

LEG. FINANCE - BILLS 1977 - 1978 745

HB 588 cont., thru CSHB 596

the moratorium provided for in Ch. 113 SLA 1976, and no lease rentals shall be due the purchaser for the period of the moratorium nor during the life of this agreement.

4. Purchaser shall promptly undertake to obtain dismissal of the aforesaid Cause No. 74-15169 I Civil but, if said suit is not dismissed and the leases are subsequently determined to have been invalidly issued, this agreement shall nevertheless continue in force and Purchaser shall pay to Seller the aforesaid purchase price in full in accordance with the terms hereof.

5. Purchaser has no present intent to re-offer for oil and gas lease the area covered by the leases which are the subject of this agreement. However, in the event the purchaser elects to offer such area for oil and gas lease at any time in the future, upon request of seller, purchaser agrees to seek such legal authority as may be necessary from the Legislature to enable it to negotiate with seller for oil and gas leases covering such area on mutually acceptable terms. Even if the necessary authority is granted by the Legislature, if the negotiations do not produce a mutually satisfactory agreement as to lease terms, the purchaser herein, as lessor, shall be free to offer such area for oil and gas lease through competitive bidding, as provided by existing law.

SHELL OIL COMPANY

By: *R.H. Nantz*

STATE OF ALASKA

By: *Charles*

Commissioner  
of Natural Resources



EXHIBIT A

LEASES

<u>Lease No.</u>	<u>Tracts Covered</u>
63089	C28-060
63094	C28-072
63102	C28-080
63103	C28-081
63101	C28-079

Subtotal	\$ 20,139
Less 1977 Appropriation	<u>15,000</u>
	\$ 5,139
d. Interest on bonuses and rent at 8% per annum compounded annually to 1-18-78	\$ 2,799.81 *
Total Appropriation	<u>\$ 7,938.81</u>

\* Interest on bonuses and rent have accrued from the date they were paid. The 1977 appropriation reduces the interest bearing portion of the purchase price by approximately 13/20, which is the fractional representation of the interest bearing costs to the total purchase price. Additional nominal interest will accrue between 1/8/78 and the date of actual payment.

### 3. Simasko Production Company

a. Bonuses	\$ 5,517
b. Lease Rentals	13,152
c. Outside geological expense	1,600
d. Geological and geophysical evaluations	<u>37,821</u>
Subtotal	\$ <u>39,421</u>
e. Interest on bonuses and rent at 8% per annum com- pounded annually to 1-23-78	\$ <u>4,838.40</u> *
Total Appropriation	<u>\$ 44,259.40</u>

\* Interest on bonuses and rent have accrued from the date they were paid.

PURCHASE PRICE BREAKDOWN

1. Shell Oil Company

a. Lease Bonuses	\$5,397,000
b. Lease Rentals	18,000
c. Seismic	249,000
d. Other field work	347,000
e. Geophysical electronic data processing	111,000
f. Wildcat frilling (mobilization costs only, for George Ferris)	779,000
g. Environmental studies, hearings, etc.	184,000
h. Staff analysis	<u>915,000</u>
Subtotal	\$8,000,000
i. Interest on bonuses and rentals at 8% per annum, compounded annually, com- puted to 1-14-78	<u>\$1,940,410.31</u> *
Total Purchase Price	<u>\$9,940,410.31</u> *
Less anticipated credits	<u>\$2,440,410.31</u> *
Amount of Appropriation	<u><u>\$7,500,000.00</u></u>

2. Texas International Petroleum  
Corporation

a. Bonuses	\$ 3,290
b. Lease Rentals	9,608
c. Geological and geophysical evaluation	<u>7,241</u>

\* - These figures are subject to adjustment upon tabulation of recent credits taken by Shell. This information will be provided as soon as it is compiled and verified by Shell. Adjustments in these figures will not, however, affect the size of the appropriation.

Introduced: 1/10/78  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 588

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the  
7 Department of Natural Resources for repurchase of  
8 certain oil and gas leases in Kachemak Bay, pursuant  
9 to ch. 113 SLA 1976; and providing for an effective  
10 date."

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

12 \* Section 1. The sum of \$7,552,198.21 is appropriated from the general  
13 fund to the Department of Natural Resources, for the purpose of repurchas-  
14 ing certain oil and gas leases in Kachemak Bay, from the lessees named  
15 below, under agreements executed pursuant to ch. 113 SLA 1976, for the  
16 fiscal year ending June 30, 1978. This amount is to be apportioned as  
17 follows:

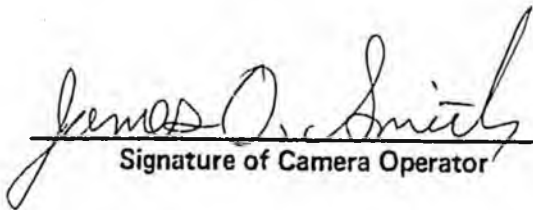
18	Shell Oil Company	\$7,500,000.00
19	Simasko Production Company	44,259.40
20	Texas International Petroleum Corp.	7,938.81

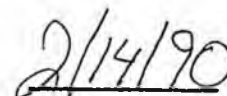
21 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
22 10.070(c).  
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# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

COMMITTEE REPORT  
SENATE

FURTHER: \_\_\_\_\_

3/28/78

Date: APRIL 11, 1978

Mr. President:

The Committee on FINANCE has had HB 588  
supplemental appropriation to the Dept. of Natural Resources for repurchase  
of certain oil and gas leases in Katchemak Bay

under consideration and (a majority of the committee) (the committee  
reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_
- and \_\_\_\_\_  new title               same title
- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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Chairman

10-13-78  
January 10, 1978

The Honorable Hugh Malone  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill appropriating \$7,552,198.21 to the Department of Natural Resources, to implement ch. 113 SLA 1976 (Kachemak Bay). It is similar to the appropriation made in ch. 91 SLA 1977.

The purpose of the appropriation is to fulfill obligations of the State of Alaska under contracts with Shell Oil Company, Simasko Production Company, and Texas International Petroleum Corporation to repurchase all of their leases in Kachemak Bay. Pursuant to ch. 113 SLA 1976, the administration initiated negotiations with these companies and concluded agreements with them in June of 1977. Copies of the contracts are attached along with a breakdown of the purchase prices showing amounts for bonuses, rent, etc. It should be noted that the balance owed under the Shell contract is subject to adjustment upon tabulation of recent credits taken by Shell pursuant to the contract.

Ch. 113 SLA 1976 specifically authorized the commissioner of natural resources to use credits for future taxes and royalties of the lessees as part of the purchase price. The Shell contract takes advantage of roughly \$2.4 million in credits over the next two years. Additionally, the state was able to conclude an agreement with Union Oil Company in the principal amount of \$150,423, which will be entirely paid by future credits, foreclosing entirely the need for an appropriation.

This bill, along with the credit provisions of the contracts, concludes our monetary obligations for all but two of the leases. Two inexpensive leases along the shoreline of the Bay were required to be made subject to a condemnation action, since the state was unable to reach what we considered a fair agreement on these leases. We do not anticipate the judgment awarding compensation to be a significant sum of money.

Sincerely,

S/JSH

Jay S. Hammond  
Governor



Introduced: 1/10/78  
Referred: Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 588

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the  
7 Department of Natural Resources for repurchase of  
8 certain oil and gas leases in Kachemak Bay, pursuant  
9 to ch. 113 SLA 1976; and providing for an effective  
10 date."

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

12 \* Section 1. The sum of \$7,552,198.21 is appropriated from the general  
13 fund to the Department of Natural Resources, for the purpose of repurchas-  
14 ing certain oil and gas leases in Kachemak Bay, from the lessees named  
15 below, under agreements executed pursuant to ch. 113 SLA 1976, for the  
16 fiscal year ending June 30, 1978. This amount is to be apportioned as  
17 follows:

18	Shell Oil Company	\$7,500,000.00
19	Simasko Production Company	44,259.40
20	Texas International Petroleum Corp.	7,938.81

21 \* Sec. 2. This Act takes effect immediately in accordance with AS 01.-  
22 10.070(c).  
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# RECORDS CERTIFICATION



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James O. Smith  
Signature of Camera Operator

2/14/90  
Date

**COMMITTEE REPORT**  
**SENATE**

FURTHER: \_\_\_\_\_  
\_\_\_\_\_

5/11/78

Date: \_\_\_\_\_

Mr. President:

The Committee on FINANCE has had HB 589  
establishing Alaska National Guard Senior ROTC Scholarship Program

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass  
 recommends it do pass with attached amendment(s)  
 recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_  new title                       same title

- AND attaches a Letter of Intent                       New Fiscal Note  
 reports it back without recommendation  
 and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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Chairman

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

3/27/78

Date: 5-10-78

Mr. President:

The Committee on HEALTH, EDUCATION AND SOCIAL SERVICES has had HB 589 establishing Alaska National Guard SENior ROTC Scholarship Program

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it <sup>may</sup> do pass ( ) recommends it do not pass
- ( ) recommends it do pass with attached amendment(s)
- ( ) recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_ ( ) new title ( ) same title

( ) AND attaches a Letter of Intent ( ) New Fiscal Note

reports it back without <sup>INDIVIDUAL</sup> recommendation

( ) and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

Brad Bradley  
[Signature]

OTHER RECOMMENDATIONS:

3-14 - NO REC.

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Sten Hadsorn  
Chairman  
NO PASS

Introduced: 1/10/78  
Referred: Health, Education &  
Social Services and Finance

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska National Guard  
7 Senior ROTC Scholarship Program; and providing for an  
8 effective date."

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

10 \* Section 1. AS 26.05 is amended by adding a new section to read:

11 Sec. 26.05.297. ALASKA NATIONAL GUARD SENIOR ROTC SCHOLARSHIP  
12 PROGRAM. (a) There is established within the Department of Military  
13 Affairs an Alaska National Guard Senior ROTC scholarship program under  
14 which eligible persons will receive a grant equivalent to the current  
15 cost of resident tuition, fees, and books at the University of Alaska  
16 for each eligible semester to the extent funds are available and  
17 subject to the projected officer needs of the Alaska National Guard  
18 and the Alaska Naval Militia.

19 (b) To be eligible for this scholarship, a person must:

20 (1) be enrolled as a full-time student at the University of  
21 Alaska and qualify for resident tuition status;

22 (2) be enrolled and participating in the Senior ROTC  
23 program at the University of Alaska for the qualifying semester;

24 (3) be a satisfactory participating member of the Alaska  
25 National Guard or Alaska Naval Militia;

26 (4) maintain a satisfactory standard of academic achieve-  
27 ment;

28 (5) meet all current federal requirements for appointment  
29 as an officer in the Alaska National Guard; and

COMMITTEE COPY

1 (6) be selected by the adjutant general.

2 (c) Scholarship benefits under this section may be awarded in  
3 addition to any funds expended under AS 26.05.295 or AS 26.05.296.

4 \* Sec. 2. This Act takes effect July 1, 1978.  
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January 10, 1978

The Honorable Hugh Malone  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill establishing the Alaska National Guard Senior ROTC scholarship program. This program would provide a scholarship, covering tuition, fees, and books, to selected members of the Alaska National Guard or Alaska Naval Militia who are enrolled as full-time students at the University of Alaska and participating in the University Senior ROTC program. It would ensure that the projected officer needs of the Alaska National Guard and the Alaska Naval Militia are met.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 589  
 Title Alaska National Guard Senior ROTC Scholarship Program  
 Requested by Department of Military Affairs Date 9 Nov 77

II. FISCAL DETAIL

Agency Affected Department of Military Affairs  
 Program Category Affected Public Protection  
 Budget Request Unit(s) Affected Military Preparedness

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	13,200	22,000	26,400	36,200	36,200	36,200
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND	13,200	22,000	26,400	36,200	36,200	36,200
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Costs computed at \$440/Student/Semester at the University of Alaska to cover a scholarship equal to resident tuition, fees and books.

- FY 79 - 15 individuals estimated enrollment
- FY 80 - 25 individuals estimated enrollment
- FY 81 - 30 individuals estimated enrollment
- FY 82 - 40 individuals estimated enrollment (maximum anticipated)
- FY 83 - 40 individuals estimated enrollment (maximum anticipated)
- FY 84 - 40 individuals estimated enrollment (maximum anticipated)

IV. DATE 09 Nov 77 PREPARED BY R. H. Holmsen, Director, R&R Division  
 AGENCY Department of Military Affairs  
 PHONE 276-3656 (Anchorage)

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Supplement # 1  
page 33 8/10/78

ALASKA STATE LEGISLATURE

77th Legislature Second Session

HOUSE BILL NO. 589

By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

"An Act establishing the Alaska National Guard Senior ROTC Scholarship Program; and providing for an effective date."

Alaska National Guard ROTC schlrshp fund

Introduced in the House ..... 1-10-78

HISTORY IN THE HOUSE

19 78		Read first time and referred to Committee on
Jan. 10		HESS and Finance
Jan 23		Reported back with recommendation that <i>House do pass to Finance</i>
Mar 15		<i>House do pass to Rules</i>
Mar 24		Read second time and <i>order</i>
Mar 24		Read third time and
Mar 24		PASS Effective Date Yeas 37 Yeas Nays 0 Nays Absent Absent Excused 3 Excused
		Reconsideration PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
3 24		Reported correctly engrossed
3 24		Signed by Speaker
3 24		Sent to Senate
		<i>Genevieve</i> CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

1975		Read first time and referred to Committee on
3 27		<i>HESS</i> <i>Finance</i>
5 11		Reported back with <i>HESS</i> recommendation that <i>do pass</i> <i>Finance, to Finance</i>
		Read second time and
		Read third time and
		PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
		Reconsideration PASS Effective Date Yeas Yeas Nays Nays Absent Absent Excused Excused
		Reported correctly engrossed
		Signed by President
		Returned to House
		SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19		Received from Senate
		Concurred in Senate amendment thus adopting:
		Failed to concur in Senate amendment; asked Sen. to recede
		Senate receded from amendment
		Senate failed to recede from amendment
		FCC appointed by House
		FCC appointed by Senate
		FCC adopted
		To enrolling
		Reported correctly enrolled
		Sent to Governor
		..... by Governor
		Filed with Lt. Governor
		Chapter No. ....

Introduced: 1/10/78  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska National Guard  
7 Senior ROTC Scholarship Program; and providing for an  
8 effective date."

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

10 \* Section 1. AS 26.05 is amended by adding a new section to read:

11 Sec. 26.05.297. ALASKA NATIONAL GUARD SENIOR ROTC SCHOLARSHIP  
12 PROGRAM. (a) There is established within the Department of Military  
13 Affairs an Alaska National Guard Senior ROTC scholarship program under  
14 which eligible persons will receive a grant equivalent to the current  
15 cost of resident tuition, fees, and books at the University of Alaska  
16 for each eligible semester to the extent funds are available and  
17 subject to the projected officer needs of the Alaska National Guard  
18 and the Alaska Naval Militia.

19 (b) To be eligible for this scholarship, a person must:

20 (1) be enrolled as a full-time student at the University of  
21 Alaska and qualify for resident tuition status;

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23 program at the University of Alaska for the qualifying semester;

24 (3) be a satisfactory participating member of the Alaska  
25 National Guard or Alaska Naval Militia;

26 (4) maintain a satisfactory standard of academic achieve-  
27 ment;

28 (5) meet all current federal requirements for appointment  
29 as an officer in the Alaska National Guard; and

1 (6) be selected by the adjutant general.

2 (c) Scholarship benefits under this section may be awarded in  
3 addition to any funds expended under AS 26.05.295 or AS 26.05.296.

4 \* Sec. 2. This Act takes effect July 1, 1978.  
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January 10, 1978

The Honorable Hugh Malone  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill establishing the Alaska National Guard Senior ROTC scholarship program. This program would provide a scholarship, covering tuition, fees, and books, to selected members of the Alaska National Guard or Alaska Naval Militia who are enrolled as full-time students at the University of Alaska and participating in the University Senior ROTC program. It would ensure that the projected officer needs of the Alaska National Guard and the Alaska Naval Militia are met.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HOUSE BILL NO. 589  
 Title Alaska National Guard Senior ROTC Scholarship Program  
 Requested by Department of Military Affairs Date 9 NOV 77

II. FISCAL DETAIL  
 Agency Affected Department of Military Affairs  
 Program Category Affected Public Protection  
 Budget Request Unit(s) Affected Military Preparedness

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	13,200	22,000	26,400	36,200	36,200	36,200

TOTAL

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND	13,200	22,000	26,400	36,200	36,200	36,200
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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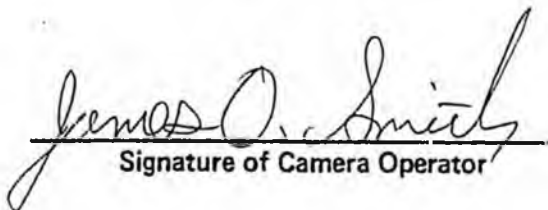
IV. DATE 09 Nov 77 PREPARED BY R. H. Holmsen, Director, R&R Division  
 AGENCY Department of Military Affairs  
 Original: Legislative Finance PHONE 276-3656 (Anchorage)  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

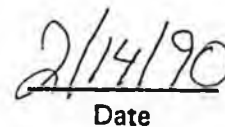


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Signature of Camera Operator

  
Date

# COMMITTEE REPORT

## HOUSE

1/23/76

FURTHER: \_\_\_\_\_

Date: \_\_\_\_\_

Mr. Speaker:

The Committee on FINANCE has had HR 599

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for \_\_\_\_\_
  
- and \_\_\_\_\_  new title               same title
- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

*[Handwritten signatures]*

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OTHER RECOMMENDATIONS:

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*[Handwritten signature]*

\_\_\_\_\_

Chairman

Introduced: 1/10/78  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska National Guard  
7 Senior ROTC Scholarship Program; and providing for an  
8 effective date."

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

10 \* Section 1. AS 26.05 is amended by adding a new section to read:

11 Sec. 26.05.297. ALASKA NATIONAL GUARD SENIOR ROTC SCHOLARSHIP  
12 PROGRAM. (a) There is established within the Department of Military  
13 Affairs an Alaska National Guard Senior ROTC scholarship program under  
14 which eligible persons will receive a grant equivalent to the current  
15 cost of resident tuition, fees, and books at the University of Alaska  
16 for each eligible semester to the extent funds are available and  
17 subject to the projected officer needs of the Alaska National Guard  
18 and the Alaska Naval Militia.

19 (b) To be eligible for this scholarship, a person must:

20 (1) be enrolled as a full-time student at the University of  
21 Alaska and qualify for resident tuition status;

22 (2) be enrolled and participating in the Senior ROTC  
23 program at the University of Alaska for the qualifying semester;

24 (3) be a satisfactory participating member of the Alaska  
25 National Guard or Alaska Naval Militia;

26 (4) maintain a satisfactory standard of academic achieve-  
27 ment;

28 (5) meet all current federal requirements for appointment  
29 as an officer in the Alaska National Guard; and

1                   (6) be selected by the adjutant general.

2                   (c) Scholarship benefits under this section may be awarded in  
3 addition to any funds expended under AS 26.05.295 or AS 26.05.296.

4 \* Sec. 2. This Act takes effect July 1, 1978.  
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January 10, 1978

The Honorable Hugh Malone  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18, of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill establishing the Alaska National Guard Senior ROTC scholarship program. This program would provide a scholarship, covering tuition, fees, and books, to selected members of the Alaska National Guard or Alaska Naval Militia who are enrolled as full-time students at the University of Alaska and participating in the University Senior ROTC program. It would ensure that the projected officer needs of the Alaska National Guard and the Alaska Naval Militia are met.

Sincerely,

S/SSH

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HOUSE BILL NO. 589  
 Title Alaska National Guard Senior ROTC Scholarship Program  
 Requested by Department of Military Affairs Date 9 Nov 77

II. FISCAL DETAIL

Agency Affected Department of Military Affairs  
 Program Category Affected Public Protection  
 Budget Request Unit(s) Affected Military Preparedness

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.	13,200	22,000	26,400	36,200	36,200	36,200
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND	13,200	22,000	26,400	36,200	36,200	36,200
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Costs computed at \$440/Student/Semester at the University of Alaska to cover a scholarship equal to resident tuition, fees and books.

- FY 79 - 15 individuals estimated enrollment
- FY 80 - 25 individuals estimated enrollment
- FY 81 - 30 individuals estimated enrollment
- FY 82 - 40 individuals estimated enrollment (maximum anticipated)
- FY 83 - 40 individuals estimated enrollment (maximum anticipated)
- FY 84 - 40 individuals estimated enrollment (maximum anticipated)

IV. DATE 09 Nov 77

PREPARED BY R. H. Holmsen, Director, R&R Division  
 AGENCY Department of Military Affairs  
 PHONE 276-3656 (Anchorage)

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

Introduced: 1/10/78  
Referred: Health, Education &  
Social Services and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 589

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska National Guard  
7 Senior ROTC Scholarship Program; and providing for an  
8 effective date."

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

10 \* Section 1. AS 26.05 is amended by adding a new section to read:

11 Sec. 26.05.297. ALASKA NATIONAL GUARD SENIOR ROTC SCHOLARSHIP  
12 PROGRAM. (a) There is established within the Department of Military  
13 Affairs an Alaska National Guard Senior ROTC scholarship program under  
14 which eligible persons will receive a grant equivalent to the current  
15 cost of resident tuition, fees, and books at the University of Alaska  
16 for each eligible semester to the extent funds are available and  
17 subject to the projected officer needs of the Alaska National Guard  
18 and the Alaska Naval Militia.

19 (b) To be eligible for this scholarship, a person must:

20 (1) be enrolled as a full-time student at the University of  
21 Alaska and qualify for resident tuition status;

22 (2) be enrolled and participating in the Senior ROTC  
23 program at the University of Alaska for the qualifying semester;

24 (3) be a satisfactory participating member of the Alaska  
25 National Guard or Alaska Naval Militia;

26 (4) maintain a satisfactory standard of academic achieve-  
27 ment;

28 (5) meet all current federal requirements for appointment  
29 as an officer in the Alaska National Guard; and

1                   (6) be selected by the adjutant general.

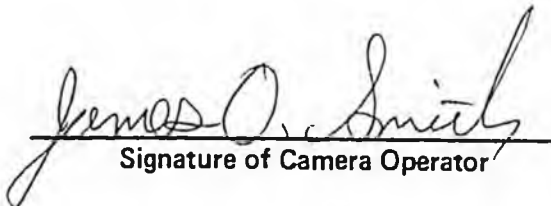
2                   (c) Scholarship benefits under this section may be awarded in  
3 addition to any funds expended under AS 26.05.295 or AS 26.05.296.


4 \* Sec. 2. This Act takes effect July 1, 1978.  
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# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

COMMITTEE REPORT  
HOUSE

3/8/76

FURTHER: \_\_\_\_\_

Date: \_\_\_\_\_

Mr. Speaker:

The Committee on FINANCE has had HR 595

"An Act relating to income of the Alaska Permanent fund; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

recommends it do pass                       recommends it do not pass

recommends it do pass with attached amendment(s)

recommends it be replaced with CS for \_\_\_\_\_

and \_\_\_\_\_  new title                       same title

AND attaches a Letter of Intent                       New Fiscal Note

reports it back without recommendation

and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

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\_\_\_\_\_  
Chairman

01999

Introduced: 1/11/78  
Referred: The Special Committee  
on the Alaska Permanent Fund and  
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 595

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income of the Alaska permanent  
7 fund; and providing for an effective date."

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

9 \* Section 1. AS 37 is amended by adding new sections to read:

10 Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of  
11 the permanent fund becomes part of the permanent fund and shall be  
12 deposited in the permanent fund annually. The income may be used to  
13 provide for guarantees of indebtedness issued by governmental agencies  
14 of the state for power projects.

15 Sec. 37.13.200. GUARANTEES OF INDEBTEDNESS. The Board of Trustees  
16 of the Alaska Permanent Fund Corporation is authorized to enter into  
17 agreements with any public authority of this state or any municipality  
18 or other governmental agency of the state, providing for a guarantee of  
19 the payment when due, whether at maturity or by sinking fund redemption  
20 but not by acceleration of maturity, of the principal of and interest on  
21 bonds, notes or other indebtedness issued to finance projects for con-  
22 struction of electric generating and related transmission facilities,  
23 this guarantee to be payable solely from the income derived from the  
24 Alaska permanent fund established by sec. 10 of this chapter (other than  
25 income derived from the Alaska enterprise development fund established  
26 by AS 44.55.010). The agreements shall contain such terms, provisions,  
27 and covenants in furtherance of the purposes of secs. 190 - 230 of this  
28 chapter as the board of trustees determines.

29 Sec. 37.13.210. LIMITATION ON INDEBTEDNESS. No bonds, notes or

1 other indebtedness may be guaranteed under sec. 200 of this chapter  
2 unless the board of trustees determines that the debt service for any  
3 year with respect to all bonds, notes and other indebtedness guaranteed  
4 will not exceed the amount of annual income estimated by the board of  
5 trustees to be derived during that year from the Alaska permanent fund  
6 (other than income from the Alaska enterprise development fund). The  
7 determination shall be made by resolution of the board of trustees  
8 before the execution of any guarantee agreement under sec. 200 of this  
9 chapter.

10 Sec. 37.13.220. GUARANTEE ENDORSED. Any bonds, notes or other  
11 indebtedness guaranteed under sec. 200 of this chapter shall have on  
12 the face an endorsement of the guarantee by the chairman of the board of  
13 trustees or his designee.

14 Sec. 37.13.230. LEGISLATIVE APPROVAL. No bonds, notes or other  
15 indebtedness may be guaranteed by the board of trustees under sec. 200  
16 of this chapter until the facilities to be financed with the proceeds  
17 have been approved by the legislature by concurrent resolution.

18 \* Sec. 2. This Act takes effect upon the effective date of an Act estab-  
19 lishing the Alaska Permanent Fund Corporation.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 596  
 Title An Act relating to Nonrenewable Resource Revenues  
 Requested by \_\_\_\_\_ Date \_\_\_\_\_

II. FISCAL DETAIL  
 Agency Affected Legislative Finance  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Legislative Finance

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES			65.4			
200 TRAVEL			22.5			
300 CONTRACTUAL			23.0			
400 COMMODITIES			.9			
500 EQUIPMENT			1.5			
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>			<b>113.3</b>			

FUNDING (Thousands of Dollars)

GENERAL FUND			113.3			
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME			1			
PART TIME			2			
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

PERSONAL SERVICES:

1 Adm. Asst., Range 18A, 6 mos. seasonal position (salary & benefits \$11,898+\$1,254)	\$13,152
1 Secretary, Range 14A, 6 mos. seasonal position, (salary & benefits \$8,862+936)	9,798
1 Staff Assistant, Range 22C, full-time position (salary & benefits \$34,404+8,064)	42,468

- CONTINUED ON ATTACHED PAGE -

IV. DATE \_\_\_\_\_ PREPARED BY \_\_\_\_\_  
 AGENCY \_\_\_\_\_  
 Original: Legislative Finance PHONE \_\_\_\_\_  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

ATTACHMENT - Fiscal Note for HB 596

TRAVEL

6 interim two-day meetings, 8 members @175 airfare and \$50 per diem for 4 days which includes two days for travel =	\$ 18,000
Staff travel -	4,500

CONTRACTUAL

Consultant work	20,000
Memory Typewriter rental for 6 mos. during session @\$180/mo. =	1,080
Phone and Other	2,000

NOTE: It is assumed legislative office space  
will be assigned by the Rules Committee  
chairmen of each House.

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 596 - "An Act relating to nonrenewable resource revenues:  
 Title and providing for an effective date.  
 Requested by Special Committee on the Alaska Permanent Fund Date 1/11/78

II. FISCAL DETAIL  
 Agency Affected Department of Revenue  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES		338.6				
200 TRAVEL		155.4				
300 CONTRACTUAL		578.0				
400 COMMODITIES		10.0				
500 EQUIPMENT		30.0				
600 LAND & STRUCTURES		120.0				
700 GRANTS, CLAIMS, ETC.						
TOTAL		1,232.0				

FUNDING (Thousands of Dollars)

GENERAL FUND		1,232.0				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		10				
PART TIME		18				
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This note enumerates a portion of the fiscal impact of HB 596 upon Treasury Management. Costs of the following administrative structures are included above:

- Investment Oversight Committee - 8 members
- Board of Trustees - 3 members
- Policy Board - 7 members
- Alaska Permanent Fund - 1 Executive Director and staff
- Alaska Enterprise Investment Corporation - 1 President and staff

Fiscal years subsequent to FY 79 would properly be estimated by the emergent administrative body.

IV. DATE February 23, 1978 PREPARED BY Jim Edens  
 AGENCY Department of Revenue  
 Original: Legislative Finance PHONE 465-2350  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

HB 596

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 595 - "An Act relating to income of the Alaska Permanent Fund;  
 Title and providing for an effective date.  
 Requested by Special Committee on the Alaska Permanent Fund Date 1/11/78

HB 595

II. FISCAL DETAIL  
 Agency Affected Department of Revenue  
 Program Category Affected General Government  
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL						

FUNDING (Thousands of Dollars)

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No Fiscal Impact on the Department of Revenue

IV. DATE Feb. 23, 1978 PREPARED BY Jim Edenso  
 AGENCY Department of Revenue  
 PHONE 465-2350  
 Original: Legislative Finance  
 cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Introduced: 1/11/78  
Referred: The Special Committee  
on the Alaska Permanent Fund and  
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 595

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income of the Alaska permanent  
7 fund; and providing for an effective date."

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

9 \* Section 1. AS 37 is amended by adding new sections to read:

10 Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of  
11 the permanent fund becomes part of the permanent fund and shall be  
12 deposited in the permanent fund annually. The income may be used to  
13 provide for guarantees of indebtedness issued by governmental agencies  
14 of the state for power projects.

15 Sec. 37.13.200. GUARANTEES OF INDEBTEDNESS. The Board of Trustees  
16 of the Alaska Permanent Fund Corporation is authorized to enter into  
17 agreements with any public authority of this state or any municipality  
18 or other governmental agency of the state, providing for a guarantee of  
19 the payment when due, whether at maturity or by sinking fund redemption  
20 but not by acceleration of maturity, of the principal of and interest on  
21 bonds, notes or other indebtedness issued to finance projects for con-  
22 struction of electric generating and related transmission facilities,  
23 this guarantee to be payable solely from the income derived from the  
24 Alaska permanent fund established by sec. 10 of this chapter (other than  
25 income derived from the Alaska enterprise development fund established  
26 by AS 44.55.010). The agreements shall contain such terms, provisions,  
27 and covenants in furtherance of the purposes of secs. 190 - 230 of this  
28 chapter as the board of trustees determines.

29 Sec. 37.13.210. LIMITATION ON INDEBTEDNESS. No bonds, notes or

1 other indebtedness may be guaranteed under sec. 200 of this chapter  
2 unless the board of trustees determines that the debt service for any  
3 year with respect to all bonds, notes and other indebtedness guaranteed  
4 will not exceed the amount of annual income estimated by the board of  
5 trustees to be derived during that year from the Alaska permanent fund  
6 (other than income from the Alaska enterprise development fund). The  
7 determination shall be made by resolution of the board of trustees  
8 before the execution of any guarantee agreement under sec. 200 of this  
9 chapter.

10 Sec. 37.13.220. GUARANTEE ENDORSED. Any bonds, notes or other  
11 indebtedness guaranteed under sec. 200 of this chapter shall have on  
12 the face an endorsement of the guarantee by the chairman of the board of  
13 trustees or his designee.

14 Sec. 37.13.230. LEGISLATIVE APPROVAL. No bonds, notes or other  
15 indebtedness may be guaranteed by the board of trustees under sec. 200  
16 of this chapter until the facilities to be financed with the proceeds  
17 have been approved by the legislature by concurrent resolution.

18 \* Sec. 2. This Act takes effect upon the effective date of an Act estab-  
19 lishing the Alaska Permanent Fund Corporation.

Introduced: 1/11/78  
Referred: The Special Committee  
on the Alaska Permanent Fund and  
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 595

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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19 the payment when due, whether at maturity or by sinking fund redemption  
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21 bonds, notes or other indebtedness issued to finance projects for con-  
22 struction of electric generating and related transmission facilities,  
23 this guarantee to be payable solely from the income derived from the  
24 Alaska permanent fund established by sec. 10 of this chapter (other than  
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26 by AS 44.55.010). The agreements shall contain such terms, provisions,  
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5 trustees to be derived during that year from the Alaska permanent fund  
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7 determination shall be made by resolution of the board of trustees  
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17 have been approved by the legislature by concurrent resolution.

18 \* Sec. 2. This Act takes effect upon the effective date of an Act estab-  
19 lishing the Alaska Permanent Fund Corporation.

WHITE, WELD & CO.  
INCORPORATED

ONE LIBERTY PLAZA  
91 LIBERTY STREET, NEW YORK, N. Y. 10006

THEODORE P. SWICK  
FIRST VICE PRESIDENT  
212/285-2153

CABLE ADDRESS "WHITEWELD"

February 21, 1978

Mr. Clark Gruening, Chairman  
House Permanent Fund Committee  
Juneau, Alaska

Dear Mr. Gruening:

We are enclosing an illustration of the use of the proposed "guarantee agreement" as embodied in Alaska House Bill 595. This document will serve to supplement our oral discussions with your committee.

Respectfully submitted,

  
Theodore P. Swick

TS:cc  
enc:

Section I

The Effect On Power Costs By  
Use of "Guarantee" Through Alaska House Bill 595

In order to illustrate the effect of Alaska House Bill 595 in reducing power costs, we have chosen a specific project. The City and Borough of Sitha, Alaska has received an evaluation report from R. W. Beck and Associates which examines a proposed dam at Green Lake. This hydroelectric facility is expected to have an installed capacity of 16,500KW and is estimated to cost approximately \$46,000,000, according to the Beck report.

We are of the opinion that under current market conditions, a serially maturing bond issue with a final maturity in 50 years and "guaranteed" by the Board of Trustees of the Alaska Permanent Fund could be sold at an interest rate of 5 3/4%. Without such "guarantee", it might cost Sitha approximately a 7 1/2% interest rate to sell similarly maturing bonds in the national market place.

The following table describes the cost effects in both instances. The figures of total construction cost are taken from the Beck report and we have altered the total bond issues to reflect a 5 3/4% and 7 1/2% interest rate:

	<u>"Guarantee"</u>	<u>No "Guarantee"</u>
	5 3/4%	7 1/2%
Direct Construction Cost	\$27,425,000	\$27,425,000
Contingencies (15%)	4,114,000	4,114,000
	<u>31,539,000</u>	<u>31,539,000</u>
Engineering & Administration	3,942,000	3,942,000
Total Construction Cost	<u>35,481,000</u>	<u>35,481,000</u>
Interest During Construction	<u>3,568,450</u>	<u>4,654,500</u>
Total Investment Cost	39,049,450	40,135,500

	<u>"Guarantee "</u>	<u>No "Guarantee "</u>
Escalation (7%/year)	5 3/4% <u>5,591,000</u>	7 1/2% <u>5,591,000</u>
Total Investment Cost	44,640,450	45,726,500
Reserve Fund (1 years interest)	<u>2,734,550</u>	<u>3,713,500</u>
Bond Issue	\$47,375,000	\$49,440,000
Cost Per KW Installed (16,500KW)	\$ 2,871	\$ 2,996
Annual Debt Service (46 years)	2,949,402	3,846,110
Total 46 Year Cost	\$135,672,490	\$176,921,060
"Guarantee Savings"	\$ 41,248,570	

It is obvious that the use of the guarantee creates a substantial savings, allowing the total costs over a 46 year period to be reduced by 23%.

The House Bill 595 does not have as its purpose the subsidization of power costs in Alaska. Its intent is to use the income from the Permanent Funds to assist in getting a lower interest rate for the municipality than it would otherwise be able to achieve on its own. Sufficient safety features can be incorporated into the procedures by which the Legislature jointly determines the recipient of the "guarantee." Such procedures can give reasonable assurance to the legislative bodies that the income from the Permanent Fund will in fact be rarely, if ever, used to pay for a shortfall in revenues of projects with the "guarantee." Section II following covers these matters.

## Section II

### Suggested Procedures For Joint Legislative Approval of Guarantee

The following is an outline of possible procedures which could be used to assist the joint legislature in determining whether it should pass a concurrent resolution authorizing the Board of Trustees of the Permanent Fund to enter into a guarantee of the debt service related to a specific project.

The legislature will need to examine the following documents:

- 1) A feasibility study prepared by a nationally recognized engineering consulting firm which will outline in reasonable detail its investigations and recommendations leading to its evaluation of the proposed project, including an examination of alternative generation methods. Such report should include construction cost estimates, estimates as to operation and maintenance costs of the project, estimated time for construction and recommendations for capitalizing contingencies and debt service reserves.
- 2) An economic feasibility study by a nationally recognized engineering firm (can be the same firm as in 1) above) which will forecast future load growth demands, annual gross revenues, annual operation and maintenance expenses, net revenues and estimated coverage of debt service. Such a report should also estimate the useful life of the project.

After the legislature's examination of these documents, it will have sufficient data with which to determine whether such a "guarantee" of the issuer's debt should be given. In reaching such a conclusion, consideration may also be given to the project's merits based upon economic need, geographic location, social benefit and impact on locality.

Having determined to instruct the Board of Trustees to give a guarantee to the specific project completes the legislature's involvement.

The Board of Trustees in its administrative procedures will require that all licenses necessary for the project will be granted before it executes its guarantee agreement. The Trustees may also examine the proposed bond resolution in order to assure that a covenant to maintain rate charges in an amount sufficient to meet annual debt service and other requirements has been clearly defined. Finally, they may also require an agreement (perhaps contained in the bond resolution) that any expenditure of its income from the Permanent Fund to make up any revenue shortfall shall be repaid on a schedule to be determined in light of the circumstances at the the time.

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March 1, 1978

Mr. Eric Yould  
Executive Director  
ALASKA POWER AUTHORITY  
333 West 4th  
Suite 31  
Anchorage, Alaska 99501

Dear Mr. Yould:

You have asked us for an analysis of House Bill 595 which relates to the income of the Alaska Permanent Fund, and for consideration of other means of financing power projects through use of the Permanent Fund in addition to that suggested in H.B. 595.

As you know, H.B. 595 permits the board of trustees of the Alaska Permanent Fund Corporation to enter into agreements with any public authority of the state, providing for a guarantee of payment when due on the principal and interest on bonds, notes or other indebtedness issued to finance projects for construction of electric generating and related transmission facilities. The guarantee is to be payable solely from the income derived from the Alaska Permanent Fund established by AS 37.13.010. H.B. 596, a companion bill to H.B. 595 establishes the Alaska Permanent Fund in AS 37.13.010. Income of the fund is defined in AS 37.13.150 as interest and dividends received each year. However, income available for disbursement is determined on an averaging basis, which for the first five years is a simple averaging of the annual current return at cost. For later years, the average is a moving average of current return in which the latest fiscal year replaces the oldest year. Finally, the section establishes that income available for disbursement would be the lesser of the last fiscal years income or the average annual current income for the past five fiscal years of the fund at cost after adjustment for capital losses charged to that year.

Mr. Eric Yould  
March 1, 1978  
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H.B. 595 further provides for legislative approval of facilities to be financed with guarantees under the section.

Generally speaking, a guarantee of payment of an obligation of another has the same status as if the guarantor was the original and only obligor. Language in state legislation providing for a guarantee would typically import that the holder of an obligation which was in fact guaranteed had an absolute right to receive payment on the amount guaranteed at the instant the original obligor defaulted. The language of H.B. 595 including the provision that any guarantee be endorsed on a bond or note guaranteed under the chapter seems to contemplate an absolute guarantee of indebtedness payable from income of the fund.

The problem as we see it is that income of the fund as defined in AS 37.13.150 and otherwise available under the terms of the Constitutional amendment (Article IX Section 15 of the Alaska Constitution) must be annually appropriated to be "spent" for any purpose. The addition of income to the principal of the fund under Section 1 of H.B. 595 possibly makes income available for income producing investments without legislative appropriation. A guarantee of payment of an indebtedness is not in common understanding an investment. In order for fund income to be "spent" as opposed to being invested, an appropriation is in our view necessary. A guarantee of indebtedness with a guarantee payable from income i.e., "spendable" by the Alaska Permanent Fund Corporation, would be effective only during the period of appropriation of income by the Legislature to this purpose. We do not see that Article IX Section 15 of the Alaska Constitution permits a pledge of fund income for the purpose of a guarantee effective through the life of the guarantee without annual legislative appropriations to this purpose. Apparently views differ on this subject and it may well be that the final determination would require a definitive expression of the Alaska Supreme Court.

Notwithstanding the fact that the guarantee of indebtedness under H.B. 595 might be subject to legislative appropriation of income from the Permanent Fund, other power financing mechanisms derived from the Permanent Fund are available with respect to bonds issued for power purposes. In addition to other security mechanisms to secure long term debt for power purposes, we believe legislation could be devised to provide the necessary amounts for planning and

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engineering loans and for construction loans prior to the long term financing of power projects. Feasibility studies both as to costs of construction, operation and maintenance and as to the general economics of projects, are generally necessary before there can be a final determination of the financibility of a project on a long term basis. Thus, before a definitive security mechanism for the financing of power projects on a long term basis can be devised a means should be developed to provide the so called "front-end" money to analyze the feasibility of projects from all aspects. We believe that the existing revolving loan fund of the Alaska Power Authority with its statutory charge to assist in the development of power projects in the state, is a vehicle which could be used as a revolving loan fund for planning and engineering and construction loans for power projects in the state. It additionally could be configured to assist in securing long term Authority indebtedness for power projects.

Thus the purpose of the fund could be expanded (a) to provide for loans to municipalities for the purposes of feasibility studies and construction financing of approved power projects ultimately to be financed on a long term basis by the power authority; (b) to provide a reserve fund to secure payment of outstanding long term authority debt for approved power projects, and (c) to provide a loan fund to purchase junior lien revenue bonds of municipalities when the Authority can issue only a portion of the debt necessary for permanent financing. Senior revenue bond indebtedness would be issued by the Authority for sale to the tax exempt investor market at the same time it purchased the junior lien indebtedness. Options (b) and (c) above are designed to enhance the marketability of Authority debt for power projects which the bond market considers too speculative for 100% financing on a self-liquidating basis. A reserve fund loan, funded from the Permanent Fund on a loan basis, and a reserve fund purchase of junior lien indebtedness made with amounts loaned from the Permanent Fund to the reserve fund each would satisfy the technical criteria of an "income producing investment". Each would be in the nature of a subordinated or equity investment and would be income producing within the terms of the Constitutional amendment.

When the Authority made a loan with amounts in the fund to a municipality under (a) or purchased bonds under (c), it would require documentation equivalent to that

Mr. Eric Yould  
March 1, 1978  
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necessary in regular public borrowing by the municipality. A loan under (a) for feasibility studies would involve funds other than moneys derived from the principal of the Permanent Fund since repayment would not be assured if the project was determined not to be feasible. However, the other means of financing suggested could each be effectuated with principal of the Permanent Fund, on the basis of a loan to the reserve fund for relending by the Authority or by the purchase of a municipal evidence of indebtedness by the Authority with an assignment of the security available to the Authority from the municipality. That is to say, any security available to the Authority for its loan to the municipality would be immediately assigned by the Authority to the Permanent Fund.

The preferred financing vehicle must await definitive analysis of a particular project. However, some of the means suggested provide flexibility for projects which cannot be financed on the public bond market. Thus junior lien revenue bonds of a municipality sold to the Authority could bear interest at rates sufficiently below market in the early years to produce overall interest costs adequate to maintain a reasonable rate structure in those years. In latter years interest rates could increase to produce an overall rate over the life of the debt commensurate with that which would have demanded by private investors in tax-exempt bonds.

An amount appropriated by the Legislature to the Authority from income of the Permanent Fund on an annual basis for one year or on an authorization or "anticipated basis" for future years to be appropriated in those years, would give guidance both to the Authority and to municipalities of the amount of power financing available over that period of time. Similarly permission could be given to invest a portion of the principal of the Permanent Fund in the other categories outlined above. This would involve the Legislature in a generalized policy decision of the amount of state resources to be dedicated to power projects instead of the project-by-project approach outlined in H.B. 595.

Very truly yours,

WOHLFORTH & FLINT

By Eric E. Wohlforth  
Eric E. Wohlforth

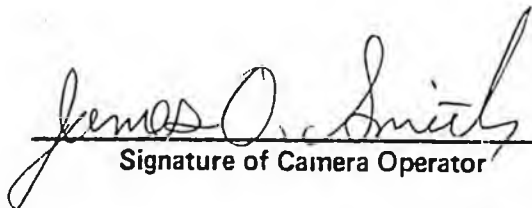
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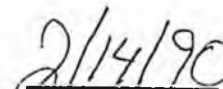


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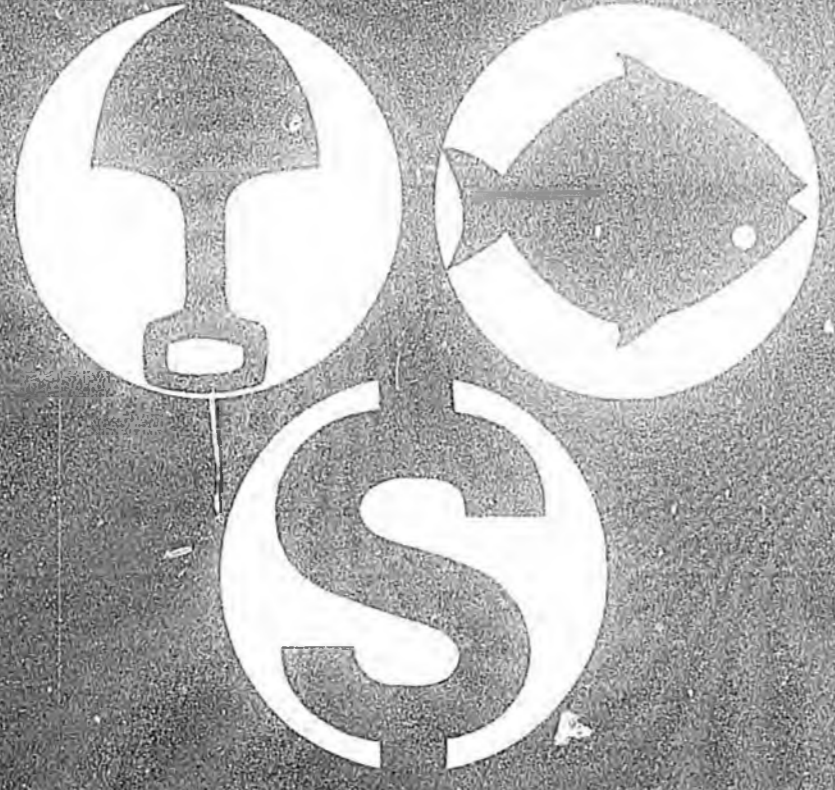
  
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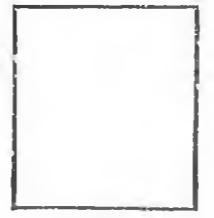
# Alaska Permanent Fund

Final Report by the House Special Committee on the Alaska Permanent Fund



Rep. Clark Gruening, Chairman  
Rep. Terry Gardner, Vice Chairman  
Rep. Ernie Haugen  
Rep. Russ Meekins  
Rep. Leo Schaeffer  
Rep. Bill Miles  
Rep. Rick Utton

Special Committee on the Alaska Permanent Fund  
Fourth V  
Juneau, Alaska 99811



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5. State Financial Distribution

## Appendix

The following may be found in  
the appendix to this report:

### Reports

"Thinking About the Alaska Permanent  
Fund: A Cautious Approach for Alaskan  
Policymakers," by Belden Daniels.

"Models and Options for the Alaska  
Permanent Fund: Functions, Regionalization and  
Accountability," by Belden Daniels.

"Economic Considerations in the  
Establishment of Alaska's Permanent Fund," by  
Arlon Tussing.

"Report on Trust Funds," by White, Weld  
and Company.

"The Role of the Permanent Fund in  
Alaska's Future," by the House Special  
Committee on the Permanent Fund.

### Transcripts

Committee Meeting, July 13, Anchorage.  
Symposium, September 10, Anchorage.  
Public Hearing, September 14,  
Fairbanks.  
Public Hearing, September 15,  
Anchorage.  
Committee Meeting, November 18,  
Anchorage.

## Minutes

Committee Meeting, July 14, Anchorage  
Public Hearing/Committee Meeting  
September 17, Kotzebue.  
Public Hearing/Committee Meeting,  
October 20-21, Juneau.  
Committee Meeting, November 19,  
Anchorage.  
Committee Meeting, December 12-13,  
Anchorage.

### Memoranda

Revenue Projections, Legislature Affairs  
Research.  
Revenue Projections, Division of  
Legislative Finance.  
Questionnaire Returns.  
Index to Committee Files (Documents  
listed in the index are available upon  
request).

### Written Testimony

Various

### Proposed Legislation

On the Alaska Permanent Fund  
On the use of Alaska Permanent Fund  
earnings  
On the Renewable Resources  
Development Fund (work draft)

In accomplishing this last goal, the committee's proposals seek to avoid both unnecessary risk to the permanent fund and duplication of existing financial services.

In looking at the structure of public finance with the committee's proposals included (Chart 5), it is convenient to divide it into three risk categories; high risk, medium risk and low risk.

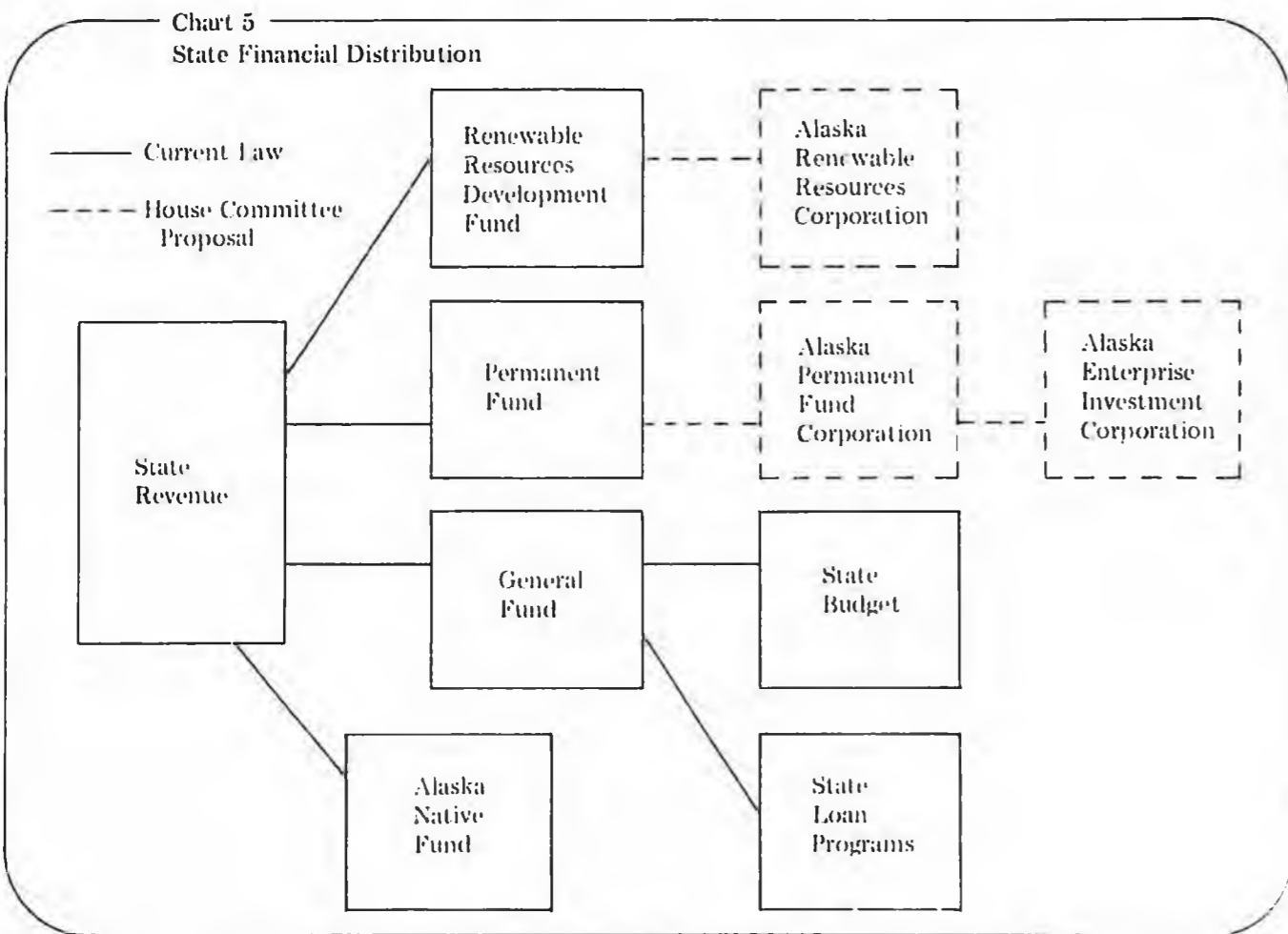
High risk would include portions of the general fund's budget and loan programs and part of the Alaska Renewable Resources Corporation.

Medium risk would include portions of those listed above and part of the Alaska Enterprise Investment Fund.

Low risk would include the Alaska Permanent Fund Corporation, part of the AEIC, and some state loan programs.

This then, is the House committee's proposal, to provide for public purposes with public funds from high risk to low.

The committee welcomes any comments you might have on its proposals or any proposals of your own. You can write to the House Special Committee on the Permanent Fund, Pouch V, Juneau, 99811.



# I Introduction

In November 1976 Alaskan voters overwhelmingly approved an amendment to Section 15, Article IX of the state constitution creating the Alaska Permanent Fund.

The amendment reads:  
 "At least twenty-five per cent of all mineral lease rentals, royalties, royalty sale proceeds and bonuses received by the State of Alaska shall be placed in a permanent fund, the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law."

The amendment defines the permanent fund in broad terms. It leaves to the legislature and the governor the task of refining the fund: what it is, what it does and how it works.

These refinements will be contained in the permanent fund enabling legislation passed by the House and Senate and approved by the governor.

The House Special Committee on the Permanent Fund was created during the past legislative session to consider proposed permanent fund enabling legislation and to propose its own enabling legislation. The committee has been working during the interim to determine what Alaskans see as the permanent fund's goals and how to best achieve those goals.

(For a more complete history of the Alaska Permanent Fund, see the committee's preliminary report, *The Role of the Permanent Fund in Alaska's Future*.)

When the second session of the Tenth Legislature convenes (in January 1978), the committee intends to hold public hearings on its proposed permanent fund enabling legislation.

This report is intended to review what the committee has done and what its proposed enabling legislation will do about the Alaska Permanent Fund.

## II What the public said

In an attempt to determine what Alaskans thought about the permanent fund, the committee engaged in a wide-ranging program of public participation. This program included the mailing of the committee's preliminary report, which contained a questionnaire to be filled out and returned; a symposium on goals of the permanent fund in Anchorage, cosponsored by the National Endowment for the Humanities and the Alaska Humanities Forum; public hearings in Anchorage, Fairbanks, Kotzebue and Juneau; and participation with the Alaska Public Forum in its questions on the permanent fund.

The committee received various proposals for use of permanent fund money. Everything from preserving artifacts to tracking whales was suggested. But several general points emerged from the public participation process.

First, the permanent fund was created as a depository for mineral revenues in excess of current state needs.

Second, the mineral revenues put into the permanent fund (the principal) should stay there and not be dissipated by using it to pay for the operations of state government or by investing it unwisely.

Third, where there are sound investments in Alaska the permanent fund should make them

without duplicating financial services already available.

Fourth, money earned by permanent fund investments (the earnings) should be used for the identifiable benefit of current and future Alaskans.

Fifth, the management of the permanent fund should be insulated from politics but should be accountable to the public.

Sixth, the management of the permanent fund should not make decisions properly made through the political process.

These general points guided the committee as it worked on its proposal for permanent fund enabling legislation.

In addition, the public made two main points on how it wanted state government to assist it in shaping the future Alaska.

First, state government should provide sufficient funds and programs for the proper development of renewable resources.

Second, state government should provide sufficient funds and programs for the development of alternate energy.

Again, these two main points guided the committee as it worked on its proposal for permanent fund enabling legislation.

## X The Renewable Resources Development Fund

In addition to its duty to review and propose permanent fund enabling legislation, the committee is responsible for providing for enactment of the Renewable Resources Development Fund (RRDF).

The RRDF, passed by the legislature in 1974, receives not less than 5 per cent of the receipts from bonuses, rentals and royalties for the rehabilitation, enhancement and development of renewable resource programs.

The committee formed a subcommittee to examine the RRDF. The subcommittee's work over the interim culminated in a work draft which will be taken up once again by the committee when the Tenth Alaska Legislature convenes.

The work draft sets up a corporation, called the Alaska Renewable Resources Corporation (ARRC). The corporation is an independent, non-taxable public corporation managed by a three-member board of trustees. Trustees are appointed by the governor and confirmed by the legislature for four-year terms. They are full-time and

salaried. Trustees are empowered to employ an executive director and staff. They also are empowered to render financial assistance within the constraints set in the work draft.

The corporation is designed to give grants, loans, loan guarantees and other financial assistance to projects and programs that identify and demonstrate new products, markets and technologies in renewable resources.

The corporation is subject to the same conflict of interest and reporting requirements as the permanent fund corporations.

The corporation's purpose is to provide financial and technical assistance to projects and programs that are of higher risk than is acceptable to private financial markets. It is the "leading edge" of the state's efforts to develop viable, stable renewable resource businesses and to provide financing for commercial, traditional and common uses of the state's renewable resources.

## XI Summary

The House Special Committee on the Permanent Fund's efforts will result in three bills as described previously. One will establish the Alaska Permanent Fund Corporation, the Alaska Enterprise Investment Corporation and the Investment Oversight Committee. The second will provide for the use of the permanent fund's earnings. The third will establish the Alaska Renewable Resources Corporation. As yet undecided is a fourth bill on formula budgeting.

The committee's package aims at four goals: First, to be consistent with the constitutional amendment and statute creating the RRDF.

Second, to be responsive to public desires and consultant advice.

Third, to insure that the public will remain informed about the activities of its permanent fund and RRDF managers.

Fourth, to fit the permanent fund and RRDF into the existing public financing structure.

## IX What should be done with the earnings of the fund?

The permanent fund will produce earnings from both corporations. The committee found during its public participation process that demands on these earnings are infinite. Revenue/expenditure projections indicate that the permanent fund will not produce sufficient earnings to provide money for all the suggested projects and programs. (Under the most optimistic projections, at a highly optimistic rate of return of 10 per cent, the permanent fund will return \$150 million in 1985. This is between one-fifth and one-sixth of the current fiscal year's budget.)

The committee has chosen to introduce a separate piece of legislation providing for the use of the permanent fund's earnings. Based on the public's demand for funds for energy, the committee's proposal is to use permanent fund earnings as a guarantee for bonds issued by governmental agencies for power projects.

Guarantees are a commitment to pay any default on interest or principal payments on

bonds. Once the government agency issuing the bonds makes these payments, the portion of permanent fund earnings used as the guarantee would be freed and flow to the permanent fund or general fund.

The committee's recommendation is that the earnings be returned to the permanent fund. Unless this or some other recommendation is approved, the earnings, under the constitutional amendment, will go to the general fund.

This proposal, according to financial advisors, would draw more private money at lower rates to Alaska for power projects. It would not expose the fund's earnings to excessive risk of loss due to default.

The committee's use of earnings proposal is an attempt to assist Alaskans in the creation of power projects. It also is a discussion proposal, designed to spark further debate in the legislature and throughout the state on what Alaskans want permanent fund earnings to accomplish.

## III What the consultants said

In conjunction with its public participation program, the committee hired consultants and lured advisors to assist it.

The consultants were Dr. Belden Daniels of Harvard University's Department of City and Regional Planning; Dr. Arlon Tussing, Dr. Scott Goldsmith and Lee Gorsuch of the University of Alaska's Institute for Social and Economic Research; the financial consulting firm of White, Weld and Company; the financial management consulting firm of Price Waterhouse and Company.

The advisors were Dr. Donald Gordon of Simon Fraser University; Dr. Barbara Bergman of the University of Maryland; Robert Blixt, executive secretary of the Minnesota State Board of Investment; Terry Magrath of Fidelity Management; and representatives of Manufacturers Hanover Trust.

Additional assistance and advice were gathered from state offices and agencies, particularly the Legislative Affairs Agency. The committee also drew heavily upon previous work done by the State Investment Advisory Committee.

In order to keep this report as concise as possible, no detailed explanation of the advice of every consultant and advisor is offered here.

Rather, a brief summary of the main points of consensus illustrates the principles that guided the committee.

First, the permanent fund is not necessarily a vehicle for financing major commercial or industrial enterprises in Alaska. Such enterprises, if sound, will receive financing from existing sources. If they are not sound then they are not proper investments for the permanent fund. In some cases it may benefit the state to offer guarantees for the financing of projects, but such policy decisions properly are made through the political process.

Second, the permanent fund cannot create sound enterprises. If other factors are adverse (lack of market, product cost) permanent fund investment will not help.

Third, financially sound small and medium scale enterprises, particularly in rural areas of Alaska, might be proper permanent fund investments because they may not be receiving money from existing sources due to institutional barriers (lack of knowledge, distance).

Fourth, permanent fund managers ought to be allowed maximum latitude for making specific investments consistent with policy direction.

Fifth, permanent fund managers ought to be accountable to the public through the legislature and governor and through public reporting requirements.

## IV What the committee did

While gathering public opinion and professional advice, the committee began working on its proposal for permanent fund enabling legislation. This work focused on five main questions.

First, how much money should be put into the permanent fund?

Second, what should be the fund's financial goals?

Third, how should the fund be managed?

Fourth, how should fund managers be made accountable to the public?

Fifth, what should be done with the earnings of the fund?

## V How much money should be put into the permanent fund?

The constitutional amendment requires that at least 25 per cent of the specified revenues be put into the permanent fund. This means, obviously, that more money could be put into the fund. But, in all probability, at least a portion of the specified will be needed to finance state government.

In the foreseeable future the vast majority of permanent fund dollars will come from the fund's share of the state's 12½ per cent royalty share of Prudhoe Bay oil. While the committee was working, projections of revenue from this source turned downward.

This downturn was caused primarily by two events.

First, the explosion at Pump Station 8 limited the amount of oil flowing through the trans-Alaska pipeline. This, in turn, limited the amount of oil the state received as its royalty share. It is estimated that Pump Station 8 will be repaired by March 1978. But until it is repaired the state's royalty share will be roughly half of what had been anticipated.

Second, the rejection of the Interstate Commerce Commission's interim pipeline tariff put into effect substantially higher tariffs requested by the trans-Alaska pipeline's owners.

The tariff is the fee charged by pipeline owners to transport oil through the pipeline. The higher the tariff, the lower the profit per barrel of oil for the owner of the oil. With the exception of the State of Alaska, the owners of Prudhoe Bay oil also are the owners of the trans-Alaska pipeline. So, the interim tariff rejection means that the state must pay an additional \$1.35 per barrel, on the average, to transport its oil through the pipeline. The result: the state loses an average of \$1.35 per barrel profit on its royalty share of Prudhoe Bay oil.

Higher tanker charges and unanticipated field treatment charges also may reduce the state's profit on its royalty oil.

This downturn of revenue from Prudhoe Bay has had a similar effect on the state's general fund, creating a deficit in anticipated revenue for the current fiscal year of between \$50 million and \$100 million as of this writing.

Adjustments in the state's oil taxation policy could help offset this general fund revenue deficit. But such adjustments would not make more money available to the permanent fund since tax revenues cannot go into the permanent fund.

## VIII How should the fund managers be made accountable to the public?

Since the permanent fund is public money, the committee realized the need for those who managed it to be accountable to the public for their actions. So the committee's proposed permanent fund enabling legislation includes several provisions designed to insure that accountability.

First, members of the APEC board of trustees and the AEIC policy board are appointed by the governor and confirmed by the legislature. This insures that the public's elected representatives must be sure that members of the boards are qualified.

Second, the proposal requires that both corporations report directly to the public in plain English what they have done and why during each year.

Third, all board members and employees of both corporations are subject to the state's conflict of interest law.

Fourth, both corporations are constrained in several ways by the provisions of the committee's proposal.

Fifth, the committee's proposal creates an Investment Oversight Committee (IOC) of the legislature, designed to monitor the activities of both corporations and all other agencies of the state which perform lending, borrowing or investment functions (this would include the Renewable Resources Development Fund, the existing state loan programs and the Department of Revenue).

The IOC is composed of eight members: the President of the Senate, the Speaker of the House and three members appointed from each house. At least one member from each house shall be a minority member.

In addition to its monitoring responsibilities, the IOC must report to the legislature its recommendations regarding the confirmation of suggested appointees.

These powers include hiring an executive director and approving staff, as well as contracting with private firms.

The constraints on the trustee are as follows: They must manage the corporation's assets prudently and maintain a reasonable diversification of investments. They may not borrow money or provide loan guarantees. Their investments must be income producing and are limited to U.S. government guaranteed bonds, first mortgages and corporate stocks and bonds. No more than 30 per cent of the corporation's assets may be invested in stocks. The trustees are subject to public reporting requirements and external audit.

The second corporation, called the Alaska Enterprise Investment Corporation (AEIC), is essentially a development bank. It receives one-sixth of the revenue dedicated to the permanent fund up to \$100 million. When that amount has been paid into the AEIC that one sixth reverts to the Alaska Permanent Fund Corporation.

The Alaska Enterprise Investment Corporation is an independent, non-taxable public corporation managed by a seven member policy board. One member of the policy board is appointed by the governor from the executive branch. The other six are appointed by the governor and confirmed by the legislature from the general public. The public members are unsalaried, part-time and serve four-year terms.

The policy board members are empowered to appoint an executive director and members of the investment committee, set policy for the AEIC within statutory constraints and monitor the corporation's plans and performance.

The executive director is empowered to hire and fire staff and serve as a member of the investment committee. He is responsible to the policy board for the corporation's performance.

The other four members of the investment committee also are appointed by the policy board. They are full-time, salaried and serve four-year terms. The investment committee is solely responsible for approving all investment proposals.

The corporation is designed to provide financial assistance to financially sound small and medium scale productive private enterprises and community development projects. In doing so it may borrow up to \$100 million, provide financial guarantees and loans, and purchase up to a 25 per cent ownership in an enterprise or project. Up to 50 per cent of its financial resources may be used to finance private enterprises; the other 50 per cent may be used for community development projects.

All corporation investments must be made according to market rates and terms. The corporation may not give financial assistance of more than \$2.5 million to any enterprise or project without legislative approval. The corporation may not use its money to replace private capital.

The corporation is subject to public reporting requirements and external audit.

Thus the House committee's proposal sets aside most of the permanent fund as a trust to preserve its principal and produce earnings from secure investments. The balance of permanent fund revenues, up to \$100 million, are designated for a development bank designed to find and fill capital gaps in Alaska on an income-producing basis. Both corporations are insulated from politics in their day-to-day operations but subject to policy decisions made by the public through the political process.

The committee's proposal, in short, is designed to provide both financial security and reasonable financial assistance to current and future Alaskans.

The other factor affecting the amount of money available for the permanent fund is the level of state spending. Money spent on state government projects and programs cannot go into the permanent fund.

This has led some to suggest that 100 per cent of the specified revenues be put into the permanent fund so that none of the specified revenues can be used to finance state government. But such an approach, revenue/expenditure projections show, would soon leave insufficient revenue to finance state government even if there was no real growth (that is, more dollars spent per person after inflation effects are subtracted) in the state budget. (See chart 1)

Such a situation, called deficit spending, is prohibited by the state constitution.

Projections, it is important to remember, carry no guarantee. Changes may occur (tariffs may be lowered once again, new sources of revenue may be found) that the projections do not take into account. They are planning tools and are not intended as outright projections of the future.

The committee took these projections into account as it worked on its proposed permanent fund enabling legislation.

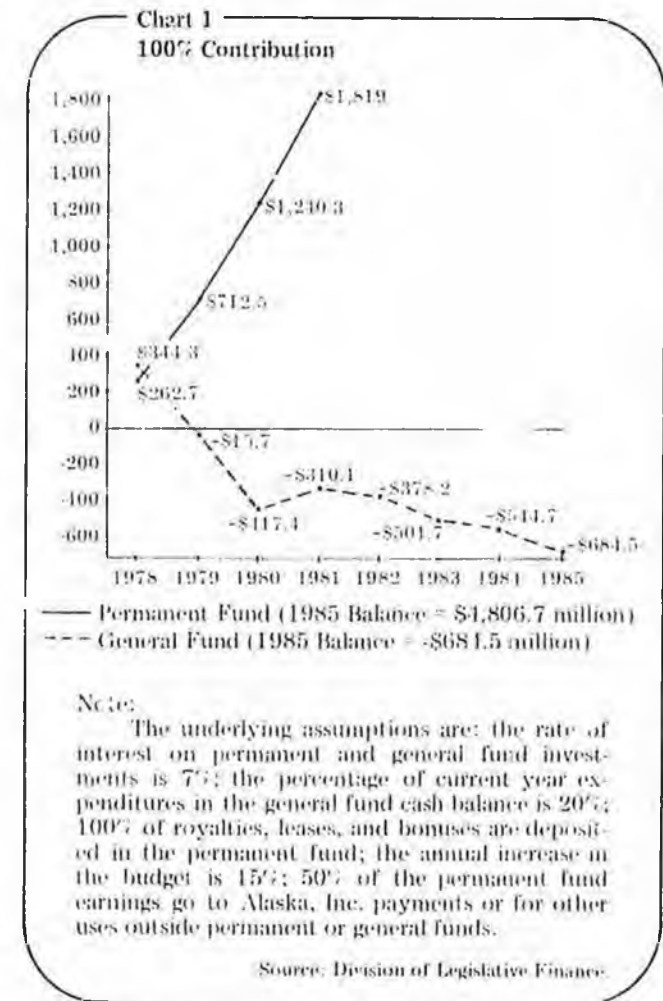
It is important to note that, in addition to whatever money is put into the permanent fund, there are previous constraints on state revenue. These include a 5 per cent dedication to the Renewable Resources Development Fund, payments to the Alaska Native Fund and fixed assets in various state loan funds.

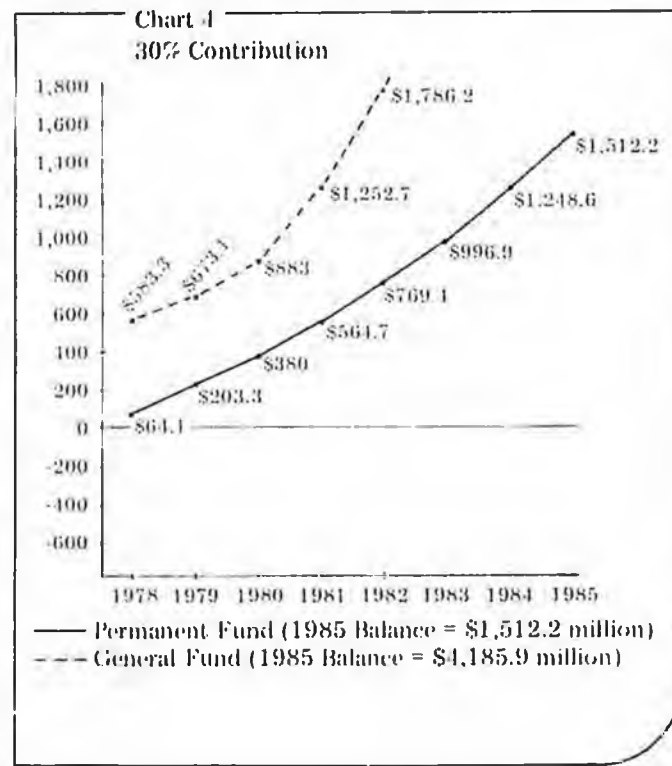
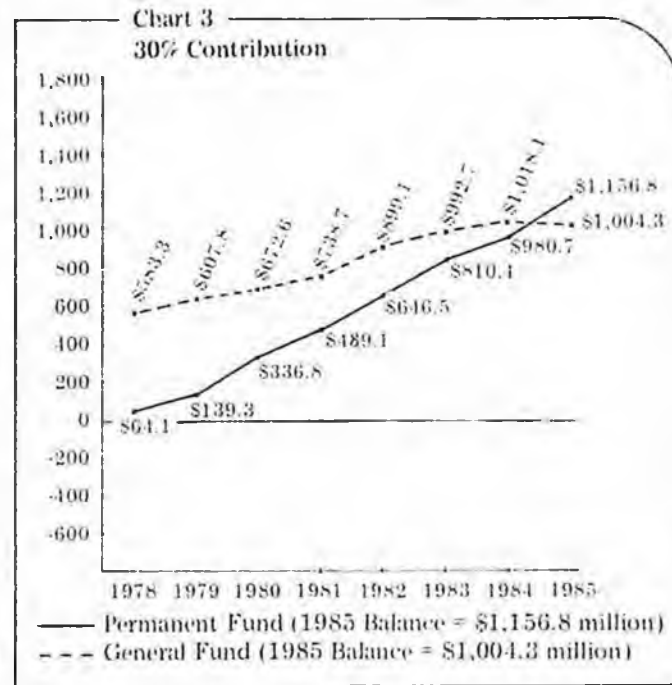
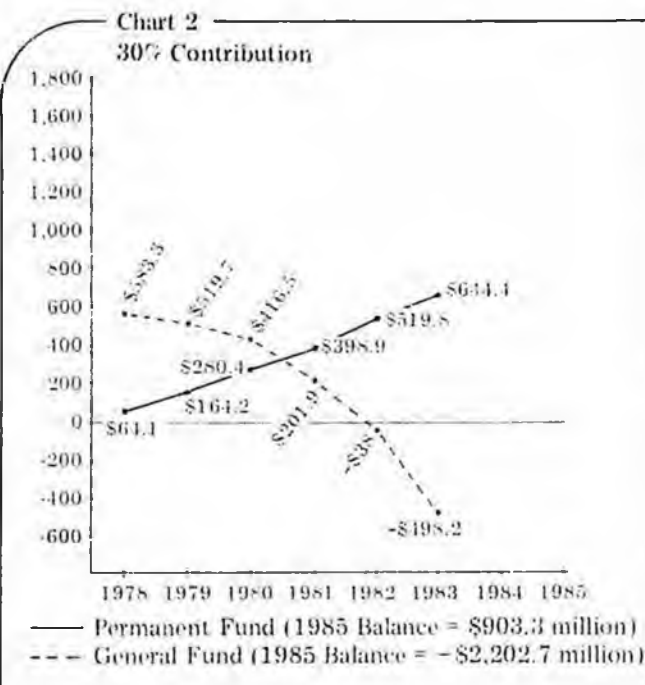
The committee's proposal puts 30 per cent of the specified revenues, with the exception of bonuses, into the permanent fund. The latest revenue/expenditure projections show that this would put the permanent fund's value by 1985 between a low of \$903.3 million and a high of \$1.5 billion. These figures do not include any earnings from the permanent fund that might be returned to the permanent fund. (See charts 2, 3 and 4)

The committee's proposal puts 100 per cent of bonuses (minus 5 per cent for the Renewable Resources Development Fund and 2 per cent, until it is paid off, for the Alaska Native Fund) into the

permanent fund. The committee decided that no bonus money should go into the general fund because such a policy could lead to the premature sale of leases simply to balance the state budget.

The committee is continuing to study its formula budgeting concept, although it is not contained in the committee's proposal. Generally, this concept requires the establishment of a formula, based on the previous year's budget, for setting budget growth. Once the revenue required by the formula was provided, all other revenue would flow to the permanent fund. The formula, of course, could not allow the permanent fund contribution rate to fall below the 25 per cent required by the amendment.





**Note:**  
In all cases permanent fund earnings are assumed to return to the general fund. Other underlying assumptions are:  
In Chart 2, wellhead values increase 2.5% annually; expenditures increase 15% annually; tariffs are about \$6.25 per barrel; the State loses the dispute over deduction of treatment costs for royalty calculations; the state severance tax "floor" remains at 80¢ per barrel (equivalent to a wellhead value of about \$6.53 per barrel).  
In Chart 3, the State is successful in its suit to halt deduction of field treatment costs for royalty calculations and that the tariff dispute is resolved by "splitting the difference" between the interim tariff of \$4.90 per barrel and the company tariff of \$6.25 per barrel. With those additions to wellhead value, 1979 and subsequent years' oil prices increase 3.75% annually; the state severance tax "floor" remains at 80¢ per barrel; and state expenditures increase 10% annually.  
In Chart 4, the State prevails in both the treatment cost and tariff dispute, adding about \$1.97 per barrel over current value; oil prices rise 5% annually; expenditures increase 7.5% annually; the severance tax "floor" remains at 80¢ per barrel.

Source: Division of Legislative Research.

## VI What should be the financial goals of the fund?

The financial goals, generally, are dictated by the constitutional amendment. On questions where the amendment is mute, the committee looked to expressed public opinion and professional advice for its answers. Based on this, the committee made three basic decisions on the fund's financial goals and embodied them in its proposal.

First, the main goal of the permanent fund is permanence; that is, the fund's primary purpose is to preserve the money put into it. This dictates that investment risk be minimized, that permanent fund investments be as secure as possible.

Second, fund investments must produce income. This rules out investments in projects and programs that will not return income directly to

the fund. Without dictating a specific level of return, the committee decided that permanent fund investments must meet market rates and terms to insure, insofar as possible, their security and ability to produce income.

Third, a portion of the permanent fund should be used for the benefit of current Alaskans, as long as that use is secure and income producing.

In making these decisions the committee realized that it was ruling out many types of investments, including highly speculative and subsidized investments. It also realized, however, that the permanent fund is only one of several financing vehicles available to the state and that it was unnecessary, as well as unwise, to try to design a permanent fund to do all things.

## VII How should the fund be managed?

Based on its decision on the fund's financial goals the committee, with the assistance of its consultants and advisors, created two corporations.

The first, called the Alaska Permanent Fund Corporation (APFC), is essentially a trust fund. It receives five-sixths of the permanent fund revenue until the second corporation is paid its \$100 million; then it receives all the permanent fund revenue.

The Alaska Permanent Fund Corporation is an independent, non-taxable public corporation managed by a three-member board of trustees.

The APFC board's members are appointed by the governor and confirmed by the legislature for four-year terms. They receive no salary and serve on a part-time basis. The trustees are empowered to manage and invest the corporation's assets within the constraints of the committee's proposal.

# COMMITTEE REPORT

## HOUSE

2-24-78

FURTHER: \_\_\_\_\_

Date: \_\_\_\_\_

Mr. Speaker:

The Committee on FINANCE has had RB 596  
"An Act relating to nonrenewable resource revenues; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

- recommends it do pass                       recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for RB 596
  
- and \_\_\_\_\_  new title               same title
- AND attaches a Letter of Intent               New Fiscal Note
- reports it back without recommendation
- and recommends it be referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING DO PASS:

\_\_\_\_\_

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OTHER RECOMMENDATIONS:

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Chairman

Original sponsor: Special Committee on the  
Alaska Permanent Fund

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 596 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; to  
7 legislative oversight; and providing for an effective  
8 date."

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

10 \* Section 1. AS 24.20 is amended by adding new sections to read:

11 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

12 Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The  
13 Investment Oversight Committee is established as a permanent interim  
14 committee of the legislature. The establishment of the committee recog-  
15 nizes the need of the legislature for technical review and oversight of  
16 the performance of all agencies of the state which perform lending or  
17 investment functions.

18 Sec. 24.20.610. FINDINGS. The legislature finds that there is a  
19 substantial need for oversight of the performance of all agencies of the  
20 state which perform lending or investment functions since these functions  
21 do not receive the detailed review to which other expenditures of public  
22 money are subject, and therefore the knowledge necessary for sound  
23 legislation in this area is not readily available. There is a need for  
24 legislative oversight which will provide information on the policy and  
25 performance of these agencies, the extent to which the agencies conform  
26 to statutory intent, and the impact of their performance on the economy  
27 and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the committee are to

29 (1) monitor and report

1 (A) the performance of the agencies of the state which  
2 perform lending or investment functions,

3 (B) the extent to which the performance of these ager-  
4 cies has contributed to the fiscal, financial, economic and social  
5 improvement of the state and its citizens,

6 (C) the extent to which these agencies and the executive  
7 have prepared and coordinated short and long term economic, fiscal,  
8 investment and financial planning;

9 (2) hold these agencies accountable to statutory intent in  
10 their performance by recommending, where appropriate, changes in policy  
11 to the agencies or changes in legislation to the legislature;

12 (3) annually review the extent of capitalization of the  
13 investment funds of the state and alternative investment policy for the  
14 general fund surplus and recommend needed legislation.

15 Sec. 24.20.630. MEMBERSHIP. The committee is composed of eight  
16 members: the president of the senate, the speaker of the house, and  
17 three members appointed from each house by the respective presiding  
18 officer. The membership from each house shall include at least one  
19 member from each of the two major political parties. The committee  
20 shall select its own chairman.

21 Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be  
22 organized within 15 days after the organization of each legislature.  
23 Members serve for the duration of the legislature during which they are  
24 appointed. If a member is reelected or his term of office extends into  
25 the next succeeding legislature, he continues to serve until reappointed  
26 or the appointment of his successor.

27 (b) When a member of the committee files a declaration of candi-  
28 dacy for an elective office other than that of member of either house of  
29 the legislature, and he has not resigned from membership on the com-

1 mittee, his committee membership terminates on the date of filing.

2 Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory  
3 or appointive membership of the committee, the presiding officer of the  
4 house incurring the vacancy shall choose a successor. If the office of  
5 the president of the senate or speaker of the house of representatives  
6 becomes vacant and a vacancy from the affected house occurs among the  
7 membership of the committee, the remaining committee members from the  
8 house incurring the vacancy shall appoint a new member.

9 Sec. 24.20.660. MEETINGS. The committee may meet during sessions  
10 of the legislature and during the interim between sessions at such times  
11 and places in the state as the chairman may determine. Members may  
12 receive, for the minimum time required to get to and from meetings and  
13 for the period while attending meetings, the same travel and per diem  
14 allowances provided by law for members of the legislature when attending  
15 sessions, except that members of the committee receive no per diem  
16 during legislative sessions other than the per diem allowance paid to  
17 other members of the legislature.

18 Sec. 24.20.670. POWERS. The committee has the power to

19 (1) organize, adopt rules for the conduct of its business,  
20 and prescribe procedures for the comprehensive fiscal analysis, budget  
21 review and post-audit functions of those agencies of the state which  
22 perform lending or investment functions;

23 (2) hold public hearings, administer oaths, issue subpoenas,  
24 compel the attendance of witnesses and production of papers, books,  
25 accounts, documents and testimony, and have the deposition of witnesses  
26 taken in a manner prescribed by court rule or law for taking depositions  
27 in civil actions;

28 (3) require all state officials and agencies of state govern-  
29 ment to give full cooperation to the committee or its staff in assem-

1 bling and furnishing requested information;

2 (4) hold public hearings relating to the confirmation of the  
3 Board of Trustees of the Alaska Permanent Fund Corporation, the Board of  
4 Trustees of the Alaska Renewable Resources Corporation, and the Alaska  
5 Enterprise Investment Corporation Policy Board;

6 (5) prepare and distribute reports, memoranda, or other  
7 necessary materials;

8 (6) make recommendations concerning the structure and operat-  
9 ing practices of all agencies of the state which perform lending or  
10 investment functions;

11 (7) receive and review reports and post-audit analyses con-  
12 ducted by the Legislative Budget and Audit Committee relating to all  
13 agencies of the state which perform lending or investment functions;

14 (8) enter into and enforce all contracts necessary or desira-  
15 ble for the functions of the committee.

16 Sec. 24.20.680. STAFF. The legislative audit division and the  
17 legislative finance division shall provide audits, reports and analyses  
18 requested by the committee. The committee may hire and determine the  
19 salary of the staff it considers necessary within the limit of the  
20 budget approved by the legislature.

21 Sec. 24.20.690. DUTIES. The committee shall

22 (1) report to the legislature its recommendations relating to  
23 the confirmation of suggested appointees to the Alaska Permanent Fund  
24 Corporation Board of Trustees, the Board of Trustees of the Alaska  
25 Renewable Resources Corporation, and the Alaska Enterprise Investment  
26 Corporation Policy Board;

27 (2) annually review the long-range operating plans of all  
28 agencies of the state which perform lending or investment functions;

29 (3) review periodic reports from all agencies of the state

1 which perform lending or investment functions;

2 (4) present a complete report of investment programs, plans,  
3 performance, and policies of all agencies of the state which perform  
4 lending or investment functions to the legislature within 30 days after  
5 the convening of each regular session;

6 (5) present to the legislature within 30 days after the con-  
7 vening of each regular session a review of the report of the governor  
8 under AS 37.09.020(b) with recommendations for any needed legislation;

9 (6) in conjunction with the finance committee of each house  
10 recommend annually to the legislature the investment policy for the  
11 general fund surplus and the income from the permanent fund;

12 (7) provide for an annual post audit and annual operational  
13 and performance evaluation of the Alaska Permanent Fund Corporation in-  
14 vestments and investment programs.

15 Sec. 24.20.700. RECORDS. The committee shall keep a complete file  
16 of all reports presented to it and all reports presented by it to the  
17 legislature or any legislative committee.

18 \* Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

19 (b) The governor shall annually, before the convening of the  
20 legislature, report to the legislature through the Investment Oversight  
21 Committee the long-range fiscal and economic consequences of

22 (1) alternate levels of capitalization of the investment  
23 funds of the state; and

24 (2) alternative investment policy for the general fund sur-  
25 plus.

26 \* Sec. 3. AS 37 is amended by adding a new chapter to read:

27 CHAPTER 13. ALASKA PERMANENT FUND.

28 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of  
29 the state constitution, there is established as a separate fund the

1 Alaska permanent fund. The permanent fund consists of 100 per cent of  
2 mineral lease bonuses after deduction of any amounts allocated to the  
3 Alaska Native Fund under the Alaska Native Claims Settlement Act and  
4 implementing state legislation and any amounts allocated by law to the  
5 Alaska renewable resources development fund and 30 per cent of all  
6 mineral lease rentals, royalties, royalty sale proceeds, and federal  
7 mineral revenue sharing payments received by the state and any other  
8 money allocated by law or appropriated to the principal of the fund  
9 which shall be paid to the Alaska Permanent Fund Corporation at least  
10 once each month. Management of the permanent fund is performed by (1)  
11 the Alaska Permanent Fund Corporation established in this chapter to  
12 which five-sixths of the receipts from these sources is allocated and  
13 (2) the Alaska Enterprise Investment Corporation established in AS 44.55  
14 to which one-sixth of the receipts from these sources is allocated until  
15 the amount so allocated reaches the sum of \$100,000,000. Thereafter the  
16 total receipts from these sources is allocated to the Alaska Permanent  
17 Fund Corporation.

18 Sec. 37.13.020. FINDINGS. The people of the state, by constitu-  
19 tional amendment, have required the placement of at least 25 per cent of  
20 all mineral lease rentals, royalties, royalty sale proceeds, and federal  
21 mineral revenue sharing payments and bonuses received by the state into  
22 a permanent fund. The legislature finds with respect to the Alaska  
23 Permanent Fund Corporation that

24 (1) the corporation should provide a means of conserving a  
25 portion of the state's revenues from mineral resources to the ultimate  
26 benefit of future generations of Alaskans;

27 (2) the corporation's primary goal should be to maximize  
28 total return while maintaining safety of principal;

29 (3) the corporation should be used as a savings device