

LEG. FINANCE - BILLS 1981 - 1982 1701

SB 676 - SB 684 1701

COMMITTEE REPORT
SENATE

1/26/82

FURTHER: Finance

Date: 3/2/82

Mr. President:

The Committee on TRANSPORTATION has had SB 676

making a special appropriation for payment as a grant to the City of Dillingham for dust suppression

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 ^{map out} it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

1 Bill Ray

1 John Jackson

MEMBERS HAVING
OTHER RECOMMENDATIONS:

2 Don Johnson (no Rec)

2 Sanborn (no Rec)

2 J. Little No Rec

1 Bill Ray ^{do pass}

CHAIRMAN

Introduced: 1/26/82
Referred: Transportation
and Finance

Funding Information
General Fund \$70,000
Other Funds -0-
\$70,000

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 676

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for dust suppression;
8 and providing for an effective date."

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

10 * Section 1. The sum of \$70,000 is appropriated from the general fund for
11 payment as a grant to the City of Dillingham for suppression of dust.

12 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
13 dance with AS 37.05.315 - 37.05.319.

14 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
15 070(c).

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COMMITTEE COPY

ALASKA STATE LEGISLATURE

TWELFTH Legislature SECOND Session

SENATE BILL..... NO. 676...

By HOFMAN.....

"AN Act making a special appro-
for payment as a grant to the
City of Dillingham for dust
suppression; and providing for
an effective date."

Introduced in the Senate ...1/26/, 19...82

HISTORY IN THE SENATE

19	82	Read first time and referred to Committee on
1	26	Transportation and Finance
3	3	Reported back with <i>Group 2</i> recommendation that <i>do pass, 3 no rec to finance</i>
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by President
		Sent to House
SECRETARY OF THE SENATE		

HISTORY IN THE HOUSE

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 Speaker
		Returned to Senate
CHIEF CLERK OF THE HOUSE		

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

Funding Information
General Fund \$70,000
Other Funds -0-
\$70,000

Introduced: 1/26/82
Referred: Transportation
and Finance

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 676

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for dust suppression;
8 and providing for an effective date."

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

10 * Section 1. The sum of \$70,000 is appropriated from the general fund for
11 payment as a grant to the City of Dillingham for suppression of dust.

12 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
13 dance with AS 37.05.315 - 37.05.319.

14 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
15 070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 676 - Making a special appropriation for
Title payment as a grant to the City of Dillingham for dust suppression
 Requested by Senator Ray Date 2/1/82

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This project will be handled as a grant to the City of Dillingham passed through the Department of Administration. DOT/PF will not have responsibility for maintenance of the resulting facility. There is no perceived impact on DOT/PF's program. It is assumed that since dust suppression is an ongoing process the \$70,000 would be used for such purposes until expended.

IV. DATE 2/10/82 PREPARED BY John C. Bates
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

122

COMMITTEE REPORT
SENATE

1/26/82

FURTHER: Finance

Date: _____

Mr. President:

The Committee on TRANSPORTATION has had SB 679

making a special appropriation for payment as a grant to the City of Dillingham for sidewalks and bicycle paths

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 ^{as follows} without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

2 John Jacklet

MEMBERS HAVING
OTHER RECOMMENDATIONS:

~~Bill Kay No Rec~~
1 Alan Gilman No Rec
3 Don [unclear] No Rec
3 J. [unclear] Do not pass

^{no rec}
Bill Kay
CHAIRMAN

Funding Information

General Fund \$500,000
Other Funds -0-
\$500,000

Introduced: 1/26/82
Referred: Transportation and
Finance

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 679

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for sidewalks and
8 bicycle paths; and providing for an effective date."

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

10 * Section 1. The sum of \$500,000 is appropriated from the general fund
11 for payment as a grant to the City of Dillingham for construction of side-
12 walks and bicycle paths.

13 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
14 dance with AS 37.05.315 - 37.05.319.

15 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

ALASKA STATE LEGISLATURE

TWELFTH Legislature SECOND.. Session

SENATE ..BILL..... NO. ..679..

By ...HOHMAN.....

"An Act making a special appropriation for payment as a grant to the City of Dillingham for sidewalks and bicycle paths; and providing for an effective date."

Introduced in the Senate1/26', 19..82

HISTORY IN THE SENATE

19 82

Read first time and referred to Committee on

1 26

Trans. and Finance

3 3

Reported back with *Transp.* recommendation that *1 do pass, 2 do not pass, 2 no rec to Finance*

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
Sent to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

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 Speaker
Returned to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Received from House

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

Funding Information
General Fund \$500,000
Other Funds -0-
\$500,000

Introduced: 1/26/82
Referred: Transportation and
Finance

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 679

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for sidewalks and
8 bicycle paths; and providing for an effective date."

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

10 * Section 1. The sum of \$500,000 is appropriated from the general fund
11 for payment as a grant to the City of Dillingham for construction of side-
12 walks and bicycle paths.

13 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
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15 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 679 - Appropriation to the City of Dillingham
 Title for sidewalks and bicycle paths
 Requested by _____ Senator _____ Date 2/1/82

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This project will be handled as a grant to the City of Dillingham passed through the Department of Administration. DOT/PF will not have responsibility for maintenance of the resulting facility. There is no perceived impact on DOT/PF's program. It should be noted that the City of Dillingham expressed concern over lack of R.O.W. for both sidewalks and bike paths. Land issue needs to be resolved.

IV. DATE 2/10/82 PREPARED BY John C. Bates
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

COMMITTEE REPORT
SENATE

1/26/82

FURTHER: Finance

Date: _____

Mr. President:

The Committee on TRANSPORTATION has had SR 680

making a special appropriation for payment as a grant to the City of Dillingham for erosion control of the beach

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 *except for a further fee*
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Bill Ray No Rec

Stan Helman No Rec

Donna... No Rec

Al... No Rec

John... No Rec.

Bill Ray
CHAIRMAN

Funding Information

General Fund \$5,000,000
Other Funds -0-
\$5,000,000

Introducedd 1/26/82
RReferred: Transportation
and Finance

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 680

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for erosion control of
8 the beach; and providing for an effective date."

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

10 * Section 1. The sum of \$5,000,000 is appropriated from the general fund
11 for payment as a grant to the City of Dillingham for control of erosion of
12 the beach in Dillingham from Kanakanak to Wood River.

13 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
14 dance with AS 37.05.315 - 37.05.319.

15 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

ALASKA STATE LEGISLATURE

TWELFTH Legislature SECOND Session

SENATE BILL..... NO. 620...

By HOHMAN.....

"An Act making a special appropriation for payment as a grant to the City of Dillingham for erosion control of the beach; and providing for an effective date."

Introduced in the Senate 1/26/ 19. 82

HISTORY IN THE SENATE

19	82	Read first time and referred to Committee on
1	26	Transportation and Finance
3	3	Reported back with <i>Stamp</i> recommendation that <i>5 will</i> <i>to Finance</i>
		Read second time and
		Read third time and
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by President
		Sent to House
SECRETARY OF THE SENATE		

HISTORY IN THE HOUSE

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
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		Reconsideration
		PASS Effective Date
		Yeas Yeas
		Nays Nays
		Absent Absent
		Excused Excused
		Reported correctly engrossed
		Signed by Speaker
		Returned to Senate
CHIEF CLERK OF THE HOUSE		

19

To enrolling

Reported correctly enrolled

Sent to Governor

..... by Governor

Filed with Lt. Governor

Chapter No.

CORRECTION

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

ALASKA STATE LEGISLATURE

TWELFTH Legislature SECOND Session

SENATE BILL..... NO. 620...

By HOFFMAN.....

"An Act making a special appropriation for payment as a grant to the City of Dillingham for erosion control of the beach; and providing for an effective date."

Introduced in the Senate 1/26/ 19. 82

HISTORY IN THE SENATE

19	82	Read first time and referred to Committee on										
1	26	Transportation and Finance										
3	3	Reported back with <i>Transp</i> recommendation that <i>5 no rec to Finance</i>										
		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
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
		<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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		Signed by President										
		Sent to House										
SECRETARY OF THE SENATE												

HISTORY IN THE HOUSE

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		Read third time and										
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Absent	Absent											
Excused	Excused											
		Reconsideration										
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Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reported correctly engrossed										
		Signed by Speaker										
		Returned to Senate										
CHIEF CLERK OF THE HOUSE												

HISTORY IN THE SENATE

19		Received from House
		To enrolling
		Reported correctly enrolled
		Sent to Governor
	 by Governor
		Filed with Lt. Governor
		Chapter No.

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

Introduced: 1/26/82
Referred: Transportation
and Finance

1 IN THE SENATE

BY HOHMAN

2 SENATE BILL NO. 680

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation for payment as a
7 grant to the City of Dillingham for erosion control of
8 the beach; and providing for an effective date."

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

10 * Section 1. The sum of \$5,000,000 is appropriated from the general fund
11 for payment as a grant to the City of Dillingham for control of erosion of
12 the beach in Dillingham from Kanakanak to Wood River.

13 * Sec. 2. The appropriation made by this Act shall be disbursed in accor-
14 dance with AS 37.05.315 - 37.05.319.

15 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

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THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 680 - Appropriation to City of Dillingham
 Title for erosion control of the beach
 Requested by Senator Ray Date 2/1/82

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-				

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

This project will be handled as a grant to the City of Dillingham passed through the Department of Administration. DOT/PF will not have responsibility for maintenance of the resulting facility. There is no perceived impact on DOT/PF's program. The City of Dillingham does not own the beach land between Kanakanak & Wood River and expressed concern over their ability to use the funding for the purpose stated.

IV. DATE 2/10/82 PREPARED BY John C. Bates
 AGENCY DOT/PF
 PHONE 465-3900
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

April 7, 1982

The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee
Room 525 - Capitol Building
Juneau, Alaska

Re: CS for Sponsor Substitute for Senate
Bill No. 684 (L&C)

CS for Sponsor Substitute for Senate Bill No. 684 (L&C), an Act relating to the investment and management of Alaska permanent fund and to the computation of the income of the fund available for distribution, was referred on March 26, 1982 by the Senate Labor and Commerce Committee to the Senate State Affairs and Finance Committees.

Subsequently, on March 30, 1982, Senator Fischer, Chairman, Senate State Affairs Committee moved and asked unanimous consent that the referral on the subject bill be waived. Without objection it was so ordered and the bill was referred to the Senate Finance Committee.

For the consideration of the Senate Finance Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Thomas K. Williams, Commissioner of Revenue and Mr. Anselm C. Staack, Treasury Comptroller, Department of Revenue concerning the Committee Substitute.

Sincerely,



R. D. Stevenson
Special Assistant

Enclosures

cc: Thomas K. Williams
Commissioner
Department of Revenue

Anselm C. Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution Number: CS for SS for SB 684 (Finance)
Title: Relating to investment and management of the Alaska Permanent Fund
Requested by: Senate Finance Date: 4/7/82

II. FISCAL DETAIL

Agency Affected: Department of Revenue
Program Category Affected: Alaska Permanent Fund Corporation
BRU, Program, or Subprogram(s) Affected: Alaska Permanent Fund Corporation
(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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	-	-	-	-	-
200 TRAVEL	-	-	-	-	-	-
300 CONTRACTUAL	-	-	-	-	-	-
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

FUNDING (MILLIONS of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	+25.6	Future has costs, but can't be estimated			
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

With the transition rule in Sec. 15 of the proposed Finance CS, the effect of transferring one half of the disburseable income to the Permanent Fund principal instead of the General Fund is fully offset in FY 83. The net effect of this is to make an extra \$25.4 million available for expenditure in FY 83, since the Bill increases the amount of Permanent Fund income going into the PFD account and thereby reduces the General Fund appropriation dollar for dollar. The increase in Permanent Fund income comes from converting from a cash-received basis to an earned-income basis for computing the disburseable income. In FY 84 and thereafter, the transfer of one-half of the of the Permanent Fund income stream back to the principal of the Fund will have an effect on General Fund income, but the extent of this effect cannot be estimated at the present time because of uncertainties in future interest rates, the contributions to the Permanent Fund, and the balance in the Permanent Fund in the future.



IV. DATE: April 7, 1982

PREPARED BY: Thomas K. Williams

AGENCY: Department of Revenue

PHONE: 465-2300

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST CS for
 Bill/Resolution Number: SSSB 684 (3/9/82)
 Title: Relating to Investment & Management of the Alaska Permanent Fund
 Requested by: _____ Date: 4/7/82

II. FISCAL DETAIL
 Agency Affected: Department of Revenue
 Program Category Affected: Permanent Fund Corp.
 BRU, Program, or Subprogram(s) Affected: Permanent Fund Corp.
 (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 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	-	94.4	103.8	114.2	125.6	138.2
200 TRAVEL	-	(28.8)	-	-	-	-
300 CONTRACTUAL	-	2,425.0	5,190.0	6,458.0	7,287.0	8,152.0
400 COMMODITIES	-	-	-	-	-	-
500 EQUIPMENT	-	-	-	-	-	-
600 LAND & STRUCTURES	-	-	-	-	-	-
700 GRANTS, CLAIMS, ETC	-	-	-	-	-	-
800 MISCELLANEOUS	-	-	-	-	-	-
TOTAL	-	2,490.6	5,293.8	6,572.2	7,412.6	8,290.2

FUNDING (Thousands of Dollars)						
	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER (Specify Source)	-	-	-	-	-	-
PERMANENT FUND INCOME	-	2,490.6	5,293.8	6,572.2	7,412.6	8,290.2

POSITIONS						
	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	-	-	-	-	-	-
PART TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

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

Personal Services is for four public members of Board of Trustees to be compensated at salary prescribed for state legislators. Reduction in Travel for deletion of \$400/meeting day honorarium budgeted for present public members.

Contractual Services is for associated outside management and safekeeping costs of new allowable investments were applicable. Assumes, based on average fund balance for a fiscal year; 25% in preferred and common stock, 5% real estate equity, 5% foreign securities and certificates of deposit. Stock is at one-half of maximum allowed, others at one-third of maximum allowed. Fee rate level for FY 83 and FY 84; 10% fee increase assumed starting FY 85 and after (not per year). Brokerage fee on preferred and common stock not included as it is part of base security cost.

FY 83 assumes above percentages for one-half year only as transition time to new investment categories. Net effect of above scenerio places 35% of all corporate assets with outside managers, the balance 65% remains for internal management.

IV. DATE: April 7, 1982 PREPARED BY: Anselm C. Staack, Treasury Comptrolle
 AGENCY: Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE: 465-2350
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

Offered: 3/26/82
Referred: State Affairs
and Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 684 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment and management of
7 the Alaska permanent fund and to the computation of the
8 income of the fund available for distribution; and
9 providing for an effective date."

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

11 * Section 1. AS 37.13.050 is amended to read:

12 Sec. 37.13.050. COMPOSITION AND QUALIFICATIONS OF BOARD OF
13 TRUSTEES. (a) The Board of Trustees of the Alaska Permanent Fund
14 Corporation consists of six members appointed by the governor. Two
15 [THREE] of the members shall be heads of principal departments of state
16 government, one of whom shall be the commissioner of revenue. Four
17 [THREE] members shall be appointed by the governor from the public and
18 may not hold any other state or federal office, position or employment,
19 either elective or appointive, except as a member of the armed forces of
20 either the United States or of this state. [MEMBERS OTHER THAN THE
21 COMMISSIONER OF REVENUE SHALL BE SEPARATELY CONFIRMED BY A MAJORITY OF
22 THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION.]

23 (b) The four [THREE] public members of the board shall have recog-
24 nized competence and wide experience in finance, investments, or other
25 business management-related fields.

26 (c) The board shall annually elect a chairman from among its
27 members.

28 * Sec. 2. AS 37.13.060 is amended to read:

29 Sec. 37.13.060. TERM OF OFFICE. The public members of the

1 board shall be appointed for terms of four [THREE] years, and they may
2 be reappointed [SUBJECT TO CONFIRMATION BY A MAJORITY OF THE MEMBERS OF
3 THE LEGISLATURE IN JOINT SESSION]. The terms of the public members
4 [TERMS] shall be staggered so that no more than one term of a public
5 member expires each year. [INITIAL TERMS FOR MEMBERS OTHER THAN THE
6 COMMISSIONER OF REVENUE SHALL BE TWO MEMBERS SERVING FOR ONE YEAR, TWO
7 MEMBERS SERVING FOR TWO YEARS, AND ONE MEMBER SERVING FOR THREE YEARS.]

8 * Sec. 3. AS 37.13.070 is amended to read:

9 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
10 for good cause remove a member of the board from office. [HOWEVER, THE
11 REMOVAL OF A MEMBER OF THE BOARD IS SUBJECT TO DISAPPROVAL BY A VOTE OF
12 A MAJORITY OF THE MEMBERS OF THE LEGISLATURE AT THE FIRST JOINT SESSION
13 HELD 10 OR MORE DAYS AFTER THE LEGISLATURE RECEIVES NOTICE OF THE REMOVAL
14 FROM THE GOVERNOR.] A removal by the governor shall be in writing and
15 shall state the reason for the removal. A member who is removed by the
16 governor may not participate in board business and may not be counted
17 for purposes of establishing a quorum after [BETWEEN THE TIME] he re-
18 ceives written notice of his removal from the governor [AND THE TIME
19 THAT THE LEGISLATURE'S POWER TO DISAPPROVE THE REMOVAL UNDER THIS SUB-
20 SECTION EXPIRES. IF THE LEGISLATURE DISAPPROVES THE REMOVAL OF A BOARD
21 MEMBER, THE BOARD MEMBER SHALL BE REINSTATED].

22 (b) A vacancy on the board shall be promptly filled by appointment
23 by the governor [AND CONFIRMATION BY A MAJORITY OF THE MEMBERS OF THE
24 LEGISLATURE IN JOINT SESSION]. An appointee to a vacancy shall hold
25 office for the balance of the term for which his predecessor on the
26 board was appointed. [IF A VACANCY ARISES ON THE BOARD WHILE THE LEGIS-
27 LATURE IS NOT IN SESSION, THE GOVERNOR MAY APPOINT AN INTERIM BOARD
28 MEMBER WHO SHALL EXERCISE THE POWERS OF A BOARD MEMBER UNTIL THE LEGIS-
29 LATURE FAILS TO CONFIRM THE APPOINTMENT OF THE INTERIM BOARD MEMBER.]

1 (c) A vacancy on the board does not impair the authority of a
2 quorum of the board to exercise all the powers and perform all the
3 duties of the board.

4 * Sec. 4. AS 37.13.090 is amended to read:

5 Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. The board shall
6 determine the compensation of the members of the board subject to ap-
7 proval by the legislature in accordance with AS 37.07. Compensation for
8 members of the board shall be requested as part of the operating budget
9 of the board (AS 37.13.150). Members [PUBLIC MEMBERS OF THE BOARD RE-
10 CEIVE AN HONORARIUM OF \$400 FOR EACH MEETING DAY IF THEY ATTEND THE
11 MEETING. ALL MEMBERS] of the board are entitled to per diem and travel
12 allowances as provided by law for members of state boards and commis-
13 sions.

14 * Sec. 5. AS 37.13.120(g) is amended to read:

15 (g) Subject to the limitations contained in [(h) AND (i) OF] this
16 section, the board may invest corporation assets at such competitive
17 national market rates or prices as are applicable to each investment
18 only in

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

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

26 (3) certificates of deposit and term deposits of [ISSUED BY]
27 United States domestic banks which are members of the Federal Deposit
28 Insurance Corporation and [FOR] which may be readily sold in a [GENERALLY
29 RECOGNIZED] secondary market at prices reflecting fair value [EXISTS] or

1 which are fully secured at all times as to payment of principal and
2 interest as [BY INVESTMENTS] described in (m) [(1), (2), (8) OR (12) -
3 (16)] of this section [SUBSECTION; THE SECURITY PLEDGED UNDER THIS PARA-
4 GRAPH SHALL BE AT LEAST EQUAL TO THE FACE VALUE OF THE DEPOSIT AND THE
5 BOARD MAY REQUIRE SUBSTITUTION OF COLLATERAL];

6 (4) certificates of deposit and term deposits [SHARES] of
7 federally chartered savings and loan [LOANS] associations in Alaska
8 which may be readily sold in a secondary market at prices reflecting
9 fair value or which are fully secured at all times as to payments of
10 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
11 of this section [SUBSECTION];

12 (5) [SAVINGS] certificates of deposit and term deposits of
13 [ISSUED BY] state chartered savings and loan associations in Alaska
14 which may be readily sold in a secondary market at prices reflecting
15 fair value or which are fully secured at all times as to payments of
16 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
17 of this section [SUBSECTION];

18 (6) certificates of deposit and term deposits of [DEPOSITS
19 WITH] mutual savings banks in Alaska which may be readily sold in a
20 secondary market at prices reflecting fair value or which are fully
21 secured at all times as to payments of principal and interest as [BY
22 INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

23 (7) fixed-term certificates of indebtedness of federally in-
24 sured credit unions in Alaska which may be readily sold in a secondary
25 market at prices reflecting fair value or which are fully secured at all
26 times as to payments of principal and interest as [BY INVESTMENTS] de-
27 scribed in (m) [(1), (2)] of this section [SUBSECTION];

28 (8) corporate debt securities which are rated AA or better by
29 a nationally recognized rating service;

1 (9) short-term corporate promissory notes of the highest
2 ratings assigned by a nationally recognized rating service;

3 (10) bankers' acceptances drawn on and accepted by United
4 States banks each of which have a combined capital and surplus aggre-
5 gating at least \$200,000,000;

6 (11) repurchase agreements, the securities underlying the
7 agreements being any of the items in (1) - (3) and (8) - (10) of this
8 subsection;

9 (12) the guaranteed portion of Federal Small Business Adminis-
10 tration loans;

11 (13) the portion of first lien real estate mortgages guaranteed
12 by the Federal Veterans Administration [ASSOCIATION];

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

16 (15) the guaranteed portion of Farmer's Home Administration
17 loans;

18 (16) notes secured by mortgages granting a first lien on com-
19 mercial or [OF] residential real estate improved by completed buildings
20 if the mortgages are insured by a private mortgage insurance corporation
21 which is authorized to do business in Alaska and has combined capital
22 and [,] surplus [AND RESERVES] aggregating at least \$20,000,000, and if
23 loan-to-value ratios do not exceed 75 percent for commercial mortgages
24 and 90 percent for residential mortgages; however, [THE MINIMUM COVERAGE
25 SHALL BE 10 PERCENT FOR LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN
26 90 PERCENT, AND THE MINIMUM COVERAGE SHALL BE 20 PERCENT FOR LOANS
27 HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT OR MORE.]

28 (A) no mortgage insurance is necessary for commercial
29 loans having loan-to-value ratios of less than 50 percent and the

1 minimum coverage of other commercial loans shall be 10 percent for
2 those having a loan-to-value ratio of 50 - 60 percent and 15 percent
3 for those having a loan-to-value ratio greater than 60 percent but
4 no more than 75 percent, and

5 (B) no mortgage insurance is necessary for residential
6 loans having a loan-to-value ratio of less than 70 percent and the
7 minimum coverage of other residential loans shall be 10 percent for
8 those having a loan-to-value ratio greater than 70 percent but less
9 than 90 percent and 20 percent for those having a loan-to-value
10 ratio of 90 percent;

11 (17) notes secured by mortgages granting a first lien on com-
12 mercial real estate improved by completed buildings if the originating
13 financial institution retains at least 25 percent of the mortgage until
14 maturity;

15 (18) certificates of deposit, term deposits, or bankers' accep-
16 tances, which are issued by a United States bank or trust company located
17 in a foreign country and are denominated in either United States or
18 foreign currency, if either (A) they may be readily sold in a secondary
19 market at prices reflecting fair value, or (B) the issuing bank or trust
20 company has capital and surplus at the date of issue equalling at least
21 \$500,000,000; investments made under this paragraph are not subject to
22 the collateral requirements for domestic certificates under (m) of this
23 section;

24 (19) equity interests in, and debt obligations secured by
25 mortgages granting a first lien on, real estate improved by completed
26 and substantially rented buildings and located in the United States, if
27 these investments are made

28 (A) in a corporation, partnership, trust, or other
29 entity in which, at the conclusion of each investment transaction,

1 at least 60 percent of the beneficial ownership interests are held
2 by other institutional investors, and which is organized and
3 operated for the purpose of making real estate investments by a
4 bank, insurance company, or other manager of institutional funds
5 which has had at least five years of experience in the management
6 of real estate investments of institutional investors; or
7 (B) in conjunction with and on substantially the same
8 terms as an entity described in (A) of this paragraph.

9 * Sec. 6. AS 37.13.120(i) is repealed and reenacted to read:

10 (i) At the time of each investment, the aggregate investment of
11 the Alaska permanent fund in each stated category of investment may not
12 exceed the following stated percentage of the total investments of the
13 fund: mortgages under (g)(16) of this section, 15 percent; real estate
14 investments under (g)(19) of this section, 15 percent; foreign certifi-
15 cates of deposit or the equivalent under (g)(18) of this section, 20
16 percent; corporate stocks and debt securities under (g)(8) and (9) of
17 this section, 50 percent. The Alaska permanent fund may at no time own
18 more than five percent of the voting stock of a corporation. Domestic
19 stocks, except for bank and insurance company stocks, must be listed at
20 the date of purchase on an exchange registered with the Securities and
21 Exchange Commission.

22 * Sec. 7. AS 37.13.120 is amended by adding a new subsection to read:

23 (m) Certificates of deposit or the equivalent instruments which
24 are not of a quality that may be readily sold in a secondary market at
25 prices reflecting fair value must be secured by a pledge as collateral
26 of investments authorized for the Alaska permanent fund under (g)(1),
27 (2), (8), or (12) - (17) of this section, which investments have value
28 at least equal to the face value of the certificate of deposit. The
29 board may require substitution of collateral in order to ensure continued

1 satisfaction of the requirements set out in this subsection.

2 * Sec. 8. AS 37.13.140 is repealed and reenacted to read:

3 Sec. 37.13.140. INCOME. Net income of the corporation must be
4 computed annually as of the last day of the fiscal year in accordance
5 with generally accepted accounting principles, excluding any unrealized
6 gains or losses. Income available for distribution equals the average
7 net income of the corporation for the last five fiscal years, including
8 the fiscal year just ended, but may not exceed net income of the corpora-
9 tion for the fiscal year just ended plus the balance in the undistributed
10 income account described in AS 37.13.145.

11 * Sec. 9. AS 37.13 is amended by adding a new section to read:

12 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each fiscal
13 year, an amount equal to 50 percent of net income as defined in AS 37.-
14 13.140, excluding any income on the undistributed income account in the
15 Alaska permanent fund, shall be transferred to principal of the fund for
16 reinvestment. The other 50 percent of the net income shall be trans-
17 ferred to the undistributed income account. Money in the undistributed
18 income account shall be invested in investments authorized under AS 37.-
19 13.120. Income from the investment of the undistributed income account
20 shall be treated as an addition to that account.

21 * Sec. 10. AS 37.13.150 is amended to read:

22 Sec. 37.13.150. CORPORATION [BOARD] BUDGET. The revenues genera-
23 ted by the corporation's investments must be identified as the source
24 of the operating budget of the corporation in the state's operating
25 budget under [BOARD IS FROM THE GENERAL FUND AND IS SUBJECT TO] the
26 Executive Budget Act (AS 37.07.010 - 37.07.130). The unexpended bal-
27 ance of the corporation's annual operating budget does not lapse at
28 the end of the fiscal year but shall be treated as income under AS 37.-
29 13.140.

1 * Sec. 11. AS 37.13.160 is amended to read:

2 Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Commit-
3 tee may [SHALL] provide for an annual post audit and annual operational
4 and performance evaluations of the corporation's investments and invest-
5 ment programs.

6 * Sec. 12. AS 37.13 is amended by adding a new section to read:

7 Sec. 37.13.205. REGULATIONS. The board may adopt regulations
8 under the Administrative Procedure Act (AS 44.62) to interpret and
9 implement this chapter.

10 * Sec. 13. AS 37.13.130 is repealed.

11 * Sec. 14. Transition to four-year terms for members of the Board of
12 Trustees of the Alaska Permanent Fund Corporation as provided in AS 37.13.060
13 as amended in sec. 2 of this Act shall be implemented as follows: at the
14 expiration of the present term of each public member, the governor shall
15 appoint a replacement, or reappoint the present member, for a term of four
16 years. Within 90 days after the effective date of this Act, the governor
17 shall appoint a public member to replace one of the two present heads of
18 principal departments other than the commissioner of revenue, to serve for a
19 term of four years or less which term expires in a year when no other public
20 member's term expires. The head of a principal department who is to be re-
21 placed shall continue to serve on the board until the appointment of a re-
22 placement.

23 * Sec. 15. This Act takes effect July 1, 1982.
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29

COMMITTEE REPORT
SENATE

3/30/82

FURTHER: None

Date: 4/23/82

Mr. President:

The Committee on FINANCE has had SSSB 684

Investment and management of the Alaska Permanent Fund

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 SSSB 684 (H) same title new title
- and recommends no recommendation
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

[Signature]

[Signature]

CHAIRMAN

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE
2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 684 (Finance)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TWELFTH LEGISLATURE - SECOND SESSION
5 A BILL

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7 the Alaska permanent fund and to the computation of the
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10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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16 government, one of whom shall be the commissioner of revenue. Four
17 [THREE] members shall be appointed by the governor from the public and
18 may not hold any other state or federal office, position or employment,
19 either elective or appointive, except as a member of the armed forces of
20 either the United States or of this state. [MEMBERS OTHER THAN THE
21 COMMISSIONER OF REVENUE SHALL BE SEPARATELY CONFIRMED BY A MAJORITY OF
22 THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION.]

23 (b) The four [THREE] public members of the board shall have recog-
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25 business management-related fields.

26 (c) The board shall annually elect a chairman from among its
27 members.

28 * Sec. 2. AS 37.13.060 is amended to read:

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3 THE LEGISLATURE IN JOINT SESSION]. The terms of the public members
4 [TERMS] shall be staggered so that no more than one term of a public
5 member expires each year. [INITIAL TERMS FOR MEMBERS OTHER THAN THE
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11 REMOVAL OF A MEMBER OF THE BOARD IS SUBJECT TO DISAPPROVAL BY A VOTE OF
12 A MAJORITY OF THE MEMBERS OF THE LEGISLATURE AT THE FIRST JOINT SESSION
13 HELD 10 OR MORE DAYS AFTER THE LEGISLATURE RECEIVES NOTICE OF THE REMOVAL
14 FROM THE GOVERNOR.] A removal by the governor shall be in writing and
15 shall state the reason for the removal. A member who is removed by the
16 governor may not participate in board business and may not be counted
17 for purposes of establishing a quorum after [BETWEEN THE TIME] he re-
18 ceives written notice of his removal from the governor [AND THE TIME
19 THAT THE LEGISLATURE'S POWER TO DISAPPROVE THE REMOVAL UNDER THIS SUB-
20 SECTION EXPIRES. IF THE LEGISLATURE DISAPPROVES THE REMOVAL OF A BOARD
21 MEMBER, THE BOARD MEMBER SHALL BE REINSTATED].

22 (b) A vacancy on the board shall be promptly filled by appointment
23 by the governor [AND CONFIRMATION BY A MAJORITY OF THE MEMBERS OF THE
24 LEGISLATURE IN JOINT SESSION]. An appointee to a vacancy shall hold
25 office for the balance of the term for which his predecessor on the
26 board was appointed. [IF A VACANCY ARISES ON THE BOARD WHILE THE LEGIS-
27 LATURE IS NOT IN SESSION, THE GOVERNOR MAY APPOINT AN INTERIM BOARD
28 MEMBER WHO SHALL EXERCISE THE POWERS OF A BOARD MEMBER UNTIL THE LEGIS-
29 LATURE FAILS TO CONFIRM THE APPOINTMENT OF THE INTERIM BOARD MEMBER.]

1 (c) A vacancy on the board does not impair the authority of a
2 quorum of the board to exercise all the powers and perform all the
3 duties of the board.

4 * Sec. 4. AS 37.13.090 is amended to read:

5 Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. Public members of
6 the board receive an honorarium of \$400 for each day spent at a meeting
7 of the board or at a meeting of a subcommittee of the board or at a
8 public meeting as a representative of the board. Members [MEETING DAY
9 IF THEY ATTEND THE MEETING. ALL MEMBERS] of the board are entitled to
10 per diem and travel allowances as provided by law for members of state
11 boards and commissions.

12 * Sec. 5. AS 37.13.120(g) is amended to read:

13 (g) Subject to the limitations contained in [(h) AND (i) OF] this
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15 national market rates or prices as are applicable to each investment
16 only in

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

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

24 (3) certificates of deposit and term deposits of [ISSUED BY]
25 United States domestic banks which are members of the Federal Deposit
26 Insurance Corporation and [FOR] which may be readily sold in a [GENERALLY
27 RECOGNIZED] secondary market at prices reflecting fair value [EXISTS] or
28 which are fully secured at all times as to payment of principal and
29 interest as [BY INVESTMENTS] described in (m) [(1), (2), (8) OR (12) -

1 (16)] of this section [SUBSECTION; THE SECURITY PLEDGED UNDER THIS PARA-
2 GRAPH SHALL BE AT LEAST EQUAL TO THE FACE VALUE OF THE DEPOSIT AND THE
3 BOARD MAY REQUIRE SUBSTITUTION OF COLLATERAL];

4 (4) certificates of deposit and term deposits [SHARES] of
5 federally chartered savings and loan [LOANS] associations in Alaska
6 which may be readily sold in a secondary market at prices reflecting
7 fair value or which are fully secured at all times as to payments of
8 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
9 of this section [SUBSECTION];

10 (5) [SAVINGS] certificates of deposit and term deposits of
11 [ISSUED BY] state chartered savings and loan associations in Alaska
12 which may be readily sold in a secondary market at prices reflecting
13 fair value or which are fully secured at all times as to payments of
14 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
15 of this section [SUBSECTION];

16 (6) certificates of deposit and term deposits of [DEPOSITS
17 WITH] mutual savings banks in Alaska which may be readily sold in a
18 secondary market at prices reflecting fair value or which are fully
19 secured at all times as to payments of principal and interest as [BY
20 INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

21 (7) fixed-term certificates of indebtedness of federally in-
22 sured credit unions in Alaska which may be readily sold in a secondary
23 market at prices reflecting fair value or which are fully secured at all
24 times as to payments of principal and interest as [BY INVESTMENTS] de-
25 scribed in (m) [(1), (2)] of this section [SUBSECTION];

26 (8) corporate debt securities which are rated AA or better by
27 a nationally recognized rating service;

28 (9) short-term corporate promissory notes of the highest
29 ratings assigned by a nationally recognized rating service;

1 (10) bankers' acceptances drawn on and accepted by United
2 States banks each of which have a combined capital and surplus aggre-
3 gating at least \$200,000,000;

4 (11) repurchase agreements, the securities underlying the
5 agreements being any of the items in (1) - (3) and (8) - (10) of this
6 subsection;

7 (12) the guaranteed portion of Federal Small Business Adminis-
8 tration loans;

9 (13) the portion of first lien real estate mortgages guaranteed
10 by the Federal Veterans Administration [ASSOCIATION];

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

14 (15) the guaranteed portion of Farmer's Home Administration
15 loans;

16 (16) notes secured by mortgages granting a first lien on com-
17 mercial or [OF] residential real estate improved by completed buildings
18 if the mortgages are insured by a private mortgage insurance corporation
19 which is authorized to do business in Alaska and has combined capital
20 and [,] surplus [AND RESERVES] aggregating at least \$20,000,000, and if
21 loan-to-value ratios do not exceed 75 percent for commercial mortgages
22 and 90 percent for residential mortgages; however, [THE MINIMUM COVERAGE
23 SHALL BE 10 PERCENT FOR LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN
24 90 PERCENT, AND THE MINIMUM COVERAGE SHALL BE 20 PERCENT FOR LOANS
25 HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT OR MORE.]

26 (A) no mortgage insurance is necessary for commercial
27 loans having loan-to-value ratios of less than 50 percent and the
28 minimum coverage of other commercial loans shall be 10 percent for
29 those having a loan-to-value ratio of 50 - 60 percent and 15 percent

1 for those having a loan-to-value ratio greater than 60 percent but
2 no more than 75 percent, and

3 (B) no mortgage insurance is necessary for residential
4 loans having a loan-to-value ratio of less than 70 percent and the
5 minimum coverage of other residential loans shall be 10 percent for
6 those having a loan-to-value ratio greater than 70 percent but less
7 than 90 percent and 20 percent for those having a loan-to-value
8 ratio of 90 percent;

9 (17) notes secured by mortgages granting a first lien on com-
10 mercial real estate improved by completed buildings if the originating
11 financial institution retains at least 25 percent of the mortgage until
12 maturity;

13 (18) preferred and common stock of corporations incorporated
14 in the United States, on which dividends have been paid in each of the
15 three years immediately preceding the investment;

16 (19) debt securities of foreign governments or corporations,
17 which are denominated in United States currency, and preferred and common
18 stock of foreign corporations which are of substantially equivalent
19 quality as those domestic securities permitted under this section;

20 (20) certificates of deposit, term deposits, or bankers' accep-
21 tances, which are issued by a United States bank or trust company
22 located in a foreign country and are denominated in United States cur-
23 rency, if either (A) they may be readily sold in a secondary market
24 at prices reflecting fair value, or (B) the issuing bank or trust com-
25 pany has capital and surplus at the date of issue equalling at least
26 \$500,000,000; investments made under this paragraph are not subject to
27 the collateral requirements for domestic certificates under (m) of this
28 section;

29 (21) equity interests in, and debt obligations secured by

1 mortgages granting a first lien on, real estate improved by completed
2 and substantially rented buildings and located in the United States, if
3 these investments are made

4 (A) in a corporation, partnership, trust, or other
5 entity in which, at the conclusion of each investment transaction,
6 at least 60 percent of the beneficial ownership interests are held
7 by other institutional investors, and which is organized and oper-
8 ated for the purpose of making real estate investments by a bank,
9 insurance company, or other manager of institutional funds which
10 has had at least five years of experience in the management of real
11 estate investments of institutional investors; or

12 (B) in conjunction with and on substantially the same
13 terms as an entity described in (A) of this paragraph.

14 * Sec. 6. AS 37.13.120(i) is repealed and reenacted to read:

15 (i) At the time of each investment, the aggregate investment of
16 the Alaska permanent fund in each stated category of investment may not
17 exceed the following stated percentage of the total investments of the
18 fund: mortgages under (g)(16) of this section, 15 percent; real estate
19 investments under (g)(21) of this section, 15 percent; foreign securities
20 under (g)(19) of this section, 10 percent; foreign certificates of
21 deposit or the equivalent under (g)(20) of this section, 20 percent;
22 corporate stocks and debt securities under (g)(8), (9), and (18) of this
23 section, 50 percent. The Alaska permanent fund may at no time own more
24 than five percent of the voting stock of a corporation. Domestic stocks,
25 except for bank and insurance company stocks, must be listed at the date
26 of purchase on an exchange registered with the Securities and Exchange
27 Commission.

28 * Sec. 7. AS 37.13.120 is amended by adding a new subsection to read:

29 (m) Certificates of deposit or the equivalent instruments which

1 are not of a quality that may be readily sold in a secondary market at
2 prices reflecting fair value must be secured by a pledge as collateral
3 of investments authorized for the Alaska permanent fund under (g)(1),
4 (2), (8), or (12) - (17) of this section, which investments have value
5 at least equal to the face value of the certificate of deposit. The
6 board may require substitution of collateral in order to ensure continued
7 satisfaction of the requirements set out in this subsection.

8 * Sec. 8. AS 37.13.140 is repealed and reenacted to read:

9 Sec. 37.13.140. INCOME. Net income of the corporation must be
10 computed annually as of the last day of the fiscal year in accordance
11 with generally accepted accounting principles, excluding any unrealized
12 gains or losses. Income available for distribution equals the average
13 net income of the corporation for the last five fiscal years, including
14 the fiscal year just ended, but may not exceed net income of the corpora-
15 tion for the fiscal year just ended plus the balance in the undistributed
16 income account described in AS 37.13.145.

17 * Sec. 9. AS 37.13 is amended by adding a new section to read:

18 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each fiscal
19 year, an amount equal to 50 percent of net income as defined in AS 37.-
20 13.140, excluding income on the undistributed income account in the
21 Alaska permanent fund, shall be transferred to the principal of the
22 Alaska permanent fund for reinvestment. The other 50 percent of net
23 income as defined in AS 37.13.140 shall be transferred to the undistri-
24 buted income account. Money in the undistributed income account shall be
25 invested in investments authorized under AS 37.13.120. Income from the
26 investment of the undistributed income account shall be treated as an
27 addition to that account.

28 * Sec. 10. AS 37.13.150 is amended to read:

29 Sec. 37.13.150. CORPORATION [BOARD] BUDGET. The revenues genera-

1 ted by the corporation's investments must be identified as the source
2 of the operating budget of the corporation in the state's operating
3 budget under [BOARD IS FROM THE GENERAL FUND AND IS SUBJECT TO] the
4 Executive Budget Act (AS 37.07.010 - 37.07.130). The unexpended bal-
5 ance of the corporation's annual operating budget does not lapse at
6 the end of the fiscal year but shall be treated as income under AS 37.-
7 13.140.

8 * Sec. 11. AS 37.13.160 is amended to read:

9 Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Commit-
10 tee may [SHALL] provide for an annual post audit and annual operational
11 and performance evaluations of the corporation's investments and invest-
12 ment programs.

13 * Sec. 12. AS 37.13 is amended by adding a new section to read:

14 Sec. 37.13.205. REGULATIONS. The board may adopt regulations
15 under the Administrative Procedure Act (AS 44.62) to interpret and
16 implement this chapter.

17 * Sec. 13. AS 37.13.130 is repealed.

18 * Sec. 14. Transition to four-year terms for members of the Board of
19 Trustees of the Alaska Permanent Fund Corporation as provided in AS 37.13.060
20 as amended in sec. 2 of this Act shall be implemented as follows: at the
21 expiration of the present term of each public member, the governor shall
22 appoint a replacement, or reappoint the present member, for a term of four
23 years. Within 90 days after the effective date of this Act, the governor
24 shall appoint a public member to replace one of the two present heads of
25 principal departments other than the commissioner of revenue, to serve for a
26 term of four years or less which term expires in a year when no other public
27 member's term expires. The head of a principal department who is to be re-
28 placed shall continue to serve on the board until the appointment of a re-
29 placement.

1 * Sec. 15. TRANSITION. (a) All income earned by the Alaska permanent
2 fund before the effective date of this Act that is not income available for
3 disbursement shall be transferred to the undistributed income account estab-
4 lished in AS 37.13.145 added by sec. 9 of this Act. However, the amount
5 transferred under this section shall be reduced by an amount equal to one-half
6 of the income available for disbursement for fiscal year 1983.

7 (b) The amount equal to the reduction in income under (a) of this
8 section shall be transferred to the general fund.

9 (c) In this section "income available for disbursement" shall be deter-
10 mined as set out in AS 37.13.140 before amendment by this Act.

11 * Sec. 16. This Act takes effect July 1, 1982.

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SENATE AMENDMENT

By _____

To: _____ CS SENATE BILL No. 684 _____

To: _____ HOUSE BILL No. _____

PAGE: 3 LINE: 4

Delete Sec. 4 and replace with the following:

*Sec. 4. AS 37.13.090 is amended to read:

Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. Public members of the board receive an honorarium of \$400 for each day spent at a meeting of the board or a subcommittee of the board or at a public meeting as a representative of the board. [MEETING DAY IF THEY ATTEND THE MEETING, ALL] Members of the board are entitled to per diem and travel allowances as provided by law for members of state boards and commissions.

Original sponsor: Rules/Governor

1 IN THE SENATE BY THE FINANCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 684 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment and management of
7 the Alaska permanent fund and to the computation of the
8 income of the fund available for distribution; and
9 providing for an effective date."

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

11 * Section 1. AS 37.13.050 is amended to read:

12 Sec. 37.13.050. COMPOSITION AND QUALIFICATIONS OF BOARD OF
13 TRUSTEES. (a) The Board of Trustees of the Alaska Permanent Fund
14 Corporation consists of six members appointed by the governor. Two
15 [THREE] of the members shall be heads of principal departments of state
16 government, one of whom shall be the commissioner of revenue. Four
17 [THREE] members shall be appointed by the governor from the public and
18 may not hold any other state or federal office, position or employment,
19 either elective or appointive, except as a member of the armed forces of
20 either the United States or of this state. [MEMBERS OTHER THAN THE
21 COMMISSIONER OF REVENUE SHALL BE SEPARATELY CONFIRMED BY A MAJORITY OF
22 THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION.]

23 (b) The four [THREE] public members of the board shall have recog-
24 nized competence and wide experience in finance, investments, or other
25 business management-related fields.

26 (c) The board shall annually elect a chairman from among its
27 members.

28 * Sec. 2. AS 37.13.060 is amended to read:

29 Sec. 37.13.060. TERM OF OFFICE. The public members of the

board shall be appointed for terms of four [THREE] years, and they may be reappointed [SUBJECT TO CONFIRMATION BY A MAJORITY OF THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION]. The terms of the public members [TERMS] shall be staggered so that no more than one term of a public member expires each year. [INITIAL TERMS FOR MEMBERS OTHER THAN THE COMMISSIONER OF REVENUE SHALL BE TWO MEMBERS SERVING FOR ONE YEAR, TWO MEMBERS SERVING FOR TWO YEARS, AND ONE MEMBER SERVING FOR THREE YEARS.]

* Sec. 3. AS 37.13.070 is amended to read:

Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may : for good cause remove a member of the board from office. [HOWEVER, THE REMOVAL OF A MEMBER OF THE BOARD IS SUBJECT TO DISAPPROVAL BY A VOTE OF A MAJORITY OF THE MEMBERS OF THE LEGISLATURE AT THE FIRST JOINT SESSION HELD 10 OR MORE DAYS AFTER THE LEGISLATURE RECEIVES NOTICE OF THE REMOVAL FROM THE GOVERNOR.] A removal by the governor shall be in writing and shall state the reason for the removal. A member who is removed by the governor may not participate in board business and may not be counted for purposes of establishing a quorum after [BETWEEN THE TIME] he receives written notice of his removal from the governor [AND THE TIME THAT THE LEGISLATURE'S POWER TO DISAPPROVE THE REMOVAL UNDER THIS SUBSECTION EXPIRES. IF THE LEGISLATURE DISAPPROVES THE REMOVAL OF A BOARD MEMBER, THE BOARD MEMBER SHALL BE REINSTATED].

(b) A vacancy on the board shall be promptly filled by appointment by the governor [AND CONFIRMATION BY A MAJORITY OF THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION]. An appointee to a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. [IF A VACANCY ARISES ON THE BOARD WHILE THE LEGISLATURE IS NOT IN SESSION, THE GOVERNOR MAY APPOINT AN INTERIM BOARD MEMBER WHO SHALL EXERCISE THE POWERS OF A BOARD MEMBER UNTIL THE LEGISLATURE FAILS TO CONFIRM THE APPOINTMENT OF THE INTERIM BOARD MEMBER.]

1 (g) A vacancy on the board does not impair the authority of a
2 quorum of the board to exercise all the powers and perform all the
3 duties of the board.

4 * Sec. 4. AS 37.13.090 is amended to read:

5 Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. The board shall
6 determine the compensation of the members of the board subject to ap-
7 proval by the legislature in accordance with AS 37.07. Compensation for
8 members of the board shall be requested as part of the operating budget
9 of the board (AS 37.13.150). Members [PUBLIC MEMBERS OF THE BOARD RE-
10 CEIVE AN HONORARIUM OF \$400 FOR EACH MEETING DAY IF THEY ATTEND THE
11 MEETING. ALL MEMBERS] of the board are entitled to per diem and travel
12 allowances as provided by law for members of state boards and commis-
13 sions.

14 * Sec. 5. AS 37.13.120(g) is amended to read:

15 (g) Subject to the limitations contained in [(h) AND (i) OF] this
16 section, the board may invest corporation assets at such competitive
17 national market rates or prices as are applicable to each investment
18 only in

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

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

26 (3) certificates of deposit and term deposits of [ISSUED BY]
27 United States domestic banks which are members of the Federal Deposit
28 Insurance Corporation and [FOR] which may be readily sold in a [GENERALLY
29 RECOGNIZED] secondary market at prices reflecting fair value [EXISTS] or

which are fully secured at all times as to payment of principal and interest as [BY INVESTMENTS] described in (m) [(1), (2), (8) OR (12) - (16)] of this section [SUBSECTION; THE SECURITY PLEDGED UNDER THIS PARAGRAPH SHALL BE AT LEAST EQUAL TO THE FACE VALUE OF THE DEPOSIT AND THE BOARD MAY REQUIRE SUBSTITUTION OF COLLATERAL];

(4) certificates of deposit and term deposits [SHARES] of federally chartered savings and loan [LOANS] associations in Alaska which may be readily sold in a secondary market at prices reflecting fair value or which are fully secured at all times as to payments of principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

(5) [SAVINGS] certificates of deposit and term deposits of [ISSUED BY] state chartered savings and loan associations in Alaska which may be readily sold in a secondary market at prices reflecting fair value or which are fully secured at all times as to payments of principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

(6) certificates of deposit and term deposits of [DEPOSITS WITH] mutual savings banks in Alaska which may be readily sold in a secondary market at prices reflecting fair value or which are fully secured at all times as to payments of principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

(7) fixed-term certificates of indebtedness of federally insured credit unions in Alaska which may be readily sold in a secondary market at prices reflecting fair value or which are fully secured at all times as to payments of principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

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

1 (9) short-term corporate promissory notes of the highest
2 ratings assigned by a nationally recognized rating service;

3 (10) bankers' acceptances drawn on and accepted by United
4 States banks each of which have a combined capital and surplus aggregating at least \$200,000,000;

5 (11) repurchase agreements, the securities underlying the
6 agreements being any of the items in (1) - (3) and (8) - (10) of this
7 subsection;

8 (12) the guaranteed portion of Federal Small Business Administration
9 loans;

10 (13) the portion of first lien real estate mortgages guaranteed
11 by the Federal Veterans Administration [ASSOCIATION];

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

15 (15) the guaranteed portion of Farmer's Home Administration
16 loans;

17 (16) notes secured by mortgages granting a first lien on commercial or [OF] residential real estate improved by completed buildings
18 if the mortgages are insured by a private mortgage insurance corporation
19 which is authorized to do business in Alaska and has combined capital
20 and [,] surplus [AND RESERVES] aggregating at least \$20,000,000; and if
21 loan-to-value ratios do not exceed 75 percent for commercial mortgages
22 and 90 percent for residential mortgages; however, [THE MINIMUM COVERAGE
23 SHALL BE 10 PERCENT FOR LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN
24 90 PERCENT, AND THE MINIMUM COVERAGE SHALL BE 20 PERCENT FOR LOANS
25 HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT OR MORE.]

26 (A) no mortgage insurance is necessary for commercial
27 loans having loan-to-value ratios of less than 50 percent and the
28

1 minimum coverage of other commercial loans shall be 10 percent for
2 those having a loan-to-value ratio of 50 - 60 percent and 15 percent
3 for those having a loan-to-value ratio greater than 60 percent but
4 no more than 75 percent, and

5 (B) no mortgage insurance is necessary for residential
6 loans having a loan-to-value ratio of less than 70 percent and the
7 minimum coverage of other residential loans shall be 10 percent for
8 those having a loan-to-value ratio greater than 70 percent but less
9 than 90 percent and 20 percent for those having a loan-to-value
10 ratio of 90 percent;

11 (17) notes secured by mortgages granting a first lien on com-
12 mercial real estate improved by completed buildings if the originating
13 financial institution retains at least 25 percent of the mortgage until
14 maturity;

15 (18) preferred and common stock of corporations incorporated
16 in the United States, on which dividends have been paid in each of the
17 three years immediately preceding the investment;

18 (19) debt securities of foreign governments or corporations,
19 which are denominated in United States currency, and preferred and common
20 stock of foreign corporations which are of substantially equivalent
21 quality as those domestic securities permitted under this section;

22 (20) certificates of deposit, term deposits, or bankers' accep-
23 tances, which are issued by a United States bank or trust company
24 located in a foreign country and are denominated in United States cur-
25 rency, if either (A) they may be readily sold in a secondary market
26 at prices reflecting fair value, or (B) the issuing bank or trust com-
27 pany has capital and surplus at the date of issue equalling at least
28 \$500,000,000; investments made under this paragraph are not subject to
29 the collateral requirements for domestic certificates under (m) of this

1 section;

2 (21) equity interests in, and debt obligations secured by
3 mortgages granting a first lien on, real estate improved by completed
4 and substantially rented buildings and located in the United States, if
5 these investments are made

6 (A) in a corporation, partnership, trust, or other
7 entity in which, at the conclusion of each investment transaction,
8 at least 60 percent of the beneficial ownership interests are held
9 by other institutional investors, and which is organized and oper-
0 ated for the purpose of making real estate investments by a bank,
1 insurance company, or other manager of institutional funds which
2 has had at least five years of experience in the management of real
3 estate investments of institutional investors; or

4 (B) in conjunction with and on substantially the same
5 terms as an entity described in (A) of this paragraph.

6 * Sec. 6. AS 37.13.120(i) is repealed and reenacted to read:

7 (i) At the time of each investment, the aggregate investment of
8 the Alaska permanent fund in each stated category of investment may not
9 exceed the following stated percentage of the total investments of the
10 fund: mortgages under (g)(16) of this section, 15 percent; real estate
11 investments under (g)(21) of this section, 15 percent; foreign securities
12 under (g)(19) of this section, 10 percent; foreign certificates of
13 deposit or the equivalent under (g)(20) of this section, 20 percent;
14 corporate stocks and debt securities under (g)(8), (9), and (18) of this
15 section, 50 percent. The Alaska permanent fund may at no time own more
16 than five percent of the voting stock of a corporation. Domestic stocks,
17 except for bank and insurance company stocks, must be listed at the date
18 of purchase on an exchange registered with the Securities and Exchange
19 Commission.
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1 * Sec. 7. AS 37.13.120 is amended by adding a new subsection to read:

2 (m) Certificates of deposit or the equivalent instruments which
3 are not of a quality that may be readily sold in a secondary market at
4 prices reflecting fair value must be secured by a pledge as collateral
5 of investments authorized for the Alaska permanent fund under (g)(1),
6 (2), (8), or (12) - (17) of this section, which investments have value
7 at least equal to the face value of the certificate of deposit. The
8 board may require substitution of collateral in order to ensure continued
9 satisfaction of the requirements set out in this subsection.

10 * Sec. 8. AS 37.13.140 is repealed and reenacted to read:

11 Sec. 37.13.140. INCOME. Net income of the corporation must be
12 computed annually as of the last day of the fiscal year in accordance
13 with generally accepted accounting principles, excluding any unrealized
14 gains or losses. Income available for distribution equals the average
15 net income of the corporation for the last five fiscal years, including
16 the fiscal year just ended, but may not exceed net income of the corpora-
17 tion for the fiscal year just ended plus the balance in the undistributed
18 income account described in AS 37.13.145.

19 * Sec. 9. AS 37.13 is amended by adding a new section to read:

20 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each fiscal
21 year, an amount equal to 50 percent of net income as defined in AS 37.-
22 13.140, excluding income on the undistributed income account in the
23 Alaska permanent fund, shall be transferred to the principal of the
24 Alaska permanent fund for reinvestment. The other 50 percent of net
25 income as defined in AS 37.13.140 shall be transferred to the undistri-
26 buted income account. Money in the undistributed income account shall be
27 invested in investments authorized under AS 37.13.120. Income from the
28 investment of the undistributed income account shall be treated as an
29 addition to that account.

1 * Sec. 10. AS 37.13.150 is amended to read:

2 Sec. 37.13.150. CORPORATION [BOARD] BUDGET. The revenues genera-
3 ted by the corporation's investments must be identified as the source
4 of the operating budget of the corporation in the state's operating
5 budget under [BOARD IS FROM THE GENERAL FUND AND IS SUBJECT TO] the
6 Executive Budget Act (AS 37.07.010 - 37.07.130). The unexpended bal-
7 ance of the corporation's annual operating budget does not lapse at
8 the end of the fiscal year but shall be treated as income under AS 37.-
9 13.140.

10 * Sec. 11. AS 37.13.160 is amended to read:

11 Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Commit-
12 tee may [SHALL] provide for an annual post audit and annual operational
13 and performance evaluations of the corporation's investments and invest-
14 ment programs.

15 * Sec. 12. AS 37.13 is amended by adding a new section to read:

16 Sec. 37.13.205. REGULATIONS. The board may adopt regulations
17 under the Administrative Procedure Act (AS 44.62) to interpret and
18 implement this chapter.

19 * Sec. 13. AS 37.13.130 is repealed.

20 * Sec. 14. Transition to four-year terms for members of the Board of
21 Trustees of the Alaska Permanent Fund Corporation as provided in AS 37.13.060
22 as amended in sec. 2 of this Act shall be implemented as follows: at the
23 expiration of the present term of each public member, the governor shall
24 appoint a replacement, or reappoint the present member, for a term of four
25 years. Within 90 days after the effective date of this Act, the governor
26 shall appoint a public member to replace one of the two present heads of
27 principal departments other than the commissioner of revenue, to serve for a
28 term of four years or less which term expires in a year when no other public
29 member's term expires. The head of a principal department who is to be re-

1 placed shall continue to serve on the board until the appointment of a re-
2 placement.

3 * Sec. 15. TRANSITION. (a) All income earned by the Alaska permanent
4 fund before the effective date of this Act that is not income available for
5 disbursement shall be transferred to the undistributed income account estab-
6 lished in AS 37.13.145 added by sec. 9 of this Act. However, the amount
7 transferred under this section shall be reduced by an amount equal to one-half
8 of the income available for disbursement for fiscal year 1983.

9 (b) The amount equal to the reduction in income under (a) of this
10 section shall be transferred to the general fund.

11 (c) In this section "income available for disbursement" shall be deter-
12 mined as set out in AS 37.13.140 before amendment by this Act.

13 * Sec. 16. This Act takes effect July 1, 1982.
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from Jim Rhode
4/21/82

EFFECTS OF INFLATION ON THE REAL CAPITAL AND REAL INCOME OF THE PERMANENT FUND

Assumptions

- (1) \$10.0 billion (starting) capital, no further contributions
- (2) 10% inflation rate, using the GNP Deflator (which puts aside tax payments), the national Consumer Price Index (which includes tax payments), or the Anchorage CPI (a local reference for price changes in private and, to a lesser extent, public goods and services).
- (3) 15% total return on investment, which includes interest, dividends, realized and unrealized capital gains and losses. This is deemed to include returns from the reinvestment of income during the course of the year.

	<u>Capital</u> <u>Year 1</u>	<u>Income</u>	<u>Capital</u> <u>Year 10</u>	<u>Real</u> <u>Capital</u> <u>Year 10</u>	<u>Income</u>	<u>Real</u> <u>Income</u>	<u>Capital</u> <u>Year 20</u>	<u>Real</u> <u>Capital</u> <u>Year 20</u>	<u>Income</u>	<u>Real</u> <u>Income</u>	<u>Capital</u> <u>Year 30</u>	<u>Real</u> <u>Capital</u> <u>Year 30</u>	<u>Income</u>	<u>Real</u> <u>Income</u>
All Returns Paid Over	\$10.0	1.500	10.0	3.860	1.500	.578	10.0	1.490	1.500	.223	10.0	.570	1.500	.036
Real Returns (5%) Paid Over	10.0	.500	25.940	10.0	1.297	.500	67.270	10.0	3.364	.500	174.490	10.0	8.720	.500
All Returns Retained in Fund	10.0		40.460	15.599	2.023	.780	163.670	24.329	8.184	1.217				

Prepared by James B. Rhode
Special Assistant to the Trustees
Alaska Permanent Fund

19 August 1981

BOARD OF TRUSTEES:

RESPONDENT ADDRESS:

ELMER E. RASMUSON - CHAIRMAN
THOMAS K. WILLIAMS - VICE-CHAIRMAN
WILSON L. CONDON
PETER B. MCDOWELL
GEORGE W. ROGERS
ROBERT W. WARD

TO: Senator Mulcahy, Chairman
Senate Labor and Commerce Committee

FROM: James B. Rhode, Special Assistant to the Trustees
Alaska Permanent Fund

DATE: March 12, 1981

SUBJECT: Sectional Analysis of Sponsor Substitute for SB 684

PREFACE

Nearly one year ago, the Trustees of the Alaska Permanent Fund and the Special Liaison Committee of the Legislature, chaired by Senator Sturgulewski, began a series of seminars and work sessions on the future of the Fund.

From the first, it was agreed to explore the issues in the context of how all the oil revenues were, or might be, spent. This was to insure that any new role for the Fund would be consistent with its fundamental purposes and, too, would be more suitably lodged in the Fund than elsewhere.

Meeting at various points in the state, the group examined the ideas of economists, financial specialists, major Alaskan interests, and the general public. This is further described in the Annual Report of the Fund (pp. 3, 5-7). The analysis offered by various professionals is soon to be published under the heading of The Trustee Papers. A special edition, including formal statements from various groups and citizens, has been compiled for the committees of referral for this bill.

SUMMARY

SB 684 contains three key proposals: (1) having the public members comprise the majority of the Trustees to slow the effects of a change of administration or a change in political moods; (2) revising the list of permitted investments to be the same as for the pension funds (with some added restrictions and excepting gold, which does not produce direct income), as holding the best hope for long-term rates of return that exceed inflation without sacrifice of safety; and (3) reinvesting one-half the Fund's earnings to protect the buying power of the Fund's principal and income from inflation, and providing that the remaining earnings be paid over on the basis of a five-year average with, in effect, a reserve to keep those payments as stable as possible for state planning.

ANALYSIS

Section 1. The replacement of a commissioner by a public member in the composition of the Trustees has the dual effect of giving the public members the working majority and requiring that majority to have special qualifications for their office. In the discussion of this provision, it was felt that the Commissioner of Revenue, as the State's chief fiscal officer, must be formally accorded the role that he will always exercise in Administration decisions on the Fund. As well, this insures the Administration will be directly informed of the views of the Trustees. The provision to eliminate one commissioner was to recognize the growing demands placed upon the cabinet in recent years. While noting the advantage of having three commissioners during the organizational phase of the Fund, it was felt that it would be difficult to expect that many to be able to devote the necessary time indefinitely.

Sections 2 and 3 have the practical effect of staggering terms so that a governor will only be able to select all of the Trustees by the last year of his term. This gives a greater measure of independence to the board over existing law (where the next governor would have chosen a majority within six months of taking office), but also mitigates the deletion of existing language (p. 2, lines 2-3) which, on the basis of a decision of the Alaska Supreme Court, does not permit confirmation by the Legislature without constitutional amendment.

In like manner, section 4, requiring that a governor remove only for good cause, is designed to replace the check in the existing statute where the Legislature, by vote, can halt a removal.

Section 5. A majority of the Trustees felt that an annual fee for members of the board was justified on several grounds: The management of a fund of this size will involve working subcommittees and considerable travel to meet with outside fund managers, with financial advisors, and with senior officials in similar institutions. Assuming the likely stature of the public members, it was thought just to compensate them for the significant loss of income entailed by their work, and wise to prevent appointees from stating that personal circumstances limited the amount of time which they could devote. The annual fee, here tied with the salaries of legislators, is to be on the order of \$20,000 a year, which is the sum typically paid by leading corporations to outside directors. This figure was consciously set to be insufficient to draw potential appointees for the sake of the fee alone.

Section 6 adds to the list of permitted investments for the Fund with the dual aims of improving long-term, real earnings and giving needed diversity. At present, the Fund is essentially a large "money market" account of the kind now open to many private individuals. However, a number of financial specialists have pointed out that, on average over the decades, these securities have only matched inflation or have been somewhat negative in terms of real earnings. The situation of the past two years, with as much as 6% return above inflation, happened but once before in this century: 1931. Interest rates were then at a bare 1% but price levels had fallen 5%, thus giving a real income of 6%. Based on this historical data, our existing investment list promises few years in which earnings can exceed inflation. In contrast, the investment areas proposed to be added (stocks, income property, and foreign assets) have brought yields in line with the long-term real growth of the United States, 2 to 4% beyond inflation and, in some years, particularly in Japan and the strongest economies of Europe, the gains have been more substantial. To be sure, not all of these investment areas have performed well in every period owing to economic cycles, political and other events, and changes of investor preference. Indeed, our advisors have stressed that no guarantees against fluctuations can be offered for any class of investments, not even the highest grade of U. S. Government securities. (Actually, in recent years, the latter have swung more sharply and more often than other instruments). Hence, the necessity of having, now, a wider selection of proven investment options so that adjustments can be timely and of enough size to win better returns while avoiding reverses - both in a manner consistent with safety of principal.

It would be well to note here that section 7 places limits on the extent to which investments, other than fixed income securities, can be made and the limits are more severe than for the pension funds. The lack of a limit on fixed income securities is not because they afford markedly greater safety; in certain markets, they do not. Rather, the projected growth of the Fund, even with declining revenues, is such that it could, absent restraints, cause these markets to rise and fall by the very fact that it was buying and selling. Further, the limits are proposed by the Trustees as part of their commitment to gain experience in these new areas on a gradual, deliberate basis.

Ironically, our present investment list is not truly "conservative," in the sense of protecting either the current dollars or real worth of the Fund's corpus and income. Our list, by the standards of comparable institutions and court rulings, is more accurately described as "traditional". Most participants in the drafting of this bill were stunned to learn that a \$10

billion fund, earning 15% a year, suffering 10% inflation, and paying over all of its returns, would shrink in 30 years to less than \$250 million in value. The goods and services that could be purchased with the income of this fund would collapse in the same ratio, from \$1.5 billion at today's prices to \$89 million in three decades. Or, more graphic still, a dividend of \$1,500 would then buy what \$89 will buy today. Accordingly, whether one believes that the Fund's principal should be conveyed intact to the next generation or the Fund's income should be conveyed equally to present and future Alaskans, a portfolio that loses to inflation will serve us at the expense of those who follow. (Please see Appendix A for a more detailed analysis of the financial sections.)

Section 10, 11. Broadly, these sections provide that one-half the net earnings of the Permanent Fund shall be retained in principal and the balance is available for distribution on a five-year average, with any excess to be used to raise payments in a year they would fall below the average. The first is to sustain the real earnings power of the Fund; the second is to give the Legislature a stable income on which to plan.

More specifically, the Fund's earnings can be expected to rise steadily over the next decade as the result of regular contributions and competent management. During this period, more income will be made than is necessary to meet the five-year average, and the excess and the interest on it will build up in the "undistributed income account." In the first year if that income were to fall below the average, the reserve would be drawn upon. In the event that it was judged that reserves were ample, a larger dividend could be declared or, perhaps, the extra sums could be applied to other purposes by the Legislature.

Section 12 simply provides that the Fund's expenses will be met from the Fund's earnings (as "program receipts"), however, no money may be spent except as provided by the budget. Although the control of the Legislature is not altered in any way, this approach plainly shows what it has cost to make our income, thus allowing the public and legislators to better assess the worth of these expenses. This practice is virtually universal in the accounting of similar private institutions.

Section 13 is to allow the Legislative Budget and Audit Committee to be selective as to which financial and operational reports it prepares, or has prepared, in the light of circumstances. For example, this language would permit the Fund and the Committee to reach mutual agreement on a firm to assess performance in different areas of investment and, further, to reach mutual agreement on definitions of terms,

the proper sample of statistics, and the like. This "ground rules" approach will aid fuller disclosure of the Fund's activities while at the same time reduce temptations for either side to craft reports that are merely designed to attack or defend the Fund.

Section 14 brings the Permanent Fund into conformity with the law governing most other boards and commissions.

BUDGETARY NOTES

The Trustees ask that SB 684 be considered together with the Governor's budget request to achieve independent status for the Permanent Fund, and with the fiscal note which provides for outside, specialized firms to carry out the new investment authority under this bill.

Independence for the Permanent Fund has been the clear preference of public and legislative sentiment to date. (Please see the paper on the relevant legislative history prepared by Trustee Peter B. McDowell.) The case for independence, in brief, is that special interests pressing the Fund to win concessions will be more visible in their attempts and that your Trustees can be held to fuller account if they choose their own servants. The last point is not meant to reflect on the present Commissioner of Revenue or the staff of the Treasury. On the contrary, their ready cooperation has been frequently noted in the record of the Trustees. But it has been the consistent advice of professional managers that "... those committed to investing must have their operations separate from those committed to spending ...", especially given the "... great, tempting size ..." of the Fund. In the wealthiest state in the nation, California, where state and local pension assets exceed \$30 billion, such a separation has always been maintained.

Still, after independence has been attained, the Fund will have less freedom than any independent board or commission in present law. For the Fund has the most definite charter in state government, is not permitted to spend, does not lend directly to any borrower, and is subject to all the oversight that is applied to a line agency.

As for the fiscal note, the Trustees have agreed that outside managers are best suited to execute the new investment authority in this bill. In addition to our remoteness from the markets involved, there are numbers of reputed firms that can do this work more efficiently, and for less cost, than it can be done internally.

APPENDIX A

ANALYSIS OF FINANCIAL SECTIONS

SSSB 684

Peter A. Bushre

Deputy Commissioner of Treasury

Department of Revenue

Current law provides the corporation with the authority to place funds in direct obligations of the United States. Treasury, federal agency securities, certificates of deposit, high-grade corporate bonds, quality short-term investments, and federally guaranteed loans. Management is directed to give preference to Alaska investments as long as they meet the standards of quality set out in the bill. Specifically, deposits can be made in Alaska banks, mutual savings banks, savings and loan associations, and credit unions. Residential real estate (owner-occupied single family dwelling, duplexes, and condominiums) may also be purchased if the mortgage is privately insured by a company doing business in Alaska.

The permanent fund statute has a minimum of investment restrictions yet provides a very definite and certain framework. It does not authorize investments in stock or bullion, restricts the purchase of corporate bonds to 25% of the Fund's total investments, and limits the purchase of loans and mortgages to 25% of the total. Purchases of residential mortgages may be a further 15% of total assets. The statute allows the Fund to use the futures market to protect investments

from severe declines in value that are being suffered today. These futures contracts, however, may be used only to hedge and not to speculate. The statute also prohibits the Fund from either borrowing or guaranteeing the obligations of others.

Section 6 of the bill would amend the present investment list by adding five categories currently authorized for the State pension funds and by conforming other language to the retirement system law. The additional investments are:

1. Commercial mortgages - loans secured by a first lien on commercial properties such as shopping centers, office buildings, etc. The corporation may purchase uninsured loans if the originating financial institution retains at least 25%, or insured loans which meet requirements currently in effect for the pension funds.

2. The common stock of U. S. corporations which have paid dividends in each of the immediately preceding three years.

3. Stocks and bonds that are denominated in foreign currencies or Eurodollars, provided that they are of the same quality as their U. S. counterparts.

4. Bank deposits that are denominated in foreign currencies or Eurodollars, provided that they are readily negotiable or that the issuing bank has capital and surplus of at least \$500 million.

5. Equity interests in commingled pools of real estate.

Section 7 of the bill reduces the limit on loans and mortgages to 15% and restricts the investment in foreign securities and bank deposits to the levels which currently prevail in the retirement systems. Common stock and corporate debt are together limited to 50%; both are more restrictive than the pension funds. The bill further limits the permanent fund to no more than 5% of the voting stock of any one corporation, and domestic stocks, with the exception of insurance companies and banks, must be listed on an exchange registered with SEC. Both are identical to current limitations on pension fund investments.

Section 8 would standardize the collateral requirements for deposits with all types of financial institutions, and require them to pledge U. S. government securities, corporate bonds, or mortgages if their certificates of deposit are not freely negotiable.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 26, 1982

SB 684
FY 11012

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the investment and management of the Alaska Permanent Fund and to the calculation of income of the fund which will be available for distribution. The bill makes changes of three general types.

First, it will expand the investment authority of the fund to parallel that of the public employee and teacher's retirement funds (with the exception that investment in gold will not be permitted for the permanent fund, as it does not meet the constitutional requirement that all permanent fund investments be "income-producing"). It will add authority to invest in

- (1) common and preferred stock of United States corporations on which dividends have consistently been paid;
- (2) notes secured by mortgages on commercial real estate;
- (3) real estate equity if the investment is made in an entity organized and operated for the purpose of managing real estate investments for institutional investors; and
- (4) foreign securities and deposits which are of substantially equivalent quality as permitted domestic investments.

These changes will permit the fund's managers to diversify its investments against risks of large losses due to inflation and currency value fluctuation.

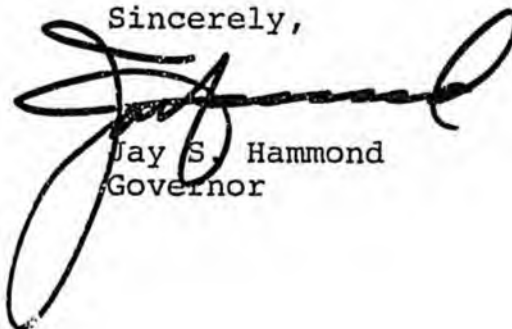
Second, the bill changes the composition of the board of trustees by adding a public member and removing a commissioner. It also provides for an annual fee for each public member equal to a legislator's salary. These changes will recognize the substantial time commitment required for active participation of the board in the management of the Alaska Permanent Fund Corporation.

Third, the bill provides for the corporation's budget to be appropriated from the income of the fund's investments, and for one-half of the net income to be reinvested in the fund. The other one-half will remain available for distribution. The appropriation of the corporation's budget in this manner will permit the application of standard accounting procedures to determine the actual performance of the fund. The reinvestment of one-half of the income will counter the effects of inflation on the real value of the fund, without disturbing the flow of income to the Dividend Fund established under AS 43.23.050.

The bill also makes several minor changes, including (1) revising collateral requirements for certificates of deposit to ensure consistency among the various types of institutions which issue such certificates, (2) eliminating the mortgage insurance requirement for loans with a loan-to-value ratio of less than 70 percent, and (3) authorizing the board to adopt regulations to implement and interpret the relevant statutes.

The Board of Trustees of the Alaska Permanent Fund Corporation has discussed drafts of this bill at public meetings attended by representatives of the Legislative Budget and Audit Committee. The consensus of the board is that this bill will make only those changes necessary to permit prudent investment and management of the fund in times of high inflation and volatile financial markets.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay S. Hammond", written in a cursive style with a large loop at the end.

Jay S. Hammond
Governor

Offered: 3/26/82
Referred: State Affairs
and Finance

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 684 (L&C)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment and management of
7 the Alaska permanent fund and to the computation of the
8 income of the fund available for distribution; and
9 providing for an effective date."

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

11 * Section 1. AS 37.13.050 is amended to read:

12 Sec. 37.13.050. COMPOSITION AND QUALIFICATIONS OF BOARD OF
13 TRUSTEES. (a) The Board of Trustees of the Alaska Permanent Fund
14 Corporation consists of six members appointed by the governor. Two
15 [THREE] of the members shall be heads of principal departments of state
16 government, one of whom shall be the commissioner of revenue. Four
17 [THREE] members shall be appointed by the governor from the public and
18 may not hold any other state or federal office, position or employment,
19 either elective or appointive, except as a member of the armed forces of
20 either the United States or of this state. [MEMBERS OTHER THAN THE
21 COMMISSIONER OF REVENUE SHALL BE SEPARATELY CONFIRMED BY A MAJORITY OF
22 THE MEMBERS OF THE LEGISLATURE IN JOINT SESSION.]

23 (b) The four [THREE] public members of the board shall have recog-
24 nized competence and wide experience in finance, investments, or other
25 business management-related fields.

26 (c) The board shall annually elect a chairman from among its
27 members.

28 * Sec. 2. AS 37.13.060 is amended to read:

29 Sec. 37.13.060. TERM OF OFFICE. The public members of the

1 board shall be appointed for terms of four [THREE] years, and they may
2 be reappointed [SUBJECT TO CONFIRMATION BY A MAJORITY OF THE MEMBERS OF
3 THE LEGISLATURE IN JOINT SESSION]. The terms of the public members
4 [TERMS] shall be staggered so that no more than one term of a public
5 member expires each year. [INITIAL TERMS FOR MEMBERS OTHER THAN THE
6 COMMISSIONER OF REVENUE SHALL BE TWO MEMBERS SERVING FOR ONE YEAR, TWO
7 MEMBERS SERVING FOR TWO YEARS, AND ONE MEMBER SERVING FOR THREE YEARS.]

8 * Sec. 3. AS 37.13.070 is amended to read:

9 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
10 for good cause remove a member of the board from office. [HOWEVER, THE
11 REMOVAL OF A MEMBER OF THE BOARD IS SUBJECT TO DISAPPROVAL BY A VOTE OF
12 A MAJORITY OF THE MEMBERS OF THE LEGISLATURE AT THE FIRST JOINT SESSION
13 HELD 10 OR MORE DAYS AFTER THE LEGISLATURE RECEIVES NOTICE OF THE REMOVAL
14 FROM THE GOVERNOR.] A removal by the governor shall be in writing and
15 shall state the reason for the removal. A member who is removed by the
16 governor may not participate in board business and may not be counted
17 for purposes of establishing a quorum after [BETWEEN THE TIME] he re-
18 ceives written notice of his removal from the governor [AND THE TIME
19 THAT THE LEGISLATURE'S POWER TO DISAPPROVE THE REMOVAL UNDER THIS SUB-
20 SECTION EXPIRES. IF THE LEGISLATURE DISAPPROVES THE REMOVAL OF A BOARD
21 MEMBER, THE BOARD MEMBER SHALL BE REINSTATED].

22 (b) A vacancy on the board shall be promptly filled by appointment
23 by the governor [AND CONFIRMATION BY A MAJORITY OF THE MEMBERS OF THE
24 LEGISLATURE IN JOINT SESSION]. An appointee to a vacancy shall hold
25 office for the balance of the term for which his predecessor on the
26 board was appointed. [IF A VACANCY ARISES ON THE BOARD WHILE THE LEGIS-
27 LATURE IS NOT IN SESSION, THE GOVERNOR MAY APPOINT AN INTERIM BOARD
28 MEMBER WHO SHALL EXERCISE THE POWERS OF A BOARD MEMBER UNTIL THE LEGIS-
29 LATURE FAILS TO CONFIRM THE APPOINTMENT OF THE INTERIM BOARD MEMBER.]

1 (c) A vacancy on the board does not impair the authority of a
2 quorum of the board to exercise all the powers and perform all the
3 duties of the board.

4 * Sec. 4. AS 37.13.090 is amended to read:

5 Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. The board shall
6 determine the compensation of the members of the board subject to ap-
7 proval by the legislature in accordance with AS 37.07. Compensation for
8 members of the board shall be requested as part of the operating budget
9 of the board (AS 37.13.150). Members [PUBLIC MEMBERS OF THE BOARD RE-
10 CEIVE AN HONORARIUM OF \$400 FOR EACH MEETING DAY IF THEY ATTEND THE
11 MEETING. ALL MEMBERS] of the board are entitled to per diem and travel
12 allowances as provided by law for members of state boards and commis-
13 sions.

14 * Sec. 5. AS 37.13.120(g) is amended to read:

15 (g) Subject to the limitations contained in [(h) AND (i) OF] this
16 section, the board may invest corporation assets at such competitive
17 national market rates or prices as are applicable to each investment
18 only in

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

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

26 (3) certificates of deposit and term deposits of [ISSUED BY]
27 United States domestic banks which are members of the Federal Deposit
28 Insurance Corporation and [FOR] which may be readily sold in a [GENERALLY
29 RECOGNIZED] secondary market at prices reflecting fair value [EXISTS] or

1 which are fully secured at all times as to payment of principal and
2 interest as [BY INVESTMENTS] described in (m) [(1), (2), (8) OR (12) -
3 (16)] of this section [SUBSECTION; THE SECURITY PLEDGED UNDER THIS PARA-
4 GRAPH SHALL BE AT LEAST EQUAL TO THE FACE VALUE OF THE DEPOSIT AND THE
5 BOARD MAY REQUIRE SUBSTITUTION OF COLLATERAL];

6 (4) certificates of deposit and term deposits [SHARES] of
7 federally chartered savings and loan [LOANS] associations in Alaska
8 which may be readily sold in a secondary market at prices reflecting
9 fair value or which are fully secured at all times as to payments of
10 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
11 of this section [SUBSECTION];

12 (5) [SAVINGS] certificates of deposit and term deposits of
13 [ISSUED BY] state chartered savings and loan associations in Alaska
14 which may be readily sold in a secondary market at prices reflecting
15 fair value or which are fully secured at all times as to payments of
16 principal and interest as [BY INVESTMENTS] described in (m) [(1), (2)]
17 of this section [SUBSECTION];

18 (6) certificates of deposit and term deposits of [DEPOSITS
19 WITH] mutual savings banks in Alaska which may be readily sold in a
20 secondary market at prices reflecting fair value or which are fully
21 secured at all times as to payments of principal and interest as [BY
22 INVESTMENTS] described in (m) [(1), (2)] of this section [SUBSECTION];

23 (7) fixed-term certificates of indebtedness of federally in-
24 sured credit unions in Alaska which may be readily sold in a secondary
25 market at prices reflecting fair value or which are fully secured at all
26 times as to payments of principal and interest as [BY INVESTMENTS] de-
27 scribed in (m) [(1), (2)] of this section [SUBSECTION];

28 (8) corporate debt securities which are rated AA or better by
29 a nationally recognized rating service;

1 (9) short-term corporate promissory notes of the highest
2 ratings assigned by a nationally recognized rating service;

3 (10) bankers' acceptances drawn on and accepted by United
4 States banks each of which have a combined capital and surplus aggre-
5 gating at least \$200,000,000;

6 (11) repurchase agreements, the securities underlying the
7 agreements being any of the items in (1) - (3) and (8) - (10) of this
8 subsection;

9 (12) the guaranteed portion of Federal Small Business Adminis-
10 tration loans;

11 (13) the portion of first lien real estate mortgages guaranteed
12 by the Federal Veterans Administration [ASSOCIATION];

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

16 (15) the guaranteed portion of Farmer's Home Administration
17 loans;

18 (16) notes secured by mortgages granting a first lien on com-
19 mercial or [OF] residential real estate improved by completed buildings
20 if the mortgages are insured by a private mortgage insurance corporation
21 which is authorized to do business in Alaska and has combined capital
22 and [,] surplus [AND RESERVES] aggregating at least \$20,000,000, and if
23 loan-to-value ratios do not exceed 75 percent for commercial mortgages
24 and 90 percent for residential mortgages; however, [THE MINIMUM COVERAGE
25 SHALL BE 10 PERCENT FOR LOANS HAVING A LOAN-TO-VALUE RATIO OF LESS THAN
26 90 PERCENT, AND THE MINIMUM COVERAGE SHALL BE 20 PERCENT FOR LOANS
27 HAVING A LOAN-TO-VALUE RATIO OF 90 PERCENT OR MORE.]

28 (A) no mortgage insurance is necessary for commercial
29 loans having loan-to-value ratios of less than 50 percent and the

1 minimum coverage of other commercial loans shall be 10 percent for
2 those having a loan-to-value ratio of 50 - 60 percent and 15 percent
3 for those having a loan-to-value ratio greater than 60 percent but
4 no more than 75 percent, and

5 (B) no mortgage insurance is necessary for residential
6 loans having a loan-to-value ratio of less than 70 percent and the
7 minimum coverage of other residential loans shall be 10 percent for
8 those having a loan-to-value ratio greater than 70 percent but less
9 than 90 percent and 20 percent for those having a loan-to-value
10 ratio of 90 percent;

11 (17) notes secured by mortgages granting a first lien on com-
12 mercial real estate improved by completed buildings if the originating
13 financial institution retains at least 25 percent of the mortgage until
14 maturity;

15 (18) certificates of deposit, term deposits, or bankers' accep-
16 tances, which are issued by a United States bank or trust company located
17 in a foreign country and are denominated in either United States or
18 foreign currency, if either (A) they may be readily sold in a secondary
19 market at prices reflecting fair value, or (B) the issuing bank or trust
20 company has capital and surplus at the date of issue equalling at least
21 \$500,000,000; investments made under this paragraph are not subject to
22 the collateral requirements for domestic certificates under (m) of this
23 section;

24 (19) equity interests in, and debt obligations secured by
25 mortgages granting a first lien on, real estate improved by completed
26 and substantially rented buildings and located in the United States, if
27 these investments are made

28 (A) in a corporation, partnership, trust, or other
29 entity in which, at the conclusion of each investment transaction,

1 at least 60 percent of the beneficial ownership interests are held
2 by other institutional investors, and which is organized and
3 operated for the purpose of making real estate investments by a
4 bank, insurance company, or other manager of institutional funds
5 which has had at least five years of experience in the management
6 of real estate investments of institutional investors; or
7 (B) in conjunction with and on substantially the same
8 terms as an entity described in (A) of this paragraph.

9 * Sec. 6. AS 37.13.120(i) is repealed and reenacted to read:

10 (i) At the time of each investment, the aggregate investment of
11 the Alaska permanent fund in each stated category of investment may not
12 exceed the following stated percentage of the total investments of the
13 fund: mortgages under (g)(16) of this section, 15 percent; real estate
14 investments under (g)(19) of this section, 15 percent; foreign certifi-
15 cates of deposit or the equivalent under (g)(18) of this section, 20
16 percent; corporate stocks and debt securities under (g)(8) and (9) of
17 this section, 50 percent. The Alaska permanent fund may at no time own
18 more than five percent of the voting stock of a corporation. Domestic
19 stocks, except for bank and insurance company stocks, must be listed at
20 the date of purchase on an exchange registered with the Securities and
21 Exchange Commission.

22 * Sec. 7. AS 37.13.120 is amended by adding a new subsection to read:

23 (m) Certificates of deposit or the equivalent instruments which
24 are not of a quality that may be readily sold in a secondary market at
25 prices reflecting fair value must be secured by a pledge as collateral
26 of investments authorized for the Alaska permanent fund under (g)(1),
27 (2), (8), or (12) - (17) of this section, which investments have value
28 at least equal to the face value of the certificate of deposit. The
29 board may require substitution of collateral in order to ensure continued

1 satisfaction of the requirements set out in this subsection.

2 * Sec. 8. AS 37.13.140 is repealed and reenacted to read:

3 Sec. 37.13.140. INCOME. Net income of the corporation must be
4 computed annually as of the last day of the fiscal year in accordance
5 with generally accepted accounting principles, excluding any unrealized
6 gains or losses. Income available for distribution equals the average
7 net income of the corporation for the last five fiscal years, including
8 the fiscal year just ended, but may not exceed net income of the corpora-
9 tion for the fiscal year just ended plus the balance in the undistributed
10 income account described in AS 37.13.145.

11 * Sec. 9. AS 37.13 is amended by adding a new section to read:

12 Sec. 37.13.145. DISPOSITION OF INCOME. At the end of each fiscal
13 year, an amount equal to 50 percent of net income as defined in AS 37.-
14 13.140, excluding any income on the undistributed income account in the
15 Alaska permanent fund, shall be transferred to principal of the fund for
16 reinvestment. The other 50 percent of the net income shall be trans-
17 ferred to the undistributed income account. Money in the undistributed
18 income account shall be invested in investments authorized under AS 37.-
19 13.120. Income from the investment of the undistributed income account
20 shall be treated as an addition to that account.

21 * Sec. 10. AS 37.13.150 is amended to read:

22 Sec. 37.13.150. CORPORATION [BOARD] BUDGET. The revenues genera-
23 ted by the corporation's investments must be identified as the source
24 of the operating budget of the corporation in the state's operating
25 budget under [BOARD IS FROM THE GENERAL FUND AND IS SUBJECT TO] the
26 Executive Budget Act (AS 37.07.010 - 37.07.130). The unexpended bal-
27 ance of the corporation's annual operating budget does not lapse at
28 the end of the fiscal year but shall be treated as income under AS 37.-
29 13.140.

1 * Sec. 11. AS 37.13.160 is amended to read:

2 Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Commit-
3 tee may [SHALL] provide for an annual post audit and annual operational
4 and performance evaluations of the corporation's investments and invest-
5 ment programs.

6 * Sec. 12. AS 37.13 is amended by adding a new section to read:

7 Sec. 37.13.205. REGULATIONS. The board may adopt regulations
8 under the Administrative Procedure Act (AS 44.62) to interpret and
9 implement this chapter.

10 * Sec. 13. AS 37.13.130 is repealed.

11 * Sec. 14. Transition to four-year terms for members of the Board of
12 Trustees of the Alaska Permanent Fund Corporation as provided in AS 37.13.060
13 as amended in sec. 2 of this Act shall be implemented as follows: at the
14 expiration of the present term of each public member, the governor shall
15 appoint a replacement, or reappoint the present member, for a term of four
16 years. Within 90 days after the effective date of this Act, the governor
17 shall appoint a public member to replace one of the two present heads of
18 principal departments other than the commissioner of revenue, to serve for a
19 term of four years or less which term expires in a year when no other public
20 member's term expires. The head of a principal department who is to be re-
21 placed shall continue to serve on the board until the appointment of a re-
22 placement.

23 * Sec. 15. This Act takes effect July 1, 1982.

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Introduced: 3/9/82
Referred: Labor & Commerce,
State Affairs and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR (for the
Permanent Fund board of trustees)

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR SENATE BILL NO. 684

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment and management of
7 the Alaska Permanent Fund and to the computation of in-
8 come of the fund which is available for distribution;
9 and providing for an effective date."

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

11 * Section 1. AS 37.13.050 is amended to read:

12 Sec. 37.13.050. COMPOSITION AND QUALIFICATIONS OF BOARD OF TRUST-
13 EES. (a) The Board of Trustees of the Alaska Permanent Fund Corpora-
14 tion consists of six members appointed by the governor. Two [THREE] of
15 the members shall be heads of principal departments of state government,
16 one of whom shall be the commissioner of revenue. Four [THREE] members
17 shall be appointed by the governor from the public and may not hold any
18 other state or federal office, position or employment, either elective
19 or appointive, except as a member of the armed forces of either the
20 United States or of this state. [MEMBERS OTHER THAN THE COMMISSIONER
21 OF REVENUE SHALL BE SEPARATELY CONFIRMED BY A MAJORITY OF THE MEMBERS OF
22 THE LEGISLATURE IN JOINT SESSION.]

23 (b) The four [THREE] public members of the board shall have
24 recognized competence and wide experience in finance, investments, or
25 other business management-related fields.

26 (c) The board shall annually elect a chairman from among its
27 members.

28 * Sec. 2. AS 37.13.060 is amended to read:

29 Sec. 37.13.060. TERM OF OFFICE. The public members of the

1 board shall be appointed for terms of four [THREE] years, and they
2 may be reappointed [SUBJECT TO CONFIRMATION BY A MAJORITY OF THE
3 MEMBERS OF THE LEGISLATURE IN JOINT SESSION]. Public members' terms
4 [TERMS] shall be staggered so that no more than one public member's
5 term expires each year [INITIAL TERMS FOR MEMBERS OTHER THAN THE
6 COMMISSIONER OF REVENUE SHALL BE TWO MEMBERS SERVING FOR ONE YEAR,
7 TWO MEMBERS SERVING FOR TWO YEARS, AND ONE MEMBER SERVING FOR THREE
8 YEARS.]

9 * Sec. 3. Transition to four-year terms as provided in sec. 2 of this
10 Act shall be implemented as follows: at the expiration of the present
11 term of each public member, the governor shall appoint a replacement, or
12 reappoint the present member, for a term of four years. Within 90 days
13 after the effective date of this Act, the governor shall appoint a public
14 member to replace one of the two present commissioner members other than
15 the commissioner of revenue, to serve for a term of four years or less
16 which term expires in a year when no other public member's term expires.
17 The commissioner who is to be replaced shall continue to serve on the
18 board until the appointment of a replacement.

19 * Sec. 4. AS 37.13.070 is amended to read:

20 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
21 for good cause remove a member of the board from office. [HOWEVER,
22 THE REMOVAL OF A MEMBER OF THE BOARD IS SUBJECT TO DISAPPROVAL BY A
23 VOTE OF A MAJORITY OF THE MEMBERS OF THE LEGISLATURE AT THE FIRST
24 JOINT SESSION HELD 10 OR MORE DAYS AFTER THE LEGISLATURE RECEIVES
25 NOTICE OF THE REMOVAL FROM THE GOVERNOR.] A removal by the governor
26 shall be in writing and shall state the reason for the removal. A
27 member who is removed by the governor may not participate in board
28 business and may not be counted for purposes of establishing a quorum
29 after [BETWEEN THE TIME] he receives written notice of his removal

1 from the governor. [AND THE TIME THAT THE LEGISLATURE'S POWER TO
2 DISAPPROVE THE REMOVAL UNDER THIS SUBSECTION EXPIRES. IF THE LEGIS-
3 LATURE DISAPPROVES THE REMOVAL OF A BOARD MEMBER, THE BOARD MEMBER
4 SHALL BE REINSTATED.]

5 (b) A vacancy on the board shall be promptly filled by appoint-
6 ment by the governor [AND CONFIRMATION BY A MAJORITY OF THE MEMBERS
7 OF THE LEGISLATURE IN JOINT SESSION]. An appointee to a vacancy
8 shall hold office for the balance of the term for which his predecessor
9 on the board was appointed. [IF A VACANCY ARISES ON THE BOARD WHILE
10 THE LEGISLATURE IS NOT IN SESSION, THE GOVERNOR MAY APPOINT AN INTERIM
11 BOARD MEMBER WHO SHALL EXERCISE THE POWERS OF A BOARD MEMBER UNTIL
12 THE LEGISLATURE FAILS TO CONFIRM THE APPOINTMENT OF THE INTERIM BOARD
13 MEMBER.]

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

17 * Sec. 5. AS 37.13.090 is amended to read:

18 Sec. 37.13.090. COMPENSATION OF BOARD MEMBERS. As compensation
19 for performance of their duties, including but not limited to attend-
20 ance at board meetings, public [PUBLIC] members of the board are enti-
21 tled to receive an annual fee equal to the salary prescribed for state
22 legislators by AS 24.15.020 [HONORARIUM OF \$400 FOR EACH MEETING DAY IF
23 THEY ATTEND THE MEETING]. The public members' fee shall be paid in
24 equal monthly installments at the end of each month of board service.
25 If the chairman is a public member, he or she is entitled to receive an
26 additional amount equal to the increment prescribed by law for the pres-
27 ident of the senate and the speaker of the house of representatives.
28 All members of the board are entitled to per diem and travel allowances
29 as provided by law for members of state boards and commissions.

1 * Sec. 6. AS 37.13.120(g) is amended to read:

2 (g) Subject to the limitations contained in [(h) AND (i) OF] this
3 section, the board may invest corporation assets at competitive national
4 market rates or prices applicable to each investment in

5 (1) obligations of, or obligations insured by or guaranteed
6 by, the United States or agencies or instrumentalities of the United
7 States;

8 (2) obligations secured by reserves paid in by the United
9 States or agencies or instrumentalities of the United States or obliga-
10 tions of corporations in which the United States is a shareholder or
11 member;

12 (3) certificates of deposit, term deposits, or the equiva-
13 lent, of [ISSUED BY] United States domestic banks which are members of
14 the Federal Deposit Insurance Corporation and [FOR] which may be readily
15 sold in a [GENERALLY RECOGNIZED] secondary market at prices reflecting
16 fair value [EXISTS] or which are fully secured at all times as to pay-
17 ment of principal and interest as [BY INVESTMENTS] described in (m)
18 [(1), (2), (8) OR (12) -- (16)] of this section [SUBSECTION; THE SECURI-
19 TY PLEDGED UNDER THIS PARAGRAPH SHALL BE AT LEAST EQUAL TO THE FACE
20 VALUE OF THE DEPOSIT AND THE BOARD MAY REQUIRE SUBSTITUTION OF COLLATER-
21 AL];

22 (4) certificates of deposit, term deposits, or the equiva-
23 lent, [SHARES] of federally chartered savings and loan [LOANS] associa-
24 tions in Alaska which may be readily sold in a secondary market at
25 prices reflecting fair value or which are fully secured at all times as
26 to payments of principal and interest as [BY INVESTMENTS] described in
27 (m) [(1), (2)] of this section [SUBSECTION];

28 (5) [SAVINGS] certificates of deposit, term deposits, or the
29 equivalent, of [ISSUED BY] state chartered savings and loan associations

1 in Alaska which may be readily sold in a secondary market at prices
2 reflecting fair value or which are fully secured at all times as to
3 payments of principal and interest as [BY INVESTMENTS] described in (m)
4 [(1), (2)] of this section [SUBSECTION];

5 (6) certificates of deposit, term deposits, or the equiva-
6 lent, of [DEPOSITS WITH] mutual savings banks in Alaska which may be
7 readily sold in a secondary market at prices reflecting fair value or
8 which are fully secured at all times as to payments of principal and
9 interest as [BY INVESTMENTS] described in (m) [(1), (2)] of this section
10 [SUBSECTION];

11 (7) fixed-term certificates of indebtedness of federally in-
12 sured credit unions in Alaska which may be readily sold in a market at
13 prices reflecting fair value or which are fully secured at all times as
14 to payments of principal and interest as [BY INVESTMENTS] described in
15 (m) [(1), (2)] of this section [SUBSECTION];

16 (8) corporate debt securities which are rated AA or better by
17 a nationally recognized rating service;

18 (9) short-term corporate promissory notes of the highest
19 ratings assigned by a nationally recognized rating service;

20 (10) bankers' acceptances drawn on and accepted by United
21 States banks each of which have a combined capital and surplus aggregat-
22 ing at least \$200,000,000;

23 (11) repurchase agreements, the securities underlying the
24 agreements being any of the items in (1) -- (3) and (8) -- (10) of this
25 subsection;

26 (12) the guaranteed portion of Federal Small Business
27 Administration loans;

28 (13) the portion of first lien real-estate mortgages
29 guaranteed by the Federal Veterans Administration [ASSOCIATION];