

LEG. FINANCE - BILLS 1977 - 1978 746

CASHB 596 cont.

1 managed to allow the maximum use of disposable income from the corpora-
2 tion as needed for purposes designated by law.

3 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
4 provide a mechanism for the management and investment of those permanent
5 fund assets allocated to the Alaska Perm. Fund Corporation in a
6 manner consistent with the findings established in sec. 20 of this
7 chapter.

8 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
9 established the Alaska Permanent Fund Corporation. The corporation is a
10 public corporation and government instrumentality in the Department of
11 Revenue managed by a board of trustees but has a legal existence inde-
12 pendent of and separate from the state. The purpose of the board is to
13 manage and invest the assets of the corporation in accordance with this
14 chapter.

15 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
16 of trustees consists of three members appointed by the governor and
17 confirmed by a majority of the members of the legislature in joint
18 session.

19 (b) The board shall annually elect a chairman from among its
20 members.

21 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
22 appointed for terms of four years, and they may be reappointed. Terms
23 shall be staggered. Initial terms shall be one member serving for two
24 years, one member serving for three years, and one member serving for
25 four years.

26 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
27 remove a trustee from office by and with the consent of a majority of
28 the members of the legislature in joint session. A removal by the
29 governor shall be in writing and state the reason for removal. If the

1 legislature is not in session, the governor may suspend a member of the
2 board. Upon suspension, a vacancy is not created but the trustee may
3 not participate in board business and may not be counted for purposes
4 of establishing a quorum. The joint session shall be held within
5 30 days from the date of removal if the removal occurs while the
6 legislature is in session or within 30 days of convening of the legis-
7 lature if the legislature is not in session. If the legislature refuses
8 to consent to his removal, the trustee shall be reinstated to his
9 position.

10 (b) A vacancy on the board shall be promptly filled by appointment
11 by the governor and confirmation by a majority of the members of the
12 legislature in joint session, and an appointee to fill a vacancy shall
13 hold office for the balance of the term for which his predecessor on the
14 board was appointed. If a vacancy arises on the board while the legis-
15 lature is not in session, the governor may appoint an interim trustee
16 who shall exercise all powers of a permanent trustee until such time as
17 the legislature in joint session fails to confirm the interim trustee's
18 appointment.

19 (c) A vacancy on the board does not impair the authority of a
20 quorum of the board to exercise all the powers and perform all the
21 duties of the board.

22 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
23 be appointed to the board who has not been a resident of the state for
24 at least three years.

25 (b) No member of the board may hold any other state or federal
26 office, position or employment, either elective or appointive, except as
27 a member of the armed forces of the United States or of this state.

28 (c) At least one member of the board shall have recognized
29 competence and wide experience in finance, investments, or other busi-

1 ness management-related field. No two members may be appointed to the
2 board who share substantially similar professional or occupational
3 backgrounds.

4 Sec. 37.13.090. QUORUM. Two members of the board constitute a
5 quorum for the transaction of business and the exercise of the powers
6 and duties of the board.

7 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
8 honorarium of \$250 for each meeting day if they attend the meeting and
9 are entitled to per diem and travel allowances as provided by law for
10 members of state boards and commissions.

11 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
12 determine the salary of an executive director. The executive director
13 may, with the approval of the board, select and employ additional staff
14 as necessary. No employee of the corporation, including the executive
15 director, may be a trustee. The executive director and all other
16 employees of the board are in the exempt service under AS 39.25.

17 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
18 to the provisions of AS 39.50.

19 (b) If a member or employee acquires, owns or controls an in-
20 terest, direct or indirect, in an entity or project in which corporation
21 assets are invested, he shall immediately disclose the interest to the
22 board. The disclosure is a matter of public record and shall be in-
23 cluded in the minutes of the board meeting next following the disclo-
24 sure.

25 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
26 applicable to the board in the management and investment of permanent
27 fund assets. The prudent-man rule as applied to investments of the
28 corporation means that in making investments the board shall exercise
29 the judgment and care under the circumstances then prevailing which an

1 institutional investor of ordinary prudence, discretion, and intel-
2 ligence exercises in the management of large investments entrusted to it
3 not in regard to speculation but in regard to the permanent disposition
4 of funds, considering the probable income from them as well as probable
5 safety of capital.

6 (b) The corporation assets may only be used for income-producing
7 investments.

8 (c) The board shall seek to maintain a reasonable diversification
9 among corporation investments unless under the circumstances it is
10 clearly prudent not to do so.

11 (d) The board shall submit long-range and quarterly investment
12 reports to the Investment Oversight Committee.

13 (e) The corporation may not borrow funds or guarantee from princi-
14 pal of the fund the obligations of others.

15 (f) The board may enter into and enforce all contracts necessary,
16 convenient or desirable for purposes of the corporation except it may
17 not contract with agencies or departments of the state to recommend or
18 select investments.

19 (g) Subject to (a) and (b) of this section, the board may invest
20 corporation assets in obligations of, or obligations insured or guaran-
21 teed by, the United States or agencies or instrumentalities of the
22 United States; loans secured by first liens on unencumbered realty or
23 leaseholds; corporate securities which under the Securities Act of 1933
24 are freely marketable; and short-term investments which meet the require-
25 ments of (a) and (b) of this section except for the term of the invest-
26 ments.

27 (1) No portion of the assets of the fund may be used in the
28 purchase of stock of any corporation which is not paying dividends on
29 that stock in cash at the time of purchase; nor in the purchase of bonds

1 of any corporation, upon which any regular interest payment has been
2 defaulted at any time within five years before purchase, except bonds
3 never in default but which have been outstanding for less than five
4 years.

5 (2) No portion of the assets of the corporation may be used
6 in the purchase of stock if immediately following the purchase the
7 proportionate market value of all stocks held by the corporation would
8 exceed 30 per cent of the corporation's assets.

9 (h) The board shall establish and from time to time as necessary
10 modify guidelines for the investment of the corporation's assets.
11 Before adoption of any guidelines the guidelines shall be reported to
12 the Investment Oversight Committee for review and comment.

13 (i) Nothing in this section may be interpreted to preclude in-
14 state investments that have a risk level and expected yield comparable
15 to alternative investment opportunities.

16 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
17 the total amount of losses on the sales of securities, not offset by
18 gains on the sales of securities during that year, shall be computed,
19 with a portion of these losses to be deducted each fiscal year from the
20 interest and dividend income and the resulting amount of interest and
21 dividend income added to the principal of the fund. Losses taken on the
22 sales of bonds shall be accumulated over a period equal to the average
23 remaining life of the bonds sold, and losses taken on the sales of
24 stocks shall be accumulated within a period of five years, unless these
25 losses are offset by gains on future sales of securities. In any fiscal
26 year in which the gains on the sales of securities exceed the losses on
27 the sales of securities, the excess shall be added to the principal of
28 the fund.

29 Sec. 37.13.150. INCOME. The interest and dividends received in a

1 year are the income of the corporation for that year. The income avail-
2 able for disbursement shall be determined on an averaging basis. For
3 the first five years, income will be the simple averaging of the annual
4 current return at cost. Subsequently, there will be a moving average
5 current return, in which the latest fiscal year will replace the oldest
6 year. The income available for disbursement will be the lesser of the
7 latest fiscal year's income, or the average annual current income for
8 the past five fiscal years of the fund at cost, and after adjustment for
9 capital losses charged to that fiscal year.

10 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may
11 establish a mortgage loss reserve account for the purpose of protecting
12 the financial integrity of the fund.

13 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
14 from the general fund and is subject to the Executive Budget Act (AS
15 37.07).

16 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
17 provide for an annual post audit and annual operational and performance
18 evaluations of the corporation's investments and investment programs.

19 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
20 ber 30 of each year, the board shall publish a report to the governor,
21 legislature, and the public in easily understandable language. Each
22 report must include financial statements audited by independent outside
23 auditors, a statement of the amount of money received by the permanent
24 fund from each investment during the period covered, a statement of
25 corporation investments including an appraisal at market value, a de-
26 scription of corporation investment activity during the period covered
27 by the report, a comparison of the corporation performance with the
28 intended goals contained in sec. 20 of this chapter, an examination of
29 the impact of the investment criteria of this chapter on the corporation

1 portfolio with recommendations of any needed changes and any other
2 information the board believes would be of interest to the governor, the
3 legislature, and the public. The annual income statement and balance
4 sheet of the corporation shall be published in at least one newspaper in
5 each judicial district. The income statement and balance sheet for the
6 two fiscal years preceding the publication of the election pamphlet
7 under AS 15.57 shall be included in that pamphlet. The board may also
8 publish other reports it considers desirable to carry out its purpose.

9 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
10 taxes and assessments in the state. All security instruments issued by
11 the corporation, their transfer, and their income are exempt from all
12 taxes and assessments in the state.

13 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
14 trustees and employees of the corporation may not engage in partisan
15 political activities. The resources of the corporation may not be used
16 to finance any partisan political activities.

17 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
18 possession of the corporation is a public record, except that infor-
19 mation which discloses the particulars of the business or affairs of a
20 private enterprise or investor is confidential and is not a public
21 record. Confidential information may be disclosed only for the purposes
22 of an official law enforcement investigation or when its production is
23 required in a court proceeding. These restrictions do not prohibit the
24 publication of statistics presented in a manner that prevents the iden-
25 tification of particular reports, items, persons, or enterprises.

26 * Sec. 4. AS 44 is amended by adding a new chapter to read:

27 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

28 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
29 created the Alaska Enterprise Investment Corporation. The corporation

1 is a public corporation and government instrumentality in the Department
2 of Revenue but has legal existence independent of and separate from the
3 state. The exercise by the corporation of the powers conferred by this
4 chapter is considered an essential governmental function of the state.

5 (b) One-sixth of the receipts of all mineral lease rentals, roy-
6 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
7 ments and bonuses allocated to the Alaska permanent fund shall be paid
8 by the Alaska Permanent Fund Corporation directly into the Alaska
9 Enterprise Investment Corporation until a total of \$100,000,000 has been
10 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
11 tion under this subsection is the paid-in capital of the corporation.

12 Sec. 44.55.020. FINDINGS. The legislature finds

13 (1) that investment in financially sound small and medium
14 scale (A) productive private enterprises and (B) community development
15 projects in the state, for which sufficient capital is not available
16 from other sources on reasonable terms, is of benefit to the citizens of
17 the state;

18 (2) there is a shortage of investment capital available from
19 other sources on reasonable terms for financially sound small and medium
20 scale productive private enterprise and community development projects;

21 (3) that the corporation working with private financial
22 institutions to supplement but not supplant their services can help to
23 alleviate this shortage.

24 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
25 provide capital at market rates and terms which are not available from
26 other sources on reasonable terms for small and medium scale productive
27 private enterprises and community development projects.

28 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
29 BOARD. (a) There is established the Alaska Enterprise Investment

1 Corporation Policy Board consisting of a person employed in the execu-
2 tive branch of state government appointed by the governor and six public
3 members appointed by the governor with due regard for geographical
4 representation and confirmed by a majority of the members of the legis-
5 lature in joint session. At least two of the public members shall have
6 recognized competency and wide experience in investment and finance. No
7 public member may be appointed to the board who has not been a resident
8 of the state for at least three years. The board shall elect one of the
9 public members as chairman and other officers they determine desirable.

10 (b) The six public members shall serve for four-year terms, and
11 they may be reappointed. Terms shall be staggered. Initial terms shall
12 be two members serving for two years, two members serving for three
13 years, and two members serving for four years. A member continues to
14 serve until his successor is appointed and confirmed.

15 (c) A majority of the policy board members constitutes a quorum
16 for the transaction of business by the board. Decisions of the board
17 shall be taken by a majority vote. The board shall hold at least one
18 public meeting each year.

19 (d) Public members of the policy board receive an honorarium of
20 \$250 for each meeting day if they attend the meeting and are entitled to
21 per diem and travel allowances as provided by law for members of state
22 boards and commissions.

23 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
24 may remove a policy board member from office by and with the consent of
25 a majority of the members of the legislature in joint session. The
26 joint session shall be held within 10 days from the date of removal if
27 the removal occurs while the legislature is in session or within 30 days
28 of convening of the legislature if the member was suspended. If the
29 legislature is not in session, the governor may suspend a member of the
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1 policy board for cause. Upon suspension, a vacancy is not created but
2 a board member may not participate in policy board business and may not
3 be counted for purposes of establishing a quorum. If the legislature
4 refuses to consent to his removal, the member shall be reinstated to his
5 position.

6 (b) A vacancy arising on the policy board shall be promptly filled
7 by appointment by the governor and confirmation by a majority of the
8 members of the legislature in joint session, and an appointee to fill a
9 vacancy shall hold office for the balance of the term for which his
10 predecessor on the board was appointed. If a vacancy arises on the
11 board while the legislature is not in session, the governor may appoint
12 an interim board member who shall exercise all powers of a permanent
13 board member until such time as the legislature in joint session fails
14 to confirm the interim member's appointment.

15 (c) A vacancy on the policy board does not impair the authority of
16 a quorum of the board to exercise all the powers and perform all the
17 duties of the board.

18 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

19 (1) select and appoint the president and other members
20 of the Investment Committee established in sec. 80 of this chapter;

21 (2) annually review and approve long-range operating plans,
22 the budget for the forthcoming year, and the financial plan for the
23 following years;

24 (3) have responsibility on behalf of the corporation for
25 relations with the general public, legislature, executive branch, local
26 communities, and interest groups concerning all things excepting only
27 those matters that are the responsibility of the Investment Committee;

28 (4) review quarterly reports from the Investment Committee
29 concerning investment decisions and investment supervision, but the

1 board may not impose an investment decision upon, or override an invest-
2 ment decision of, the Investment Committee;

3 (5) review, consider and approve policies;

4 (6) establish an audit committee which shall select inde-
5 pendent outside auditors, and receive all audit reports.

6 Sec. 44.55.070. PRESIDENT. The president of the corporation is
7 appointed by the policy board for a term of four years, may be reap-
8 pointed, and serves at the pleasure of the policy board. The salary of
9 the president is set at the discretion of the policy board; but may not
10 be set below that of the highest paid member of the Investment Commit-
11 tee. The president shall

12 (1) have sole responsibility for presenting investment pro-
13 posals to the Investment Committee;

14 (2) be responsible for the ordinary business of the corpo-
15 ration and the organization, appointment, dismissal, and remuneration of
16 the officers and staff;

17 (3) be responsible for making investments in investment grade
18 securities, subject to review by the Investment Committee;

19 (4) establish and maintain adequate and appropriate organi-
20 zational, operating and financial controls.

21 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
22 the Investment Committee, consisting of the president and four members
23 appointed by the policy board. No member of the policy board may be a
24 member of the committee. Members of the committee shall be persons of
25 recognized competence and wide experience in investments, finance, and
26 other business management-related fields. No member may be appointed to
27 the committee who has not been a resident of the state for at least
28 three years. A member may be reappointed and continue to serve until
29 his successor is appointed. The president and members shall serve for

1 four-year terms. Terms shall be staggered. Initial terms shall be one
2 member serving for one year, one member serving for two years, one
3 member serving for three years, and one member and the president serving
4 for four years.

5 (b) Three members of the committee constitute a quorum. Decisions
6 of the committee shall be taken by majority vote.

7 (c) Members of the committee other than the president receive an
8 annual salary in the amount set by the policy board.

9 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
10 responsibility to approve all investment proposals regarding productive
11 private enterprises and community development projects in the state, and
12 review all investments in investment grade securities.

13 Sec. 44.55.100. BUDGET. The corporation operating budget is from
14 the general fund and is subject to the provisions of the Executive
15 Budget Act (AS 37.07).

16 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
17 committee members, and officers and staff of the corporation are in the
18 exempt service under AS 39.25.

19 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
20 the corporate purposes of the corporation, the policy board has power to

- 21 (1) adopt, alter and use a corporate seal;
- 22 (2) prescribe, adopt, amend, and repeal bylaws;
- 23 (3) sue and be sued in the name of the corporation;
- 24 (4) borrow funds, and in that connection furnish such collat-
25 eral or other security as it determines, except that corporation borrow-
26 ing may not exceed its paid-in capital;
- 27 (5) guarantee obligations of another corporation or legal
28 entity in order to facilitate their sale;
- 29 (6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

2 (7) acquire, hold, use, lease, sell or otherwise dispose of
3 property of any kind, real, personal or mixed, or any interest in it;

4 (8) contract with state, federal and other agencies to
5 develop needed information and analyses;

6 (9) do all acts and things necessary, convenient or desirable
7 to carry out the powers granted or implied in this chapter.

8 (b) In carrying out the corporate purposes of the corporation, the
9 committee has the power to

10 (1) invest, as it considers appropriate, by purchasing the
11 capital stock of, or lending money to, projects, except that any invest-
12 ment in the capital stock of or other ownership interest in a project
13 may not exceed 25 per cent of the capital stock of, or other ownership
14 interest in, the project, and no loan or other investment in the project
15 by the corporation may exceed 90 per cent of the cost of the project
16 unless, in the judgment of the committee, additional amounts must be
17 loaned to protect the interests of the investment fund;

18 (2) deposit or invest surplus funds through the Alaska Perma-
19 nent Fund Corporation in such obligations as the committee may determine

20 (3) buy and sell securities the corporation has issued or
21 guaranteed or in which it has invested;

22 (4) do all acts and things necessary, convenient or desirable
23 to carry out the powers granted or implied in this chapter.

24 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
25 committee and staff shall exercise the judgment and care under the
26 circumstances then prevailing which a person of ordinary prudence,
27 discretion, and intelligence exercises in the management of his own
28 affairs taking into consideration the probable income from the invest-
29 ments as well as probable safety of principal.

1 (b) The committee may invest not more than 50 per cent of the
2 resources of the corporation to provide a reasonable proportion of
3 longer-term investment capital for financing the establishment, improve-
4 ment, and expansion of financially sound small and medium scale produc-
5 tive private enterprises which will benefit Alaskans, and for which
6 sufficient capital is not available from other sources on reasonable
7 terms. These investments may take the form of equity, debt, or debt
8 guarantees.

9 (c) The committee may invest not more than 50 per cent of the
10 resources of the corporation in financing a reasonable proportion of the
11 longer-term investment capital needs for financially sound small and
12 medium scale community development projects of municipalities and public
13 corporate entities and private dwellings in the state for which suf-
14 ficient financing is not available from other sources on reasonable
15 terms. These investments may take the form of equity, debt, or debt
16 guarantees.

17 (d) The committee may not invest or guarantee obligations totaling
18 more than five per cent of the assets of the corporation or \$5,000,000,
19 whichever is less, in a single project unless the legislature has ap-
20 proved the investment by concurrent resolution.

21 (e) The committee may not undertake any financing for which, in
22 its opinion, sufficient private capital could be obtained on reasonable
23 terms.

24 (f) The committee may not assume responsibility for managing any
25 enterprise or project in which it has invested and may not exercise
26 voting rights for that purpose or for any other purpose which, in its
27 opinion, properly is within the scope of managerial control.

28 (g) The committee shall only undertake its financing on terms and
29 conditions which it considers appropriate, taking into account the terms
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1 and conditions normally obtained by private investors for similar fi-
2 nancing, the requirements of the enterprise or project, the risks being
3 undertaken by the corporation, and the participation of other investors
4 unless the legislature has appropriated funds for subsidizing invest-
5 ments which in the opinion of the corporation are of such high priority
6 that special terms and conditions are appropriate.

7 (h) The committee may seek to revolve the corporation's money by
8 selling its investments to other investors whenever it can appropriately
9 do so on satisfactory terms.

10 (i) The committee shall seek to maintain a reasonable diversi-
11 fication in its investments.

12 (j) The committee shall only consider investment proposals after
13 the applicant for an investment has submitted a detailed proposal to the
14 committee's staff and the staff has prepared a written report recommend-
15 ing the investment after a study of its merits.

16 (k) The committee shall analyze the economic and other effects of
17 an investment decision, including the effects on employment, income
18 distribution, environment, health, social and other factors. The com-
19 mittee shall be sensitive to the views of affected local communities.

20 (l) The committee may guarantee qualifying loans made by financial
21 intermediaries in order to facilitate investment by the intermediaries
22 in specific enterprises or projects.

23 (m) The committee shall provide for operational and performance
24 evaluations (post-audits) of its investments and investment programs and
25 report the results to the policy board.

26 (n) Nothing in this section prevents the committee, in the event
27 of actual or threatened default on any of its investments, actual or
28 threatened insolvency of the enterprise in which the investment has been
29 made, or other situations which, in the opinion of the committee,

1 threaten to jeopardize the investment, from taking such action and
2 exercising such rights as it may consider necessary for the protection
3 of its interests.

4 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
5 financing operations, the policy board shall render a detailed report to
6 the legislature which shall

7 (1) define the sectors which need financing for expansion of
8 existing projects or the development of new projects;

9 (2) define the size and nature of projects which are feasible
10 for corporation financing;

11 (3) determine specific projects which are feasible for corpo-
12 ration and private financing;

13 (4) determine the availability of private investment capital
14 for the projects it determines are feasible;

15 (5) forecast the capital requirements of the corporation for
16 the first three years of its operations.

17 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
18 publish an annual report in easily understandable language to the gover-
19 nor, legislature and the public. Each report shall include financial
20 statements audited by independent outside auditors, a statement of the
21 amount of money received by the corporation from each source during the
22 period covered, a statement of corporation investments, a description of
23 corporation investment activity during the period covered by the report,
24 an analysis of economic and other effects of investment decisions in-
25 cluding, but not limited to, the effects on employment, income distri-
26 bution, environment, health, social and other factors, and any other
27 information the policy board believes would be of interest to the gover-
28 nor, the legislature and the public. The corporation may also publish
29 such other reports as it considers desirable to carry out its purpose.

1 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
2 board and the committee are subject to the provisions of AS 39.50.

3 (b) Members of the policy board and the committee shall disclose
4 their financial interest in investment proposal and disqualify them-
5 selves from voting on any investment proposal in which they have a
6 financial interest.

7 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy
8 board and the committee and officers and staff of the corporation may
9 not engage in partisan political activities. The resources of the
10 corporation may not be used to finance any partisan political activi-
11 ties.

12 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
13 possession of the corporation is a public record, except that infor-
14 mation which discloses the particulars of the business or affairs of a
15 private enterprise or investor is confidential and is not a public
16 record. Confidential information may be disclosed only for the purposes
17 of an official law enforcement investigation or when its production is
18 required in a court proceeding. These restrictions do not prohibit the
19 publication of statistics presented in a manner that prevents the iden-
20 tification of particular reports, items, persons, or enterprises.

21 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
22 taxes and assessments in the state. All security instruments issued by
23 the corporation, their transfer, and their income are exempt from all
24 taxes and assessments in the state.

25 Sec. 44.55.200. DEFINITIONS. In this chapter

26 (1) "board" or "policy board" means the Alaska Enterprise In-
27 vestment Corporation Policy Board established by sec. 20 of this chap-
28 ter;

29 (2) "business enterprise" means a private corporation, firm,

1 partnership or sole proprietorship;

2 (3) "committee" means the Investment Committee established by
3 sec. 60 of this chapter;

4 (4) "corporation" means the Alaska Enterprise Investment
5 Corporation.

6 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

7 (21) members of the policy board and Investment Committee, and
8 the president, officers, and staff of the Alaska Enterprise Investment
9 Corporation;

10 (22) members of the board of trustees, the executive director,
11 and staff of the Alaska Permanent Fund Corporation.

12 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

13 (NN) Alaska Enterprise Investment Corporation Policy
14 Board and Investment Committee;

15 (OO) Alaska Permanent Fund Corporation Board of Trustees.

16 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
17 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
18 tion established by this Act after request for transfer is made by the cor-
19 poration board of trustees.

20 (b) The Alaska Enterprise Investment Corporation may not expend funds
21 for any purpose other than normal operating expenses of the corporation until
22 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
23 the corporation including the funds received under AS 44.55.010 in sec. 4 of
24 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
25 4 of this Act until the paid-in capital reaches \$50,000,000.

26 * Sec. 8. AS 37.10.065(c) is repealed.

27 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

28 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
29 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as

1 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
2 immediately in accordance with AS 01.10.070(c).

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Amended
PROPOSED AMENDMENTS/CSHB 596

1. Page 5, between lines 11 and 12, insert:

(7) provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs.

2. Page 9, line 23:

Following the word "in", delete "its" and insert "the".

3. Page 10, lines 17 - 19:

Following the word "assets" delete;

"in) obligations of the United States or obligations for which the full faith and credit of the United States are pledged for payment of principal and interest"

and insert:

"in *obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;"

4. Page 10, line 20:

Following the word "leaseholds" delete "and".

5. Page 10, line 21:

Following the word "marketable" delete the period and insert "and short term investments which meet the requirements of (a) and (b) of this section except for the term of the investments."

6. Page 12, between lines 4 and 5, insert:

Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may establish a mortgage loss reserve account for the purpose of protecting the financial integrity of the fund.

7. Page 17, line 29 and page 30, line 1:

Following the word "salary" delete "within Range 30 in the salary schedule for state employees established by AS 39.27.011." and insert "in the amount set by the policy board."

8. Page 24, line 11:

Following the word "Act" delete "within 10 days".

Transcript of testimony by Speaker Hugh Malone on the Alaska Permanent Fund (HB 596) before the House Finance Committee, March 17, 1978:

Without going deeply into the history of the enabling legislation of the Alaska Permanent Fund, I think the Permanent Fund was voted on and established by the people of Alaska as a savings account approach to reserve some of the wealth or income that's coming into the State from production of a high-value resource for a relatively short time for the future. I think that that theme should appear in any final enabling legislation that the Legislature passes or, failing that, that any Legislature should adopt. I think that the basic 25% of the revenues accruing from the ownership interest in mineral development within the State was considered by the people of Alaska to be a bottom-line savings account; and I think that any legislation adopted should reflect that. I think than anything less than that is inconsistent with public purposes and the adoption of the constitutional amendment.

One of the points that impressed me very early on in consideration of what should be done with the enabling legislation of the Alaska Permanent Fund springs from a discussion with some of the people from Alberta on how they are managing the Alberta Heritage Trust and some of the points that they consider important there. One specific thing that I recall, and I think it's very important to keep in mind in the enabling legislation, is that a very large portion or percentage of the money for investments of the fund should be in a highly liquid form of investment. The reason for that is this. Right now, we do not know what the future holds. It would be very easy, of course, to commit the Permanent Fund and all of the other revenues that the State has to purposes that we can identify right now. But if we do that, we are foreclosing the opportunity in the future to perhaps place those investments in returns which would be much more important in the State. I think the only way to preserve that option is to keep a significant portion of the fund in highly liquid form of investment. For instance, right now, in comparison with the general fund, we have a relatively high proportion of non-liquid investment in the general fund. We can, if we had to, I suppose, dispose of those investments at a discount to produce "free money" so that we can spend it; but I don't think the Alaska Permanent Fund should face that sort of trade-off. I think there should always be a high percentage of money in highly liquid investments--investments that can be sold quickly and at rates near the face or original value of the investment. That means, I suppose, that a good portion of the fund needs to be biased toward what people would call blue-chip investments; and the reason for that is to prevent too much of bias in the fund itself and to prevent foreclosing of the opportunity, in the future, of making investments that might be more important than any we see today.

When the original concept was under discussion in the last Legislature, there were a lot of times that I had reservations about the bill in 1975--which was finally vetoed--and the constitutional amendment itself, because if we do create public corporation in the State of Alaska, with cash assets on the order of several billions of dollars, we might also be creating an economic and political monster in the State. I think the next most important point in the development of the enabling legislation, to me at least, is accountability. I don't think that the fund, in being composed of public money and serving a public purpose, should be beyond the control of the public. I think that accountability is important if we don't want the corporation, or whatever form this finally takes, dictating political or economic policy to the people of the State of Alaska. I think you can point to minor instances right now where some other operations have run into those sort of difficulties--difficulties in accountability to the public for public operation. After a great deal of consideration over the last three years, I have come to the conclusion that to preserve the accountability to the public, at a minimum, the operating budget of the Alaska Permanent Fund should be subject to the same budget review and processes as the rest of our State government budgets; that is,

that the fund has to be accountable through the Executive Budget Act or accountable through a system of review that provides at least the same degree of public input through elected representatives of the people of the State of Alaska, including the Governor and the Legislature.

I guess everyone who talked about the fund, whether office holders or members of the public that have commented on the fund in a consulting capacity, have different ideas of what the Alaska Permanent Fund should accomplish, and naturally it is not going to accomplish all these ideas. We would need 10 or 20 permanent funds to do that. But an argument that was made for the fund, at the time of its adoption by the people, was that it held the potential, at least, for economic diversification in the State, and I think that that is a rational goal. I think it is one of the things that the fund could possibly accomplish if handled properly. I think that, in order to allow that opportunity to be there, we have to go back again to the question of the liquidity of the fund and also the question of if the fund being involved in merely replacing existing sources of capital or capital funding and whether those capital funds come through the private sector or through the State or federal government budgets. I would say, generally, we ought to look for opportunities for investment of the fund that do not simply replace existing capital sources. I think that that is where the greatest potential for the fund is--in new opportunities. You can make a somewhat rational political decision that we would rather have money that is owned by Alaska--Alaska Permanent Fund--in a given industry or a given capital area over money that comes from the East Coast or money that comes from Japan or some other place. But I am not sure that they provide for economic diversification in the State. I think, on the contrary, that what it does is provide for more of the same things that we have right now. In some cases that is probably good, but it won't lead to economic diversification. I think that we need to look for the areas that, because of lack of information in the past and because of political or other institutional barriers, capital is not available now--areas that represent real economic potential. Those areas are probably fairly small in terms of the total capital required right now, but I think those are the areas that the fund should focus on if economic diversification is to be a goal of the fund. Personally, I think it should be one of the goals of the fund.

The last thing I want to say is that the effect of the investment of the Alaska Permanent Fund is something that is not going to occur today, of course. It is going to occur down the road--three years, five years, longer than that--as amounts in the fund grow to significant proportions. Because of that, I think it is unwise to bias the investment policy of the fund, either through the legislation itself dealing with the corpus of the savings account or trust, whichever way you want to describe it, or through the use of the revenues of the fund. I think what we might do by taking that sort of approach is to eliminate, in the future, potential for economic diversification and potentials that otherwise might never be developed. So I would caution the Committee and the Legislature that any specific dedications or biases might be necessary in the political process to adopt this legislation or because existing needs seem to be so pressing should be looked at very carefully and by keeping as small as realistically possible. As far as the use of the fund income, for instance, I think it would be a major mistake to bias the investment policy of the fund and the opportunities to which it can be put in the future by an immediate dedication of the income from the Alaska Permanent Fund, and there is no doubt in my mind that it would do that, if we allocate now all the income from the fund or even a very large percentage of it for specific programs and purposes that are identified today. What will naturally happen is constituency groups will grow up around those purposes. It will be very unlikely that those things will be changed. I think that by doing that, we may have foreclosed an opportunity to areas five years, 10 years, 15 years into the future. I realize some of those things might be necessary--some compromises might be necessary--along those lines. There are substantial needs that exist in the State--very pressing ones that people on this Committee are very familiar with. I would

urge the Committee to keep those sort of dedications, or biases is what they are, as far as investment policy of the fund in the future to a minimum because I think that what we would do by building in those biases at the outset is: one, through the creation of the constituent group outside the fund and the public to make it politically very difficult to meet a high purpose when that came along; and secondly, and maybe just as importantly, is that you can create a constituent group within the fund itself that was directed toward those specific purposes and don't have the vision or breadth of vision to look at what else was happening or could happen in the economy in the State of Alaska.

Those are my basic concerns on the Alaska Permanent Fund. I think, consistent with the idea that this money was going to be a savings account when the people voted on it--I think that was their main argument, up until at least this year it has been the main argument for the Alaska Permanent Fund--is that within the context of keeping that fund accountable and the necessary review by the people through the elected officials of the State that every step of it to be taken to keep the fund from falling prey to the buracracy that inevitably grows in government. By that, I mean to say that I don't think it should be located within the executive department. I think the history pretty well shows that in those cases either one or two things happens; buracracy would become the captive of the project or, more likely, visa-versa, and I don't think that's in the interest of the people of the State of Alaska either.

If the importance and the need for the immediate dedication of revenues exceeds what might be available from the revenues that fall from a 25% Alaska Permanent Fund, immediate investments might be available from other places. I suggest that the Committee and the Legislature consider increasing the dedication--I realize that is at the expense of the general fund revenues--by the 25% constitutional minimum to meet those purposes so that in the end, the 25% that was approved by the people of the State of Alaska in 1976 remains intact.

I think that pretty well sums up the major concerns that I have with the fund, except that beyond the actual investment policy and the things that happen as a result of the fund investment policy, I think the Alaska Permanent Fund exists in a context of what the philosophy of the State and the people is. I think, to a large or important extent, what happens with the Alaska Permanent Fund will be not only a reflection of existing philosophy in terms of what the people of Alaska want to see happen, but to some extent will condition or dictate the philosophy of the future. I think it's very important in its symbolism, and I think that this is something that has to be kept in mind when we are dealing with the subject. That is a personal observation.

HFC 78-51 #0748 - #1083

Original sponsor: Special Committee on the
Alaska Permanent Fund

Offered: 2/24/78
Referred: Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE
ON THE ALASKA PERMANENT FUND

2 CS FOR HOUSE BILL NO. 596

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 legislative action 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 agen-
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. *As amended for*

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

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

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

19 (1) alternate levels of capitalization of the investment
20 funds of the state; and

21 (2) alternative investment policy for the general fund sur-
22 plus.

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

24 CHAPTER 13. ALASKA PERMANENT FUND.

25 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of
26 the state constitution, there is established as a separate fund the
27 Alaska permanent fund. The permanent fund consists of 100 per cent of
28 mineral lease bonuses after deduction of any amounts allocated to the
29 Alaska Native Fund under the Alaska Native Claims Settlement Act and

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

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

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

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

26 (3) the corporation should be used as a savings device
27 managed to allow the maximum use of disposable income from the corpora-
28 tion as needed for purposes designated by law.

29 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to

1 provide a mechanism for the management and investment of those permanent
2 fund assets allocated to the Alaska Permanent Fund Corporation in a
3 manner consistent with the findings established in sec. 20 of this
4 chapter.

5 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
6 established the Alaska Permanent Fund Corporation. The corporation is a
7 public corporation and government instrumentality in the Department of
8 Revenue managed by a board of trustees but has a legal existence inde-
9 pendent of and separate from the state. The purpose of the board is to
10 manage and invest the assets of the corporation in accordance with this
11 chapter.

12 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
13 of trustees consists of three members appointed by the governor and
14 confirmed by a majority of the members of the legislature in joint
15 session.

16 (b) The board shall annually elect a chairman from among its
17 members.

18 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
19 appointed for terms of four years, and they may be reappointed. Terms
20 shall be staggered. Initial terms shall be one member serving for two
21 years, one member serving for three years, and one member serving for
22 four years.

23 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
24 remove a trustee from office by and with the consent of a majority of
25 the members of the legislature in joint session. A removal by the
26 governor shall be in writing and state the reason for removal. If the
27 legislature is not in session, the governor may suspend a member of the
28 board. Upon suspension, a vacancy is not created but the trustee may
29 not participate in board business and may not be counted for purposes

1 of establishing a quorum. The joint session shall be held within
2 30 days from the date of removal if the removal occurs while the
3 legislature is in session or within 30 days of convening of the legis-
4 lature if the legislature is not in session. If the legislature refuses
5 to consent to his removal, the trustee shall be reinstated to his
6 position.

7 (b) A vacancy on the board shall be promptly filled by appointment
8 by the governor and confirmation by a majority of the members of the
9 legislature in joint session, and an appointee to fill a vacancy shall
10 hold office for the balance of the term for which his predecessor on the
11 board was appointed. If a vacancy arises on the board while the legis-
12 lature is not in session, the governor may appoint an interim trustee
13 who shall exercise all powers of a permanent trustee until such time as
14 the legislature in joint session fails to confirm the interim trustee's
15 appointment.

16 (c) A vacancy on the board does not impair the authority of a
17 quorum of the board to exercise all the powers and perform all the
18 duties of the board.

19 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
20 be appointed to the board who has not been a resident of the state for
21 at least three years.

22 (b) No member of the board may hold any other state or federal
23 office, position or employment, either elective or appointive, except as
24 a member of the armed forces of the United States or of this state.

25 (c) At least one member of the board shall have recognized
26 competence and wide experience in finance, investments, or other busi-
27 ness management-related field. No two members may be appointed to the
28 board who share substantially similar professional or occupational
29 backgrounds.

1 Sec. 37.13.090. QUORUM. Two members of the board constitute a
2 quorum for the transaction of business and the exercise of the powers
3 and duties of the board.

4 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
5 honorarium of \$250 for each meeting day if they attend the meeting and
6 are entitled to per diem and travel allowances as provided by law for
7 members of state boards and commissions.

8 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
9 determine the salary of an executive director. The executive director
10 may, with the approval of the board, select and employ additional staff
11 as necessary. No employee of the corporation, including the executive
12 director, may be a trustee. The executive director and all other
13 employees of the board are in the exempt service under AS 39.25.

14 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
15 to the provisions of AS 39.50.

16 (b) If a member or employee acquires, owns or controls an in-
17 terest, direct or indirect, in an entity or project in which corporation
18 assets are invested, he shall immediately disclose the interest to the
19 board. The disclosure is a matter of public record and shall be in-
20 cluded in the minutes of the board meeting next following the disclo-
21 sure.

22 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
23 applicable to the board in ^{its} management and investment of per. ent
24 fund assets. The prudent-man rule as applied to investments of the
25 corporation means that in making investments the board shall exercise
26 the judgment and care under the circumstances then prevailing which an
27 institutional investor of ordinary prudence, discretion, and intel-
28 ligence exercises in the management of large investments entrusted to it
29 not in regard to speculation but in regard to the permanent disposition

1 of funds, considering the probable income from them as well as probable
2 safety of capital.

3 (b) The corporation assets may only be used for income-producing
4 investments.

5 (c) The board shall seek to maintain a reasonable diversification
6 among corporation investments unless under the circumstances it is
7 clearly prudent not to do so.

8 (d) The board shall submit long-range and quarterly investment
9 reports to the Investment Oversight Committee.

10 (e) The corporation may not borrow funds or guarantee from princi-
11 pal of the fund the obligations of others.

12 (f) The board may enter into and enforce all contracts necessary,
13 convenient or desirable for purposes of the corporation except it may
14 not contract with agencies or departments of the state to recommend or
15 select investments.

16 (g) Subject to (a) and (b) of this section the board may invest
17 corporation assets, in obligations of the United States or obligations
18 for which the full faith and credit of the United States are pledged for
19 payment of principal and interest; loans secured by first liens on
20 unencumbered realty or leaseholds; and corporate securities which under
21 the Securities Act of 1933 are freely marketable.

22 (1) No portion of the assets of the fund may be used in the
23 purchase of stock of any corporation which is not paying dividends on
24 that stock in cash at the time of purchase; nor in the purchase of bonds
25 of any corporation, upon which any regular interest payment has been
26 defaulted at any time within five years before purchase, except bonds
27 never in default but which have been outstanding for less than five
28 years.

29 (2) No portion of the assets of the corporation may be used

1 in the purchase of stock if immediately following the purchase the
2 proportionate market value of all stocks held by the corporation would
3 exceed 30 per cent of the corporation's assets.

4 (h) The board shall establish and from time to time as necessary
5 modify guidelines for the investment of the corporation's assets.
6 Before adoption of any guidelines the guidelines shall be reported to
7 the Investment Oversight Committee for review and comment.

8 (i) Nothing in this section may be interpreted to preclude in-
9 state investments that have a risk level and expected yield comparable
10 to alternative investment opportunities.

11 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
12 the total amount of losses on the sales of securities, not offset by
13 gains on the sales of securities during that year, shall be computed,
14 with a portion of these losses to be deducted each fiscal year from the
15 interest and dividend income and the resulting amount of interest and
16 dividend income added to the principal of the fund. Losses taken on the
17 sales of bonds shall be accumulated over a period equal to the average
18 remaining life of the bonds sold, and losses taken on the sales of
19 stocks shall be accumulated within a period of five years, unless these
20 losses are offset by gains on future sales of securities. In any fiscal
21 year in which the gains on the sales of securities exceed the losses on
22 the sales of securities, the excess shall be added to the principal of
23 the fund.

24 Sec. 37.13.150. INCOME. The interest and dividends received in a
25 year are the income of the corporation for that year. The income avail-
26 able for disbursement shall be determined on an averaging basis. For
27 the first five years, income will be the simple averaging of the annual
28 current return at cost. Subsequently, there will be a moving average
29 current return, in which the latest fiscal year will replace the oldest

1 year. The income available for disbursement will be the lesser of the
2 latest fiscal year's income, or the average annual current income for
3 the past five fiscal years of the fund at cost, and after adjustment for
4 capital losses charged to that fiscal year.

5 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
6 from the general fund and is subject to the Executive Budget Act (AS
7 37.07).

8 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
9 provide for an annual post audit and annual operational and performance
10 evaluations of the corporation's investments and investment programs.

11 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
12 ber 30 of each year, the board shall publish a report to the governor,
13 legislature, and the public in easily understandable language. Each
14 report must include financial statements audited by independent outside
15 auditors, a statement of the amount of money received by the permanent
16 fund from each investment during the period covered, a statement of
17 corporation investments, ^{included an approved description of investment value.} a description of corporation investment ^{included an approved}
18 activity during the period covered by the report, a comparison of the ^{of investment value.}
19 corporation performance with the intended goals contained in sec. 20 of
20 this chapter, an examination of the impact of the investment criteria of
21 this chapter on the corporation portfolio with recommendations of any
22 needed changes and any other information the board believes would be of
23 interest to the governor, the legislature, and the public. The annual
24 income statement and balance sheet of the corporation shall be published
25 in at least one newspaper in each judicial district. The income state-
26 ment and balance sheet for the two fiscal years preceding the publica-
27 tion of the election pamphlet under AS 15.57 shall be included in that
28 pamphlet. The board may also publish other reports it considers desir-
29 able to carry out its purpose.

1 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
2 taxes and assessments in the state. All security instruments issued by
3 the corporation, their transfer, and their income are exempt from all
4 taxes and assessments in the state.

5 Sec. 37.13.200. . POLITICAL ACTIVITIES. The members of the board of
6 trustees and employees of the corporation may not engage in partisan
7 political activities. The resources of the corporation may not be used
8 to finance any partisan political activities.

9 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
10 possession of the corporation is a public record, except that infor-
11 mation which discloses the particulars of the business or affairs of a
12 private enterprise or investor is confidential and is not a public
13 record. Confidential information may be disclosed only for the purposes
14 of an official law enforcement investigation or when its production is
15 required in a court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the iden-
17 tification of particular reports, items, persons, or enterprises.

18 * Sec. 4. AS 44 is amended by adding a new chapter to read:

19 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

20 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
21 created the Alaska Enterprise Investment Corporation. The corporation
22 is a public corporation and government instrumentality in the Department
23 of Revenue but has legal existence independent of and separate from the
24 state. The exercise by the corporation of the powers conferred by this
25 chapter is considered an essential governmental function of the state.

26 (b) One-sixth of the receipts of all mineral lease rentals, roy-
27 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
28 ments and bonuses allocated to the Alaska permanent fund shall be paid
29 by the Alaska Permanent Fund Corporation directly into the Alaska

1 Enterprise Investment Corporation until a total of \$100,000,000 has been
2 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
3 tion under this subsection is the paid-in capital of the corporation.

4 Sec. 44.55.020. FINDINGS. The legislature finds

5 (1) that investment in financially sound small and medium
6 scale (A) productive private enterprises and (B) community development
7 projects in the state, for which sufficient capital is not available
8 from other sources on reasonable terms, is of benefit to the citizens of
9 the state;

10 (2) there is a shortage of investment capital available from
11 other sources on reasonable terms for financially sound small and medium
12 scale productive private enterprise and community development projects;

13 (3) that the corporation working with private financial
14 institutions to supplement but not supplant their services can help to
15 alleviate this shortage.

16 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
17 provide capital at market rates and terms which are not available from
18 other sources on reasonable terms for small and medium scale productive
19 private enterprises and community development projects.

20 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
21 BOARD. (a) There is established the Alaska Enterprise Investment
22 Corporation Policy Board consisting of a person employed in the execu-
23 tive branch of state government appointed by the governor and six public
24 members appointed by the governor with due regard for geographical
25 representation and confirmed by a majority of the members of the legis-
26 lature in joint session. At least two of the public members shall have
27 recognized competency and wide experience in investment and finance. No
28 public member may be appointed to the board who has not been a resident
29 of the state for at least three years. The board shall elect one of the

1 public members as chairman and other officers they determine desirable.

2 (b) The six public members shall serve for four-year terms, and
3 they may be reappointed. Terms shall be staggered. Initial terms shall
4 be two members serving for two years, two members serving for three
5 years, and two members serving for four years. A member continues to
6 serve until his successor is appointed and confirmed.

7 (c) A majority of the policy board members constitutes a quorum
8 for the transaction of business by the board. Decisions of the board
9 shall be taken by a majority vote. The board shall hold at least one
10 public meeting each year.

11 (d) Public members of the policy board receive an honorarium of
12 \$250 for each meeting day if they attend the meeting and are entitled to
13 per diem and travel allowances as provided by law for members of state
14 boards and commissions.

15 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
16 may remove a policy board member from office by and with the consent of
17 a majority of the members of the legislature in joint session. The
18 joint session shall be held within 10 days from the date of removal if
19 the removal occurs while the legislature is in session or within 30 days
20 of convening of the legislature if the member was suspended. If the
21 legislature is not in session, the governor may suspend a member of the
22 policy board for cause. Upon suspension, a vacancy is not created but
23 a board member may not participate in policy board business and may not
24 be counted for purposes of establishing a quorum. If the legislature
25 refuses to consent to his removal, the member shall be reinstated to his
26 position.

27 (b) A vacancy arising on the policy board shall be promptly filled
28 by appointment by the governor and confirmation by a majority of the
29 members of the legislature in joint session, and an appointee to fill a

1 vacancy shall hold office for the balance of the term for which his
2 predecessor on the board was appointed. If a vacancy arises on the
3 board while the legislature is not in session, the governor may appoint
4 an interim board member who shall exercise all powers of a permanent
5 board member until such time as the legislature in joint session fails
6 to confirm the interim member's appointment.

7 (c) A vacancy on the policy board does not impair the authority of
8 a quorum of the board to exercise all the powers and perform all the
9 duties of the board.

10 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

11 (1) select and appoint the president and other members
12 of the Investment Committee established in sec. 80 of this chapter;

13 (2) annually review and approve long-range operating plans,
14 the budget for the forthcoming year, and the financial plan for the
15 following years;

16 (3) have responsibility on behalf of the corporation for
17 relations with the general public, legislature, executive branch, local
18 communities, and interest groups concerning all things excepting only
19 those matters that are the responsibility of the Investment Committee;

20 (4) review quarterly reports from the Investment Committee
21 concerning investment decisions and investment supervision, but the
22 board may not impose an investment decision upon, or override an invest-
23 ment decision of, the Investment Committee;

24 (5) review, consider and approve policies;

25 (6) establish an audit committee which shall select inde-
26 pendent outside auditors, and receive all audit reports.

27 Sec. 44.55.070. PRESIDENT. The president of the corporation is
28 appointed by the policy board for a term of four years, may be reap-
29 pointed, and serves at the pleasure of the policy board. The salary of

1 the president is set at the discretion of the policy board; but may not
2 be set below that of the highest paid member of the Investment Commit-
3 tee. The president shall

4 (1) have sole responsibility for presenting investment pro-
5 posals to the Investment Committee;

6 (2) be responsible for the ordinary business of the corpo-
7 ration and the organization, appointment, dismissal, and remuneration of
8 the officers and staff;

9 (3) be responsible for making investments in investment grade
10 securities, subject to review by the Investment Committee;

11 (4) establish and maintain adequate and appropriate organi-
12 zational, operating and financial controls.

13 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
14 the Investment Committee, consisting of the president and four members
15 appointed by the policy board. No member of the policy board may be a
16 member of the committee. Members of the committee shall be persons of
17 recognized competence and wide experience in investments, finance, and
18 other business management-related fields. No member may be appointed to
19 the committee who has not been a resident of the state for at least
20 three years. A member may be reappointed and continue to serve until
21 his successor is appointed. The president and members shall serve for
22 four-year terms. Terms shall be staggered. Initial terms shall be one
23 member serving for one year, one member serving for two years, one
24 member serving for three years, and one member and the president serving
25 for four years.

26 (b) Three members of the committee constitute a quorum. Decisions
27 of the committee shall be taken by majority vote.

28 (c) Members of the committee other than the president receive an
29 annual salary within Range 30 in the salary schedule for state employees

39.27.011.

44.55.090. DUTIES OF THE COMMITTEE. The committee has sole ability to approve all investment proposals regarding productive private enterprises and community development projects in the state, and review all investments in investment grade securities.

6 Sec. 44.55.100. BUDGET. The corporation operating budget is from
7 the general fund and is subject to the provisions of the Executive
8 Budget Act (AS 37.07).

9 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
10 committee members, and officers and staff of the corporation are in the
11 exempt service under AS 39.25.

12 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
13 the corporate purposes of the corporation, the policy board has power to

14 (1) adopt, alter and use a corporate seal;

15 (2) prescribe, adopt, amend, and repeal bylaws;

16 (3) sue and be sued in the name of the corporation;

17 (4) borrow funds, and in that connection furnish such collat-
18 eral or other security as it determines, except that corporation borrow-
19 ing may not exceed its paid-in capital;

20 (5) guarantee obligations of another corporation or legal
21 entity in order to facilitate their sale;

22 (6) enter into agreements necessary or convenient in the
23 exercise of its powers and functions;

24 (7) acquire, hold, use, lease, sell or otherwise dispose of
25 property of any kind, real, personal or mixed, or any interest in it;

26 (8) contract with state, federal and other agencies to
27 develop needed information and analyses;

28 (9) do all acts and things necessary, convenient or desirable
29 to carry out the powers granted or implied in this chapter.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

1 established by AS 39.27.011.

2 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
3 responsibility to approve all investment proposals regarding productive
4 private enterprises and community development projects in the state, and
5 review all investments in investment grade securities.

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7 the general fund and is subject to the provisions of the Executive
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10 committee members, and officers and staff of the corporation are in the
11 exempt service under AS 39.25.

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14 (1) adopt, alter and use a corporate seal;

15 (2) prescribe, adopt, amend, and repeal bylaws;

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17 (4) borrow funds, and in that connection furnish such collat-
18 eral or other security as it determines, except that corporation borrow-
19 ing may not exceed its paid-in capital;

20 (5) guarantee obligations of another corporation or legal
21 entity in order to facilitate their sale;

22 (6) enter into agreements necessary or convenient in the
23 exercise of its powers and functions;

24 (7) acquire, hold, use, lease, sell or otherwise dispose of
25 property of any kind, real, personal or mixed, or any interest in it;

26 (8) contract with state, federal and other agencies to
27 develop needed information and analyses;

28 (9) do all acts and things necessary, convenient or desirable
29 to carry out the powers granted or implied in this chapter.

1 (b) In carrying out the corporate purposes of the corporation, the
2 committee has the power to

3 (1) invest, as it considers appropriate, by purchasing the
4 capital stock of, or lending money to, projects, except that any invest-
5 ment in the capital stock of or other ownership interest in a project
6 may not exceed 25 per cent of the capital stock of, or other ownership
7 interest in, the project, and no loan or other investment in the project
8 by the corporation may exceed 90 per cent of the cost of the project
9 unless, in the judgment of the committee, additional amounts must be
10 loaned to protect the interests of the investment fund;

11 (2) deposit or invest surplus funds through the Alaska Perma-
12 nent Fund Corporation in such obligations as the committee may determine;

13 (3) buy and sell securities the corporation has issued or
14 guaranteed or in which it has invested;

15 (4) do all acts and things necessary, convenient or desirable
16 to carry out the powers granted or implied in this chapter.

17 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
18 committee and staff shall exercise the judgment and care under the
19 circumstances then prevailing which a person of ordinary prudence,
20 discretion, and intelligence exercises in the management of his own
21 affairs taking into consideration the probable income from the invest-
22 ments as well as probable safety of principal.

23 (b) The committee may invest not more than 50 per cent of the
24 resources of the corporation to provide a reasonable proportion of
25 longer-term investment capital for financing the establishment, improve-
26 ment, and expansion of financially sound small and medium scale produc-
27 tive private enterprises which will benefit Alaskans, and for which
28 sufficient capital is not available from other sources on reasonable
29 terms. These investments may take the form of equity, debt, or debt

1 guarantees.

2 (c) The committee may invest not more than 50 per cent of the
3 resources of the corporation in financing a reasonable proportion of the
4 longer-term investment capital needs for financially sound small and
5 medium scale community development projects of municipalities and public
6 corporate entities and private dwellings in the state for which suf-
7 ficient financing is not available from other sources on reasonable
8 terms. These investments may take the form of equity, debt, or debt
9 guarantees.

10 (d) The committee may not invest or guarantee obligations totaling
11 more than five per cent of the assets of the corporation or \$5,000,000,
12 whichever is less, in a single project unless the legislature has ap-
13 proved the investment by concurrent resolution.

14 (e) The committee may not undertake any financing for which, in
15 its opinion, sufficient private capital could be obtained on reasonable
16 terms.

17 (f) The committee may not assume responsibility for managing any
18 enterprise or project in which it has invested and may not exercise
19 voting rights for that purpose or for any other purpose which, in its
20 opinion, properly is within the scope of managerial control.

21 (g) The committee shall only undertake its financing on terms and
22 conditions which it considers appropriate, taking into account the terms
23 and conditions normally obtained by private investors for similar fi-
24 nancing, the requirements of the enterprise or project, the risks being
25 undertaken by the corporation, and the participation of other investors
26 unless the legislature has appropriated funds for subsidizing invest-
27 ments which in the opinion of the corporation are of such high priority
28 that special terms and conditions are appropriate.

29 (h) The committee may seek to revolve the corporation's money by

1 selling its investments to other investors whenever it can appropriately
2 do so on satisfactory terms.

3 (i) The committee shall seek to maintain a reasonable diversi-
4 fication in its investments.

5 (j) The committee shall only consider investment proposals after
6 the applicant for an investment has submitted a detailed proposal to the
7 committee's staff and the staff has prepared a written report recommend-
8 ing the investment after a study of its merits.

9 (k) The committee shall analyze the economic and other effects of
10 an investment decision, including the effects on employment, income
11 distribution, environment, health, social and other factors. The com-
12 mittee shall be sensitive to the views of affected local communities.

13 (l) The committee may guarantee qualifying loans made by financial
14 intermediaries in order to facilitate investment by the intermediaries
15 in specific enterprises or projects.

16 (m) The committee shall provide for operational and performance
17 evaluations (post-audits) of its investments and investment programs and
18 report the results to the policy board.

19 (n) Nothing in this section prevents the committee, in the event
20 of actual or threatened default on any of its investments, actual or
21 threatened insolvency of the enterprise in which the investment has been
22 made, or other situations which, in the opinion of the committee,
23 threaten to jeopardize the investment, from taking such action and
24 exercising such rights as it may consider necessary for the protection
25 of its interests.

26 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
27 financing operations, the policy board shall render a detailed report to
28 the legislature which shall

29 (1) define the sectors which need financing for expansion of

1 existing projects or the development of new projects;

2 (2) define the size and nature of projects which are feasible
3 for corporation financing;

4 (3) determine specific projects which are feasible for corpo-
5 ration and private financing;

6 (4) determine the availability of private investment capital
7 for the projects it determines are feasible;

8 (5) forecast the capital requirements of the corporation for
9 the first three years of its operations.

10 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
11 publish an annual report in easily understandable language to the gover-
12 nor, legislature and the public. Each report shall include financial
13 statements audited by independent outside auditors, a statement of the
14 amount of money received by the corporation from each source during the
15 period covered, a statement of corporation investments, a description of
16 corporation investment activity during the period covered by the report,
17 an analysis of economic and other effects of investment decisions in-
18 cluding, but not limited to, the effects on employment, income distri-
19 bution, environment, health, social and other factors, and any other
20 information the policy board believes would be of interest to the gover-
21 nor, the legislature and the public. The corporation may also publish
22 such other reports as it considers desirable to carry out its purpose.

23 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
24 board and the committee are subject to the provisions of AS 39.50.

25 (b) Members of the policy board and the committee shall disclose
26 their financial interest in an investment proposal and disqualify them-
27 selves from voting on any investment proposal in which they have a
28 financial interest.

29 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy

1 board and the committee and officers and staff of the corporation may
2 not engage in partisan political activities. The resources of the
3 corporation may not be used to finance any partisan political activi-
4 ties.

5 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
6 possession of the corporation is a public record, except that infor-
7 mation which discloses the particulars of the business or affairs of a
8 private enterprise or investor is confidential and is not a public
9 record. Confidential information may be disclosed only for the purposes
10 of an official law enforcement investigation or when its production is
11 required in a court proceeding. These restrictions do not prohibit the
12 publication of statistics presented in a manner that prevents the iden-
13 tification of particular reports, items, persons, or enterprises.

14 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
15 taxes and assessments in the state. All security instruments issued by
16 the corporation, their transfer, and their income are exempt from all
17 taxes and assessments in the state.

18 Sec. 44.55.200. DEFINITIONS. In this chapter

19 (1) "board" or "policy board" means the Alaska Enterprise In-
20 vestment Corporation Policy Board established by sec. 20 of this chap-
21 ter;

22 (2) "business enterprise" means a private corporation, firm,
23 partnership or sole proprietorship;

24 (3) "committee" means the Investment Committee established by
25 sec. 60 of this chapter;

26 (4) "corporation" means the Alaska Enterprise Investment
27 Corporation.

28 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

29 (21) members of the policy board and Investment Committee, and

1 the president, officers, and staff of the Alaska Enterprise Investment
2 Corporation;

3 (22) members of the board of trustees, the executive director,
4 and staff of the Alaska Permanent Fund Corporation.

5 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

6 (NN) Alaska Enterprise Investment Corporation Policy
7 Board and Investment Committee;

8 (OO) Alaska Permanent Fund Corporation Board of Trustees.

9 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
10 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
11 tion established by this Act within 10 days after request for transfer is
12 made by the corporation board of trustees.

13 (b) The Alaska Enterprise Investment Corporation may not expend funds
14 for any purpose other than normal operating expenses of the corporation until
15 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
16 the corporation including the funds received under AS 44.55.010 in sec. 4 of
17 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
18 4 of this Act until the paid-in capital reaches \$50,000,000.

19 * Sec. 8. AS 37.10.065(c) is repealed.

20 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

21 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
22 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
23 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
24 immediately in accordance with AS 01.10.070(c).

9 MARCH 78

Suggested Amendments to House Bill 596

The following amendments should be considered:

1. page 6, line 8

Following the words "Alaska Permanent Fund Corporation" insert "and the Alaska Enterprise Investment Corporation".

2. page 6, line 9

Substitute "50 per cent" for "five-sixths".

3. page 6, line 11

Substitute "50 per cent" for "one-sixth"; place a period after "allocated"; and delete the remainder of this section.

4. page 6, line 23

Following the word "benefit" delete "of future generations".

5. page 7, line 15

Following "session." insert the following: "The commissioner of revenue is a non-voting member of the board of trustees."

6. page 9, line 1

Substitute "Three" for "Two".

7. page 9, line 8

Delete Sec. 37.13.110 and replace it with the following:
"Sec. 37.13.110. PERSONNEL. The commissioner of revenue or designee shall serve as the executive director of the corporation and staff will be provided by the department of revenue. All staff members responsible for corporation investments are in the partially exempt service as under AS 39.25."

8. page 9, line 23

Substitute "in the" for "to the board in its".

9. Page 10, line 6

Put a period after "investments" and delete the remainder of the sentence.

10. page 10, line 13

Put a period after "corporation" and delete the remainder of the sentence.

11. page 11, line 11

Delete Sec. 37.13.140 and replace with the following:
"Sec. 37.13.140. RESERVES. The corporation may establish, from income derived from its investments a loss reserve account to preserve the principal of the permanent fund, consistent with sound financial practices."

12. page 11, line 24

Delete Sec. 37.13.150. entitled "Income".

13. page 13, line 6

Following "trustees" delete "and officers and staff of the corporation may not engage in partisan political activities" and substitute "are subject to AS 39.25.160."

14. page 13, line 26

Substitute "Fifty percent" for "One-sixth".

15. page 13, line 28

Following "p.id" delete "by the Alaska Permanent Fund Corporation directly".

16. page 14, line 1

Following "Corporation" insert "as specified in Sec. 37.13.010." and delete the remainder of the sentence.

17. page 14, line 22

Substitute "the commissioners of the departments of revenue and commerce and economic development" in place of "a person employed in the executive branch of state government appointed by the governor".

18. page 14, line 23

Substitute "five" in place of "six".

19. page 14, line 27

Following the period, insert the following sentence: "The President of the Alaska Enterprise Investment Corporation, appointed under Sec. 44.55.070 of this chapter, shall serve as the chairman of the Policy Board, but is not a voting member."

20. page 14, line 29

Delete the following words: "one of the".

21. page 15, line 1

Delete the following words: "public members as chairman and".

22. page 15, line 2

Substitute "five" in place of "six".

23. page 15, line 4

Substitute "one member serving for two years," in place of "two members serving for two years".

24. page 15, line 9

Following the word "vote" and before the period, insert: ", including not less than a majority of appointed members."

25. page 18, line 6

Delete this section and replace it with the following:
"Sec. 44.55.100. BUDGET. The corporation may retain income in the amount needed to pay the operating and administrative expenses of the corporation. The corporation is exempt from the provision of the Executive Budget Act (AS 37.07), except if these operating and administrative expenses shall exceed one-half of one percent of the corporation's paid-in capital, that budget of the corporation is subject to the Executive Budget Act."

26. page 20, line 11

Substitute "one percent of the resources of the corporation" in place of "five percent of the resources of the corporation or \$5,000,000, whichever is less,".

27. page 21, line 26

Insert a new section to read: "(o) All guarantees shall be presented to the Alaska State Legislature by the Policy Board for approval by law. A reserve for guarantees shall be established in accordance with Sec. 44.55.130(b) of this chapter."

28. page 21, line 26

Insert a new section as follows: "(p) the corporation may not make additional investments in participation with any other corporation or investment institution which is currently participating with the corporation in other investments if two percent of those investments are delinquent."

29. page 21, line 26

Insert a new section to read: "Sec. 44.55.130. RESERVES. (a) The corporation may establish from income derived from its investments, reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices.

(b) The corporation may establish from income from its investments, a reserve account for the purpose of paying loss on guaranteed debts. The amount credited to this reserve shall be a percentage of the total guaranteed debts as determined by the policy board, consistent with sound financial practices."

30. page 21, line 27

Substitute "prepare a detailed report of Alaskan investments which shall" in place of "render a detailed report to the legislature which shall".

31. page 23, line 1

Following the word "corporation" insert "are subject to AS 39.25.160." and delete the remainder of this sentence.

32. page 24, line 11

Following "tion" insert "and the Alaska Enterprise Investment Fund".

33. page 24, line 11

Substitute "30" in place of "10".

34. Page 24, line 17

Substitute "AS 37.13.130(g)" in place of "AS 44.55.120(b)(2) in Section 4 of this Act." and delete the remainder of the sentence.

35. page 24, line 19

Following "repealed" insert "at the time Sec. 7. Transition is completed."

36 page 24, line 20

Following "repealed" insert "at the time Sec. 7. Transition is completed."

It is further suggested that "small and medium scale" should be clearly defined in the bill, for example, defining that concept in terms of a 1 percent investment limitation.

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

10 19010200
ONLY COPY

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

VETOED

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.						
TOTAL			113.3			

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 \$11,698-\$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)

change
PROPOSED AMENDMENTS / CSHB 596

1. Page 5, between lines 11 and 12, insert:

(7) provide for an annual post audit and annual operational and performance evaluation of the Alaska Permanent Fund Corporation investments and investment programs.

2. Page 9, line 23:

Following the word "in", delete "its" and insert "the".

3. Page 10, lines 17 - 19:

Following the word "assets" delete;

"in obligations of the United States or obligations for which the full faith and credit of the United States are pledged for payment of principal and interest"

and insert:

"in obligations of, or obligations insured or guaranteed by, the United States or agencies or instrumentalities of the United States;"

4. Page 10, line 20:

Following the word "leaseholds" delete "and".

5. Page 10, line 21:

Following the word "marketable" delete the period and insert "and short term investments which meet the requirements of (a) and (b) of this section except for the term of the investments."

6. Page 12, between lines 4 and 5, insert:

Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may establish a mortgage loss reserve account for the purpose of protecting the financial integrity of the fund.

7. Page 17, line 29 and page 30, line 1:

Following the word "salary" delete "within Range 30 in the salary schedule for state employees established by AS 39.27.011." and insert "in the amount set by the policy board."

8. Page 24, line 11:

Following the word "Act" delete "within 10 days".

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 agen-
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

1 managed to allow the maximum use of disposable income from the corpora-
2 tion as needed for purposes designated by law.

3 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
4 provide a mechanism for the management and investment of those permanent
5 fund assets allocated to the Alaska Permanent Fund Corporation in a
6 manner consistent with the findings established in sec. 20 of this
7 chapter.

8 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
9 established the Alaska Permanent Fund Corporation. The corporation is a
10 public corporation and government instrumentality in the Department of
11 Revenue managed by a board of trustees but has a legal existence inde-
12 pendent of and separate from the state. The purpose of the board is to
13 manage and invest the assets of the corporation in accordance with this
14 chapter.

15 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
16 of trustees consists of three members appointed by the governor and
17 confirmed by a majority of the members of the legislature in joint
18 session.

19 (b) The board shall annually elect a chairman from among its
20 members.

21 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
22 appointed for terms of four years and they may be reappointed. Terms
23 shall be staggered. Initial terms shall be one member serving for two
24 years, one member serving for three years, and one member serving for
25 four years.

26 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
27 remove a trustee from office by and with the consent of a majority of
28 the members of the legislature in joint session. A removal by the
29 governor shall be in writing and state the reason for removal. If the
30

1 legislature is not in session, the governor may suspend a member of the
2 board. Upon suspension, a vacancy is not created but the trustee may
3 not participate in board business and may not be counted for purposes
4 of establishing a quorum. The joint session shall be held within
5 30 days from the date of removal if the removal occurs while the
6 legislature is in session or within 30 days of convening of the legis-
7 lature if the legislature is not in session. If the legislature refuses
8 to consent to his removal, the trustee shall be reinstated to his
9 position.

10 (b) A vacancy on the board shall be promptly filled by appointment
11 by the governor and confirmation by a majority of the members of the
12 legislature in joint session, and an appointee to fill a vacancy shall
13 hold office for the balance of the term for which his predecessor on the
14 board was appointed. If a vacancy arises on the board while the legis-
15 lature is not in session, the governor may appoint an interim trustee
16 who shall exercise all powers of a permanent trustee until such time as
17 the legislature in joint session fails to confirm the interim trustee's
18 appointment.

19 (c) A vacancy on the board does not impair the authority of a
20 quorum of the board to exercise all the powers and perform all the
21 duties of the board.

22 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
23 be appointed to the board who has not been a resident of the state for
24 at least three years.

25 (b) No member of the board may hold any other state or federal
26 office, position or employment, either elective or appointive, except as
27 a member of the armed forces of the United States or of this state.

28 (c) At least one member of the board shall have recognized
29 competence and wide experience in finance, investments, or other busi-

1 ness management-related field. No two members may be appointed to the
2 board who share substantially similar professional or occupational
3 backgrounds.

4 Sec. 37.13.090. QUORUM. Two members of the board constitute a
5 quorum for the transaction of business and the exercise of the powers
6 and duties of the board.

7 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
8 honorarium of \$250 for each meeting day if they attend the meeting and
9 are entitled to per diem and travel allowances as provided by law for
10 members of state boards and commissions.

11 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
12 determine the salary of an executive director. The executive director
13 may, with the approval of the board, select and employ additional staff
14 as necessary. No employee of the corporation, including the executive
15 director, may be a trustee. The executive director and all other
16 employees of the board are in the exempt service under AS 39.25.

17 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
18 to the provisions of AS 39.50.

19 (b) If a member or employee acquires, owns or controls an in-
20 terest, direct or indirect, in an entity or project in which corporation
21 assets are invested, he shall immediately disclose the interest to the
22 board. The disclosure is a matter of public record and shall be in-
23 cluded in the minutes of the board meeting next following the disclo-
24 sure.

25 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
26 applicable to the board in the management and investment of permanent
27 fund assets. The prudent-man rule as applied to investments of the
28 corporation means that in making investments the board shall exercise
29 the judgment and care under the circumstances then prevailing which an
30

1 institutional investor of ordinary prudence, discretion, and intel-
2 ligence exercises in the management of large investments entrusted to it
3 not in regard to speculation but in regard to the permanent disposition
4 of funds, considering the probable income from them as well as probable
5 safety of capital.

6 (b) The corporation assets may only be used for income-producing
7 investments.

8 (c) The board shall seek to maintain a reasonable diversification
9 among corporation investments unless under the circumstances it is
10 clearly prudent not to do so.

11 (d) The board shall submit long-range and quarterly investment
12 reports to the Investment Oversight Committee.

13 (e) The corporation may not borrow funds or guarantee from princi-
14 pal of the fund the obligations of others.

15 (f) The board may enter into and enforce all contracts necessary,
16 convenient or desirable for purposes of the corporation except it may
17 not contract with agencies or departments of the state to recommend or
18 select investments.

19 (g) Subject to (a) and (b) of this section, the board may invest
20 corporation assets in obligations of, or obligations insured or guaran-
21 teed by, the United States or agencies or instrumentalities of the
22 United States; loans secured by first liens on unencumbered realty or
23 leaseholds; corporate securities which under the Securities Act of 1933
24 are freely marketable; and short-term investments which meet the require-
25 ments of (a) and (b) of this section except for the term of the invest-
26 ments.

27 (1) No portion of the assets of the fund may be used in the
28 purchase of stock of any corporation which is not paying dividends on
29 that stock in cash at the time of purchase; nor in the purchase of bonds

1 of any corporation, upon which any regular interest payment has been
2 defaulted at any time within five years before purchase, except bonds
3 never in default but which have been outstanding for less than five
4 years.

5 (2) No portion of the assets of the corporation may be used
6 in the purchase of stock if immediately following the purchase the
7 proportionate market value of all stocks held by the corporation would
8 exceed 30 per cent of the corporation's assets.

9 (h) The board shall establish and from time to time as necessary
10 modify guidelines for the investment of the corporation's assets.
11 Before adoption of any guidelines the guidelines shall be reported to
12 the Investment Oversight Committee for review and comment.

13 (i) Nothing in this section may be interpreted to preclude in-
14 state investments that have a risk level and expected yield comparable
15 to alternative investment opportunities.

16 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
17 the total amount of losses on the sales of securities, not offset by
18 gains on the sales of securities during that year, shall be computed,
19 with a portion of these losses to be deducted each fiscal year from the
20 interest and dividend income and the resulting amount of interest and
21 dividend income added to the principal of the fund. Losses taken on the
22 sales of bonds shall be accumulated over a period equal to the average
23 remaining life of the bonds sold, and losses taken on the sales of
24 stocks shall be accumulated within a period of five years, unless these
25 losses are offset by gains on future sales of securities. In any fiscal
26 year in which the gains on the sales of securities exceed the losses on
27 the sales of securities, the excess shall be added to the principal of
28 the fund.

29 Sec. 37.13.150. INCOME. The interest and dividends received in a

1 year are the income of the corporation for that year. The income avail-
2 able for disbursement shall be determined on an averaging basis. For
3 the first five years, income will be the simple averaging of the annual
4 current return at cost. Subsequently, there will be a moving average
5 current return, in which the latest fiscal year will replace the oldest
6 year. The income available for disbursement will be the lesser of the
7 latest fiscal year's income, or the average annual current income for
8 the past five fiscal years of the fund at cost, and after adjustment for
9 capital losses charged to that fiscal year.

10 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may
11 establish a mortgage loss reserve account for the purpose of protecting
12 the financial integrity of the fund.

13 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
14 from the general fund and is subject to the Executive Budget Act (AS
15 37.07).

16 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
17 provide for an annual post audit and annual operational and performance
18 evaluations of the corporation's investments and investment programs.

19 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
20 ber 30 of each year, the board shall publish a report to the governor,
21 legislature, and the public in easily understandable language. Each
22 report must include financial statements audited by independent outside
23 auditors, a statement of the amount of money received by the permanent
24 fund from each investment during the period covered, a statement of
25 corporation investments including an appraisal at market value, a de-
26 scription of corporation investment activity during the period covered
27 by the report, a comparison of the corporation performance with the
28 intended goals contained in sec. 20 of this chapter, an examination of
29 the impact of the investment criteria of this chapter on the corporation.

1 portfolio with recommendations of any needed changes and any other
2 information the board believes would be of interest to the governor, the
3 legislature, and the public. The annual income statement and balance
4 sheet of the corporation shall be published in at least one newspaper in
5 each judicial district. The income statement and balance sheet for the
6 two fiscal years preceding the publication of the election pamphlet
7 under AS 15.57 shall be included in that pamphlet. The board may also
8 publish other reports it considers desirable to carry out its purpose.

9 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
10 taxes and assessments in the state. All security instruments issued by
11 the corporation, their transfer, and their income are exempt from all
12 taxes and assessments in the state.

13 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
14 trustees and employees of the corporation may not engage in partisan
15 political activities. The resources of the corporation may not be used
16 to finance any partisan political activities.

17 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
18 possession of the corporation is a public record, except that infor-
19 mation which discloses the particulars of the business or affairs of a
20 private enterprise or investor is confidential and is not a public
21 record. Confidential information may be disclosed only for the purposes
22 of an official law enforcement investigation or when its production is
23 required in a court proceeding. These restrictions do not prohibit the
24 publication of statistics presented in a manner that prevents the iden-
25 tification of particular reports, items, persons, or enterprises.

26 * Sec. 4. AS 44 is amended by adding a new chapter to read:

27 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

28 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
29 created the Alaska Enterprise Investment Corporation. The corporation

1 is a public corporation and government instrumentality in the Department
2 of Revenue but has legal existence independent of and separate from the
3 state. The exercise by the corporation of the powers conferred by this
4 chapter is considered an essential governmental function of the state.

5 (b) One-sixth of the receipts of all mineral lease rentals, roy-
6 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
7 ments and bonuses allocated to the Alaska permanent fund shall be paid
8 by the Alaska Permanent Fund Corporation directly into the Alaska
9 Enterprise Investment Corporation until a total of \$100,000,000 has been
10 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
11 tion under this subsection is the paid-in capital of the corporation.

12 Sec. 44.55.020. FINDINGS. The legislature finds

13 (1) that investment in financially sound small and medium
14 scale (A) productive private enterprises and (B) community development
15 projects in the state, for which sufficient capital is not available
16 from other sources on reasonable terms, is of benefit to the citizens of
17 the state;

18 (2) there is a shortage of investment capital available from
19 other sources on reasonable terms for financially sound small and medium
20 scale productive private enterprise and community development projects;

21 (3) that the corporation working with private financial
22 institutions to supplement but not supplant their services can help to
23 alleviate this shortage.

24 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
25 provide capital at market rates and terms which are not available from
26 other sources on reasonable terms for small and medium scale productive
27 private enterprises and community development projects.

28 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
29 BOARD. (a) There is established the Alaska Enterprise Investment

1 Corporation Policy Board consisting of a person employed in the execu-
2 tive branch of state government appointed by the governor and six public
3 members appointed by the governor with due regard for geographical
4 representation and confirmed by a majority of the members of the legis-
5 lature in joint session. At least two of the public members shall have
6 recognized competency and wide experience in investment and finance. No
7 public member may be appointed to the board who has not been a resident
8 of the state for at least three years. The board shall elect one of the
9 public members as chairman and other officers they determine desirable.

10 (b) The six public members shall serve for four-year terms, and
11 they may be reappointed. Terms shall be staggered. Initial terms shall
12 be two members serving for two years, two members serving for three
13 years, and two members serving for four years. A member continues to
14 serve until his successor is appointed and confirmed.

15 (c) A majority of the policy board members constitutes a quorum
16 for the transaction of business by the board. Decisions of the board
17 shall be taken by a majority vote. The board shall hold at least one
18 public meeting each year.

19 (d) Public members of the policy board receive an honorarium of
20 \$250 for each meeting day if they attend the meeting and are entitled to
21 per diem and travel allowances as provided by law for members of state
22 boards and commissions.

23 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
24 may remove a policy board member from office by and with the consent of
25 a majority of the members of the legislature in joint session. The
26 joint session shall be held within 10 days from the date of removal if
27 the removal occurs while the legislature is in session or within 30 days
28 of convening of the legislature if the member was suspended. If the
29 legislature is not in session, the governor may suspend a member of the

1 policy board for cause. Upon suspension, a vacancy is not created but
2 a board member may not participate in policy board business and may not
3 be counted for purposes of establishing a quorum. If the legislature
4 refuses to consent to his removal, the member shall be reinstated to his
5 position.

6 (b) A vacancy arising on the policy board shall be promptly filled
7 by appointment by the governor and confirmation by a majority of the
8 members of the legislature in joint session, and an appointee to fill a
9 vacancy shall hold office for the balance of the term for which his
10 predecessor on the board was appointed. If a vacancy arises on the
11 board while the legislature is not in session, the governor may appoint
12 an interim board member who shall exercise all powers of a permanent
13 board member until such time as the legislature in joint session fails
14 to confirm the interim member's appointment.

15 (c) A vacancy on the policy board does not impair the authority of
16 a quorum of the board to exercise all the powers and perform all the
17 duties of the board.

18 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

19 (1) select and appoint the president and other members
20 of the Investment Committee established in sec. 80 of this chapter;

21 (2) annually review and approve long-range operating plans,
22 the budget for the forthcoming year, and the financial plan for the
23 following years;

24 (3) have responsibility on behalf of the corporation for
25 relations with the general public, legislature, executive branch, local
26 communities, and interest groups concerning all things excepting only
27 those matters that are the responsibility of the Investment Committee;

28 (4) review quarterly reports from the Investment Committee
29 concerning investment decisions and investment supervision, but the

1 board may not impose an investment decision upon, or override an invest-
2 ment decision of, the Investment Committee;

3 (5) review, consider and approve policies;

4 (6) establish an audit committee which shall select inde-
5 pendent outside auditors, and receive all audit reports.

6 Sec. 44.55.070. PRESIDENT. The president of the corporation is
7 appointed by the policy board for a term of four years, may be reap-
8 pointed, and serves at the pleasure of the policy board. The salary of
9 the president is set at the discretion of the policy board; but may not
10 be set below that of the highest paid member of the Investment Commit-
11 tee. The president shall

12 (1) have sole responsibility for presenting investment pro-
13 posals to the Investment Committee;

14 (2) be responsible for the ordinary business of the corpo-
15 ration and the organization, appointment, dismissal, and remuneration of
16 the officers and staff;

17 (3) be responsible for making investments in investment grade
18 securities, subject to review by the Investment Committee;

19 (4) establish and maintain adequate and appropriate organi-
20 zational, operating and financial controls.

21 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
22 the Investment Committee, consisting of the president and four members
23 appointed by the policy board. No member of the policy board may be a
24 member of the committee. Members of the committee shall be persons of
25 recognized competence and wide experience in investments, finance, and
26 other business management-related fields. No member may be appointed to
27 the committee who has not been a resident of the state for at least
28 three years. A member may be reappointed and continue to serve until
29 his successor is appointed. The president and members shall serve for
30

1 four-year terms. Terms shall be staggered. Initial terms shall be one
2 member serving for one year, one member serving for two years, one
3 member serving for three years, and one member and the president serving
4 for four years.

5 (b) Three members of the committee constitute a quorum. Decisions
6 of the committee shall be taken by majority vote.

7 (c) Members of the committee other than the president receive an
8 annual salary in the amount set by the policy board.

9 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
10 responsibility to approve all investment proposals regarding productive
11 private enterprises and community development projects in the state, and
12 review all investments in investment grade securities.

13 Sec. 44.55.100. BUDGET. The corporation operating budget is from
14 the general fund and is subject to the provisions of the Executive
15 Budget Act (AS 37.07).

16 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
17 committee members, and officers and staff of the corporation are in the
18 exempt service under AS 39.25.

19 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
20 the corporate purposes of the corporation, the policy board has power to

- 21 (1) adopt, alter and use a corporate seal;
- 22 (2) prescribe, adopt, amend, and repeal bylaws;
- 23 (3) sue and be sued in the name of the corporation;
- 24 (4) borrow funds, and in that connection furnish such collat-
25 eral or other security as it determines, except that corporation borrow-
26 ing may not exceed its paid-in capital;
- 27 (5) guarantee obligations of another corporation or legal
28 entity in order to facilitate their sale;
- 29 (6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

2 (7) acquire, hold, use, lease, sell or otherwise dispose of
3 property of any kind, real, personal or mixed, or any interest in it;

4 (8) contract with state, federal and other agencies to
5 develop needed information and analyses;

6 (9) do all acts and things necessary, convenient or desirable
7 to carry out the powers granted or implied in this chapter.

8 (b) In carrying out the corporate purposes of the corporation, the
9 committee has the power to

10 (1) invest, as it considers appropriate, by purchasing the
11 capital stock of, or lending money to, projects, except that any invest-
12 ment in the capital stock of or other ownership interest in a project
13 may not exceed 25 per cent of the capital stock of, or other ownership
14 interest in, the project, and no loan or other investment in the project
15 by the corporation may exceed 90 per cent of the cost of the project
16 unless, in the judgment of the committee, additional amounts must be
17 loaned to protect the interests of the investment fund;

18 (2) deposit or invest surplus funds through the Alaska Perma-
19 nent Fund Corporation in such obligations as the committee may determine;

20 (3) buy and sell securities the corporation has issued or
21 guaranteed or in which it has invested;

22 (4) do all acts and things necessary, convenient or desirable
23 to carry out the powers granted or implied in this chapter.

24 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
25 committee and staff shall exercise the judgment and care under the
26 circumstances then prevailing which a person of ordinary prudence,
27 discretion, and intelligence exercises in the management of his own
28 affairs taking into consideration the probable income from the invest-
29 ments as well as probable safety of principal.

1 (b) The committee may invest not more than 50 per cent of the
2 resources of the corporation to provide a reasonable proportion of
3 longer-term investment capital for financing the establishment, improve-
4 ment, and expansion of financially sound small and medium scale produc-
5 tive private enterprises which will benefit Alaskans, and for which
6 sufficient capital is not available from other sources on reasonable
7 terms. These investments may take the form of equity, debt, or debt
8 guarantees.

9 (c) The committee may invest not more than 50 per cent of the
10 resources of the corporation in financing a reasonable proportion of the
11 longer-term investment capital needs for financially sound small and
12 medium scale community development projects of municipalities and public
13 corporate entities and private dwellings in the state for which suf-
14 ficient financing is not available from other sources on reasonable
15 terms. These investments may take the form of equity, debt, or debt
16 guarantees.

17 (d) The committee may not invest or guarantee obligations totaling
18 more than five per cent of the assets of the corporation or \$5,000,000,
19 whichever is less, in a single project unless the legislature has ap-
20 proved the investment by concurrent resolution.

21 (e) The committee may not undertake any financing for which, in
22 its opinion, sufficient private capital could be obtained on reasonable
23 terms.

24 (f) The committee may not assume responsibility for managing any
25 enterprise or project in which it has invested and may not exercise
26 voting rights for that purpose or for any other purpose which, in its
27 opinion, properly is within the scope of managerial control.

28 (g) The committee shall only undertake its financing on terms and
29 conditions which it considers appropriate, taking into account the terms

1 and conditions normally obtained by private investors for similar fi-
2 nancing, the requirements of the enterprise or project, the risks being
3 undertaken by the corporation, and the participation of other investors
4 unless the legislature has appropriated funds for subsidizing invest-
5 ments which in the opinion of the corporation are of such high priority
6 that special terms and conditions are appropriate.

7 (h) The committee may seek to revolve the corporation's money by
8 selling its investments to other investors whenever it can appropriately
9 do so on satisfactory terms.

10 (i) The committee shall seek to maintain a reasonable diversi-
11 fication in its investments.

12 (j) The committee shall only consider investment proposals after
13 the applicant for an investment has submitted a detailed proposal to the
14 committee's staff and the staff has prepared a written report recommend-
15 ing the investment after a study of its merits.

16 (k) The committee shall analyze the economic and other effects of
17 an investment decision, including the effects on employment, income
18 distribution, environment, health, social and other factors. The com-
19 mittee shall be sensitive to the views of affected local communities.

20 (l) The committee may guarantee qualifying loans made by financial
21 intermediaries in order to facilitate investment by the intermediaries
22 in specific enterprises or projects.

23 (m) The committee shall provide for operational and performance
24 evaluations (post-audits) of its investments and investment programs and
25 report the results to the policy board.

26 (n) Nothing in this section prevents the committee, in the event
27 of actual or threatened default on any of its investments, actual or
28 threatened insolvency of the enterprise in which the investment has been
29 made, or other situations which, in the opinion of the committee,

1 threaten to jeopardize the investment, from taking such action and
2 exercising such rights as it may consider necessary for the protection
3 of its interests.

4 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
5 financing operations, the policy board shall render a detailed report to
6 the legislature which shall

7 (1) define the sectors which need financing for expansion of
8 existing projects or the development of new projects;

9 (2) define the size and nature of projects which are feasible
10 for corporation financing;

11 (3) determine specific projects which are feasible for corpo-
12 ration and private financing;

13 (4) determine the availability of private investment capital
14 for the projects it determines are feasible;

15 (5) forecast the capital requirements of the corporation for
16 the first three years of its operations.

17 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
18 publish an annual report in easily understandable language to the gover-
19 nor, legislature and the public. Each report shall include financial
20 statements audited by independent outside auditors, a statement of the
21 amount of money received by the corporation from each source during the
22 period covered, a statement of corporation investments, a description of
23 corporation investment activity during the period covered by the report,
24 an analysis of economic and other effects of investment decisions in-
25 cluding, but not limited to, the effects on employment, income distri-
26 bution, environment, health, social and other factors, and any other
27 information the policy board believes would be of interest to the gover-
28 nor, the legislature and the public. The corporation may also publish
29 such other reports as it considers desirable to carry out its purpose.

1 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
2 board and the committee are subject to the provisions of AS 39.50.

3 (b) Members of the policy board and the committee shall disclose
4 their financial interest in an investment proposal and disqualify them-
5 selves from voting on any investment proposal in which they have a
6 financial interest.

7 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy
8 board and the committee and officers and staff of the corporation may
9 not engage in partisan political activities. The resources of the
10 corporation may not be used to finance any partisan political activi-
11 ties.

12 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
13 possession of the corporation is a public record, except that infor-
14 mation which discloses the particulars of the business or affairs of a
15 private enterprise or investor is confidential and is not a public
16 record. Confidential information may be disclosed only for the purposes
17 of an official law enforcement investigation or when its production is
18 required in a court proceeding. These restrictions do not prohibit the
19 publication of statistics presented in a manner that prevents the iden-
20 tification of particular reports, items, persons, or enterprises.

21 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
22 taxes and assessments in the state. All security instruments issued by
23 the corporation, their transfer, and their income are exempt from all
24 taxes and assessments in the state.

25 Sec. 44.55.200. DEFINITIONS. In this chapter

26 (1) "board" or "policy board" means the Alaska Enterprise In-
27 vestment Corporation Policy Board established by sec. 20 of this chap-
28 ter;

29 (2) "business enterprise" means a private corporation, firm,
30

1 partnership or sole proprietorship;

2 (3) "committee" means the Investment Committee established by
3 sec. 60 of this chapter;

4 (4) "corporation" means the Alaska Enterprise Investment
5 Corporation.

6 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

7 (21) members of the policy board and Investment Committee, and
8 the president, officers, and staff of the Alaska Enterprise Investment
9 Corporation;

10 (22) members of the board of trustees, the executive director,
11 and staff of the Alaska Permanent Fund Corporation.

12 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

13 (NN) Alaska Enterprise Investment Corporation Policy
14 Board and Investment Committee;

15 (OO) Alaska Permanent Fund Corporation Board of Trustees.

16 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
17 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
18 tion established by this Act after request for transfer is made by the cor-
19 poration board of trustees.

20 (b) The Alaska Enterprise Investment Corporation may not expend funds
21 for any purpose other than normal operating expenses of the corporation until
22 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
23 the corporation including the funds received under AS 44.55.010 in sec. 4 of
24 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
25 4 of this Act until the paid-in capital reaches \$50,000,000.

26 * Sec. 8. AS 37.10.065(c) is repealed.

27 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

28 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
29 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as

1 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
2 immediately in accordance with AS 01.10.070(c).

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Master file HB 596

March 8, 1973

The Honorable Steve Cowper
Chairman, House Finance Committee
State Capital
Juneau, Alaska 99811

Dear Representative Cowper:

The attached amendments were submitted to the Special Committee on the Permanent Fund in the House in an effort to maximize the cooperation between the administration and the Special Committee in the House in drafting the enabling legislation for the Alaska Permanent Fund. Beginning in 1976 the Department of Revenue, the State Investment Advisory Committee, and the Governor's Office have made every effort to cooperate with the House of Representatives in a continuing process of investigations on the enabling legislation. Initially, the administration submitted a bill, HB 298, and had hoped that that bill would be considered by the legislature. It now appears that Committee Substitute for House Bill 596 is the bill which this committee will consider as the enabling legislation on the Permanent Fund.

To continue the cooperative efforts between the administration and the House these amendments reflect the concerns of the administration for the proposed bill.

Amendment #1 amends Section 010. This amendment includes the Alaska Enterprise Investment Corporation as the recipient of a portion of the principal to be allocated to the Permanent Fund. It should be considered in conjunction with amendments 2 and 3. Amendment 2 decreases the amount of principal to be contributed into the Alaska Permanent Fund Corporation to 50 per cent of the receipts and increases the amount contributed to the Alaska Enterprise Investment Corporation to 50 per cent of the receipts.

The first three amendments reflect in a positive manner the administration's concern first that the savings account concept be adopted (the trust fund) and, secondly, that there be a greater amount of funds available for investment through the Enterprise Investment Corporation in Alaska than the \$100 million limitation.

The fourth amendment under section 020 merely removes the limitation that only future generations of Alaskans benefit from the Permanent Fund. This administration has made it clear that the Permanent Fund should benefit present generations of Alaskans as well as future generations.

The fifth amendment under section 040 includes the Commissioner of Revenue as a non-voting member of the Board of Trustees. The Commissioner of Revenue is responsible for all of the State's funds and therefore should be included as a member of the Board of Trustees.

Amendment #6 under section 090 increases from two members to three members the Board of Trustees for quorum purposes.

Amendment #7 deals with a policy issue which requires that the Department of Revenue provide the management and staff for the trust fund corporation. It includes a provision that the Commissioner of Revenue or his designee shall serve as the executive director of the corporation.

Amendment #8 is a minor technical amendment in section 130, POWERS AND DUTIES, paragraph (a) which clarifies the wording for the prudent-man rule for investment.

Amendment #9 section 130 clarifies the reasonable diversification clause found in paragraph (c).

Amendment #10 section 130, paragraph (f) deals with prohibition of the corporation on working with existing State agencies or departments. The administration clearly thinks that it is desirable for the Permanent Fund to cooperate and coordinate with existing State programs.

Amendment #11 is two-fold and it deletes the section entitled GAINS AND LOSSES and replaces it with a new section entitled RESERVES. The establishment of reserve accounts for losses on investments is desirable as these accounts would help to preserve the principal of the Permanent Fund.

Amendment #12 deletes section 150 entitled INCOME. The moving average income current return is confusing and unnecessary as current accounting practices clearly allow for the identification of income through investments.

Amendment #13 excludes the officers and staff from the State's Hatch Act but includes the Board of Trustees in the Hatch Act.

Amendment #14 section 44.55.010(b) is amended to increase the amount of contributions to the Enterprise Investment Corporation from 1/6 to 50 per cent. This amendment is in keeping with the administration's desire to provide a greater amount of principal for investments in Alaska.

Amendments # 15 and 16 should be considered together and are intended to allow the payment of principal directly into the Enterprise Investment Corporation.

Amendment #17 changes the composition of the proposed Policy Board to include the Commissioners of Commerce and Economic Development and Revenue and five public members.

Amendment #18 is in conjunction with Amendment #17.

Amendment #19 is self-explanatory but includes the president of the Enterprise Investment Corporation as the Chairman of the Policy Board but a non-voting member.

Amendments 20, 21, 22, and 23 are in conjunction with the recomposition of the Policy Board.

Amendment #24 amends the sentence to include a majority of appointed members.

Amendment #25 deletes section 44.55.100 entitled BUDGET and replaces it. The new wording for this section allows the Enterprise Investment Corporation to retain income for administrative operating expenses of up to 1/2 of 1 percent of the corporation's paid-in capital and requires that expenditures in excess of 1/2 of 1 percent of paid-in capital be approved by the legislature.

Amendment #26 re-states the diversification rule to limit investments to 1 percent of the resources of the corporation from the 5 percent limit found in the bill. It does not change the \$5 million limitation.

Amendment #27 and Amendment #29 allow the corporation to make guarantees but require approval by the legislature and establishes reserves.

Amendment #28 prohibits the corporation from investing in participation with other entities when current participating investments are 2 per cent or greater in delinquencies.

Amendment # 30 is clarifying language.

Amendment # 31 section 44.55.170 entitled POLITICAL ACTIVITIES includes the Policy Board and Investment Committee in the Hatch Act for the State (AS 39.25.160) and deletes the language including the officers and staff of the corporation in the Hatch Act.

Amendment #32 is in conjunction with the administration's desire to put 50 percent of the principal paid to the trust corporation and 50 per cent to the Enterprise Investment Fund.

Amendment #33 section 7 TRANSITION. It is necessary to have 30 days to transfer all funds to the trust fund corporation and the enterprise investment fund corporation in order to comply with the existing contracts the Department of Revenue has for safekeeping the Alaska Permanent Fund portfolio securities.

Amendments 34, 35, and 36 all in the Transition section tie together the activities in the repealers of existing interim management legislation.

It is my hope that the House Finance Committee will thoroughly review, evaluate, and sincerely consider these proposed amendments. Thank you for the opportunity to appear here today.

Sincerely,

Sterling Gallagher
Commissioner

Suggested Amendments to House Bill 596

The following amendments should be considered:

1. page 6, line 8

Following the words "Alaska Permanent Fund Corporation" insert "and the Alaska Enterprise Investment Corporation".

2. page 6, line 9

Substitute "50 per cent" for "five-sixths".

3. page 6, line 11

Substitute "50 per cent" for "one-sixth"; place a period after "allocated"; and delete the remainder of this section.

4. page 6, line 23

Following the word "benefit" delete "of future generations".

5. page 7, line 15

Following "session." insert the following: "The commissioner of revenue is a non-voting member of the board of trustees."

6. page 9, line 1

Substitute "Three" for "Two".

7. page 9, line 8

Delete Sec. 37.13.110 and replace it with the following:
"Sec. 37.13.110. PERSONNEL. The commissioner of revenue or designee shall serve as the executive director of the corporation and staff will be provided by the department of revenue. All staff members responsible for corporation investments are in the partially exempt service as under AS 39.25."

8. page 9, line 23

Substitute "in the" for "to the board in its".

9. Page 10, line 6

Put a period after "investments" and delete the remainder of the sentence.