

LEG. FINANCE - BILLS 1979 - 1980 1085

CASHB 275 cont., thru HB 281 1085

WHAT'S DEVELOPING



Delta Agricultural Project

Pollock Says Livestock Is Key to Success

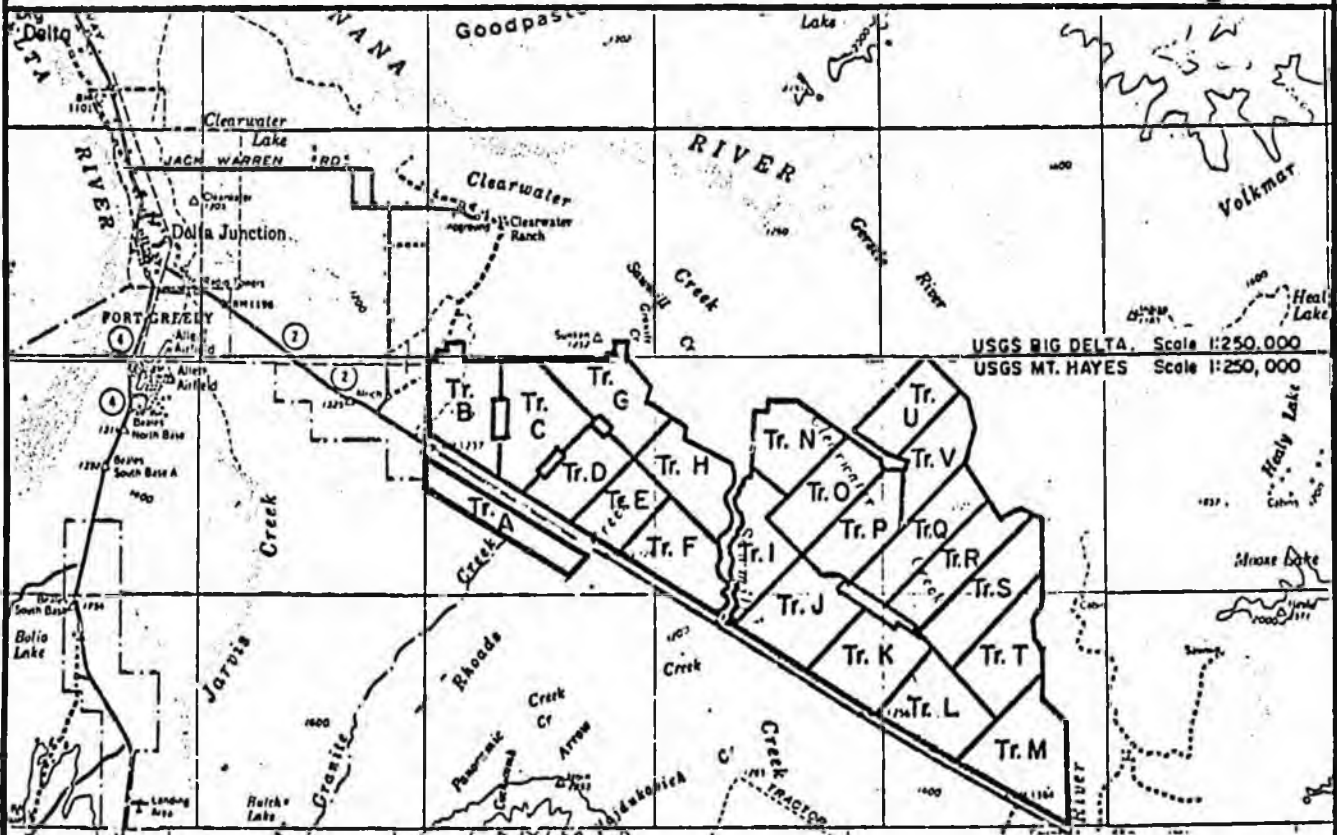
A report covering the first year of the Delta Agricultural Project was presented at the Alaska Rural Development Council meeting October 17-18 in Fairbanks by Bob Pollock, Project Coordinator, State of Alaska. Pollock has been involved in every area of the project's development, including financing, research, construction of a road and physical structures, fertilizer and seed supplies, public relations, domestic and ex-

port marketing and transportation. He has also assumed the responsibilities of general manager of the Alaska Farmers Co-op until a full-time manager can be hired.

Before coming to Alaska in 1978, Pollock worked for several years in Washington State as an employee of small grain farmers and of grain warehouse companies, as assistant to the vice president of a malting company, as assistant manager of a local farm-

ers' grain cooperative and as advisor and associate producer of a weekly public television program on agriculture that was aired in eight northwestern states. He served as an advisor to a small agricultural university in Venezuela as a Peace Corps volunteer from 1971-1973. Pollock has a bachelor of science degree in agronomy from Washington State University.

He was interviewed for this edition of *What's Developing* by Laurie McNicholas, Editorial Specialist, Cooperative Extension Service, University of Alaska. Diane Hall provided the graphic designs for this edition. (Continued on Page 2)



The 22 tracts of land that comprise the 60,000-acre Delta Agricultural Project are outlined on the map above.

Delta Project

(Continued from Page 1)

Pollock reports that barley growers in the Delta area harvested 140,000 to 150,000 bushels (more than 3,000 tons) of barley from 3,500 acres of land last fall. "We expect to triple or quadruple our planted acreage in 1980," he added. Most of the new acreage under cultivation will be added by the 22 farmers in the Delta Agricultural Project, who harvested 250 tons of barley from approximately 250 acres in 1979. Established farms outside the new agricultural project produced the remainder of the 3,000-ton harvest.

The project was begun in August 1978, when 60,000 acres of State land east of Delta Junction and north of the Alaska Highway were divided into 22 tracts and sold by lottery with the stipulation that the land be used solely for agricultural purposes.

Pollock provided these statistics on the progress of the project during its first year of development: The vegetation on some 49,000 acres has been knocked down, primarily with the use of chains drawn by tractors; the resulting debris has been gathered into berm rows on 15,000 acres, and nearly 5,000 acres of ground have been broken with a disk. The State constructed an 18-mile road that provides access to all 22 tracts in the project at a cost of slightly less than one million dollars. A new grain elevator and other storage facilities which can hold as many as 300,000 bushels of barley have been built by the Alaska Farmers Co-op.

Little progress has been made in marketing the Alaska-grown barley, however. The State offered for sale 2,000 tons of barley at an auction November 16 in Anchorage, but only 140 tons of grain were sold. Two hundred tons of barley were sold at a subsequent auction December 17. The buyers at both auctions were Alaska livestock feed dealers. Pollock said that most of the unsold crop will be stored and offered at similar auctions to be held each month. Approximately 1,000 tons of the 1979 barley harvest in the Delta area will be exported to Taiwan under an agreement negotiated by the State.

In his answers to the questions that follow, Pollock offers his views on the development of markets for Alaska-grown barley and on potential solutions to other problems that face the Delta Agricultural Project.

What markets exist for Alaska's barley and what markets must be developed if the project is to succeed?

At the present time, we've basically got only two markets; we have a small market to the small livestock industry in the state, and we have a foreign market for our barley which may or may not be economical. As for which markets must be developed, there's no question; we've got to look at expanding the livestock industry in Alaska. Livestock is the key to the success of agriculture in this state. I don't think that we're going to find that exporting barley is economical.

Are project farmers planning to raise

work that, more and more, our realizing how important livestock is to upgrade the value of processing it through four-als. A number of farmers are

looking at pork and beef, and we have several farmers who are considering dairy cattle.



Is the prospect for a livestock processing plant in Alaska far in the future?

No it can't be. That's the "Catch 22" of this agricultural project. We're talking about people bringing livestock into the area this year. That means there will be animals that will need to be slaughtered and processed within the next 15 months. A processing plant won't justify itself economically right now, because we don't have the large volume to put through it, but if we don't have a processing plant, we won't even get the small volumes started. Everything has to come on line at the same time. I don't think that many people in the state realize how complex agriculture is. You've got to look at livestock, at transportation, at processing, at physical facilities, seed, fertilizer. It's so complex, and it's like a chain; if one link is out of it, the whole thing could fall apart.

Prior to the Delta Agricultural Project, few Alaskan farmers were experienced in farming tracts as large as 2,700 acres. Did the project's farmers understand what would be required to farm an acreage of that size when they began the task?

Not only did the farmers not realize what it would take to farm a tract of that size, very few people in the state or the University (of Alaska) realized what it would take to farm a tract that large.



What educational resources are available to assist the farmers in using effective techniques for land clearing and for planting, fertilizing and harvesting crops?

The Cooperative Extension Service has just put a man in the Delta Junction area, and I expect he'll be a very valuable asset. The University (of Alaska) has done a small amount of research. The Soil Conservation Service (U.S. Department of Agriculture) deals with the wind erosion and water problems. The Agricultural Stabilization and Conservation Service (USDA) has an office in Delta Junction to provide farmers with information on federal programs. We're starting to develop quite a bureaucracy in Delta. One thing that must be kept in mind—as new as agriculture is here—nobody has the answers. The bureaucrats and educators have more to learn than anybody else.



Is research being conducted on barley varieties and on other crop species for potential use in Alaska, and is the level of such research adequate to support development of the Delta Agricultural Project?

To date, the experimentation with barley varieties, planting techniques and cultural practices has been extremely limited in Alaska. We have identified several varieties

that do have potential in the area because of the experimentation, though. Barley and wheat varieties usually have a life of only 10 to 15 years at the most, anywhere. They can be susceptible to new diseases, and you've got to continually research and develop new varieties. We're really lacking in genetics research in Alaska. Right now, the only research being done on barley varieties is just trying to find out which existing varieties adapt well here. We haven't done any work in adapting varieties specifically to the area.

There is a small amount of research being done into rapeseed and buckwheat, and a little wheat has been planted. There were also a few rows of sunflowers, potatoes and sugarbeets planted this year, but the level of research activity is extremely low, and it's not sufficient for the agricultural development we're attempting. It's going to be extremely difficult to achieve success in agriculture unless more people realize the urgent need for additional research. It's the old "Catch 22" again. The State and Federal governments won't adequately fund agricultural research because there is no agriculture, but without (research), we stand a greater chance of failure.



There has been a considerable amount of publicity about the conflicts between farmers and free-ranging bison on Delta Project land. How much crop loss have the bison caused?

That's an interesting question, because nobody has actually determined exactly how much crop loss there has been, and I think somebody should. Everybody is estimating: if you talk to somebody who is against agriculture and for the bison, they'll say there's no crop loss; if you talk to a farmer, he'll say there's a lot. From what I saw this year, the loss was fairly minimal.

How serious is the bison problem relative to other problems that must be dealt with?

It's extremely minor compared to other problems, because there are a lot of solutions to the bison problem. I hope that the bison are going to be there forever, and I think they will. The bison and agriculture are 100 percent compatible, but that doesn't mean that either can go without management.

Does the bison range that is being created in the Delta area by the Alaska Department of Fish and Game represent a solution to the problem, or will the problem be compounded by the future presence of livestock in the area?

I think that the bison range potentially is one part of the solution; there are a lot of others. We're working with the (Department of Defense) to establish another range farther from the fields and nearer to the bison's calving grounds (in the Jarvis Creek area west of Fort Greeley.) Another part of the solution would be to move hunting season back several weeks. The bison don't do that much damage when they just walk through the fields prior to the hunting season, but as soon as people are out there shooting at them, they start running and stampeding. That's when they damage crops. Another part of the solution is to keep them near the Delta River longer by putting salt blocks

CORRECTION

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

there for them to lick. I don't expect more of a problem when we get livestock in the area, because livestock will probably have to be fenced in.



Major fires in the Delta Agricultural Project have resulted in unfavorable public relations for the project. Will you describe the worst of these fires—the area that it burned and how the fire was started—and suggest whether or not such fires can be avoided in the future?

The first fire was accidentally started on May 10 of this year by a tractor that was being used to clear land. May is probably one of the driest months in Delta Junction, and those D-8s and D-9s (tractors) run extremely hot. The fire burned about 35,000 acres throughout the summer. We learned that when fires get into berm rows, they are next to impossible to put out. Although the fire seemed to be out, as soon as the wind came up, it would take off burning again.*

As for the future, we've got to have more coordination between the farmers and the Division of Forest, Land and Water Management (the State agency which is responsible for fighting such fires). Also, the farmers have to realize how serious and how potentially dangerous the fires were in that area. The Division has given us a list of requirements for burning (berm rows), and I think that if we adhere to those strictly, we're not going to have the problem we had last year.

What other major problems have been encountered by the project as a whole, and what is being done to solve them?

*There were two fires in the Delta Agricultural Project in October 1979, both of which were started by farmers who were attempting to burn berm rows. The larger of the fires started October 16, was controlled October 26, and burned primarily berm piles on 6,000 acres of land.

The cost of all of our agricultural supplies is extremely high in Alaska. All of the fertilizer used here came into the state in bags until last year, when we started to bring in bulk fertilizer to reduce costs. The Alaska Farmer's Co-op is planning to build a 5,000-ton bulk fertilizer distribution plant with a loan from the State's Agricultural Revolving Loan Fund. The co-op also has bought a fertilizer blending plant.

Another major problem is the lack of a transportation infrastructure for agriculture; we're locked into trucking supplies to Delta Junction. An extension of the Alaska Railroad to the area is being considered, but that is an extremely long-range prospect. We need more efficient port facilities in the state.

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Has the Alaska Farmer's Co-op experienced difficulties in obtaining loans for physical facilities, such as the grain elevator that was built this year, and do you anticipate any future problems in acquiring funds to support the development of the Delta Agricultural Project?

The co-op hasn't encountered too many problems in finding funds, nor have the farmers. So far, the State has been willing to back up the agricultural development and find the needed funds, but if the State doesn't continue with its support, the whole thing could go downhill awfully fast. The State is going to have to continue to support agriculture for quite some time.

What have you learned in your year with the Delta Project about farming in Alaska compared to other states where you've had agricultural experience?

I'm 100 percent convinced that agronomically, agriculture can survive in Alaska; we can grow crops of good quality and sufficient quantity. I think we still have an awful lot of problems with the economics of it.

I've learned that farming in Alaska is a long way behind where agriculture is in the Lower 48. Agriculture is a science in the Lower 48, and most of the farmers have been at it long enough to be ready to use the most advanced technologies that universities or their neighbors come up with. I think that farmers in the Lower 48 are more adaptable to change than farmers up here. So, we've not only got to develop the technology for farming in Alaska; we've got to develop the mentality to handle that technology. Very few people in Alaska realize that we can't necessarily transfer the technology in the Lower 48 or in Canada into Alaska. We're going to have to develop our own technology for cultural practices and for livestock. The University (of Alaska) is falling far behind in this area; they're not looking at developing technology for Alaskan conditions.

What directions do you think that your role as project coordinator will take in the coming year?

I'm not really sure. This past year was so hectic that I felt as though I was operating from my feet. Anything that is as important as we're doing requires planning. I've spent a lot of time dealing with dirt level problems, but I'd like to look at broad scope problems next year, such as development of a transportation system and livestock marketing. I think we have a tremendous potential in exporting both live and processed livestock. As nations develop, their consumption of meat increases. Every day, they're exporting live pork out of Iowa by airplane to Korea, Japan and Taiwan. Right now, Japan Air Lines and Korean Airlines call for fuel at Fairbanks.

I also want to look at the overall coordination of the livestock feeding industry in the state. We've got a potential for a good livestock industry on the Kenai Peninsula and out on the Aleutian Islands where the temperatures are relatively moderate, if we can develop a good transportation system in the state.

Does the proposed dairy farm project at Point MacKenzie represent a potentially important market for Delta Project barley?

Yes, that project is awfully important. But it is even more important that we get much more land into agricultural production. The 60,000 acres (in the Delta Agricultural Project) do not justify the efforts or the infrastructure that are going into them, and neither would 200,000 acres. We're going to have to push to get a million acres into agricultural production in the state. The Soil Conservation Service has identified 20 million acres in the state with agricultural potential, of which seven to eight million acres have prime potential. I think we really should be shooting for one million acres within 10 years.

Copies of this newsletter are distributed to community leaders, agency personnel and interested businessmen throughout Alaska. Persons desiring to be on the mailing list should contact the Director, Cooperative Extension Service, University of Alaska, Fairbanks, Alaska 99701.

The University of Alaska's Cooperative Extension Service programs are available to all, without regard to race, color, age, sex, creed, or national origin.

Issued in furtherance of Cooperative Extension work, acts of May 8 and June 30, 1914, in cooperation with the U.S. Department of Agriculture. Dr. James W. Matthews, Director, Cooperative Extension Service, University of Alaska.

Second Ag Symposium Scheduled March 14-15

Alaska's Second Annual Agricultural Symposium, scheduled March 14-15 at the University of Alaska-Fairbanks, will bring together agricultural specialists from private business, State and Federal agencies and universities from Canada, Washington, D.C. and other areas of the Lower 48, as well as several Alaskan scientists. Crop and livestock production and farm and agri-business management in Alaska's expanding agricultural industry will be the focus of discussions.

In the first of four sessions, hog, beef and dairy production will be addressed by producers and managers from Canada, Alaska and the Midwest. The second session, which will deal with crop production and tillage management, will involve local scientists in a discussion of Alaska's unique growing conditions, the management of crop production and the special advantages of Alaska's long daylight hours. The two final sessions will cover the management challenges and economic conditions faced by farm and ranch operators and farm support business managers in Alaska.

Economists from two major universities in

the northwestern United States and from the U.S. Department of Agriculture will discuss management challenges for individual farms and for farm support business enterprises and will look at the complexity of simultaneous development of all aspects of a modern agricultural industry based on technology in Alaska.

On the first day of the symposium, Dr. Jay Barton, President of the University of Alaska, will make a welcoming address; the luncheon speaker will be Dr. R. J. Hildreth, Managing Director of the Farm Foundation. Dr. Hildreth, who was instrumental in conceiving the Delta Agricultural Project, will discuss the role of export marketing in Alaska's agricultural development. Dr. A.E. Persons, Professor of Agricultural Education, University of Minnesota, will be the luncheon speaker on March 15. His topic will be "Systematic Farm Management."

For additional information about the symposium, contact Mike Harker, Resource Economist, Cooperative Extension Service, University of Alaska, Eielson Building, Fairbanks, AK 99701, telephone 907-479-7203.

Delta Project

(Continued from Page 1)

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Original sponsor: Carney

Offered: 2/20/80
Referred: Rules

Funding Information

General Fund	\$6,800,000
Other Funds	-0-
	<u>\$6,800,000</u>

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 275 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE .. SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the agricultural revolving loan fund; and providing for an effective date."

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

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* Section 1. The sum of \$6,800,000 is appropriated from the general fund to the agricultural revolving loan fund established under AS 03.10.040 to be available for agricultural loans under AS 03.10.

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* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.-070(c).

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Original sponsor: Carney

Offered: 4/16/79
Referred: Finance

Funding Information

General Fund	\$5,000,000
Other Funds	-0-
	<u>\$5,000,000</u>

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

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CS FOR HOUSE BILL NO. 275

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the agricultural revolving loan fund; and providing for an effective date."

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

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* Section 1. The sum of \$5,000,000 is appropriated from the general fund to the agricultural revolving loan fund established under AS 03.10.040 to be available for agricultural loans under AS 03.10.

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* Sec. 2. The portion of the appropriation made in sec. 1 of this Act which exceeds the capitalization limit for the agricultural revolving loan fund established in AS 03.10.040 on the effective date of this Act lapses into the general fund.

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* Sec. 3. This Act takes effect on the effective date of a version of House Bill No. 114 or Senate Bill No. 5 (An Act relating to agricultural loans under the Alaska Agricultural Loan Act).

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Funding Information
General Fund \$15,000,000
Other Funds -0-
\$15,000,000

Introduced: 2/22/79
Referred: Resources and
Finance

1 IN THE HOUSE

BY CARNEY

2

HOUSE BILL NO. 275

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the agricultural revolving loan fund; and providing for an effective date."

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

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* Section 1. The sum of \$15,000,000 is appropriated from the general fund to the agricultural revolving loan fund established under AS 03.10.040 to be available for agricultural loans under AS 03.10.

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* Sec. 2. The portion of the appropriation made in sec. 1 of this Act which exceeds the capitalization limit for the agricultural revolving loan fund established in AS 03.10.040 on the effective date of this Act lapses into the general fund.

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* Sec. 3. This Act takes effect on the effective date of a version of House Bill No. 114 (An Act relating to agricultural loans under the Alaska Agricultural Loan Act).

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RECORDS CERTIFICATION



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

James O Smith
Signature of Camera Operator

3/20/90
Date

(11)

COMMITTEE REPORT

HOUSE

FURTHER:

March 12, 1979

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 276

"An Act making a special appropriation to the Department of Transportation and Public Facilities for facilities in communities of the Alaska Peninsula and the Aleutians; eff. date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

COMMITTEE REPORT HOUSE

FURTHER: FINANCE

February 22, 1979

Date: 3-10-79

Mr. Speaker:

The Committee on STATE AFFAIRS has had HB 276

"An Act making a special appropriation to the Department of Transportation and Public Facilities for facilities in communities of the Alaska Peninsula and the Aleutians; eff. date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 276 same title
 new title
- and recommends CS HB 276 DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

H. Kille
John Zell
Bill Pank
Terry Gardiner

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

Adelstein no rec
Ray M. Steele no Rec
Henry Martin no rec

H. Kille
CHAIRMAN

6568
Clenoweth

Original sponsor: Osterback

Offered: 3/12/79
Referred: Finance

Funding Information

General Fund \$2,585,000
Other Funds -0-
\$2,585,000

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 276

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Transportation and Public Facilities for facil-
8 ities in communities of the Alaska Peninsula and the
9 Aleutians; and providing for an effective date."

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

11 * Section 1. The sum of \$2,585,000 is appropriated from the general fund
12 to the Department of Transportation and Public Facilities, to be allocated
13 for the following community projects in the amounts set out after each:

14 (1) Akutan, construction of a seaplane float - \$250,000;

15 (2) Atka, construction of an airstrip - \$500,000;

16 (3) Chignik, completion of the road between the community and
17 airport - \$50,000;

18 (4) Chignik Lagoon, completion of repairs to the airstrip for
19 damage caused by erosion - \$150,000;

20 (5) Chignik Lake, completion of repairs to the school -
21 \$100,000;

22 (6) False Pass, repair and improvement of airport - \$750,000;

23 (7) Old Harbor, completion of repairs to the boat harbor -
24 \$85,000;

25 (8) Perryville, repair and improvement of airport - \$50,000;

26 (9) Sand Point, reconstruction of city dam - \$200,000;

27 (10) Unalaska, complete construction of the community land
28 bridge - \$450,000.

29 * Sec. 2. The appropriations made by this Act are for capital projects

1 and are subject to AS 37.25.020.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

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6568
Chevrolet

Funding Information
General Fund \$5,515,000
Other Funds -0-
\$5,515,000

Introduced: 2/22/79
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 276

3 I. THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Transportation and Public Facilities for facil-
8 ities in communities of the Alaska Peninsula and the
9 Aleutians; and providing for an effective date."

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

11 * Section 1. The sum of \$5,515,000 is appropriated from the general fund
12 to the Department of Transportation and Public Facilities, to be allocated
13 for the following community projects in the amounts set out after each:

- 14 (1) Akutan, construction of a seaplane float - \$250,000;
- 15 (2) Atka, construction of an airstrip - \$3,500,000;
- 16 (3) Chignik, completion of the road between the community and
17 airport - \$50,000;
- 18 (4) Chignik Lagoon, completion of repairs to the airstrip for
19 damage caused by erosion - \$150,000;
- 20 (5) Chignik Lake, completion of repairs to the school ..
21 \$100,000;
- 22 (6) False Pass, repair and improvement of airport - \$750,000;
- 23 (7) Old Harbor, completion of repairs to the boat harbor -
24 \$85,000;
- 25 (8) Perryville, repair and improvement of airport - \$50,000;
- 26 (9) Sand Point, reconstruction of city dam - \$200,000;
- 27 (10) Sand Point, complete construction of road between city
28 and airport - \$100,000;
- 29 (11) Unalaska, complete construction of the community land

1 bridge - \$180,000; and

2 (12) Unalaska, airport construction - \$100,000.

3 * Sec. 2. The appropriations made by this Act are for capital projects
4 and are subject to AS 37.25.020.

5 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
6 070(c).

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. H. B. 276
 Title ALASKA PENINSULA ROAD, AIRPORT, DAM & BUILDING CONSTRUCTION
 Requested by OSTERBACK Date _____

II. FISCAL DETAIL
 Agency Affected DOT/PE
 Program Category Affected DESIGN & CONSTRUCTION
 Budget Request Unit(s) Affected HIGHWAYS, GENERAL, AVIATION & WATERS & HARBOURS

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		950				
200 TRAVEL		15				
300 CONTRACTUAL		4550				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		5515				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

SEE ATTACHED.

IV. DATE 3/6/79 PREPARED BY [Signature]
 AGENCY DOT/PE
 PHONE 364-3323
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

ALASKA STATE LEGISLATURE

ELEVENTH Legislature FIRST Session

HOUSE BILL NO. 276

By OSTERBACK

"An Act making a special appropriation to the Department of Transportation and Public Facilities for facilities in communities of the Alaska Peninsula and the Aleutians; and providing for an effective date."

Facilities in communities of the Alaska Peninsula and the Aleutians

Introduced in the House . 2-22 . . . , 19 . 79

HISTORY IN THE HOUSE

19 79

Feb. 22

Read first time and referred to Committee on State Affairs and Finance
Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:
VOTE

Failed to concur in Senate amendment; asked Senate to recede
VOTE

Senate receded from amendment
VOTE

Senate failed to recede from amendment
VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House
VOTE

CC adopted by Senate
VOTE

To enrolling
Reported correctly enrolled
Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

Funding Information
General Fund \$5,515,000
Other Funds -0-
\$5,515,000

Introduced: 2/22/79
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 276

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Transportation and Public Facilities for facil-
8 ities in communities of the Alaska Peninsula and the
9 Aleutians; and providing for an effective date."

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

11 * Section 1. The sum of \$5,515,000 is appropriated from the general fund
12 to the Department of Transportation and Public Facilities, to be allocated
13 for the following community projects in the amounts set out after each:

- 14 (1) Akutan, construction of a seaplane float - \$250,000;
- 15 (2) Atka, construction of an airstrip - \$3,500,000;
- 16 (3) Chignik, completion of the road between the community and
17 airport - \$50,000;
- 18 (4) Chignik Lagoon, completion of repairs to the airstrip for
19 damage caused by erosion - \$150,000;
- 20 (5) Chignik Lake, completion of repairs to the school -
21 \$100,000;
- 22 (6) False Pass, repair and improvement of airport - \$750,000;
- 23 (7) Old Harbor, completion of repairs to the boat harbor -
24 \$85,000;
- 25 (8) Perryville, repair and improvement of airport - \$50,000;
- 26 (9) Sand Point, reconstruction of city dam - \$200,000;
- 27 (10) Sand Point, complete construction of road between city
28 and airport - \$100,000;
- 29 (11) Unalaska, complete construction of the community land

CORRECTION

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

Funding Information
General Fund \$5,515,000
Other Funds -0-
\$5,515,000

Introduced: 2/22/79
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY OSTERBACK

2 HOUSE BILL NO. 276

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Transportation and Public Facilities for facil-
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23 (7) Old Harbor, completion of repairs to the boat harbor -
24 \$85,000;
25 (8) Perryville, repair and improvement of airport - \$50,000;
26 (9) Sand Point, reconstruction of city dam - \$200,000;
27 (10) Sand Point, complete construction of road between city
28 and airport - \$100,000;
29 (11) Unalaska, complete construction of the community land

1 bridge - \$180,000; and

2 (12) Unalaska, airport construction - \$100,000.

3 * Sec. 2. The appropriations made by this Act are for capital projects
4 and are subject to AS 37.25.020.

5 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.
6 070(c).

Original sponsor: Osterback

Offered: 3/12/79
Referred: Finance

Funding Information
General Fund \$2,585,000
Other Funds -0-
\$2,585,000

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2

CS FOR HOUSE BILL NO. 276

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

ELEVENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Department of Transportation and Public Facilities for facilities in communities of the Alaska Peninsula and the Aleutians; and providing for an effective date."

7

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9

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

11 * Section 1. The sum of \$2,585,000 is appropriated from the general fund
12 to the Department of Transportation and Public Facilities, to be allocated
13 for the following community projects in the amounts set out after each:

14

(1) Akutan, construction of a seaplane float - \$250,000;

15

(2) Atka, construction of an airstrip - \$500,000;

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(3) Chignik, completion of the road between the community and airport - \$50,000;

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(4) Chignik Lagoon, completion of repairs to the airstrip for damage caused by erosion - \$150,000;

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(5) Chignik Lake, completion of repairs to the school - \$100,000;

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(6) False Pass, repair and improvement of airport - \$750,000;

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(7) Old Harbor, completion of repairs to the boat harbor - \$85,000;

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(8) Perryville, repair and improvement of airport - \$50,000;

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(9) Sand Point, reconstruction of city dam - \$200,000;

28

(10) Unalaska, complete construction of the community land bridge - \$450,000.

29

* Sec. 2. The appropriations made by this Act are for capital projects

1 and are subject to AS 37.25.020.

2 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
3 070(c).

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- ITEM (1) \$250,000 APPEARS ADEQUATE TO CONSTRUCT A SEA-PLANE FLOAT ASSUMING A SUITABLE SITE IS AVAILABLE. THE RESIDENTS OF AKUTAN REPORTEDLY WOULD PREFER A RAMP AND TURNAROUND.
- ITEM (2) A FEASIBILITY STUDY ESTIMATES THE COST OF THIS PROJECT IN 1979 DOLLARS AT \$3,951,000. ASSUMING THE PROJECT CAN BE CONSTRUCTED IN 1980, THE ESTIMATE WOULD INCREASE TO \$4,350,000 DUE TO INFLATION. THE FUNDS IN THIS BILL ARE INADEQUATE TO CONSTRUCT THIS PROJECT.
- ITEM (3) CHIGNIK - A ROAD TO THE AIRPORT IS IN THE CIP IN FY 79 TO BE BUILT WITH FEDERAL-AID HIGHWAY FUNDS. THE \$50,000 IN THIS BILL COULD BE USED AS A CONSTRUCTION CONTINGENCY.
- ITEM (4) CHIGNIK LAGOON - THE EXISTING AIRPORT IS 1800' BY 80' WITH APPROXIMATELY 500' ON THE SOUTHWEST END ABANDONED BECAUSE OF TIDAL EROSION AND WASHOUTS BY SNOW CREEK. EFFORTS TO CONTROL THIS EROSION HAVE BEEN ABAONDED AND THE LANDING STRIP HAS BEEN EXTENDED NORTHEASTERLY AS FAR AS THE LAGOON WILL PERMIT, WHICH HAS RESULTED IN AN 1800' STRIP. THERE DOES NOT APPEAR TO BE MUCH MORE THAT CAN BE ECONOMICALLY DONE WITH THIS AIRPORT. DUE TO MOBILIZATION COST, \$150,000 IS INADEQUATE TO ACCOMPLISH ANY MEANINGFUL WORK AT THIS LOCATION.
- ITEM (5) CHIGNIK LAKE - THERE IS CURRENTLY \$900,000 AVAILABLE FOR TWO CLASSROOMS AND A MULTIPURPOSE ROOM. THERE HAS BEEN NO INDICATION THAT THE CURRENT FUNDING IS INSUFFICIENT TO COMPELTE THE PROJECT.

- ITEM (6) FALSE PASS - THE AIRPORT HAS A WASHOUT WHICH LEAVES APPROXIMATELY 1400' AVAILABLE ON ONE END AND 900' ON THE OTHER END. IF THE WORK IS LIMITED TO REPAIRING THE WASHOUT DAMAGE WITH SOME SURFACE REPAIR, IT APPEARS THE \$750,000 IN THIS BILL IS ADEQUATE FOR THE PROJECT.
- ITEM (7) OLD HARBOR - THE CIP INCLUDES \$250,000 FOR OLD HARBOR IN FY 80, WHICH APPEARS ADEQUATE FOR THE PROJECT ENVISIONED. THAT PROJECT COULD BE EXPANDED WITH THIS ADDITIONAL \$85,000.
- ITEM (8) PERRYVILLE - THE 1978 G.O. BOND ISSUE INCLUDED \$600,000 FOR STRAIGHTENING THE RUNWAY, RESURFACING, AND CONSTRUCTION OF A PARKING APRON. THE CURRENT FUNDS APPEAR TO BE ADEQUATE IF THE WORK CAN BE DONE IN CONJUNCTION WITH A PROJECT AT IVANOF BAY.
- ITEM (9) SAND POINT - INSUFFICIENT INFORMATION IS CURRENTLY AVAILABLE TO PROPERLY ANALYZE THIS PROJECT. IT WOULD SEEM PRUDENT TO CONSTRUCT THIS PROJECT IN CONJUNCTION WITH THE ROAD TO THE AIRPORT WHICH IS SCHEDULED FOR CONSTRUCTION IN THE FALL OF 1979.
- ITEM (10) SAND POINT - A ROAD TO THE AIRPORT IS CURRENTLY BEING DESIGNED AND IS TO BE CONSTRUCTED USING FEDERAL AID HIGHWAY SAFER OFF SYSTEM FUNDS. CURRENT FUNDING APPEARS ADEQUATE.
- ITEM (11) UNALASKA - CURRENT ESTIMATES INDICATE A NEW BRIDGE AT THIS LOCATION WILL COST \$450,000. FUNDING IN THIS BILL IS INADEQUATE FOR THE PROJECT.
- ITEM (12) UNALASKA - IT APPEARS THIS IS ACTUALLY THE DUTCH HARBOR AIRPORT. IF SO, THERE IS CURRENTLY \$1,387,000 FROM THE G.O. BONDS FOR RESURFACING OF THIS AIRPORT WHICH APPEARS ADEQUATE FOR THE PROJECT.



RECORDS CERTIFICATION

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

James O. Smith
Signature of Camera Operator

3/20/90
Date

Original sponsors: Kelly, Hohman,
Colletta and Sackett

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 161

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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. FINDINGS. The legislature finds that there is a substantial
11 need for oversight of the performance of those agencies of the state which
12 perform lending or investment functions since those functions do not receive
13 the detailed review to which other expenditures of public money are subject,
14 and therefore the knowledge necessary for sound legislation in this area is
15 not readily available. There is a need for legislative oversight which will
16 provide information on the policy and performance of these agencies, the
17 extent to which the agencies conform to statutory intent, and the impact of
18 their performance on the economy and the state treasury.

19 * Sec. 2. AS 24.20 is amended by adding new sections to read:

20 Sec. 24.20.156. PURPOSES. The purposes of the Legislative Budget
21 and Audit Committee include

22 (1) monitoring and reporting

23 (A) the performance of the agencies of the state which
24 perform lending or investment functions,

25 (B) the extent to which the performance of these agen-
26 cies has contributed to the fiscal, financial, economic and social
27 improvement of the state and its citizens,

28 (C) the extent to which these agencies and the executive
29 have prepared and coordinated short and long term economic, fiscal,

1 investment and financial planning;

2 (2) holding these agencies accountable to statutory intent in
3 their performance by recommending, where appropriate, changes in policy
4 to the agencies or changes in legislation to the legislature;

5 (3) annually reviewing the extent of capitalization of the
6 investment funds of the state and alternative investment policy for the
7 general fund surplus and recommending needed legislation.

8 Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Commit-
9 tee shall

10 (1) report to the legislature its recommendations relating to
11 the confirmation of suggested appointees to the Board of Trustees of the
12 Alaska Permanent Fund Corporation and the Board of Trustees of the
13 Alaska Renewable Resources Corporation;

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

16 (3) review periodic reports from all agencies of the state
17 which perform lending or investment functions;

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

22 (5) present to the legislature within 30 days after the con-
23 vening of each regular session a review of the report of the governor
24 under AS 37.07.020(d) with recommendations for any needed legislation;

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

28 (7) provide for an annual post audit and annual operational
29 and performance evaluation of the Alaska Permanent Fund Corporation in-

1 vestments and investment programs.

2 Sec. 24.20.209. RECORDS. The Legislative Budget and Audit Commit-
3 tee shall keep a complete file of all reports presented to it and all
4 reports presented by it to the legislature or to a legislative commit-
5 tee.

6 * Sec. 3. AS 24.20.201(a) is amended by adding new paragraphs to read:

7 (8) hold public hearings on the confirmation of the members
8 of the Board of Trustees of the Alaska Permanent Fund Corporation, and
9 the members of the Board of Trustees of the Alaska Renewable Resources
10 Corporation;

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

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

16 * Sec. 4. AS 37.07.020 is amended by adding a new subsection to read:

17 (d) The governor shall annually, before the convening of the
18 legislature, report to the legislature through the Legislative Budget
19 and Audit Committee the long-range fiscal and economic consequences of

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

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

24 * Sec. 5. AS 37 is amended by adding a new chapter to read:

25 CHAPTER 13. ALASKA PERMANENT FUND.

26 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15
27 of the state constitution, there is established as a separate fund the
28 Alaska permanent fund. The Alaska permanent fund consists of

29 (1) 50 per cent of mineral lease bonuses remaining after

1 deduction of any amounts allocated

2 (A) to the Alaska Native Fund under the Alaska Native
3 Claims Settlement Act and implementing state legislation; and

4 (B) in AS 37.11.020 to the Alaska renewable resources
5 development fund;

6 (2) 25 per cent of all mineral lease rentals, royalties,
7 royalty sale proceeds, and federal mineral revenue sharing payments
8 received by the state from mineral leases issued on or before July 1,
9 1979;

10 (3) 50 per cent of all mineral lease rentals, royalties,
11 royalty sale proceeds, and federal mineral revenue sharing payments
12 received by the state from mineral leases issued after July 1, 1979; and

13 (4) any other money appropriated or otherwise allocated by
14 law to the Alaska permanent fund.

15 (b) Payments due the Alaska permanent fund under (a) of this
16 section shall be made to the fund once each month.

17 (c) The Alaska permanent fund shall be managed by the Alaska
18 Permanent Fund Corporation established in this chapter.

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

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

28 (2) the corporation's goal should be to maintain safety of
29 principal while maximizing total return;

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

4 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
5 provide a mechanism for the management and investment of those permanent
6 fund assets allocated to the Alaska Permanent Fund Corporation in a
7 manner consistent with the findings established in AS 37.13.020.

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 of the Alaska Permanent Fund Corporation consists of five
17 members appointed by the governor and confirmed by a majority of the
18 members of the legislature in joint 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 three years, and they may be reappointed subject
23 to reconfirmation by a majority of the members of the legislature in
24 joint session. Terms shall be staggered. Initial terms shall be two
25 members serving for one year, two members serving for two years, and one
26 member serving for three years.

27 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
28 remove a member of the board from office by and with the consent of a
29 majority of the members of the legislature in joint session. A removal

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

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

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

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

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

29 (c) At least three members of the board shall have recognized

1 competence and wide experience in finance, investments, or other busi-
2 ness management-related field.

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

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

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

16 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board
17 and the executive director are subject to the provisions of AS 39.50.

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

24 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule
25 shall be applied by the board in the management and investment of per-
26 manent fund assets. The prudent-man rule as applied to investments of
27 the corporation means that in making investments the board shall exer-
73 cise the judgment and care under the circumstances then prevailing which
29 an institutional investor of ordinary prudence, discretion, and intel-

1 ligence exercises in the management of large investments entrusted to it
2 not in regard to speculation but in regard to the permanent disposition
3 of funds, considering probable safety of capital as well as probable
4 income.

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

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

10 (d) The board shall submit long-range and quarterly investment
11 reports to the Legislative Budget and Audit Committee.

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

14 (f) The board may enter into and enforce all contracts necessary,
15 convenient or desirable for purposes of the corporation.

16 (g) Subject to the limitations in (h) and (i) of this section, the
17 board may invest corporation assets in

18 (1) obligations of, or obligations insured by or guaranteed
19 by, the United States or agencies or instrumentalities of the United
20 States;

21 (2) obligations secured by reserves paid in by the United
22 States or agencies or instrumentalities of the United States or obliga-
23 tions of corporations in which the United States is a shareholder or
24 member;

25 (3) certificates of deposit issued by United States domestic
26 banks which are members of the Federal Deposit Insurance Corporation and
27 which are secured as to the payment of principal and interest in accor-
28 dance with Alaska law and for which a generally recognized secondary
29 market exists;

1 (4) corporate debt securities which are rated AA or better by
2 a nationally recognized rating service;

3 (5) short-term corporate promissory notes of the highest
4 rating assigned by a nationally recognized rating service;

5 (6) bankers' acceptances drawn on and accepted by United
6 States banks each of which have a combined capital and surplus aggrega-
7 ting at least \$200,000,000;

8 (7) repurchase agreements, the securities underlying the
9 agreements being any of the items in (1) - (5) of this subsection;

10 (8) the guaranteed portion of Federal Small Business Admini-
11 stration loans;

12 (9) the portion of first lien real estate mortgages guaran-
13 teed by the Federal Veterans Administration;

14 (10) the portions of business and industrial loans made under
15 the Rural Development Act of 1972 which are guaranteed by the Farmer's
16 Home Administration;

17 (11) the guaranteed portion of Farmer's Home Administration
18 loans.

19 (h) Investments under (g)(4) of this section may not exceed 25 per
20 cent of the total investments of the fund. Investments under (g)(8) -
21 (11) of this section may not exceed in the aggregate 25 per cent of the
22 total investments of the fund.

23 (i) No portion of the assets of the fund may be used for the pur-
24 chase of bonds of a corporation, upon which any regular interest payment
25 has been defaulted within five years before purchase, except bonds never
26 in default but which have been outstanding for less than five years.

27 (j) The board shall establish and from time to time as necessary
28 modify guidelines for the investment of the assets of the corporation.
29 Before adoption of any guidelines the guidelines shall be reported to

1 the Legislative Budget and Audit Committee for review and comment.

2 (k) The board may invest corporation assets in in-state invest-
3 ments if the in-state investments

4 (1) have a risk level and expected yield comparable to
5 alternate investment opportunities; and

6 (2) are included in the list of permissible investments in
7 (g) of this section.

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

19 Sec. 37.13.150. INCOME. The interest received in a year is the
20 income of the corporation for that year. The income available for
21 disbursement shall be determined on an averaging basis. For the first
22 five years, income will be the simple averaging of the annual current
23 return at cost. Subsequently, there will be a moving average current
24 return, in which the latest fiscal year will replace the oldest year.
25 The income available for disbursement will be the lesser of the latest
26 fiscal year's income, or the average annual current income for the past
27 five fiscal years of the fund at cost, and after adjustment for capital
28 losses charged to that fiscal year.

29 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is

1 from the general fund and is subject to the Executive Budget Act (AS
2 37.07).

3 Sec. 37.13.170. AUDITS. The Legislative Budget and Audit Commit-
4 tee shall provide for an annual post audit and annual operational and
5 performance evaluations of the corporation's investments and investment
6 programs.

7 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
8 ber 30 of each year, the board shall publish a report of the corporation
9 for distribution to the governor, legislature, and the public. The
10 report shall be written in easily understandable language. The report
11 must include financial statements audited by independent outside audi-
12 tors, a statement of the amount of money received by the permanent fund
13 from each investment during the period covered, a statement of corpora-
14 tion investments including an appraisal at market value, a description
15 of corporation investment activity during the period covered by the
16 report, a comparison of the corporation performance with the intended
17 goals contained in AS 37.13.020, an examination of the impact of the
18 investment criteria of this chapter on the corporation portfolio with
19 recommendations of any needed changes and any other information the
20 board believes would be of interest to the governor, the legislature,
21 and the public. The annual income statement and balance sheet of the
22 corporation shall be published in at least one newspaper in each judi-
23 cial district. The income statement and balance sheet for the two
24 fiscal years preceding the publication of the election pamphlet under
25 AS 15.57 shall be included in that pamphlet. The board may also publish
26 other reports it considers desirable to carry out its purpose.

27 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
28 taxes and assessments in the state. All security instruments issued by
29 the corporation, their transfer, and their income are exempt from all

1 taxes and assessments in the state.

2 Sec. 37.13.200. POLITICAL ACTIVITIES. The resources of the cor-
3 poration may not be used to finance or influence any political activi-
4 ties.

5 Sec. 37.13.210. 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. 37.13.220. DEFINITIONS. In this chapter,

15 (1) "board" means the Board of Trustees of the Alaska Per-
16 manent Fund Corporation;

17 (2) "corporation" means the Alaska Permanent Fund Corpora-
18 tion.

19 * Sec. 6. AS 39.25.110 is amended by adding a new paragraph to read:

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

22 * Sec. 7. AS 39.50.200(9) is amended by adding a new subparagraph to
23 read:

24 (QQ) Board of Trustees and executive director of the
25 Alaska Permanent Fund Corporation.

26 * Sec. 8. TRANSITION. The commissioner of revenue shall transfer all
27 funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation
28 established by this Act after request for transfer is made by the board of
29 trustees of the corporation.

1 * Sec. 9. AS 37.10.065(c) is repealed.

2 * Sec. 10. AS 37.10.065(a) and (b) are repealed.

3 * Sec. 11. Section 10 of this Act takes effect upon transfer of the funds
4 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
5 provided in sec. 8 of this Act. The remainder of this Act takes effect
6 July 1, 1979.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB 281
 Title Relating to Renewable Resource Revenues
 Requested by Rep. Jim Duncan Date 5/3/79

II. FISCAL DETAIL
 Agency Affected Legislative Budget & Audit Committee
 Program Category Affected General Government
 BRU, Program, or Subprogram(s) Affected Legislative Finance Division & Legislative Audit
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		0				

FUNDING (Thousands of Dollars)

GENERAL FUND		0				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		0				
PART TIME						
TEMPORARY						

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

The duties imposed upon the Budget and Audit Committee and its staff can range anywhere from light to extensive depending upon the extent to which the committee chooses to accomplish the oversight responsibilities. Since the bill envisions that the Committee's role may be a temporary one, essentially transitional in nature, it seems unwise to staff up in order to cover the new responsibilities. With this in mind, it would seem appropriate to begin the permanent fund oversight responsibilities under the assumption that the committee and its staff can provide effective permanent fund oversight within the existing levels of its budget.

IV. DATE 5/3/79 PREPARED BY *Ken H. Wilkerson*
 AGENCY Legislative Audit & Legislative Finance
 Original: Legislative Finance PHONE 465-3830 - Audit; 465-3795 - Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 281 - "An Act Relating to Renewable Resource Revenues;
Title and providing for an effective date."
Requested by HOUSE PERMANENT FUND COMMITTEE Date April 30, 1979

II. FISCAL DETAIL

Agency Affected DEPARTMENT OF REVENUE
Program Category Affected GENERAL GOVERNMENT
BRU, Program, or Subprogram(s) Affected PERMANENT FUND
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES		-0-	318.9	318.9	368.9	368.9
200 TRAVEL		50.0	79.6	79.6	79.6	79.6
300 CONTRACTUAL		150.0	321.6	321.6	321.6	321.6
400 COMMODITIES		-0-	16.0	7.0	7.0	7.0
500 EQUIPMENT		-0-	20.0	3.0	3.0	2.0
600 LAND & STRUCTURES		-0-	46.1	46.1	46.1	46.1
700 GRANTS, CLAIMS, ETC.						
TOTAL		200.0	802.2	776.2	826.2	825.2

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		-0-	9	9	10	10
PART TIME						
TEMPORARY						

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

See attached for cost analysis. FY80 figures represent transition costs. Travel provides for ten (10) organizational and policy board meetings. Contractual provides sufficient funds for management of Permanent Fund investments by the Division of Treasury for the year and organizational monies necessary for recruitment of professional staff. Treasury management costs amount to 60.0 in FY80.

IV. DATE April 30, 1979 PREPARED BY Peter A. Bushre, Deputy Commissioner
AGENCY Division of Treasury
Original: Legislative Finance PHONE 465-2350
cc: Budget and Management
Prime Sponsor (First Legislator Named)

PERMANENT FUND CORPORATION

100 - PERSONAL SERVICES

(1) Director - Range 27	\$3,940	\$ 47,280
(1) Secretary II - Range 11	1,339	16,068
(1) Comptroller - Range 24	3,401	40,812
(1) Accountant III - Range 16	1,888	22,656
(1) Investment Officer III - Range 24	3,401	40,812
(1) Accounting Technician II - Range 14	1,629	19,548
(1) Account Clerk III - Range 10	1,254	15,048
(1) Clerk Typist II - Range 7	1,045	12,540
(1) Loan Examiner III - Range 19	2,355	23,260
		<u>\$243,024</u>
	BENEFITS	<u>75,945</u>
		<u>\$318,969</u>

200 - TRAVEL

BOARD MEETINGS IN STATE: 10 MEETINGS X 2 DAYS		
Travel/Board Members		\$ 8,750
Travel/Director and Staff		6,300
Per Diem		7,200
Honorarium		25,000
FIELD/ADMINISTRATIVE TRAVEL IN STATE:		
Travel		4,300
Per Diem		2,400
FIELD/ADMINISTRATIVE TRAVEL OUT OF STATE:		
Travel		5,920
Per Diem		2,400
CONVENTIONS/MEETINGS OUT OF STATE:		
Travel		12,500
Per Diem		4,800
		<u>\$ 79,570</u>

300 - CONTRACTUAL

Communications		\$ 49,200
Printing and Advertisements		16,500
Repairs/Maintenance		2,600
Equipment Rental - Word Processing		8,700
Equipment Rental - Computer		65,000
Safekeeping		50,000
Consulting		104,600
Other Fees and Expenses		25,000
		<u>\$321,600</u>

400 - COMMODITIES

\$ 16,000

500 - EQUIPMENT

\$ 20,000

600 - OFFICE SPACE

\$ 46,100

TOTAL

\$802,239

COMMITTEE REPORT

HOUSE

FURTHER:

Date: _____

Mr. Speaker:

The Committee on FINANCE has had HB 281

"An Act relating to nonrenewable resource revenues; to legislative oversight; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

COMMITTEE REPORT HOUSE

FURTHER: FINANCE

February 22, 1979

Date: April 26, 1979

Mr. Speaker:

The Committee on SPECIAL PERMANENT FUND COMMITTEE has had HB 281

"An Act relating to nonrenewable resource revenues; to legislative oversight; eff. date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 281 same title
 new title
- and recommends it do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

Sam R. Lutz

[Signature]

Haugen

ROSS DO PASS PERMANENTLY

Chet [Signature]

Malone

Streeman

[Signature]

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]
CHAIRMAN

Original sponsor: Special Permanent
Fund Committee

Offered: 4/26/79
Referred: Finance

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IN THE HOUSE

BY THE SPECIAL PERMANENT
FUND COMMITTEE

CS FOR HOUSE BILL NO. 281

IN THE LEGISLATURE OF THE STATE OF ALASKA

ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

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

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

* Section 1. FINDINGS. The legislature finds that there is a substantial need for oversight of the performance of those agencies of the state which perform lending or investment functions since those functions do not receive the detailed review to which other expenditures of public money are subject, and therefore the knowledge necessary for sound legislation in this area is not readily available. There is a need for legislative oversight which will provide information on the policy and performance of these agencies, the extent to which the agencies conform to statutory intent, and the impact of their performance on the economy and the state treasury.

* Sec. 2. AS 24.20 is amended by adding new sections to read:

Sec. 24.20.156. PURPOSES. The purposes of the Legislative Budget and Audit Committee include

(1) monitoring and reporting

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

(B) the extent to which the performance of these agencies has contributed to the fiscal, financial, economic and social improvement of the state and its citizens,

(C) the extent to which these agencies and the executive have prepared and coordinated short and long term economic, fiscal,

1 investment and financial planning;

2 (2) holding these agencies accountable to statutory intent in
3 their performance by recommending, where appropriate, changes in policy
4 to the agencies or changes in legislation to the legislature;

5 (3) annually reviewing the extent of capitalization of the
6 investment funds of the state and alternative investment policy for the
7 general fund surplus and recommending needed legislation.

8 Sec. 24.20.206. DUTIES. The Legislative Budget and Audit Commit-
9 tee shall

10 (1) report to the legislature its recommendations relating to
11 the confirmation of suggested appointees to the Board of Trustees of the
12 Alaska Permanent Fund Corporation and the Board of Trustees of the
13 Alaska Renewable Resources Corporation;

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

16 (3) review periodic reports from all agencies of the state
17 which perform lending or investment functions;

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

22 (5) present to the legislature within 30 days after the con-
23 vening of each regular session a review of the report of the governor
24 under AS 37.07.020(b) with recommendations for any needed legislation;

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

28 (7) provide for an annual post audit and annual operational
29 and performance evaluation of the Alaska Permanent Fund Corporation in-

1 vestments and investment programs.

2 Sec. 24.20.209. RECORDS. The Legislative Budget and Audit Commit-
3 tee shall keep a complete file of all reports presented to it and all
4 reports presented by it to the legislature or to a legislative commit-
5 tee.

6 * Sec. 3. AS 24.20.201(a) is amended by adding new paragraphs to read:

7 (8) hold public hearings on the confirmation of the members
8 of the Board of Trustees of the Alaska Permanent Fund Corporation, and
9 the members of the Board of Trustees of the Alaska Renewable Resources
10 Corporation;

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

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

16 * Sec. 4. AS 37.07.020 is amended by adding a new subsection to read:

17 (b) The governor shall annually, before the convening of the
18 legislature, report to the legislature through the Legislative Budget
19 and Audit Committee the long-range fiscal and economic consequences of

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

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

24 * Sec. 5. AS 37 is amended by adding a new chapter to read:

25 CHAPTER 13. ALASKA PERMANENT FUND.

26 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15
27 of the state constitution, there is established as a separate fund the
28 Alaska permanent fund. The Alaska permanent fund consists of

29 (1) 50 per cent of mineral lease bonuses remaining after

1 deduction of any amounts allocated

2 (A) to the Alaska Native Fund under the Alaska Native
3 Claims Settlement Act and implementing state legislation; and

4 (B) in AS 37.11.020 to the Alaska renewable resources
5 development fund;

6 (2) 25 per cent of all mineral lease rentals, royalties,
7 royalty sale proceeds, and federal mineral revenue sharing payments
8 received by the state from mineral leases issued on or before July 1,
9 1979;

10 (3) 50 per cent of all mineral lease rentals, royalties,
11 royalty sale proceeds, and federal mineral revenue sharing payments
12 received by the state from mineral leases issued after July 1, 1979; and

13 (4) any other money appropriated or otherwise allocated by
14 law to the Alaska permanent fund.

15 (b) Payments due the Alaska permanent fund under (a) of this
16 section shall be made to the fund once each month.

17 (c) The Alaska permanent fund shall be managed by the Alaska
18 Permanent Fund Corporation established in this chapter.

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

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

28 (2) the corporation's goal should be to maintain safety of
29 principal while maximizing total return;

1
2 (3) the corporation should be used as a savings device
3 managed to allow the maximum use of disposable income from the corpora-
4 tion as needed for purposes designated by law.

5 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
6 provide a mechanism for the management and investment of those permanent
7 fund assets allocated to the Alaska Permanent Fund Corporation in a
8 manner consistent with the findings established in AS 37.13.020.

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

16 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The Board
17 of Trustees of the Alaska Permanent Fund Corporation consists of five
18 members appointed by the governor and confirmed by a majority of the
19 members of the legislature in joint session.

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

22 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
23 appointed for terms of three years, and they may be reappointed subject
24 to reconfirmation by a majority of the members of the legislature in
25 joint session. Terms shall be staggered. Initial terms shall be two
26 members serving for one year, two members serving for two years, and one
27 member serving for three years.

28 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
29 remove a member of the board from office by and with the consent of a
majority of the members of the legislature in joint session. A removal

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

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

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

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

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

29 (c) At least three members of the board shall have recognized

1 competence and wide experience in finance, investments, or other busi-
2 ness management-related field.

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

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

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

16 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board
17 and the executive director are subject to the provisions of AS 39.50.

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

24 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule
25 shall be applied by the board in the management and investment of per-
26 manent fund assets. The prudent-man rule as applied to investments of
27 the corporation means that in making investments the board shall exer-
28 cise the judgment and care under the circumstances then prevailing which
29 an institutional investor of ordinary prudence, discretion, and intel-

1 ligence exercises in the management of large investments entrusted to it
2 not in regard to speculation but in regard to the permanent disposition
3 of funds, considering probable safety of capital as well as probable
4 income.

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

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

10 (d) The board shall submit long-range and quarterly investment
11 reports to the Legislative Budget and Audit Committee.

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

14 (f) The board may enter into and enforce all contracts necessary,
15 convenient or desirable for purposes of the corporation.

16 (g) Subject to the limitations in (h) and (i) of this section, the
17 board may invest corporation assets in

18 (1) obligations of, or obligations insured by or guaranteed
19 by, the United States or agencies or instrumentalities of the United
20 States;

21 (2) obligations secured by reserves paid in by the United
22 States or agencies or instrumentalities of the United States or obliga-
23 tions of corporations in which the United States is a shareholder or
24 member;

25 (3) certificates of deposit issued by United States domestic
26 banks which are members of the Federal Deposit Insurance Corporation and
27 which are secured as to the payment of principal and interest in accor-
28 dance with Alaska law and for which a generally recognized secondary
29 market exists;

1 (4) corporate debt securities which are rated AA or better by
2 a nationally recognized rating service;

3 (5) short-term corporate promissory notes of the highest
4 rating assigned by a nationally recognized rating service;

5 (6) bankers' acceptances drawn on and accepted by United
6 States banks each of which have a combined capital and surplus aggrega-
7 ting at least \$200,000,000;

8 (7) repurchase agreements, the securities underlying the
9 agreements being any of the items in (1) - (5) of this subsection;

10 (8) the guaranteed portion of Federal Small Business Admini-
11 stration loans;

12 (9) the portion of first lien real estate mortgages guaran-
13 teed by the Federal Veterans Administration;

14 (10) the portions of business and industrial loans made under
15 the Rural Development Act of 1972 which are guaranteed by the Farmer's
16 Home Administration;

17 (11) the guaranteed portion of Farmer's Home Administration
18 loans.

19 (h) Investments under (g)(4) of this section may not exceed 25 per
20 cent of the fund's total investments. Investments under (g)(8) - (11)
21 of this section may not exceed in the aggregate 25 per cent of the
22 fund's total investments.

23 (i) No portion of the assets of the fund may be used in the pur-
24 chase of bonds of any corporation, upon which any regular interest
25 payment has been defaulted within five years before purchase, except
26 bonds never in default but which have been outstanding for less than
27 five years.

28 (j) The board shall establish and from time to time as necessary
29 modify guidelines for the investment of the assets of the corporation.

1 Before adoption of any guidelines the guidelines shall be reported to
2 the Legislative Budget and Audit Committee for review and comment.

3 (k) Nothing in this section may be interpreted to preclude in-
4 state investments that have a risk level and expected yield comparable
5 to alternative investment opportunities.

6 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
7 the total amount of losses on the sales of securities, not offset by
8 gains on the sales of securities during that year, shall be computed,
9 with a portion of these losses to be deducted each fiscal year from the
10 income and the resulting amount of income added to the principal of the
11 fund. Losses taken on the sales of securities shall be accumulated over
12 a period equal to the average remaining life of the securities sold,
13 unless these losses are offset by gains on future sales of securities.
14 In any fiscal year in which the gains on the sales of securities exceed
15 the losses on the sales of securities, the excess shall be added to the
16 principal of the fund.

17 Sec. 37.13.150. INCOME. The interest received in a year is the
18 income of the corporation for that year. The income available for
19 disbursement shall be determined on an averaging basis. For the first
20 five years, income will be the simple averaging of the annual current
21 return at cost. Subsequently, there will be a moving average current
22 return, in which the latest fiscal year will replace the oldest year.
23 The income available for disbursement will be the lesser of the latest
24 fiscal year's income, or the average annual current income for the past
25 five fiscal years of the fund at cost, and after adjustment for capital
26 losses charged to that fiscal year.

27 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
28 from the general fund and is subject to the Executive Budget Act (AS
29 37.07).

1 **Sec. 37.13.170. AUDITS.** The Legislative Budget and Audit Commit-
2 tee shall provide for an annual post audit and annual operational and
3 performance evaluations of the corporation's investments and investment
4 programs.

5 **Sec. 37.13.180. REPORTS AND PUBLICATIONS.** No later than Septem-
6 ber 30 of each year, the board shall publish a report of the corporation
7 for distribution to the governor, legislature, and the public. The
8 report shall be written in easily understandable language. The report
9 must include financial statements audited by independent outside audi-
10 tors, a statement of the amount of money received by the permanent fund
11 from each investment during the period covered, a statement of corpora-
12 tion investments including an appraisal at market value, a description
13 of corporation investment activity during the period covered by the
14 report, a comparison of the corporation performance with the intended
15 goals contained in AS 37.13.020, an examination of the impact of the
16 investment criteria of this chapter on the corporation portfolio with
17 recommendations of any needed changes and any other information the
18 board believes would be of interest to the governor, the legislature,
19 and the public. The annual income statement and balance sheet of the
20 corporation shall be published in at least one newspaper in each judi-
21 cial district. The income statement and balance sheet for the two
22 fiscal years preceding the publication of the election pamphlet under
23 AS 15.57 shall be included in that pamphlet. The board may also publish
24 other reports it considers desirable to carry out its purpose.

25 **Sec. 37.13.190. TAX EXEMPTION.** The corporation is exempt from all
26 taxes and assessments in the state. All security instruments issued by
27 the corporation, their transfer, and their income are exempt from all
28 taxes and assessments in the state.

29 **Sec. 37.13.200. POLITICAL ACTIVITIES.** The resources of the cor-

1 poration may not be used to finance or influence any political activi-
2 ties.

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

12 Sec. 37.13.220. DEFINITIONS. In this chapter,

13 (1) "board" means the Board of Trustees of the Alaska Per-
14 manent Fund Corporation;

15 (2) "corporation" means the Alaska Permanent Fund Corpora-
16 tion.

17 * Sec. 6. AS 39.25.110 is amended by adding a new paragraph to read:

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

20 * Sec. 7. AS 39.50.200(9) is amended by adding a new subparagraph to
21 read:

22 (QQ) Board of Trustees and executive director of the
23 Alaska Permanent Fund Corporation.

24 * Sec. 8. TRANSITION. The commissioner of revenue shall transfer all
25 funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation
26 established by this Act after request for transfer is made by the board of
27 trustees of the corporation.

28 * Sec. 9. AS 37.10.065(c) is repealed.

29 * Sec. 10. AS 37.10.065(a) and (b) are repealed.

1 * Sec. 11. Section 10 of this Act takes effect upon transfer of the funds
2 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
3 provided in sec. 8 of this Act. The remainder of this Act takes effect
4 July 1, 1979.
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Introduced: 2/22/79
Referred: Special Permanent
Fund Committee and Finance

6584
Vassar

BY THE SPECIAL
PERMANENT FUND COMMITTEE

1 IN THE HOUSE

2 HOUSE BILL NO. 281

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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 func-
21 tions do not receive the detailed review to which other expenditures of
22 public money are subject, and therefore the knowledge necessary for
23 sound legislation in this area is not readily available. There is a
24 need for legislative oversight which will provide information on the
25 policy and performance of these agencies, the extent to which the
26 agencies conform to statutory intent, and the impact of their perfor-
27 mance on the economy and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the Investment Over-
29 Sight Committee are to

HB 281

COMMITTEE COPY

1 (1) monitor and report

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

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

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

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

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

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

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

28 (b) When a member of the Investment Oversight Committee files a
29 declaration of candidacy for an elective office other than that of

1 member of either house of the legislature, and he has not resigned from
2 membership on the committee, his committee membership terminates on the
3 date of filing.

4 Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory
5 or appointive membership of the Investment Oversight Committee, the
6 presiding officer of the house incurring the vacancy shall choose a
7 successor. If the office of the president of the senate or speaker of
8 the house of representatives becomes vacant and a vacancy from the
9 affected house occurs among the membership of the committee the re-
10 maining committee members from the house incurring the vacancy shall
11 appoint a new member.

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

21 Sec. 24.20.670. POWERS. The Investment Oversight Committee has
22 the power to

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

27 (2) hold public hearings administer oaths, issue subpoenas,
28 compel the attendance of witnesses and production of papers, books,
29 accounts, documents and testimony, and have the deposition of witnesses

1 taken in a manner prescribed by court rule or law for taking depositions
2 in civil actions;

3 (3) require all state officials and agencies of state govern-
4 ment to give full cooperation to the committee or its staff in assem-
5 bling and furnishing requested information;

6 (4) hold public hearings on the confirmation of the members
7 of the Board of Trustees of the Alaska Permanent Fund Corporation, and
8 the members of the Board of Trustees of the Alaska Renewable Resources
9 Corporation;

10 (5) prepare and distribute reports, memoranda, or other
11 necessary materials;

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

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

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

20 Sec. 24.20.680. STAFF. The legislative audit division and the
21 legislative finance division shall provide audits, reports and analyses
22 requested by the Investment Oversight Committee. The committee may hire
23 and determine the salary of the staff it considers necessary within the
24 limit of the budget approved by the legislature.

25 Sec. 24.20.690. DUTIES. The Investment Oversight Committee shall

26 (1) report to the legislature its recommendations relating to
27 the confirmation of suggested appointees to the Board of Trustees of the
28 Alaska Permanent Fund Corporation and the Board of Trustees of the
29 Alaska Renewable Resources Corporation;

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

3 (3) review periodic reports from all agencies of the state
4 which perform lending or investment functions;

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

9 (5) present to the legislature within 30 days after the con-
10 vening of each regular session a review of the report of the governor
11 under AS 37.07.020(b) with recommendations for any needed legislation;

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

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

18 Sec. 24.20.700. RECORDS. The Investment Oversight Committee shall
19 keep a complete file of all reports presented to it and all reports
20 presented by it to the legislature or to a legislative committee.

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

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

25 (1) alternate levels of capitalization of the investment
26 funds of the state; and

27 (2) alternative investment policy for the general fund sur-
28 plus.

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

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CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15 of the state constitution, there is established as a separate fund the Alaska permanent fund. The Alaska permanent fund consists of

(1) one hundred per cent of mineral lease bonuses after deduction of any amounts allocated

(A) to the Alaska Native Fund under the Alaska Native Claims Settlement Act and implementing state legislation; and

(B) in AS 37.11.020 to the Alaska renewable resources development fund;

(2) thirty per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the state; and

(3) any other money appropriated or otherwise allocated by law to the Alaska permanent fund.

(b) Payments due the Alaska permanent fund under (a) of this section shall be made to the fund once each month.

(c) The Alaska permanent fund shall be managed by the Alaska Permanent Fund Corporation established in this chapter.

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

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

(2) the corporation's primary goal should be to maximize

1 total return while maintaining safety of principal;

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

5 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
6 provide a mechanism for the management and investment of those permanent
7 fund assets allocated to the Alaska Permanent Fund Corporation in a
8 manner consistent with the findings established in AS 37.13.020.

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

16 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The Board
17 of Trustees of the Alaska Permanent Fund Corporation consists of three
18 members appointed by the governor and confirmed by a majority of the
19 members of the legislature in joint session.

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

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

27 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
28 remove a member of the board from office by and with the consent of a
29 majority of the members of the legislature in joint session. A removal

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

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

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

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

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

29 (c) At least one member of the board shall have recognized compe-

1 tence and wide experience in finance, investments, or other business
2 management-related field. No two members may be appointed to the board
3 who share substantially similar professional or occupational back-
4 grounds.

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

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

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

18 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Members of the board
19 are subject to the provisions of AS 39.50.

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

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

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

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

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

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

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

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

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

28 (1) No portion of the assets of the fund may be used in the
29 purchase of stock of a corporation which is not paying dividends on that

1 stock in cash at the time of purchase; nor in the purchase of bonds of
2 any corporation, upon which any regular interest payment has been de-
3 faulted within five years before purchase, except bonds never in default
4 but which have been outstanding for less than five years.

5 (2) No portion of the assets of the corporation may be used
6 for 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 assets of the corporation.

9 (h) The board shall establish and from time to time as necessary
10 modify guidelines for the investment of the assets of the corporation.
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 of the corporation
21 for distribution to the governor, legislature, and the public. The
22 report shall be written in easily understandable language. The report
23 must include financial statements audited by independent outside audi-
24 tors, a statement of the amount of money received by the permanent fund
25 from each investment during the period covered, a statement of corpora-
26 tion investments including an appraisal at market value, a description
27 of corporation investment activity during the period covered by the
28 report, a comparison of the corporation performance with the intended
29 goals contained in AS 37.13.020, an examination of the impact of the

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

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

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

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

27 Sec. 37.13.220. DEFINITIONS. In this chapter,

28 (1) "board" means the Board of Trustees of the Alaska Per-
29 manent Fund Corporation;

1 (2) "corporation" means the Alaska Permanent Fund Corpora-
2 tion.

3 * Sec. 4. AS 39.25.110 is amended by adding a new paragraph to read:

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

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

8 (QQ) Board of Trustees of the Alaska Permanent Fund
9 Corporation.

10 * Sec. 6. TRANSITION. The commissioner of revenue shall transfer all
11 funds of the Alaska permanent fund to the Alaska Permanent Fund Corporation
12 established by this Act after request for transfer is made by the board of
13 trustees of the corporation.

14 * Sec. 7. AS 37.10.065(c) is repealed.

15 * Sec. 8. AS 37.10.065(a) and (b) are repealed.

16 * Sec. 9. Section 8 of this Act takes effect upon transfer of the funds
17 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
18 provided in sec. 6 of this Act. The remainder of this Act takes effect
19 immediately in accordance with AS 01.10.070(c).

Alaska State Legislature

POUCH V
JUNEAU, ALASKA 99811



P. O. BOX 9
KENAI, ALASKA 99611

REPRESENTATIVE HUGH MALONE



April 26, 1979

The Honorable Terry Gardiner
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

HB 281 places the legal responsibility for legislative oversight of the investment of surplus and special state funds under the Legislative Budget and Audit Committee.

Originally it was envisioned a separate statutory interim committee would be created for this purpose. However, the House Special Committee on the Alaska Permanent Fund is reluctant to recommend establishing a new statutory committee without a clear showing of need.

Therefore, your committee recommends that the investment review function be placed initially with the Legislative Budget and Audit Committee. The work involved will be substantial, and additional staff may be required.

By this letter the House Special Committee on the Alaska Permanent Fund requests that the Legislative Budget and Audit Committee make a report to the legislature recommending and evaluating alternatives on how the investment oversight duty could best be carried out by the legislature. The report should describe any necessary changes in law and include the option of delegating the responsibility to a separate committee.

This will allow the decision to be made based on experience. The report should be made within two years of the effective date of the act.

Sincerely,

A handwritten signature in cursive script that reads "Hugh Malone".

Hugh Malone, Chairman
House Special Committee on the Alaska Permanent Fund

ALASKA STATE LEGISLATURE

ELEVENTH Legislature FIRST Session

HOUSE ... BILL ... NO. ... 281.

By THE SPECIAL PERMANENT FUND COMMITTEE

"An Act relating to nonrenewable resource revenues; to legislative oversight; and providing for an effective date."

nonrenewable resource revenues

Introduced in the House ... 2-22, 1979

HISTORY IN THE HOUSE

19 79	Read first time and referred to Committee on										
Feb. 22	Special Permanent Fund Committee and Finance Reported back with recommendation that										
	Read second time and										
	Read third time and										
	<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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	Reconsideration										
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PASS	Effective Date										
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Absent	Absent										
Excused	Excused										
	Reported correctly engrossed										
	Signed by Speaker										
	Sent to Senate										
	CHIEF CLERK OF THE HOUSE										

HISTORY IN THE SENATE

19	Read first time and referred to Committee on										
	Reported back with recommendation that										
	Read second time and										
	Read third time and										
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	Reported correctly engrossed										
	Signed by President										
	Returned to House										
	SECRETARY OF THE SENATE										

HISTORY IN THE HOUSE

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

COMMITTEE REPORT

HOUSE

VOID

FURTHER:

April 26, 1979

Date: 4/27/79

Mr. Speaker:

The Committee on FINANCE has had HB 281

"An Act relating to nonrenewable resource revenues; to legislative oversight; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for ^(Finance) HB 281 same title
 new title
- and recommends that it do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Freeman

McKinmon

Dunith

Rogers DO PASS PERMANENTLY

Hoest

Montgomery

Freeman
CHAIRMAN

Introduced: 2/22/79
Referred: Special Permanent
Fund Committee and Finance

1 IN THE HOUSE

BY THE SPECIAL
PERMANENT FUND COMMITTEE

2 HOUSE BILL NO. 281

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST 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 func-
21 tions do not receive the detailed review to which other expenditures of
22 public money are subject, and therefore the knowledge necessary for
23 sound legislation in this area is not readily available. There is a
24 need for legislative oversight which will provide information on the
25 policy and performance of these agencies, the extent to which the
26 agencies conform to statutory intent, and the impact of their perfor-
27 mance on the economy and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the Investment Over-
29 Sight Committee are to

HB 281

1 (1) monitor and report

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

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

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

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

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

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

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

28 (b) When a member of the Investment Oversight Committee files a
29 declaration of candidacy for an elective office other than that of

1 member of either house of the legislature, and he has not resigned from
2 membership on the committee, his committee membership terminates on the
3 date of filing.

4 Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory
5 or appointive membership of the Investment Oversight Committee, the
6 presiding officer of the house incurring the vacancy shall choose a
7 successor. If the office of the president of the senate or speaker of
8 the house of representatives becomes vacant and a vacancy from the
9 affected house occurs among the membership of the committee, the re-
10 maining committee members from the house incurring the vacancy shall
11 appoint a new member.

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

21 Sec. 24.20.670. POWERS. The Investment Oversight Committee has
22 the power to

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

27 (2) hold public hearings, administer oaths, issue subpoenas,
28 compel the attendance of witnesses and production of papers, books,
29 accounts, documents and testimony, and have the deposition of witnesses

1 taken in a manner prescribed by court rule or law for taking depositions
2 in civil actions;

3 (3) require all state officials and agencies of state govern-
4 ment to give full cooperation to the committee or its staff in assem-
5 bling and furnishing requested information;

6 (4) hold public hearings on the confirmation of the members
7 of the Board of Trustees of the Alaska Permanent Fund Corporation, and
8 the members of the Board of Trustees of the Alaska Renewable Resources
9 Corporation;

10 (5) prepare and distribute reports, memoranda, or other
11 necessary materials;

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

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

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

20 Sec. 24.20.680. STAFF. The legislative audit division and the
21 legislative finance division shall provide audits, reports and analyses
22 requested by the Investment Oversight Committee. The committee may hire
23 and determine the salary of the staff it considers necessary within the
24 limit of the budget approved by the legislature.

25 Sec. 24.20.690. DUTIES. The Investment Oversight Committee shall
26 (1) report to the legislature its recommendations relating to
27 the confirmation of suggested appointees to the Board of Trustees of the
28 Alaska Permanent Fund Corporation and the Board of Trustees of the
29 Alaska Renewable Resources Corporation;

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

3 (3) review periodic reports from all agencies of the state
4 which perform lending or investment functions;

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

9 (5) present to the legislature within 30 days after the con-
10 vening of each regular session a review of the report of the governor
11 under AS 37.07.020(b) with recommendations for any needed legislation;

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

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

18 Sec. 24.20.700. RECORDS. The Investment Oversight Committee shall
19 keep a complete file of all reports presented to it and all reports
20 presented by it to the legislature or to a legislative committee.

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

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

25 (1) alternate levels of capitalization of the investment
26 funds of the state; and

27 (2) alternative investment policy for the general fund sur-
28 plus.

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

1 CHAPTER 13. ALASKA PERMANENT FUND.

2 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art IX, sec. 15
3 of the state constitution, there is established as a separate fund the
4 Alaska permanent fund. The Alaska permanent fund consists of

5 (1) one hundred per cent of mineral lease bonuses after
6 deduction of any amounts allocated

7 (A) to the Alaska Native Fund under the Alaska Native
8 Claims Settlement Act and implementing state legislation; and

9 (B) in AS 37.11.020 to the Alaska renewable resources
10 development fund;

11 (2) thirty per cent of all mineral lease rentals, royalties,
12 royalty sale proceeds, and federal mineral revenue sharing payments
13 received by the state; and

14 (3) any other money appropriated or otherwise allocated by
15 law to the Alaska permanent fund.

16 (b) Payments due the Alaska permanent fund under (a) of this
17 section shall be made to the fund once each month.

18 (c) The Alaska permanent fund shall be managed by the Alaska
19 Permanent Fund Corporation established in this chapter.

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

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

29 (2) the corporation's primary goal should be to maximize