

**HB**

**44**

<target><bill>HB 44</bill><subject>HB  
44</subject><comm>HFIN26</comm></target>

**HOUSE COMMITTEE REPORT**

(11)

Date Referred to Committee: February 18, 2009

FURTHER REFERRALS:

Date of Committee Action: 4/11/09

The FINANCE Committee considered:

HOUSE BILL NO. 44

"An Act relating to investments applicable to energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects."

**HB 44 ENERGY BONDS/INVESTMENTS**

Recommends it be replaced with  HCS or  CS for HB 44 (FIN)  
 For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

- List of Abbrev for Depts:
- ADM
  - CED
  - COR
  - CRT
  - EED
  - DEC
  - DFG
  - GOV
  - DHS
  - LWF
  - LAW
  - LEG
  - MVA
  - DNR
  - DPS
  - REV
  - DOT
  - UA

NEW FISCAL NOTES				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
REV				✓
REV				✓

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero
REV	1			✓

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
<i>Willie Bill</i>	Thomas			✓	
<i>Henry Crawford</i>	CRAWFORD	✓			
<i>Alan Austerman</i>	AUSTERMAN	X			
<i>Anna L. Fairclough</i>	FAIRCLOUGH			✓	
<i>Samuel Salmon</i>	Salmon			✓	
<i>Paul Joubert</i>	Joubert			X	
Chair: <i>Mark Hamel</i>	Hawken			✱	
Chair: <i>Bill Stone</i>	STONE			X	

# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHB 44(ENE)  
(H) Publish Date: 2/18/09

Identifier (file name): HB44-REV-APFC-02-13-09 Dept. Affected: Revenue  
Title: ENERGY BONDS/INVESTMENTS RDU: AK Permanent Fund Corporation  
Sponsor: Representative Chenault Component: AK Permanent Fund Corporation  
Requester: House Energy Committee Component Number: 109

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>								
-------------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
1105 APFC Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

This bill authorizes (but does not require) the APFC to invest in in-state energy projects. It would not affect the operations of the APFC.

Prepared by: Michael J. Burns  
Division: Alaska Permanent Fund Corporation  
Approved by: \_\_\_\_\_

Phone 907-796-1520  
Date/Time 2/13/09 12:00 AM  
Date \_\_\_\_\_

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: \_\_\_\_\_  
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB44-DOR-AHFC-03-10-09 Dept. Affected: Revenue  
 Title Energy Bonds/Investments RDU Alaska Housing Finance Corp.  
 Component \_\_\_\_\_  
 Sponsor Representative Chenault  
 Requester \_\_\_\_\_ Component Number 110

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>								
-------------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

House Bill 44 would allow the Alaska Housing Finance Corporation the authorization to bond for up to \$100 million for energy efficiency and conservation programs. The Corporation does not anticipate needing to utilize this option in FY10.

If the Corporation were to sell bonds at some point in the future, the estimate of costs would be \$750,000 in closing costs on the bonds and annual debt service with 30 year amortization and a 6.5 percent interest rate of \$7.7 million.

Prepared by: Bryan Butcher, Director, Governmental Relations/Public Affairs  
 Division: Alaska Housing Finance Corporation  
 Approved by: \_\_\_\_\_

Phone 330-8445  
 Date/Time 3/10/09 12:00 AM  
 Date \_\_\_\_\_

# FISCAL NOTE

**STATE OF ALASKA**  
**2009 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: \_\_\_\_\_  
 () Publish Date: \_\_\_\_\_

Identifier (file name): HB44-DOR-GAO-03-11-09  
 Title Energy Bonds/Investments Dept. Affected: Revenue  
 RDU ANGDA  
 Component Gas Authority Operations  
 Sponsor Representative Chenault  
 Requester \_\_\_\_\_ Component Number 2708

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>								
-------------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2009) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

Costs associated with this bond authorization will be covered by project revenues. At this time it is not possible to estimate interest rates or debt service costs. Bonds may be tax exempt or taxable depending on the project.

Prepared by: Ginger Blaisdell, Director  
 Division: Administrative Services Division  
 Approved by: \_\_\_\_\_

Phone 465-2312  
 Date/Time 3/11/09 12:53pm  
 Date \_\_\_\_\_

# Alaska State Legislature

State Capitol, Room 208  
Juneau, Alaska 99801-1182  
Phone: 907-465-3779  
Fax: 907-465-2833  
Toll Free: 800-469-3779



145 Main St. Loop  
Second Floor  
Kenai, Alaska 99611  
Phone: 907-283-7223  
Fax: 907-283-7184

## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

### SPONSOR STATEMENT

#### COMMITTEE SUBSTITUTE for HOUSE BILL 44 (ENE )

**“An Act relating to investments applicable to energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects.”**

House Bill 44 preauthorizes the Alaska Housing Finance Corporation and the Alaska Natural Gas Development Authority to issue bonds for energy related programs and projects. The bill also gives Legislative approval for the Permanent Fund Corporation to invest up to \$1 billion for in-state energy projects.

This bill was introduced as an effort to address the state’s energy needs; especially for weatherization and energy efficiency programs and to provide an impetus for an in-state gasline.

Although the Legislature has authorized a number of these projects either through the Alaska Housing Finance Corporation and has made appropriations to the Alaska Natural Gas Development Authority, I believe it is now time to progress these needs to a higher level. In particular, the state’s gas needs will not wait until a TransCanada or Denali project is completed around 2020. The Fairbanks, Mat-Su and Cook Inlet areas will all require gas or affordable energy within the next five years. Processing of the liquids from our natural gas supply will also help our rural areas by relieving them from the high cost of diesel. I would prefer that a private entity build a spur line or bullet line. This legislation may provide the impetus for any private corporation to work with ANGDA in constructing a in-state gasline.

The authorization for the Permanent Fund to invest in any of the in-state energy projects is suggestive at the most. The corporation already has the authority under AS 37.13.120 to invest in income producing projects as long as the prudent-investor rule is applied.

# Alaska State Legislature

State Capitol, Room 208  
Juneau, Alaska 99801-1182  
Phone: 907-465-3779  
Fax: 907-465-2833  
Toll Free: 800-469-3779



145 Main St. Loop  
Second Floor  
Kenai, Alaska 99611  
Phone: 907-283-7223  
Fax: 907-283-7184

## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

### SECTIONAL ANALYSIS

#### COMMITTEE SUBSTITUTE for HOUSE BILL 44 (ENE )

**“An Act relating to investments applicable in energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects.”**

**Section 1:** Amends AS 18.56.08(c), Compliance with Executive Budget Act; corporation finances; dividend. Adds section 3 of the committee substitute to the subsection that lists previous issuance of bonds. Bond repayments are deducted from dividends that are provided to the state.

**Section 2:** Adds a new subsection to AS 37.13.120, Investment responsibilities. States that the Permanent Fund Corporation board may invest up to \$1 billion in in-state energy projects.

**Section 3:** New section to uncodified law. Gives pre-authorization to the Alaska Housing Finance Corporation to issue up to \$100 million in bonds for energy efficiency and conservation programs for home owners.

**Section 4:** New section to uncodified law. Gives pre-authorization to the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds in order to acquire a gas supply, develop the Cook Inlet and Fairbanks markets, and plan, permit and design gas transmission systems to mitigate gas shortfalls and ensure energy sufficiency for Alaskans.

Alaska State Legislature  
HOUSE FINANCE COMMITTEE  
Agenda  
8:30 AM

Thursday, March 12, 2009

HB 44 – ENERGY BONDS/INVESTMENTS  
**2 New Fiscal Notes: Rev(AHFC), Rev(ANGDA)**

✓ Tom Wright, Staff, Rep. Chenault

Teleconference

✓ Harold C. Heinze, Chief Executive Officer, Alaska Natural Gas Authority  
(ANGDA)

**Questions:**

✓ Jerry Burnett, Deputy Commissioner, Division of Treasury, of Revenue

**Questions Via Teleconference**

✓ Brian Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation  
~~Scott Heyworth, Alaska Natural Gas Development Authority~~

*Laura Achee, C.D., PFD.*

# 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

April 2, 2009

**SUBJECT:** Improper delegation in amendment to CSHB 44(ENE)  
(Work Order No. 26-LS0231\E.3)

**TO:** Representative Mike Chenault  
Speaker of the House  
Attn: Tom Wright

**FROM:** Brian J. Kane *BJK*  
Legislative Counsel

I have drafted an amendment to CSHB 44(ENE) as you requested, but there is one point I must call to your attention.

The amendment requires that, for bonds to be issued by the Alaska Natural Gas Development Authority, the Legislative Budget and Audit Committee must give written approval. The statutory section regarding bond authorization for the Authority - AS 41.41.320(a) - states that the "authority may not issue bonds in an amount that exceeds the amount of bonds authorized to be issued by the legislature." Hence, the power to authorize the bonds rests with the legislature, and it is likely that anything that overrides this power of the legislature is an improper delegation.

This amendment allows a scenario where the legislature could authorize bonds by passing the Act, but then the committee could choose to withhold approval and the authorization would not occur. Under this scenario, the power to authorize the bonds is essentially being defeated by a smaller number of legislators.

AS 41.41.320(a) requires the authorization to come from the legislature, so allowing the committee to veto that authorization is likely an improper delegation of the legislature's power.

BJK:ljw  
09-208.ljw

Enclosure

## **ANGDA Supports HB 44**

- Advances broadly and simultaneously several aspects of in-state gas issues
- Strongly demonstrates Legislative support for multiple proposed solutions to in-state gas and energy problems
- Delegates specific project funding decision to fiduciary responsible boards of public corporations
- Board decisions are made in full public view after due diligence
- Funding decision based on commercial and market elements, not politics
- Advances Alaska energy infra-structure construction during a low oil price period by using limited general fund cash (separately appropriated) to develop bonding packages for much larger leveraged project investment requirements
- Extends the State's very strong credit position to consumers through lower utility financing costs

## **HB 44 Provides A Flexible Framework To Repeat Past Successes In Financing Energy Projects**

- State Bonding Of Bradley Lake Hydro Electric Project
- Anchorage Municipal Light & Power's Purchase Of A One-Third Interest In The Beluga Gas Field

# Alaska Natural Gas Development Authority

## Statutory Bonding Provisions

### AS 41.41.200 Powers of the Authority

In the furtherance of its corporate purposes, in addition to its other powers, the authority may . . . . .

(7) **issue bonds** and otherwise incur indebtedness in accordance with AS 41.41.300 – 41.41.410 in order to pay the cost of a project;

### AS 41.41.320 Limitations of issuance of bonds

(a) The authority may not issue bonds in an amount that exceeds the amount of bonds **authorized** to be issued **by the legislature**.

### AS 41.41.010 Establishment of the Authority

. . . . the **purpose** of which is to provide one or more of the following services and functions in order to bring natural gas from the North Slope to market, including

- (1) the acquisition and conditioning of North Slope natural gas;
- (2) the design and construction of the pipeline system;
- (3) the operation and maintenance of the pipeline system;
- (4) the design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
- (5) the acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

## Potential General Benefits From ANGDA Bonding

- Provide financing from the public side of a public private partnership -- **lower tariff** passed through to the consumer
- Bridge the project financing between the pre-construction / construction phase and the later stabilized operating phase -- **risk reduction** and lower financing costs
- Convert the longer-term pledge of monthly utility(s) consumer payments to a bond cash-equivalent for an up-front commitment or purchase -- long-term **stable discounted price** to consumer

## Specific ANGDA Bonding Opportunities in 2009 & 2010

- Debt portion of any in-state gas pipeline project in support of a private sector pipeline company partner
- Utility shipping commitments during an “open season” developed through the “gas supply co-op”
- Purchase of gas supply “in-ground” on North Slope, Copper River Valley, Interior, or Cook Inlet

## Other Current “In-State” Gas Bonding Opportunities

- Portions of ANGDA's proposed North Slope wholesale propane facility and propane transporters could use AIDEA financing (ie, in-state manufacture and purchase of ISO-container propane tanks)
- Fairbanks Natural Gas proposed LNG facility at Prudhoe Bay and associated trucking & delivery elements could use AIDEA financing
- Pipe and logistical systems (including pipe handling, preparation, and storage) for Alaska pipelines could be financed with Alaska Railroad bonds
- The Alaska Permanent Fund could be one of several subscribers purchasing bonds or debt for any of the Alaska energy projects

**Sec. 18.56.089. Compliance with Executive Budget Act; corporation finances; dividend.**

(a) The provisions of AS 37.07 (Executive Budget Act)

(1) apply to

(A) the operating budget of the corporation;

(B) amounts payable from corporate earnings or assets of the corporation for grants or grant programs authorized by this chapter;

(C) interest rate subsidies and building subsidies as determined by the corporation;

(D) the amount and source or sources of the total annual appropriation for the corporation's loan programs for which a subsidy is not provided, but the provisions of AS 37.07 are not otherwise applicable to that appropriation;

(E) the amount and source or sources of the total annual appropriation for the corporation's multi-family housing loans and the corporation's housing programs and housing projects if a subsidy is provided from the corporation's arbitrage earnings for the loans, programs, or projects, but the provisions of AS 37.07 are not otherwise applicable to that appropriation; and

(F) except as otherwise specifically provided in (2) of this subsection, the activities of the corporation under AS 18.55 and the activities of the corporation under this chapter;

(2) do not apply to activities of the corporation under AS 18.55 and this chapter that

(A) relate to the corporation's borrowing of money as provided in this chapter to make or purchase mortgage loans, including the issuing of its obligations or evidence of that borrowing and the repayment of the debt obligation;

(B) relate to the corporation's ability to refinance existing mortgage loans in order to achieve a lower interest rate; or

(C) are directly attributable to the servicing of mortgage loans, including real estate acquired by the corporation as a result of foreclosure.

(b) To further ensure effective budgetary decision making by the legislature, the corporation shall

(1) annually review the corporation's assets, including the assets of the Alaska housing finance revolving fund under AS 18.56.082, to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as defined in AS 18.55 and this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without

(A) breaching any agreement entered into by the corporation;

(B) materially impairing the operations or financial integrity of the corporation; or

(C) materially affecting the ability of the corporation to

(i) stabilize the market price of and demand for residential housing; and

(ii) ensure an adequate long-term supply of residential housing for persons of lower and moderate income;

(2) specifically identify in the corporation's assets the amounts that the corporation believes are necessary to meet the requirements of (1)(C) of this subsection; and

(3) present to the legislature by January 10 of each year a complete accounting of all assets of the corporation, including assets of the Alaska housing finance revolving fund under AS 18.56.082, and a report of the review and determination made under (1) and (2) of this subsection; the accounting shall be audited by an independent outside auditor and must include a full description of all mortgage loan interest and principal repayments and program receipts, including

(A) mortgage loan commitment fees received by or accrued to the corporation during the preceding fiscal year; and

(B) all income earned on assets of the corporation during that period, including earnings on assets of the state assisted mortgage fund.

(c) The corporation shall make a dividend available to the state each fiscal year. The corporation shall pay the dividend for a current fiscal year to the state before the end of that fiscal year. The legislature may appropriate the dividend for capital projects. The corporation shall notify the commissioner of revenue of the amount of each dividend under this subsection for inclusion in the state operating budget and shall also notify the commissioner when each dividend is available for payment to the state. The amount of the dividend for a current fiscal year is calculated as follows:

(1) the lesser of \$103,000,000 or 75 percent of the adjusted change in net assets of the corporation for the base fiscal year;

(2) minus the amount of money from the corporation used during that current fiscal year for bond repayment and other costs related to the bonds issued under

(A) ch. 26, SLA 1996, up to a maximum of \$1,000,000;

(B) sec. 10(b), ch. 130, SLA 2000;

(C) sec. 1, ch. 1, SSSLA 2002;

(D) sec. 4, ch. 120, SLA 2004; and

(3) minus any appropriation of unrestricted unencumbered money of the corporation during the current fiscal year, other than an appropriation for the corporation's operating budget.

(d) In (c) of this section,

(1) "adjusted change in net assets" means the change in net assets from the base fiscal year, adjusted for capital expenditures incurred during the base fiscal year;

(2) "base fiscal year" means the fiscal year ending two years before the end of the current fiscal year in which the dividend is made available to the state;

(3) "dividend" means a payment made to the state under (c) of this section.

#### History -

(Sec. 20 ch 106 SLA 1980; am Sec. 3 ch 102 SLA 1983; am Sec. 1 ch 12 SLA 1991; am Sec. 89 - 91 ch 4 FSSLA 1992; am Sec. 1 ch 88 SLA 1995; am Sec. 1 ch 76 SLA 2003; am Sec. 2 ch 120 SLA 2004; am Sec. 2, 3, 5 ch 7 SLA 2006)

#### Revisors Notes -

In (d) of this section, paragraph (1) was enacted as paragraph (4) and renumbered in 2006 to maintain the alphabetical order of the terms defined; at that time, former paragraph (3) was deleted and paragraphs (d)(1) and (2) were renumbered as (d)(2) and (3), respectively.

#### Cross References -

For transitional provisions that apply to the calculation of the dividend payment for fiscal years 2004 - 2008 inclusive, see Sec. 2, ch. 76, SLA 2003, in the 2003

Temporary and Special Acts, as amended by Sec. 3, ch. 120, SLA 2004, in the 2004 Temporary and Special Acts, and by Sec. 4, ch. 7, SLA 2006 in the 2006 Temporary and Special Acts.

For statement of legislative intent applicable to the 2004 amendment of (c) of this section, see Sec. 1, ch. 120, SLA 2004, in the 2004 Temporary and Special Acts.

Amendment Notes -

The 2003 amendment, effective July 1, 2003, added subsections (c) and (d).

The 2004 amendment, effective June 30, 2004, added paragraph (c)(2)(D).

The 2006 amendment, effective July 1, 2006, substituted "adjusted change in net assets" for "net income" in paragraph (1) of subsection (c), and, in subsection (d), deleted former paragraph (3), which defined "net income" and added paragraph (4) [now (1)].

History Reports -

For governor's transmittal letter for ch. 120, SLA 2004 (SB 279), amending (c) of this section and providing for issuance of Alaska Housing Finance Corporation revenue bonds to finance water and sewer projects, see 2004 Senate Journal 1995 - 1996.

For governor's transmittal letter for ch. 7, SLA 2006 (SB 236), relating to the Alaska Housing Finance Corporation and the determination of its dividend, see 2006 Senate Journal 1900 - 1901.

**Sec. 37.13.120. Investment responsibilities.**

(a) The board shall adopt regulations specifically designating the types of income-producing investments eligible for investment of fund assets. When adopting regulations authorized by this section or managing and investing fund assets, the prudent-investor rule shall be applied by the corporation. The prudent-investor rule as applied to investment activity of the fund means that the corporation shall exercise the judgment and care under the circumstances then prevailing that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the designation and management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering preservation of the purchasing power of the fund over time while maximizing the expected total return from both income and the appreciation of capital.

(b) The corporation may not borrow money or guarantee from principal of the fund the obligations of others, except as provided in this subsection. With respect to investments of the fund, the corporation may, either directly or through an entity in which the investment is made, borrow money if the borrowing is nonrecourse to the corporation and the fund.

(c) The board shall maintain a reasonable diversification among investments unless, under the circumstances, it is clearly prudent not to do so. The board shall invest the assets of the fund in in-state investments to the extent that in-state investments are available and if the in-state investments

(1) have a risk level and expected return comparable to alternate investment opportunities; and

(2) are eligible for investment of fund assets under (a) of this section.

(d) The corporation may enter into and enforce all contracts necessary, convenient, or desirable for managing the fund's assets and corporate operations, including contracts for future delivery to implement asset allocation strategies or to hedge an existing equivalent ownership position in an investment.

(e) Before adoption of a regulation under (a) of this section, the regulation, in electronic format, shall be provided to the Legislative Budget and Audit Committee for review and comment. The board shall submit investment reports to the committee at least quarterly.

History -

(Sec. 5 ch 18 SLA 1980; am Sec. 5 - 7 ch 81 SLA 1982; am Sec. 1 ch 83 SLA 1986; am Sec. 1 - 6 ch 4 SLA 1989; am Sec. 8 - 17 ch 134 SLA 1992; am Sec. 1 ch 56 SLA 1994; am Sec. 1 - 4 ch 104 SLA 1996; am Sec. 1 - 7 ch 60 SLA 1999; am Sec. 1, 2 ch 74 SLA 2004; am Sec. 1 ch 46 SLA 2005)

Amendment Notes -

The 2004 amendment, effective June 17, 2004, in subsection (e), deleted "real property" before "investments" and, in subsection (k), added the reference to "(h), and (j)" and substituted "10" for "five."

The 2005 amendment, effective January 1, 2006, rewrote this section.

History Reports -

For Senate letter of intent related to the 1989 amendments to this section by ch. 4, SLA 1989 (CSHB 69(SA)), see 1989 Senate Journal 621.