

SB

311

COMMITTEE: SENATE HESS

SUBJECT: SB 311-STATE TRUST FUND MONIES

DATE: APRIL 8, 2002



PLEASE SIGN IN

NAME PLEASE PRINT	ADDRESS (MAILING & ZIP)	E-MAIL	REPRESENTING (No Acronyms)	TESTIFY Y/N
Neil Slotnick	P.O. 110400 Jno	Neil-Slotnick@ revenue.state.ak.us	Revenue	Y
John Jenks			.	Y
Zach Warwick			Sen Ther...	Y
Avery Paul		Prog. Coord. - AK Children's Trust		-

*Don Gamm
DOR*

Alaska State Legislature

SENATOR
GENE THERRIAULT

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

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
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Senate District Q

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.



*Working in
partnership with
communities to
prevent child
abuse and
neglect.*

Memorandum

To: Senator Green, Chair, Senate HESS Committee
From: Carol Brice, Chair, Alaska Children's Trust
Date: March 27, 2002
Re: Request to schedule SB 311

Dear Senator Green,

The board of the Alaska Children's Trust would like to request a hearing of Senate Bill 311, "An Act relating to the public school trust fund, the Alaska children's trust, and the Alaska heritage endowment fund."

Due to the volatility of the stock market, the passage of this bill will allow the Department of Revenue to adjust each funds portfolio in order to optimize its investment structure. This will allow each fund to receive a less volatile payout, and in turn experience somewhat better growth.

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.

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 311
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title State Trust Fund Monies BRU Revenue Operations
 Component Treasury
 Sponsor Senator Therriault
 Requester Senate HESS Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
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 EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0	10.0	10.0	10.0	10.0	10.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
1066 Public School Trust	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
1098 Children's Trust	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Treasury Division currently allocates \$5,000 in custodial fees per account per year to each fund that it manages. The Public School and Children's Trust each have to maintain two accounts at the custodial bank because their statutes require that we keep the principal and income separate. Therefore, they are each allocated \$10,000 (\$5,000 per account) of the total custody fee that the division pays. By merging these two accounts (principal and income) under this legislation for these two funds, our overall custody fees will not be reduced. The custodial bank contract is a flat fee, regardless of the number of accounts. Because the new allocation to each of the endowments would be only \$5,000 (instead of \$10,000 under the existing system), the General Fund would be charged the unallocated portion of the custody fees. The reduction in fees paid by the two trusts in this legislation would result in an increase in fees charged to the General Fund.

Prepared by: Betty Martin, Comptroller
 Division: Treasury
 Approved by: Larry Persily, Deputy Commissioner
 Agency: Department of Revenue

Phone 907-465-2352
 Date/Time 4/5/02 3:25 PM
 Date 4/5/2002

22-LS1481\C
Cook
4/11/02

CS FOR SENATE BILL NO. 311()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR THERRIAULT

A BILL
FOR AN ACT ENTITLED

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

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

4 * Section 1. AS 14.57.100 is amended to read:

5 Sec. 14.57.100. Acquisitions. Subject to appropriation by the legislature
6 under AS 37.14.530, the director may use money appropriated from [THE
7 BALANCE OF THE NET INCOME ACCOUNT OF] the Alaska heritage endowment
8 fund to acquire culturally or historically significant artifacts, natural history
9 specimens, art objects, collections, and other items, materials, or properties that
10 represent and document Alaska's land, natural history, and people for

11 (1) the Alaska State Museum; and

12 (2) the Sheldon Jackson Museum.

13 * Sec. 2. AS 14.57.120 is amended to read:

14 Sec. 14.57.120. Criteria applicable to acquisitions from the fund. Subject

1 to approval given by the Museum Collections Advisory Committee under
2 AS 14.57.050(b), the director may

3 (1) establish by contract the terms and conditions of custody,
4 protection, conservation, and exhibition of an item acquired by the state museum if the
5 item is acquired and custody of it is assigned to another institution;

6 (2) transfer ownership of an item to an institution having custody of an
7 item acquired from [THE NET INCOME ACCOUNT OF] the fund if the director is
8 satisfied that the institution will provide necessary care and protection of the item; or

9 (3) assign long-term custody of an item to an institution having
10 custody of an item acquired from [THE NET INCOME ACCOUNT OF] the fund if
11 the director is satisfied that the institution to which custody of the item is transferred
12 will provide necessary care and protection of the item in accordance with a contract
13 entered into under (1) of this section.

14 * Sec. 3. AS 14.57.130 is amended to read:

15 Sec. 14.57.130. Disposition of acquired items. Subject to approval of the
16 Museum Collections Advisory Committee under AS 14.57.050(b), the director may
17 establish a deaccession policy under which the director may exchange or otherwise
18 convey title to an item acquired from [THE NET INCOME ACCOUNT OF] the fund
19 in accordance with generally accepted principles governing the disposal of these
20 items.

21 * Sec. 4. AS 28.10.421(d)(14) is amended to read:

22 (14) special request Alaska children's trust plates.....\$100
23 plus the fee required for that vehicle under (b)(1) or (2) of this section; the fee required
24 by this paragraph shall be collected only on the first issuance and the replacement of
25 special request plates; the commissioner of administration shall separately account for
26 the fees received under this paragraph that the department deposits in the general fund;
27 notwithstanding (g) of this section, the annual estimated balance in the account that is
28 in excess of the cost of issuing special request plates may be appropriated by the
29 legislature into [THE PRINCIPAL OF] the Alaska children's trust under
30 AS 37.14.200.

31 * Sec. 5. 37.10.071(d) is amended to read:

1 (d) In exercising investment, custodial, or depository powers or duties under
2 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
3 that is assigned or delegated under this section, or under AS 14.25.180, AS 14.40.255,
4 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, [37.14.170,]
5 or AS 39.35.080. However, the fiduciary or the designee is not liable for a breach of a
6 duty that has been delegated to another person if the delegation is prudent under the
7 applicable standard of prudence set out in statute or if the duty is assigned by law to
8 another person, except to the extent that the fiduciary or designee

9 (1) knowingly participates in, or knowingly undertakes to conceal, an
10 act or omission of another person knowing that the act or omission is a breach of that
11 person's duties under this chapter;

12 (2) by failure to comply with this section in the administration of
13 specific responsibilities, enables another person to commit a breach of duty; or

14 (3) has knowledge of a breach of duty by another person, unless the
15 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
16 breach.

17 * Sec. 6. AS 37.14.110(b) is amended to read:

18 (b) The [PRINCIPAL OF THE] fund established in (a) of this section consists
19 of

20 (1) the balance of the public school permanent fund on July 1, 1978;

21 [AND]

22 (2) sums transferred under AS 37.14.150;

23 (3) appropriations to the fund; and

24 (4) income earned on investments of fund assets.

25 * Sec. 7. AS 37.14.110(c) is repealed and reenacted to read:

26 (c) The commissioner of revenue shall manage the fund as an endowment,
27 with the goal that the purchasing power of the fund will not diminish over time
28 without regard to additional contributions that may be made to the fund. The
29 commissioner shall invest the assets of the fund in a manner likely to yield at least a
30 five percent real rate of return over time.

31 * Sec. 8. AS 37.14.110 is amended by adding a new subsection to read:

CS FOR SENATE BILL NO. 311()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR THERRIAULT

A BILL

FOR AN ACT ENTITLED

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2 Alaska heritage endowment fund; and providing for an effective date."

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6 under AS 37.14.530, the director may use money appropriated from [THE
7 BALANCE OF THE NET INCOME ACCOUNT OF] the Alaska heritage endowment
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10 represent and document Alaska's land, natural history, and people for

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3 (1) establish by contract the terms and conditions of custody,
4 protection, conservation, and exhibition of an item acquired by the state museum if the
5 item is acquired and custody of it is assigned to another institution;

6 (2) transfer ownership of an item to an institution having custody of an
7 item acquired from [THE NET INCOME ACCOUNT OF] the fund if the director is
8 satisfied that the institution will provide necessary care and protection of the item; or

9 (3) assign long-term custody of an item to an institution having
10 custody of an item acquired from [THE NET INCOME ACCOUNT OF] the fund if
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12 will provide necessary care and protection of the item in accordance with a contract
13 entered into under (1) of this section.

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15 Sec. 14.57.130. Disposition of acquired items. Subject to approval of the
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17 establish a deaccession policy under which the director may exchange or otherwise
18 convey title to an item acquired from [THE NET INCOME ACCOUNT OF] the fund
19 in accordance with generally accepted principles governing the disposal of these
20 items.

21 * Sec. 4. AS 28.10.421(d)(14) is amended to read:

22 (14) special request Alaska children's trust plates.....\$100
23 plus the fee required for that vehicle under (b)(1) or (2) of this section; the fee required
24 by this paragraph shall be collected only on the first issuance and the replacement of
25 special request plates; the commissioner of administration shall separately account for
26 the fees received under this paragraph that the department deposits in the general fund;
27 notwithstanding (g) of this section, the annual estimated balance in the account that is
28 in excess of the cost of issuing special request plates may be appropriated by the
29 legislature into [THE PRINCIPAL OF] the Alaska children's trust under
30 AS 37.14.200.

31 * Sec. 5. 37.10.071(d) is amended to read:

1 (d) In exercising investment, custodial, or depository powers or duties under
2 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
3 that is assigned or delegated under this section, or under AS 14.25.180, AS 14.40.255,
4 14.40.280(c), 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, [37.14.170,]
5 or AS 39.35.080. However, the fiduciary or the designee is not liable for a breach of a
6 duty that has been delegated to another person if the delegation is prudent under the
7 applicable standard of prudence set out in statute or if the duty is assigned by law to
8 another person, except to the extent that the fiduciary or designee

9 (1) knowingly participates in, or knowingly undertakes to conceal, an
10 act or omission of another person knowing that the act or omission is a breach of that
11 person's duties under this chapter;

12 (2) by failure to comply with this section in the administration of
13 specific responsibilities, enables another person to commit a breach of duty; or

14 (3) has knowledge of a breach of duty by another person, unless the
15 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
16 breach.

17 * Sec. 6. AS 37.14.110(b) is amended to read:

18 (b) The [PRINCIPAL OF THE] fund established in (a) of this section consists
19 of

20 (1) the balance of the public school permanent fund on July 1, 1978;

21 [AND]

22 (2) sums transferred under AS 37.14.150;

23 (3) appropriations to the fund; and

24 (4) income earned on investments of fund assets.

25 * Sec. 7. AS 37.14.110(c) is repealed and reenacted to read:

26 (c) The commissioner of revenue shall manage the fund as an endowment,
27 with the goal that the purchasing power of the fund will not diminish over time
28 without regard to additional contributions that may be made to the fund. The
29 commissioner shall invest the assets of the fund in a manner likely to yield at least a
30 five percent real rate of return over time.

31 * Sec. 8. AS 37.14.110 is amended by adding a new subsection to read:

1 (d) Except for amounts deposited as a continuance of the dedication for the
2 support of public schools existing on April 24, 1956, relating to the Act of March 4,
3 1915, 38 Stat. 1214, nothing in this section creates a dedicated fund with respect to
4 amounts deposited in the fund.

5 * Sec. 9. AS 37.14.130 is amended to read:

6 **Sec. 37.14.130. Powers and duties of board.** The board created in
7 AS 37.14.120 has the following powers and duties:

8 (1) to hold regular meetings and special meetings considered
9 necessary; and

10 (2) to have prepared an annual accounting of [THE PRINCIPAL AND
11 INCOME OF] the fund established in AS 37.14.110 [; AND

12 (3) REPEALED].

13 * Sec. 10. AS 37.14.140 is repealed and reenacted to read:

14 **Sec. 37.14.140. Use of fund.** As soon as practicable after July 1 of each year,
15 the commissioner of revenue shall determine the average month-end market value of
16 the fund for the immediately preceding three fiscal years. The commissioner shall
17 identify five percent of that amount as available for appropriation by the legislature for
18 support of the state public school program and for reimbursement of the administrative
19 costs of the fund.

20 * Sec. 11. AS 37.14.160 is repealed and reenacted to read:

21 **Sec. 37.14.160. Powers and duties of the commissioner of revenue.** In
22 carrying out the investment duties under AS 37.14.110 - 37.14.170, the commissioner
23 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall
24 provide reports to the board established in AS 37.14.120 on the condition and
25 investment performance of the fund.

26 * Sec. 12. AS 37.14.200(b) is amended to read:

27 (b) The [PRINCIPAL OF THE] trust consists of

28 (1) legislative appropriations to the trust; [AND]

29 (2) gifts, bequests, and contributions of cash or other assets from a
30 person; and

31 (3) income earned on investments of trust assets.

1 * Sec. 13. AS 37.14.200 is amended by adding new subsections to read:

2 (d) The commissioner of revenue shall manage the trust as an endowment,
3 with the goal that the purchasing power of the trust will not diminish over time
4 without regard to additional contributions that may be made to the trust. The
5 commissioner shall invest the assets of the trust in a manner likely to yield at least a
6 five percent real rate of return over time.

7 (e) Nothing in this section creates a dedicated fund.

8 * Sec. 14. AS 37.14.210 is repealed and reenacted to read:

9 **Sec. 37.14.210. Power and duties of the commissioner of revenue.** In
10 carrying out the investment duties under AS 37.14.200 - 37.14.270, the commissioner
11 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall
12 provide reports to the board established in AS 37.14.225 on the condition and
13 investment performance of the trust.

14 * Sec. 15. AS 37.14.230 is amended to read:

15 **Sec. 37.14.230. Powers and duties of the board.** When acting as
16 administrator of the trust, the board shall

17 (1) hold regular and special meetings it considers necessary; the board
18 may hold meetings by teleconference;

19 (2) award grants from money appropriated from [THE NET
20 INCOME OF] the trust to community-based [PROGRAMS AND] projects that the
21 board finds will aid in the prevention of child abuse and neglect;

22 (3) monitor approved [PROGRAMS AND] projects for compliance
23 with AS 37.14.200 - 37.14.270;

24 (4) before providing assistance to a [PROGRAM OR] project, approve
25 written findings on the [PROGRAM OR] project that include a consideration of the
26 means of measuring the effectiveness of the [PROGRAM OR] project;

27 (5) apply for [,] and use money appropriated from [NET INCOME
28 FROM] the trust to obtain [,] private and federal grants for the prevention of child
29 abuse and neglect;

30 (6) solicit contributions, gifts, and bequests to the trust;

31 (7) keep audio tape or other electronic recordings of each meeting of

1 the board to be made available on request; and

2 (8) submit to the governor and make available to the legislature by
3 February 1 each year a report describing

4 (A) the child abuse and neglect prevention services that were
5 provided by the [PROGRAMS AND] projects to which the board awarded
6 grants; and

7 (B) the annual level of contributions, income, and expenses of
8 the trust.

9 * Sec. 16. AS 37.14.240 is repealed and reenacted to read:

10 **Sec. 37.14.240. Use of the trust.** (a) As soon as practicable after July 1 of
11 each year, the commissioner of revenue shall determine the average month-end market
12 value of the trust for the immediately preceding three fiscal years. The commissioner
13 shall identify five percent of that amount as available for appropriation by the
14 legislature for uses described in (b) of this section.

15 (b) Appropriations of the amount identified under (a) of this section may be
16 used for the following purposes:

- 17 (1) the awarding of grants under AS 37.14.230 and 37.14.250;
18 (2) obtaining private and federal grants for the trust;
19 (3) soliciting contributions, gifts, and bequests for the trust;
20 (4) reimbursement of the commissioner of revenue for the costs of
21 managing the trust.

22 (c) In addition to the amount identified under (a) of this section, up to
23 \$150,000 a year may be appropriated from the trust for the administrative expenses of
24 the board relating to AS 37.14.200 - 37.14.270.

25 * Sec. 17. AS 37.14.250 is amended to read:

26 **Sec. 37.14.250. Grants.** (a) In awarding grants from money appropriated
27 from [THE NET INCOME OF] the trust, the board shall consider the proposals of a
28 qualified applicant only after the applicant has submitted a detailed proposal in the
29 form prescribed by the board. The board may not award a grant unless the board
30 makes written findings that

- 31 (1) the proposed project, if successful, will help prevent child abuse or

1 neglect;

2 (2) the application for financial assistance contains an adequate plan
3 for project implementation, including both financial feasibility and project
4 effectiveness;

5 (3) the applicant demonstrates that sufficient technical expertise is
6 available to accomplish the objectives of the proposed [PROGRAM OR] project; and

7 (4) the applicant has identified costs associated with and ancillary to
8 the project, additional governmental costs, future obligations generated by the
9 [PROGRAM OR] project, and necessary operating, maintenance, or other support
10 costs for the life of the [PROGRAM OR] project.

11 (b) The board may establish, by regulation, other requirements for the award
12 of grants under this section if necessary to carry out the purpose of the trust.

13 (c) The board shall award grants in amounts that

14 (1) are appropriate to the conditions of the applicant and the proposed
15 [PROGRAM OR] project; and

16 (2) will make the most effective use of the money available.

17 (d) Only one grant may be [THE AMOUNT OF ALL GRANTS] awarded
18 by the board to a recipient during a 12-month period, and the grant must be used
19 for [TO] a single project within a municipality, a regional educational attendance
20 area, or an unincorporated community that was entitled to receive state aid
21 under AS 29.60.140 during the preceding fiscal year. A grant [OR PROGRAM]
22 may not exceed \$50,000. The board may not finance more than 75 percent of the total
23 cost of a [PROGRAM OR] project during each of the first two years for which the
24 [PROGRAM OR] project receives a grant, 50 percent of the original total cost of the
25 project during each of the third and fourth years, and 25 percent of the original total
26 cost of the project during each year thereafter.

27 (e) A recipient of a grant may not use more than 10 percent of the grant for
28 administration of the [PROGRAM OR] project.

29 (f) To the extent consistent with its [THE] terms or conditions [OF THE
30 GRANT], a [PRIVATE OR FEDERAL] grant awarded to the board shall be
31 distributed in the same manner as provided for grants under this section and

1 AS 37.14.260.

2 * Sec. 18. AS 37.14.260 is amended to read:

3 Sec. 37.14.260. Eligibility for grants. The board may award a grant to an
4 applicant if

5 (1) the applicant has submitted a proposal that is acceptable to the
6 board; and

7 (2) [PROGRAMS AND] projects, if any, of the applicant that have
8 previously received a grant from the board have complied with all requirements of that
9 assistance and have performed with sufficient success or promise to warrant further
10 financial assistance.

11 * Sec. 19. AS 37.14.500 is amended to read:

12 Sec. 37.14.500. Alaska heritage endowment fund established. The Alaska
13 heritage endowment fund is established as a separate endowment trust fund of the
14 state. The [PRINCIPAL OF THE] fund consists of

15 (1) legislative appropriations to the fund; [AND]

16 (2) gifts, bequests, and contributions of cash or other assets made by a
17 person who has specified their placement in the fund; and

18 (3) income earned on investments of fund assets [PRINCIPAL].

19 * Sec. 20. AS 37.14.500 is amended by adding new subsections to read:

20 (b) The commissioner of revenue shall manage the fund as an endowment,
21 with the goal that the purchasing power of the fund will not diminish over time
22 without regard to additional contributions that may be made to the fund. If
23 practicable, the commissioner shall invest the assets of the fund in a manner likely to
24 yield at least a five percent real rate of return over time.

25 (c) Nothing in this section creates a dedicated fund.

26 * Sec. 21. AS 37.14.520 is repealed and reenacted to read:

27 Sec. 37.14.520. Powers and duties of the commissioner of revenue. In
28 carrying out the investment duties under AS 37.14.500 - 37.14.540, the commissioner
29 of revenue has the powers and duties set out in AS 37.10.071. The commissioner shall
30 provide reports to the Museum Collections Advisory Committee established in
31 AS 14.57.020 on the condition and investment performance of the fund.

1 * Sec. 22. AS 37.14.530 is repealed and reenacted to read:

2 Sec. 37.14.530. Use of fund. (a) As soon as practicable after July 1 of each
3 year, the commissioner of revenue shall determine the average month-end market
4 value of the fund for the immediately preceding three fiscal years. The commissioner
5 shall identify five percent of that amount as available for appropriation by the
6 legislature.

7 (b) Money appropriated from the fund may be used for the following
8 purposes:

9 (1) reimbursement to the commissioner of revenue for the costs of
10 managing the fund;

11 (2) the administrative expenses of the Museum Collection Advisory
12 Committee relating to the acquisitions from the fund;

13 (3) acquisitions authorized by AS 14.57.100 - 14.57.199;

14 (4) reimbursement of other costs of administration of the fund.

15 * Sec. 23. AS 14.57.199(3); AS 37.14.170, 37.14.200(c), and 37.14.510 are repealed.

16 * Sec. 24. The uncodified law of the State of Alaska is amended by adding a new section to
17 read:

18 TRANSITION. (a) On or after the effective date of this Act, the commissioner of
19 revenue shall seek consent from persons who have made gifts, bequests, and contributions of
20 cash or other assets under AS 37.14.500(2), as that statute read on the day before the effective
21 date of this Act, to account for the gifts, bequests, and contributions of cash or other assets as
22 provided for in this Act. If consent is not obtained, the commissioner of revenue shall
23 continue to account for the gift, bequest, or contribution in accordance with sec. 5, ch. 82,
24 SLA 1992.

25 (b) Money in the net income account of the Alaska heritage endowment fund
26 (AS 37.14.510) on the effective date of this Act shall be retained in the Alaska heritage
27 endowment fund (AS 37.14.500).

28 * Sec. 25. The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 REVISOR OF STATUTES INSTRUCTIONS. The revisor of statutes shall change
31 the heading of art. 2, AS 14.57, from "Use of Net Income of Alaska Heritage Endowment

1 Fund" to "Use of Appropriations from Alaska Heritage Endowment Fund."

2 * Sec. 26. This Act takes effect immediately under AS 01.10.070(c).