

SB

161

Revision Date: _____ Dept. Affected: Revenue
 Title: An Act relating to management of certain municipal BRU: Alaska Permanent Fund Corporation
assets by the Alaska Permanent Fund Corporation. Component: Alaska Permanent Fund Corporation
 Sponsor: Senator Sharp
 Requestor: CRA, ~~Revenue~~ 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.

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 Approved by Commissioner: Wilson L. Condon
 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?