

SB

311

SFIN

FILE

SB 311

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

Alaska State Legislature

SENATOR
GENE THERRIALT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-4271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District 0

Senate Bill 311: **“An act relating to the public school trust fund, the Alaska children’s trust, and the Alaska heritage endowment fund; and providing for an effective date.”**

Sponsor: **Senator Gene Therriault**

Sponsor Statement

Senate Bill 311 is designed to give greater flexibility to the Commissioner of Revenue in investing the principle of the Public Schools Trust Fund, the Alaska Children’s Trust and the Alaska Heritage Endowment Fund.

When these funds were created, the statutes were written so that the money appropriated from the accounts could only come from the *Net Income Account* of the funds. This forced the Commissioner of Revenue to invest the money in low yield bonds and CD’s that would return guaranteed dividends as net income. The current language creates no incentive for the Commissioner to invest in high yield equities because the increase in value of the equity is considered an increase in principle rather than net income.

Senate Bill 311 will allow appropriations from the funds to be based on the market value rather than net income. This change in statute will direct the Commissioner of Revenue to manage the funds as endowments and allow investments in higher yielding securities. The commissioner would be directed to invest the assets in a manner to yield at least a 5% real rate of return over time and report to the legislature annually the market value of the fund as well as the amount of money available for appropriation.

Passage of Senate Bill 311 would create a more productive group of funds that would more effectively fund programs throughout the state.

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SECTIONAL ANALYSIS

Senate Bill 311

Section 1. Removes reference to the "net income account" in the Alaska Heritage Endowment Fund and replaces it with "money appropriated from." The net income account is repealed in section 23. This allows money to be appropriated from the fund without being considered "income."

Section 2 and 3. Removes all references to "the net income account" which is repealed in section 23.

Section 4. Removes reference to "the principal of" in the Alaskan children's trust because the fund will no longer be comprised of "principal" and "net income."

Section 5. Removes AS 37.14.170 which describes how the Public Schools Trust Fund was to be invested and managed. New criteria will be outlined in section 7.

Section 6. Removes reference to the "principle" of the fund and adds appropriations and income to what the fund is comprised of.

Section 7. Deletes language that describes the distinction between income and principle of the Public Schools Trust Fund. It also explains that the fund is to be managed as an endowment, which is not to diminish over time and will be expected to yield at least 5% real rate of return over time.

Section 8. Adds language to state that revenues deposited into this fund are not dedicated.

Section 9. Deletes reference to principle and interest of the fund.

Section 10. Removes statute that explains how the net income of the Public School Trust was to be spent and inserts the language stating how the fund is to be managed. After

July 1st the Commissioner of Revenue will report the month-end market value of the fund and the three previous fiscal years and identify 5% of the amount for appropriation by the legislature.

Section 11. Repeals language that distinguishes between income and principle of the account and replaces it with language describing the duties of the commissioner.

Section 12. Removing language that refers to the principle of the fund and adds language that the trust also consists of "income earned on investment of trust assets."

Section 13. Inserts language stating that the fund will be managed as an endowment and the purchasing power will not diminish over time. The fund is to be invested in a manner likely to yield at least a 5% real rate of return. Also inserts language that nothing in this section creates a dedicated fund.

Section 14. Repeals language that distinguishes between income and principle of the account and replaces it with language re-stating the duties of the commissioner.

Section 15. Removes language relating to "net income" and replaces it with "money appropriated from." Also removes the words "programs and" from the statement "programs and projects" by request of the fund to more narrowly designate what they are attempting to fund.

Section 16. Removes statute that explains how the net income of the Alaska Childrens Trust was to be spent and inserts the language stating how the fund is to be managed.

Section 17. Removes language referring to "net income" when referring to grants and changes it to "money appropriated from." Removes language referring to "programs," in the statements "programs and projects." Adds language to specify who can receive appropriated grants and how they are to be used.

Section 18. Removes the word "programs" from "programs and projects to clarify the intent of the grants.

Section 19. Removes language distinguishing the difference between the principle and the income of the Alaska Heritage Endowment Fund.

Section 20. Inserts subsection stating that the fund will be managed as an endowment and the purchasing power will not diminish over time. Also inserts language that nothing in this section creates a dedicated fund.

Section 21. Repeals language that distinguishes between income and principle of the account and replaces it with language re-outlining the duties of the commissioner.

Section 22. Removes statute that explains how the net income of the Alaska Heritage Endowment Fund was to be spent and inserts the language stating how the fund is to be

managed. After July 1st the Commissioner of Revenue will report the month-end market value of the fund and the three previous fiscal years and identify 5% of the amount for appropriation by the legislature.

Section 23. Removes language that separates these funds into "net income" and "principle".

Section 24. Adds language to the uncodified law of the State of Alaska to describe the transition from the old system of managing the Alaska Heritage Endowment Fund. This includes seeking consent from contributors to the fund.

Section 25. Removes language referring to "net income" and replaces it with "appropriations from."

Section 26. States the effective date is immediate.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 27, 2002

SUBJECT: Certain public funds; sectional summary (SB 311)

TO: Senator Gene Therriault
Attn: Zach Warwick

FROM: Tamara Brandt Cook *TBC*
Director

This bill basically eliminates the distinction between income and principal in three public funds: the Alaska heritage endowment fund, the Alaska children's trust, and the public school trust fund. It switches from a system under which income was used from each fund to a formula under which five percent of an averaged market value of the fund is the basis for determining the level of appropriations from the fund each year.

Sec. 1. Deletes reference to the net income account and simply authorizes use of money appropriated from the Alaska heritage endowment fund. The net income account is repealed in bill sec. 23.

Secs. 2 and 3. Conforming changes to delete reference to the net income account.

Sec. 4. Eliminates a reference to "the principal of" in connection with the Alaska children's trust.

Sec. 5. Eliminates a reference to AS 37.14.170, repealed in bill sec. 23, which establishes criteria for the investment and management of the public school trust fund. A new statement of management criteria is added in bill sec. 7.

Sec. 6. Eliminates the distinction between principal and income of the public school trust fund. Adds to list of sources of fund assets appropriations to the fund and income earned on fund assets.

Sec. 7. See explanation, sec. 5.

Sec. 8. Adds a provision that, except for amounts dedicated under federal law, amounts deposited into the public school trust fund are not dedicated.

Sec. 9. Conforming change to delete reference to "principal and interest" with respect to the public school trust fund.

Sec. 10. Establishes formula under which the amount to be used from the public school trust fund is five percent of an averaged market value of the fund.

Sec. 11. Changes provisions dealing with management of the public school trust fund.

Sec. 12. Conforming change to eliminate distinction between principal and income with respect to the Alaska children's trust.

Sec. 13. Adds provisions relating to management of the trust as an endowment and providing that the trust is not dedicated.

Secs. 14 and 15. Changes provisions relating to management of the trust.

Sec. 16. Establishes formula under which the amount to be used from the trust each year is five percent of an averaged market value of the trust.

Secs. 17 and 18. Conforming changes and changes to provisions dealing with grants from the trust.

Sec. 19. Eliminates distinction between principal and income for the Alaska heritage endowment fund.

Sec. 20. Adds a new provision dealing with management of the fund as an endowment and providing that the fund is not dedicated.

Sec. 21. Changes provisions dealing with management of the endowment fund.

Sec. 22. Provides for use of five percent of an averaged market value of the endowment fund.

Sec. 23. Repeals provisions dealing with income of the funds dealt with in this bill and a provision dealing with investment of the public school trust fund.

Sec. 24. Requires the commissioner of revenue to get consent from persons who made contributions to the Alaska heritage endowment fund principal to account for those amounts under the provisions of this Act.

Sec. 25. Directs the revisor of statutes to change an article heading.

Sec. 26. Provides for an immediate effective date.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 2/19/02

FURTHER: Finance

Date of 5-Day Notice: 4/14/02
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4/15/02

Health, Education and Social Services Committee considered SENATE BILL NO. 311

SB 311 STATE TRUST FUND MONIES

"An Act relating to the public school trust fund, the Alaska children's trust, and the Alaska heritage endowment fund; and providing for an effective date."

and recommends:

- be replaced with _____ CS SB 311 (HES)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DOR	4/5/02	✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>George Miller</i>	✓			
<i>Betty Davis</i>	✓			
<i>Alan A. Hansen</i>	✓		✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>				
CHAIR: <i>[Signature]</i>			✓	

NAME: Neil Slotnick / John Jenks Subject/Bill No: 311

Co./Dept./Title: Dept of Revenue Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

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Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

SITE: FAIRBANKS LIO

SUBJECT OF MEETING:

COMMITTEE: SFIN

DATE: 5/1/2002

UPDATE # 1



PLEASE SIGN IN

PRINT YOUR NAME	DO YOU WANT ADDRESS (MAILING & ZIP)	REPRESENTING	TO TESTIFY? Y or N
✓ Carol Brice		AK Children's Trust	Y SB 311
✓ Marilyn Eggleston		RCPC	Y SB 311
✓ Coleen Turner		RCPC	Y SB 311

