James C. Hayes
Mayor

JCH:bss

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Juneau, Alaska 99801-2105

MEMORANDUM April 11, 1997

SUBJECT: Management of municipal assets by the Alaska Permanent Fund Corporation (CSSB 161( ); 20-LS0864\E)

TO: Senator Bert Sharp
Attn: Marilyn Wilson

FROM: Tamara B. Cook TBC
Director

Here is the sectional summary you requested of the above referenced draft.

Sec. 1. Requires the Alaska Permanent Fund Corporation to manage the assets in an account of a municipality when directed to do so by resolution of the municipal governing body if the account meets certain requirements. The municipality must pay an amount sufficient to reimburse the corporation for the costs of managing those assets. Payments are deposited in the earnings reserve account and the corporation may request the legislature to appropriate those payments for operations of the corporation.

TBC:jdr
97-262.jdr