

ALASKA LEGISLATURE COMMITTEE BILL FILES - 1987 - 1988 88/9

SB 212 thru SR 218 La. Finance 78

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SENATE COMMITTEE REPORT

FURTHER:

5/9/87

DATE TURNED INTO OFFICE 5/14/87

Mr. President:

FINANCE Committee considered SB 212

extending the termination date of the Special Education Service Agency; efd.

and recommended:

[] replace with CS FOR _____) [] same title
[] or adopt _____ CS FOR SB 212 (HESS)) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

John H. ...
...
...
Willie ...

John Busby DO PASS
Chairman signature and recommendation

[] Committee Backup Attached

11/13

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version : SB-212
Publish Date : _____

Revision Date: _____
Title: ...extending the termination date
of the Special Education Service Agency..
Sponsor: Senator Zharoff
Requestor: Senate HESS

Agency Affected: Education
BRU: K-12 Support
Components: Schools for the Handicapped

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Funds for the operation of the Special Education Service Agency are presently included in the department's operating budget.

Prepared by: Steve Hole Phone: 465-2800
Division: Commissioner's Office Date: April 30, 1987

Approved by Commissioner: William G. Demmert Date: April 30, 1987
Agency: Education

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

RECEIVED
MAY 01 1987

LEGISLATIVE FINANCE

58012

Original sponsors: Zharoff, Hensley,
Duncan, et al.

1 IN THE SENATE

BY THE HEALTH, EDUCATION AND
SOCIAL SERVICES COMMITTEE

2

CS FOR SENATE BILL NO. 212 (HESS)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6

For an Act entitled: "An Act extending the termination date of the Special

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Education Service Agency; and providing for an effective

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date."

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

10

* Section 1. AS 44.66.010(a)(14) is amended to read:

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(14) Special Education Service Agency (AS 14.30.600) --

12

June 30, 1989 [1987].

13

* Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

A PERFORMANCE REPORT ON THE
DEPARTMENT OF EDUCATION
SPECIAL EDUCATION SERVICES AGENCY

March 25, 1987

Audit Control Number

05-1298-87-R

Commissioner, Department of
Education

Marshall L. Lind

Special Education Services Agency
Board of Directors

President
Vice President
Secretary
Treasurer
Member
Member
Member
Member
Ex-officio Member, Department
of Education
Ex-officio Member, Department
of Health & Social Services

Robert A Franken
Terry L. Coon
Todd R. Risley
Richard Kronberg
Shirley Craft
Duane M. French
Mary Rubadeau
Noreen Thompson

Steve Hole

Blanche Brunk

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

March 25, 1987

Members of the Legislative Budget
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A PERFORMANCE REPORT ON THE
DEPARTMENT OF EDUCATION
SPECIAL EDUCATION SERVICES AGENCY

March 25, 1987

Audit Control Number

05-1298-87-R



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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PURPOSE AND SCOPE OF THE REPORT

Purpose

In accordance with the provisions of AS 24.20. 271(1) and AS 44.66.050, a review of the Special Education Services Agency (SESA) was conducted to determine whether there is a demonstrated need to continue delivery of educational programs for low-incidence handicapped students in the form it is presently provided. To determine that need, we reviewed the historical development of educational programs for low incidence handicapped students, alternative modes of delivery, current national trends and the economy, efficiency, and effectiveness of this agency.

Alaska Statute 44.66.010(a)(13) specifies that SESA will terminate on June 30, 1987 with one year allotted for concluding its affairs. This report shall be considered during the legislative oversight function in determining whether SESA should be reestablished and, if so, in what form.

The policy and audit approach utilized by the Division of Legislative Audit for performance reports can best be described as "audit by exception." This methodology focuses audit effort on areas of an auditee's operation that have been identified by a preliminary survey as having a high degree of probability for needing improvements.

Therefore, by design, finite audit resources are used to identify where and how improvement can be made and little time is devoted to reviewing well-run operations or programs. Consequently, this report highlights those areas needing improvement and does not emphasize those operations and programs that are properly functioning.

Scope

The functions reviewed included board activity, administrative, and program delivery. Because SESA had only been in existence for seven months at the time of our review, data available for our review was limited, and our scope, therefore, limited. Our review consisted of analyzing and evaluating the following:

1. Applicable statutes and regulations.
2. Interviews with staff members.
3. Agency policies and procedures.
4. Quarterly statistical reports.
5. Interviews with related service providers.
6. Interviews with Department of Education personnel.
7. Revenue and expenditure reports.

ORGANIZATION AND FUNCTION

The Special Education Services Agency (SESA) was created by ch. 112, SLA 1986 and formed as a private, not-for-profit corporation in August 1986. It is governed by a board of directors comprised of five to seven members of the Governor's Council for the Handicapped and Gifted and three members appointed by Alaska Association of Administrators of Special Education, National Education Association, Alaska, and the Alaska Association of School Administrators.

The purpose of SESA's creation was threefold: to assist districts and REAAs to make more special education and related services available to exceptional children; encourage cooperation between districts and education agencies in making special education programs and services available; and ensure that qualified specialists are available to assist districts in provision of services to exceptional children.

SESA is providing these services through the following programs:

° Low-Incidence Handicapped Outreach Project. SESA's primary target group has been students, ages 3-21 years, with low incidence handicaps; i.e., mentally retarded, hard of hearing, deaf, visually handicapped, seriously emotionally disturbed, orthopedically impaired, other health impaired, deaf/blind, and multihandicapped. SESA aids rural school districts in providing special education needs through itinerant education specialists.

° Blind/Visually Impaired Infant Learning Program. An early intervention and training program for children throughout the State, ages birth to three years, who have visual impairments.

° Model Demonstration Project. Through a three-year In-service Training Grant from the U.S. Department of Education, SESA is providing technical training workshops for teachers working with severely handicapped and/or deaf/blind students. Validated model classrooms have been established in Juneau and Kenai where teachers receive intensive training for five days.

° Services to the Deaf/Blind. SESA has obtained Federal funds to provide special services to deaf/blind (vision and hearing impaired) children and youth ages 0-21. Services include assistance in obtaining qualified evaluators, coordination of service providers, counselling families and teachers, and individual and group inservice training for staff and family members.

REPORT CONCLUSION

Policy Issues

This review contains policy issues raised as a result of our evaluation of various SESA practices. The final policy decisions affecting those practices are not within the scope of this review but require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and recommendations presented in this report, so that the potential impact of the policy changes can be evaluated.

Report Conclusion

In our opinion, the Special Education Services Agency should continue to provide itinerant resources services for low-incidence handicapped students in Alaska. The public need which prompted the enactment of ch. 112, SLA 1986, the creation of the Special Education Services Agency, remains unchanged. Alaska has approximately 200 low-incidence handicapped students in rural school districts who are entitled to comprehensive special education services by both Federal (P.L. 94-142) and State (AS 47.80.100) mandates. Alaska Statute 47.80.100 requires that those services must be state-operated or purchased, dispersed geographically, designed to minimize institutionalization, and provided in the least restrictive setting, enabling a person to live as normally as possible within the limitations of the handicap.

There is, therefore, a necessity to provide services within the school district the student is enrolled. It has been demonstrated that it is more cost effective to provide those services on an itinerant basis rather than in-house for rural school districts for the following reasons. Because of the very small numbers of students suffering from severe disabilities in any given district, the cost of providing specialized personnel to serve each type of disability would be extremely high on a per student basis. Additionally, because of the high degree of specialization required, recruitment, even for the urban districts, has traditionally been difficult. Thirdly, specialized educational instruction for this population is not available in the private sector; therefore, even if districts wished to contract independently, services would not be readily available. This third reason could also result in placement of the student out of district or out of state contrary to policy enumerated in AS 47.80.100.

Having determined that the itinerant delivery concept is sound we reviewed alternatives to SESA's delivery mode. The three alternatives considered were: (1) services provided by a private, nonprofit corporation through a competitive

CORRECTION

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

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° Statewide Systems Change Project (SSCP). A U.S. Department of Education funded project to improve delivery systems for severely handicapped children and youth ages birth to 21. The purposes of the SSCP are to identify services available to the target population, analyze weaknesses in those services, and improve upon the transition of these individuals through the service delivery system.

Although SESA has only been in existence since September 1986, some of the programs described above were provided prior to that time. Provision of services began in 1971 when Federal funding was received by the Easter Seal Society of Alaska for the Alaska State Deaf/Blind program. In 1972 that program helped develop classrooms for Alaska's deaf/blind and severely handicapped students within the Anchorage School District and an outreach model for deaf/blind students in rural communities. The Anchorage School District program has continued to date providing classroom services as the Alaska State School for the Deaf and providing outreach services until 1986.

A blind/visually impaired program was established within the South Central Regional Resource Center (SCRRC) in 1977. The next year the Alaska State Deaf/Blind program was transferred to SCRRC and its name changed to Alaska Resources for the Moderately/Severely Impaired (ARMSI). Services were expanded to include multihandicapped students statewide. SCRRC closed in 1980 and ARMSI was transferred to the Employment and Training Center of Alaska (ETCA). In 1982 ARMSI received a three-year grant from the Alaska Department of Education to operate an outreach program for all low-incidence handicapped students thus adding severely emotionally disturbed, orthopedically impaired and other health impaired to those students previously served. ARMSI became SESA in September 1986.

Staffing at SESA was maintained at the same level as ARMSI until Governor Sheffield's ten percent budget reduction. As a result of that action two professional employees were shifted to Federal programs, two vacant positions left unfilled and one support position eliminated. SESA is currently staffed by 25 employees, including an executive director, program supervisor, 18 education specialists, and 4 support positions. In FY 87 SESA is eligible to receive \$1,060,574 in State funding after the Governor's budget reduction. Other State and Federal grant funds total \$557,354 for a total FY 87 budget of \$1,617,929.

REPORT CONCLUSION

Policy Issues

This review contains policy issues raised as a result of our evaluation of various SESA practices. The final policy decisions affecting those practices are not within the scope of this review but require legislative consideration. In debating these decisions the legislative oversight committees should take into consideration the findings and recommendations presented in this report, so that the potential impact of the policy changes can be evaluated.

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There is, therefore, a necessity to provide services within the school district the student is enrolled. It has been demonstrated that it is more cost effective to provide those services on an itinerant basis rather than in-house for rural school districts for the following reasons. Because of the very small numbers of students suffering from severe disabilities in any given district, the cost of providing specialized personnel to serve each type of disability would be extremely high on a per student basis. Additionally, because of the high degree of specialization required, recruitment, even for the urban districts, has traditionally been difficult. Thirdly, specialized educational instruction for this population is not available in the private sector; therefore, even if districts wished to contract independently, services would not be readily available. This third reason could also result in placement of the student out of district or out of state contrary to policy enumerated in AS 47.80.100.

Having determined that the itinerant delivery concept is sound we reviewed alternatives to SESA's delivery mode. The three alternatives considered were: (1) services provided by a private, nonprofit corporation through a competitive

grant award as was done prior to the establishment of SESA; (2) services provided by the Southeast Regional Resource Center (SERRC) through State funding; and (3) services provided by a limited number of school districts on an itinerant basis to other districts in that geographical region.

We found the SESA mode to be preferable at this point in time to these alternatives for the following reasons. The creation of a permanent agency to provide these services has provided a stabilizing effect on SESA's ability to secure and retain professional staff, which in turn provides improved continuity of services to students. Also the naming of the Governor's Council on the Handicapped and Gifted as the governing entity has provided a statewide rather than regional perspective on service needs, and improved coordination and cooperation with other agencies providing related services. The SERRC model is very similar to the SESA model with the exceptions that SERRC is governed by a regional board and is housed in Juneau thus increasing travel expenses to provide services to the majority of recipients.

Providing services through direct funding of school districts is not viable at this time as there is no mechanism for assuring that additional revenue generated by these students would result in increased services for them (see Recommendation No. 1). Additionally, districts would still face the problems of limited service providers in the private sector with whom to contract.

Although effectiveness of SESA services was reviewed, we were unable to draw any conclusions on it for the following reasons. There are no program standards defining acceptable minimum program services (see Recommendation No. 1). Secondly, SESA had only been in existence for seven months at the time of our review. Although services are substantially the same as those provided by ARMSI, SESA has broader discretion in how services are provided which has resulted in a shift from providing services strictly for students to providing training and services for special education instructors working with the target population in addition to working with students.

Program statistics compiled by SESA (Appendixes B-C) demonstrate that SESA is attempting to provide services to all students referred to the agency in accordance with the two year plan of service provided to the Department of Education (DOE) as required by statute. Program benefit has also been reflected in the ratings SESA has been given by district personnel receiving services (Appendix D).

The funding mechanism for determining the level of special education funds SESA is eligible for from DOE was reviewed in conjunction with the proposed changes to foundation program funding under HB 126. This proposed legislation will dramatically increase the revenue available to districts based on the number of students receiving intensive or hospital/homebound special education services.

We recommend that if HB 126 becomes law and program standards are promulgated and monitored, a statutory amendment be sought to require mandatory contributions to SESA's funding from districts utilizing its services (see Recommendation No. 2). This action would recognize that revised foundation funding formula attempts to fund services based on what those services cost, and therefore, should not require additional funding. It also would enable the districts to accurately determine the cut-off point when it would be more cost effective to provide services in district rather than itinerantly.

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FINDINGS AND RECOMMENDATIONS

Recommendation No. 1

The Department of Education (DOE) should promulgate regulations delineating special education program standards, and once enacted, monitor school districts for compliance with those standards.

DOE is required by AS 14.07.020(4) to prescribe by regulation a minimum course of study for the public schools. The Department requires that each district administer a program offering special education and related services so as to provide an appropriate educational program for exceptional children ages 3-21 who reside within the district (4AAC 52.020). That educational program is established by a written, individualized education program (IEP) for each child eligible for services. However, there are no minimum standards nor definition of "appropriate educational program" these IEPs must conform to. The Department does perform periodic technical compliance audits of the IEPs, but does not evaluate them as to adequacy of services proposed.

The result of this deficiency is that program services provided for special education students vary among Alaska's fifty-five school districts. Standards are established by individual district policy and commitment regarding special education, availability of resources, degree of pressure from parental and organizational advocacy groups, and the result of legal challenges to the district's adequacy of service. Although DOE would not be able to develop standardized programs for students because of differing needs, minimum acceptable levels of service should be determined. Once promulgated the Department should implement a program to periodically and routinely monitor compliance with established standards.

Recommendation No. 2

Alaska Statute 14.30.650 should be amended to require school districts utilizing SESA services to contribute to SESA funding.

Alaska Statute 14.30.650 currently requires that each year DOE allocate to SESA not less than \$85 for each special education student in the State in average daily membership, or the equivalent of two percent of the funds appropriated for special education, whichever is greater. These funds are separate from the funds made available to school districts for special education services through the foundation funding formula.

Current foundation funding for special education does not differentiate among types of special education students nor attempt to fund services based on the cost of providing those services. It is reasonable, therefore, that the services for low-incidence handicapped students which are the most costly for districts on a per student basis, be funded over and above foundation funding. However, this mechanism is not equitable in that the SESA funding formula is based on the number of all special education students statewide, yet SESA does not provide services to the largest districts containing the majority of special education students.

Currently under legislative consideration is House Bill No. 126 which proposes a revised foundation program. This bill changes the formula under which special education instructional units are generated to vary with the level of services needed. Intensive or hospital/homebound students would generate .333 instructional units thus producing sufficient revenue to cover the cost of services for these students. Once program standards are promulgated (see Recommendation No. 1) setting out minimum services which need to be provided, districts should choose whether they wish to provide those services in district or have SESA provide them. If SESA is chosen a portion of the increased foundation revenue should then be allocated to SESA to cover the cost of providing itinerant services to the district.

This recommendation would provide two substantial benefits: (1) it would eliminate the current inequity in funding distribution in that only those districts receiving SESA services would be generating SESA funding, and (2) it would provide the districts with accurate data on the cost of the itinerant services and, therefore, a basis to determine the point at which it becomes more cost effective to provide the services in-district.

Recommendation No. 3

The Special Education Services Agency Board of Directors should adopt a policy stating the maximum number of students of any one disability they will serve in a school district.

The primary purpose of the Special Education Services Agency is to serve low-incidence handicapped students, meaning students with specific disabilities which occur infrequently in a school district. The rationale in creating the agency was to provide itinerant services for those students for whom it is not cost effective for the district to provide services in house. However, there is a cut-off point once the district has certified enough students of a given disability that it would be less costly to the State for the district to provide the services directly than for SESA to continue providing services. SESA has operated under an informal

policy that once a district has certified eight children in any one disability they encourage the district to provide services. We recommend the Board formally adopt a policy to avoid any potential conflict with districts over who should provide services, and to avoid unnecessary strain on SESA resources thus limiting services required of other qualified students.

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ANALYSIS OF PUBLIC NEED

Limited Analysis

The following analyses of SESA activities indicate both positive and negative factors as they relate to the public need factors defined in AS 44.66.050. These analyses were not intended to be all-inclusive, but address those areas we were able to cover within the scope of our review.

I. The extent to which the board, commission, or program has operated in the public interest.

SESA has attempted to meet the needs of low-incidence handicapped students through an outreach program staffed by educational specialists. It is assisting rural school districts in complying with Federal and State mandates governing students with disabilities. We were unable to evaluate the agency's effectiveness because there are no program standards defining acceptable minimum programs services (see Recommendation No. 1), and also due to SESA only being in existence for seven months at the time of our review.

II. The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

Our review did not find SESA legislation, which has been in existence for only seven months, restrictive or overly broad. SESA has been able to provide basic educational services to all eligible students referred to them by rural school districts. However, SESA has not formally adopted a policy stating the maximum number of students in a district with one disability that SESA will serve which may strain SESA resources in the future (see Recommendation No. 3).

III. The extent to which the board, commission or agency has recommended statutory changes which are generally of benefit to the public interest.

No statutory changes have been recommended regarding SESA, but agency personnel have been actively involved and supportive in the effort to enact legislation revising foundation funding.

- IV. The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service which it has provided.

Services are provided to districts based on student service plans and staff/parent service plans formulated with SESA and district personnel as well as parents which generate a technical assistance agreement (TAA) between SESA and the district. District personnel are annually asked to rate SESA services provided under the TAAs. The results of the most recent survey are included as Appendix D to this report.

- V. The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

No regulations have been promulgated by SESA. All meetings of the board of directors are noticed and open to the public.

- VI. The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, to the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

There is no record of any complaints being filed with SESA or the Department of Education. SESA is not within the jurisdiction of the Office of the Ombudsman, therefore complaints would be referred to DOE.

- VII. The extent to which a board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.

This point of analysis is not applicable to SESA as it does not regulate entry into an occupation or profession.

- VIII. The extent to which State personnel practices, including affirmative action requirements, have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

SESA employees are not in the State service and are not subject to the State Personnel Act. Hiring, termination and grievance procedures are enumerated in the SESA procedures manual and are in compliance with EEO guidelines.

- IX. The extent to which statutory, regulatory, budgeting or other changes are necessary to enable the agency board or commission to better serve the interests of the public and to comply with the factors.

Please refer to the previous section, Findings and Recommendations.

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APPENDIXES

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APPENDIX A

DEPARTMENT OF EDUCATION
SPECIAL EDUCATION SERVICES AGENCY
SCHEDULE OF REVENUES AND EXPENDITURES

For the Period September 1, 1986 through February 28, 1987
(UNAUDITED)
(Note 1)

Revenues (Note 2)

State Grants (received to date)	\$618,746
Federal Grants	<u>131,287</u>
<u>Total Revenues as of 2/28/87</u>	<u>\$750,033</u>

Expenditures (Note 2)

Administrative Staff	\$ 69,295
Certified Staff	343,818
Classified Staff	43,331
Payroll Taxes	40,949
Teacher's Retirement System	32,386
Public Employee's Retirement System	3,361
Professional/Technical Services	6,760
Travel	134,912
Communications	18,246
Facility Rental	32,374
Education Maintenance	1,980
Office Supplies/Equipment	10,297
Professional Materials	1,496
Equipment Maintenance	2,485
Accounting/Audit	1,960
Insurance	4,729
Printing	1,309
Other	<u>1,072</u>
<u>Total Expenditures as of 2/28/87</u>	<u>\$750,760</u>

Note 1: The information included in this schedule was obtained from SESA records. This information has not been audited by us and accordingly, we express no opinion on it.

Note 2: SESA has been authorized to receive and expend \$1,617,929 in Federal and State grants as of February 28, 1987.

Note 3: This schedule does not include monies received or expended by SESA's predecessor (ARMSI) prior to the organization of SESA.

APPENDIX B

Special Education Services Agency
Districts and Sites Visited and Students Served

July 1, 1986 - December 31, 1986

(Note 1)

<u>Visits</u>	<u>District</u>	<u>Site</u>	<u>Students</u>
3	Alaska Gateway	Eagle	2
		Mentasta	1
		Northway	4
		Tetlin	2
		Tok	2
9	Bering Strait	Diomede	1
		Elim	1
		Gambell	1
		Koyuk	1
		Shishmaref	2
		Teller	1
		Unalakleet	2
		Wales	1
		King Salmon	1
1	Bristol Bay	King Salmon	1
		Gustavus	1
2	Chatham	Gustavus	1
1	Copper River	Glenallen	1
		Kenny Lake	2
		Craig	2
2	Craig	Craig	2
		Delta Schools	5
5	Delta Greely	Ft. Greely	1
		Dillingham School	2
2	Dillingham	Dillingham School	2
		Barnette Elementary	1
2	Fairbanks	Birch	1
		Ft. Wainwright	1
		Haines Elementary	2
		Mosquito Lake	1
1	Hydaburg	Hydaburg Schools	1
		Floyd Dryden	1
2	Juneau	Juneau Douglas H.S.	1
		Marie Drake M.S.	1
		Mendenhall Glen	1
		St. Jude	2
		Chevak	1
1	Kashunamuit	Chevak	1
		Kalifonsky Beach	2
1	Kenai	Kenai Elementary	2

Note 1: All information obtained from SESA "Department of Education State Contract for Low Incidence Handicapped Outreach Service Quarterly Report" for the period October - December 1986 and FY 87 year to date.

APPENDIX B

Special Education Services Agency
Districts and Sites Visited and Students Served
 July 1, 1986 - December 31, 1986

<u>Visits</u>	<u>District</u>	<u>Site</u>	<u>Students</u>
7	Ketchikan	Houghtaling	1
		Ketchikan City	1
		Ketchikan H.S.	2
		Pt. Higgens	1
		Schoenbar Jr. H.S.	1
		Valley Park Elementary	4
		White Cliff Elementary	1
1	King Cove	King Cove Elementary	1
4	Klawock	Klawock Schools	2
4	Kodiak	Chiniak	1
		East Elementary	1
3	Lake & Penn.	Newhalen	2
		Perryville	1
13	Lower Kuskokwim	Bethel M.E.	4
		Eek	1
		Kasigluk	1
		Kipnuk	1
		Kongiginak	2
		Kwethluk	3
		Nunapitchuk	1
		Toksook Bay	1
		Tonunak	1
3	Lower Yukon	Marshall	1
		Mt. Village	1
		Pilot Station	1
4	Mat-Su	Swanson Elementary	1
		Wasilla H.S.	1
2	Nenana	Nenana Schools	1
5	Nome	Nome Elementary	5
3	North Slope	Barrow Elementary	4
		Barrow High School	2
		Pt. Lay	1
5	NW Arctic	Buckland	1
		Kotzebue M.S.	2
		Kotzebue H.S.	1
1	Pelican	Pelican Schools	1
2	Petersburg	Petersburg M.S.	2
2	Railbelt	Anderson	2
		Cantwell	1
4	Sitka	Baranof Elementary	1
		Blatchley Jr. H.S.	1
		Mt. Edgecumbe	2
		Sitka High School	2

APPENDIX B

Special Education Services Agency
Districts and Sites Visited and Students Served
July 1, 1986 - December 31, 1986

<u>Visits</u>	<u>District</u>	<u>Site</u>	<u>Students</u>
3	Skagway	Skagway City	2
1	S.E. Island	Hollis	1
5	S.W. Region	Levelock	1
		New Stuyahok	1
		Togiak	1
4	Wrangell	Wrangell Elementary	5
2	Yukon Flats	Ft. Yukon	1
		Venetie	2
4	Yukon-Koyukuk	Bettles Field	1
		Huslia	1
		Kaltag	1
		Koyukuk	1
1	Yupiit	Tuluksak	1
<hr/>	<hr/>	<hr/>	<hr/>
<u>118</u>	<u>37 Districts</u>	<u>91 Sites</u>	<u>141</u>

APPENDIX C

Special Education Services Agency
Type and Number of District Persons Assisted
July 1, 1986 - December 31, 1986
 (Note 1)

<u>District</u>	<u>No. of Teach.</u>	<u>No. of Aides</u>	<u>No. of Admin.</u>	<u>No. of Cert.</u>	<u>No. of Non Cert.</u>	<u>No. of Parents</u>	<u>Total</u>
Alaska							
Gateway	6	0	4	0	2	2	14
Bering St.	22	1	9	2	1	6	41
Bristol Bay	1	0	1	1	0	1	4
Chatham	1	1	1	0	0	0	3
Copper Riv.	2	1	2	0	1	0	6
Craig	1	0	2	0	3	0	6
Delta/Gre.	8	1	3	1	1	3	17
Dillingham	3	1	1	1	2	2	10
Fairbanks	5	2	2	3	0	3	15
Haines	5	1	2	1	2	3	14
Hydaburg	1	0	1	0	0	0	2
Juneau	12	4	5	4	3	4	32
Kashunamuit	2	0	1	0	0	0	3
Kenai	4	0	1	1	0	2	8
Ketchikan	12	0	7	4	9	1	33
King Cove	2	0	1	0	0	1	4
Klawock	4	1	3	1	1	1	11
Kodiak	4	0	3	1	2	2	12
Lake & Penn.	5	1	3	1	3	2	15
Low. Kusk.	20	8	9	6	6	11	60
Low. Yukon	3	0	4	0	3	2	12
Mat-Su	3	4	3	0	2	1	13
Nenana	5	0	1	0	1	1	8
Nome	6	2	2	1	4	0	15
North Slope	10	4	5	0	0	5	24
NW Arctic	16	0	5	0	4	1	26
Pelican	1	1	1	0	0	2	5
Petersburg	6	0	2	1	3	2	14
Railbelt	2	1	2	0	3	0	8
SE Island	1	1	0	1	0	1	4
Sitka	12	3	6	5	5	9	40
Skagway	1	0	1	0	0	2	4
SW Region	7	1	2	3	0	2	15
Wrangell	3	3	1	1	5	3	16
Yukon Flats	3	2	3	3	3	1	15
Yukon-Koy.	7	2	2	1	3	1	16
Yupitit	1	0	2	0	0	0	3
Total	<u>207</u>	<u>46</u>	<u>103</u>	<u>43</u>	<u>72</u>	<u>77</u>	<u>548</u>

Note 1: Data from SESA DOE State Contract for Low Incidence Handicapped Outreach Service Quarterly Report for the period 10/1/86-12/31/86 and FY 87 year to date.

APPENDIX D

Special Education Services Agency
Technical Assistance Satisfaction Ratings
July 1, 1986 - December 31, 1986
(Note 1)

	<u>First Quarter</u>		<u>Second Quarter</u>	
	<u>Cum. No.</u>	<u>Rating</u> (Note 2)	<u>Cum. No.</u>	<u>Rating</u> (Note 2)
A. Was the purpose of this trip achieved?	4	6.50	43	6.40
B. The assistance provided was beneficial to me.	4	6.00	43	6.49
C. I will utilize the assistance/information provided during the school year.	4	7.00	43	6.58
D. Overall, the assistance provided met my needs to better serve the students.	4	6.75	43	6.60

Note 1: Data was obtained from SESA "Department of Education State Contract for Low Incidence Handicapped Outreach Service Quarterly Report" for the period October - December 1986 and FY 87 year to date.

Note 2: School district personnel were asked to rate SESA services on a 7.0 point scale, with 7.0 being the highest rating.

SPECIAL EDUCATION SERVICE AGENCY

2211-B ARCA DRIVE / ANCHORAGE, ALASKA 99508 / PHONE (907) 279-9675

April 21, 1987

RECEIVED
APR 22 1987

Mr. Gerald Wilkerson
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811-3300

LEGISLATIVE
AUDIT

Dear Mr. Wilkerson:

This letter is in response to your report, "A Performance Report on the Department of Education, Special Education Service Agency, March 25, 1987."

In this report, you made three recommendations. We will respond to each.

Recommendation No. 1

The Department of Education (DOE) should promulgate regulations delineating special education program standards, and once enacted, monitor school districts for compliance with those standards.

We concur with this recommendation and have and will continue to assist the Department in this endeavor. Recently, we and others in the state have suggested that the Department of Education go to public hearing with Program Standards developed through the Program Standards Task Force.

Recommendation No. 2

Alaska Statute 14.30.650 should be amended to require school districts utilizing SESA services to contribute to SESA funding.

The funding of education services in this state has needed major revision for a number of years. The current formula for SESA was derived because of the need to provide stability to the agency and to provide a funding mechanism which provides enough revenue to provide an appropriate amount of service to school districts. We feel that SESA's funding needs to be considered with the state's funding formula for education and changes made as experience with these formulas reveal discrepancies or problems. We would support a funding mechanism which provides stability to the agency and provides enough dollars to perform the job.

Gerald Wilkerson
April 21, 1987
Page Two

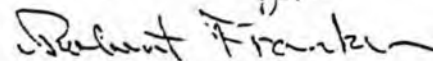
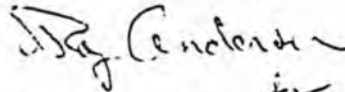
Recommendation No. 3

The Special Education Service Agency Board of Directors should adopt a policy stating the maximum number of students of any one disability they will serve in a school district.

We concur with this recommendation and plan to adopt such a policy at our May 30, 1987, Board meeting.

Thank you for the opportunity to respond to your report. In all, we found the report quite well done and complete.

Yours sincerely,



Robert A. Franken, President
SESA Board of Directors

RBA:jar

STEVE COWPER, GOVERNOR

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

April 22, 1987

GOLDBELT PLACE
801 WEST 10th STREET
POUCH F
JUNEAU, ALASKA 99811

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
Pouch W
Juneau, Alaska 99811

APR 27 1987

Dear Mr. Wilkerson:

This is in response to the Performance Report on the Special Education Services Agency dated March 25, 1987. Your recommendations and our responses are as follows:

Recommendation No. 1

The Department of Education should promulgate regulations delineating special education program standards and once enacted, monitor school districts for compliance with those standards.

Response: On April 28, 1987, the Department will present to the Alaska State Board of Education proposed regulations for program standards for promulgation.

It is anticipated that these regulations will be in place prior to the beginning of the 1987-88 school year.

Recommendation No. 2

Alaska Statute 14.30.650 should be amended to require school districts utilizing SESA services to contribute to SESA funding.

Response: The Department of Education concurs with this recommendation as a philosophy, but the mechanics of establishing a system of payment by the districts would be extremely difficult to implement and enforce. A survey conducted by the Office of Special Services on this issue indicated that half of the responding districts would not use SESA services if they were required to pay for the services. It would be very difficult for SESA to build a budget and hire staff not knowing how many districts would purchase these services. Further, it would probably result in many students who are eligible for and in need of services not receiving those services.

Recommendation No. 3

The Special Education Services Agency Board of Directors should adopt a policy stating the maximum number of students of any one disability they will serve in a school district.

April 22, 1987

Response: The Department of Education does not concur that an agency board should prescribe a policy of this nature. A random number may hinder services in one district and not another, depending upon the geographical conditions of the district. Eight students may be appropriate in a rural district while three may be appropriate in an urban district.

Sincerely,

A handwritten signature in cursive script, appearing to read "William G. Demmert", with a large, sweeping flourish at the end.

William G. Demmert
Commissioner

Introduced: 3/25/87
Referred: Health, Education & Social Services
& Finance

5-0911A

1 IN THE SENATE

BY ZHAROFF, HENSLEY, DUNCAN
AND FAIKS

2

SENATE BILL NO. 212

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act extending the termination date of the Special
7 Education Service Agency; and providing for an effec-
8 tive date."

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

10 * Section 1. AS 44.66.010(a)(14) is amended to read:

11 (14) Special Education Service Agency (AS 14.30.600) --

12 June 30, 1990 [1987].

13 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 4/29/87 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED 1 **
IN ACCORDANCE WITH AS 24.08.035
(see below)

3/26/87

DATE TURNED INTO OFFICE 5/9/87

Mr. President:

HESS Committee considered SB 212

extending the termination date of the Special Education Service Agency; efd.

and recommended:

- replace with CS SB 212 (HESS) same title
- attached amendment(s) and new title
- ^{may} Do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul Josephson

[Signature]

[Signature]

Paul Grish Do Pass
Chairman signature and recommendation

Committee Backup Attached

SB

217

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of _____ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
(see below)

3/26/87 DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SB 217

legislative per diem; efd.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup Attached

BY THE RULES COMMITTEE BY REQUEST
OF THE LEGISLATIVE COUNCIL

1 IN THE SENATE

2 SENATE BILL NO. 217

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to legislative per diem; and provid-
7 ing for an effective date."

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

9 * Section 1. AS 24.10.105(b) is amended to read:

10 (b) A legislator is entitled to receive per diem at the short-
11 term rate

12 (1) for the 10 days before, the 10 days after, and each day
13 of [DURING] a legislative session if the legislator is not living in
14 the legislator's place of permanent residence during the session;
15 [AND]

16 (2) during the period of time not included in (1) of this
17 subsection, while on committee business or other legislative business
18 in a place that is not the legislator's place of permanent residence;
19 and

20 (3) during the 10 days before and the 10 days after a
21 legislative session while engaged in committee business or other
22 legislative business in a place that is not the legislator's place of
23 permanent residence if the legislator is living in the legislator's
24 place of permanent residence during the session.

25 * Sec. 2. AS 24.10.105(c) is amended to read:

26 (c) A legislator is entitled to receive per diem at the long-
27 term rate

28 (1) for the 10 days before, the 10 days after, and each day
29 of [DURING] a legislative session if the legislator is living in the
S

1 legislator's place of permanent residence during the session unless
2 the legislator received per diem at the short-term rate under (b)(3)
3 of this section for that day; and

4 (2) during the period of time not included in (1) of this
5 subsection, while engaged in committee business or other legislative
6 business at the legislator's place of permanent residence.

7 * Sec. 3. AS 24.10.105 is amended by adding a new subsection to read:

8 (e) In addition to receiving per diem under (b) or (c) of this
9 section, a legislator is entitled to reimbursement for actual expenses
10 for transportation, food, and lodging when away from Juneau on legis-
11 lative business during the legislative session if the trip is author-
12 ized by the president of the senate or the speaker of the house of
13 representatives, as appropriate. However, a legislator may not re-
14 ceive reimbursement for an item that is greater than \$10 unless the
15 legislator presents a receipt for the expense or, if the receipt is
16 unavailable, a written explanation for the failure to present the
17 receipt.

18 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).
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S

ALASKA STATE LEGISLATURE

.15th. Legislature **.1st.** Session

SENATE...BILL..... NO...217

By **THE RULES COMMITTEE** BY
REQUEST OF THE LEGISLATIVE
COUNCIL

"An Act relating to legislative
per diem; and providing for an
effective date."

Introduced in the Senate ... **3/26**, 19 .. **87** ..

HISTORY IN THE SENATE

19 87

3 26

Read first time and referred
to Committee on
Finance

Reported back with
recommendation that

Read second time and

Read third time and

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

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

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
Reconsideration not taken up

PASSED	Effective Date
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

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

Chapter No.

Filed with Lt. Governor

SB

218

SENATE COMMITTEE REPORT

FURTHER:

4/24/87

DATE TURNED INTO OFFICE _____

Mr. President:

FINANCE Committee considered SB 218

purchase of foreign investments by the board of trustees of the Alaska permanent fund.

and recommended:

replace with CS FOR _____) same title
 or adopt _____ CS FOR _____) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Chairman signature and recommendation

Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of ✓ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED ✓ **
IN ACCORDANCE WITH AS 24.08.035 + Gov's FN attached ✓
(see below)

3/30/97 DATE TURNED INTO OFFICE _____
Mr. President:

INTERNATIONAL TRADE Committee considered SB 218

purchase of foreign investments by the board of trustees of the
Alaska permanent fund.

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____
- letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact *previous Gov.*

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
Willie Humley

[Signature] (DO PASS)
 Chairman signature and recommendation

Committee Backup Attached

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 218

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to purchase of foreign investments
7 by the board of trustees of the Alaska permanent
8 fund."

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

10 * Section 1. AS 37.13.120(g)(8) is amended to read:

11 (8) domestic corporate debt securities that [WHICH] are
12 rated AA or better by a nationally recognized rating service, or
13 foreign corporate debt securities of comparable quality;

14 * Sec. 2. AS 37.13.120(g)(19) is amended to read:

15 (19) certificates of deposit, term deposits, or bankers'
16 acceptances, which are issued by a United States or foreign bank or
17 trust company located in a foreign country and are denominated in
18 United States or foreign currency, if either (A) they may be readily
19 sold in a secondary market at prices reflecting fair value, or (B) the
20 issuing bank or trust company has capital and surplus at the date of
21 issue equaling at least \$100,000,000 [\$500,000,000]; investments made
22 under this paragraph are not subject to the collateral requirements
23 for domestic certificates under (m) of this section;

24 * Sec. 3. AS 37.13.120(g) is amended by adding a new paragraph to read:

25 (21) securities of foreign governments, foreign govern-
26 mental agencies, and foreign corporations the principal of which is,
27 or the interest or dividends on which are, payable in either United
28 States dollars or foreign currencies.

29 * Sec. 4. AS 37.13.120(h) is amended to read:
S

1 (h) The board may enter into future contracts for the sale of
2 investments purchased under (g) of this section, or for the sale of
3 foreign currencies, only for the purpose of hedging an existing equiv-
4 alent ownership position in these investments [SECURITIES].

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

6 (i) At the time of each investment, the aggregate investment of
7 the Alaska permanent fund in each stated category of investment may
8 not exceed the following stated percentage of the total investments of
9 the fund: mortgages under (g)(16) of this section, 15 percent; real
10 estate investments under (g)(20) of this section, 15 percent; foreign
11 certificates of deposit, foreign term deposits, and foreign bankers'
12 acceptances [OR THE EQUIVALENT] under (g)(19) of this section, 20
13 percent; securities of foreign governments, foreign governmental
14 agencies, and foreign corporations under (g)(8) and (11) of this
15 section. 20 percent; domestic corporate stocks and debt securities
16 under (g)(8), (9), and (18) of this section, 50 percent. The Alaska
17 permanent fund may at no time own more than five percent of the voting
18 stock of a corporation. Domestic stocks, except for bank and insur-
19 ance company stocks, must be listed at the date of purchase on an
20 exchange registered with the Securities and Exchange Commission.
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26
27
28
29

No 171

B

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: Senate
3-27-87
SB 218

REQUEST
Bill/Resolution No: SB 218
Title: An Act relating to purchase of foreign securities by PFC

FISCAL DETAIL
Agency Affected: Revenue
BRU: Permanent Fund Corporation

Sponsor: Rules
Requestor: Governor
Date of Request: March 12, 1987

Components: Operating

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 91
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	35.0	500.0	500.0	500.0	500.0
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	35.0	500.0	500.0	500.0	500.0
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHEP	-	35.0	500.0	500.0	500.0	500.0
TOTAL	-	35.0	500.0	500.0	500.0	500.0

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS:

FY 88 - Contractual for Manager Search

FY 89 - FY 92 Management Fees

Prepared By: Royce Weller by request of PFC
Division: Office of the Commissioner

Phone: 465-2300

Date: March 12, 1987

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 3/12/87

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 25, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of foreign investments by the board of trustees of the Alaska Permanent Fund. The bill specifically permits the purchase of foreign securities by the board.

Returns from foreign investment have exceeded those from investments in the United States over most recent 10-year periods. In addition, the United States represents less than one-half of the world's equity capitalization, and that share is declining as foreign economies experience more rapid long-term growth. No one national market consistently produces superior or inferior returns, and foreign securities markets exhibit a low correlation with the U.S. market. Consequently, the ability to invest in those foreign securities will reduce overall portfolio risk while providing an increased return when compared to a portfolio of solely U.S. equities.

In sec. 2 of the bill, capital and surplus requirements are reduced in recognition of different international accounting conventions. For example, it has been reported in Barron's National Business and Financial Weekly that, if U.S. regulators required U.S. banks to establish a modest 10 percent reserve against their loans to the six major Latin American debtors, it would cost Chase Manhattan Bank \$4.82 a share this year and Manufacturers Hanover Trust Co. more than twice that amount. On the other hand, some German banks reserve more than 30 percent against lesser-developed-country loans. If we were to require \$500,000,000 in capital and surplus of all foreign banks,

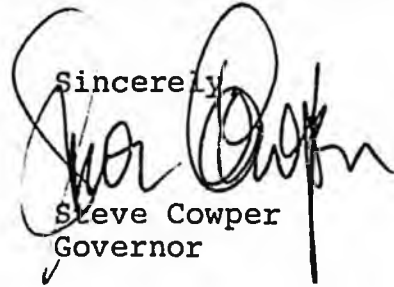
Hon. Jan Faiks

Page 2

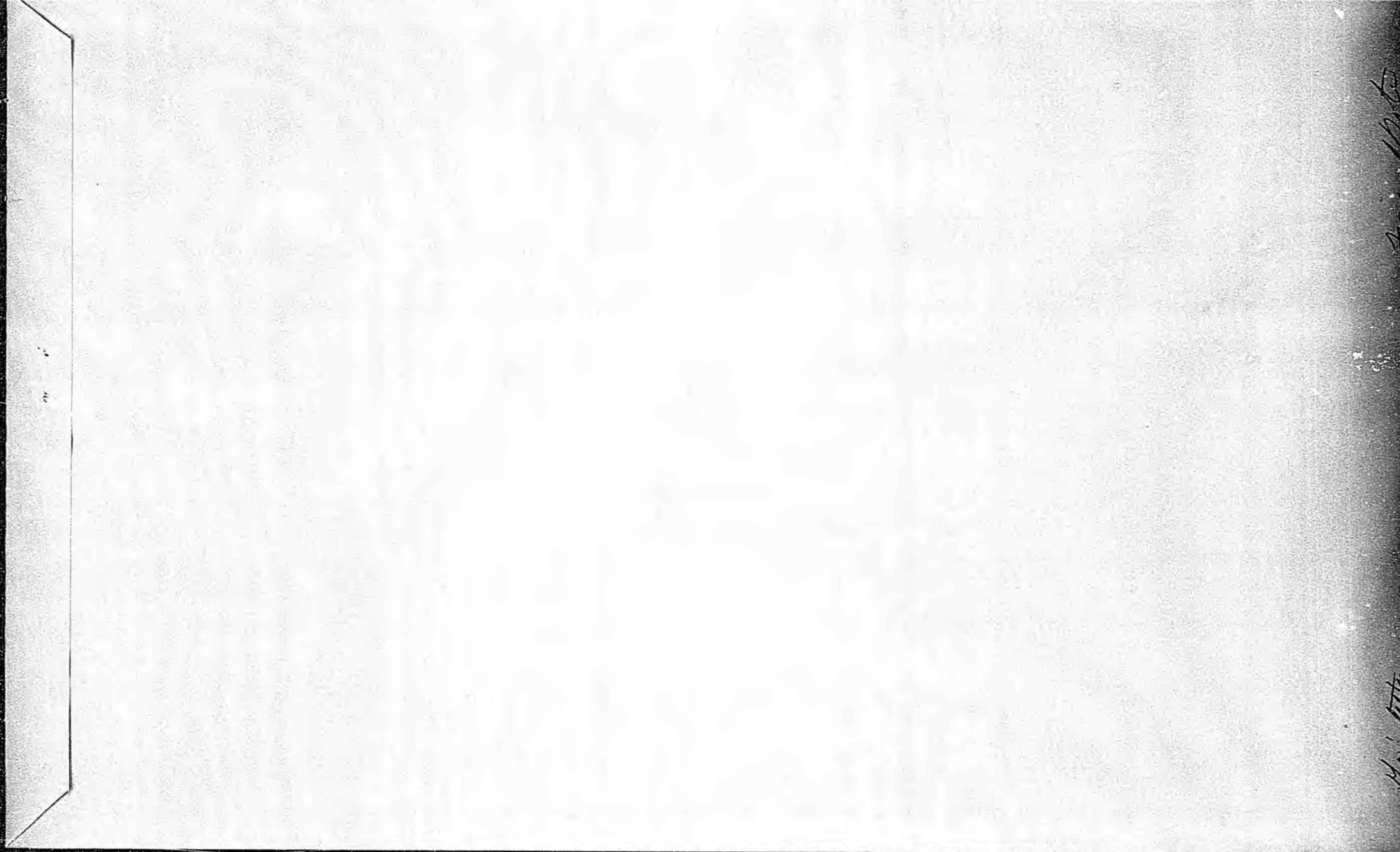
IF

we might be forced to eliminate investments in banks with smaller reported capital but very large unreported reserves, which might make them some of the safest banks in the world.

Sincerely,



Steve Cowper
Governor



10

10
10

ALASKA STATE LEGISLATURE

15th Legislature 1st Session

SENATE... BILL..... NO. 218.

By THE RULES COMMITTEE BY.....
REQUEST OF THE GOVERNOR

"An Act relating to purchase of foreign investments by the board of trustees of the Alaska permanent fund."

Introduced in the Senate .. 3/27....., 19 87....

HISTORY IN THE SENATE

19	87	Read first time and referred to Committee on <i>Unemployment Trade Refund</i>										
3	30	<i>added</i>										
3	27	Finance										
4	24	Reported back with <i>J. T.</i> recommendation that <i>30 days</i> <i>Exp. Fiscal Note, to Finance.</i> <i>Fix:</i>										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date											
Yeas	Yeas											
Nays	Nays											
Excused	Excused											
Absent	Absent											
		Reconsideration Reconsideration not taken up										
		<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date											
Yeas	Yeas											
Nays	Nays											
Excused	Excused											
Absent	Absent											
		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										
		<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
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Nays	Nays											
Excused	Excused											
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		Reconsideration Reconsideration not taken up										
		<table border="0"> <tr> <td>PASSED</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> </table>	PASSED	Effective Date	Yeas	Yeas	Nays	Nays	Excused	Excused	Absent	Absent
PASSED	Effective Date											
Yeas	Yeas											
Nays	Nays											
Excused	Excused											
Absent	Absent											
		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
		Chapter No.
		Filed with Lt. Governor

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to purchase of
foreign securities by PFC.
Sponsor: Rules
Requestor: Governor

Agency Affected: Revenue
BRU: Permanent Fund Corporation
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	35.0	500.0	500.0	500.0	500.0
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LAND & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	35.0	500.0	500.0	500.0	500.0

CAPITAL	-	-	-	-	-	-
---------	---	---	---	---	---	---

REVENUE	-	-	-	-	-	-
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	35.0	500.0	500.0	500.0	500.0
TOTAL	-	35.0	500.0	500.0	500.0	500.0

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS : (Attach a separate page if necessary)

FY 89: Contractual services for manager search.

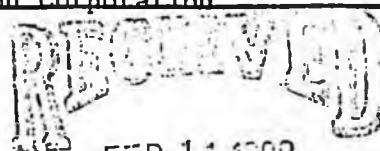
FY 90 - FY 93: Management fees.

Prepared by: Alaska Permanent Fund Corporation Phone: 465-2047
Division: _____ Date: February 8, 1988

Approved by Commissioner: David A. Rose, Exec. Director Date: February 8, 1988
Agency: Alaska Permanent Fund Corporation

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

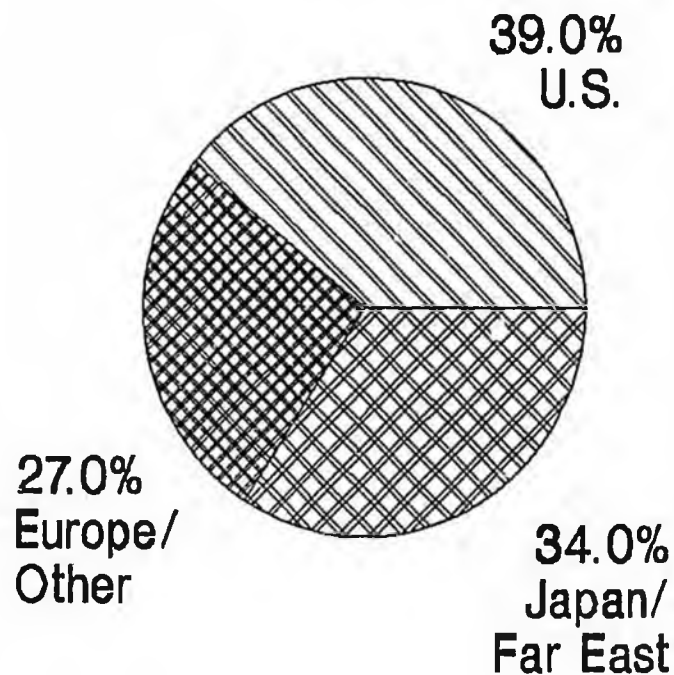


FEB 11 1988

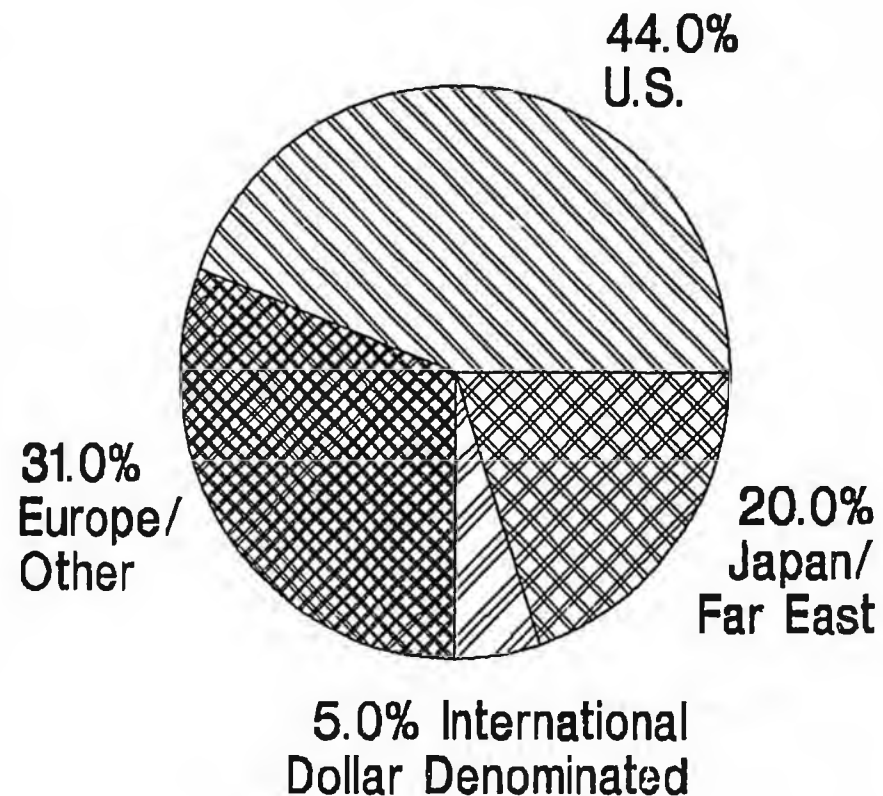
LEGISLATIVE FINANCE

1986 WORLD CAPITAL MARKETS

EQUITIES (\$5.6 Trillion)



BONDS (\$7.4 Trillion)



Source: J.P. Morgan Investment

Prepared by Permanent Fund Corporation

TOTAL ANNUAL RETURN (U.S. DOLLARS)

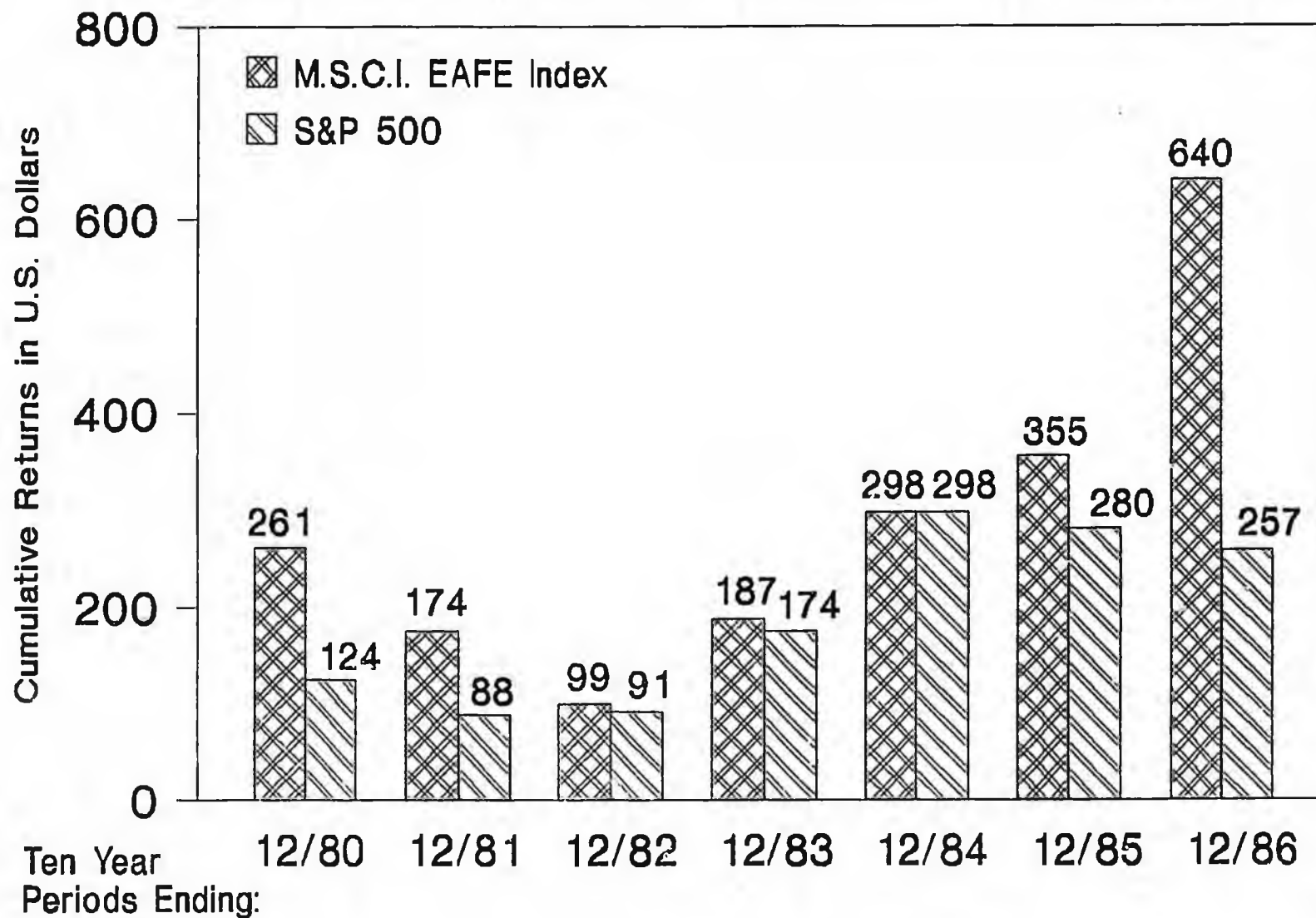
	<u>Germany</u>	<u>Switzer- land</u>	<u>U.K.</u>	<u>Australia</u>	<u>Hong Kong</u>	<u>Japan</u>	<u>Singapore</u>	<u>Canada</u>	<u>S&P 500</u>
1977	25.8	28.7	58.0	11.9	████████	15.9	5.9	(2.1)	(7.2)
1978	26.9	21.9	14.6	21.8	18.5	53.3	45.1	20.4	████████
1979	(2.2)	12.1	22.1	43.6	83.5	████████	28.5	51.8	18.5
1980	████████	(7.3)	41.1	55.3	72.7	30.3	62.8	22.6	32.4
1981	(8.2)	(9.5)	(10.6)	████████	(15.8)	15.8	18.3	(10.7)	(4.9)
1982	12.3	3.4	9.2	(22.6)	████████	(0.5)	(16.7)	2.4	21.5
1983	25.9	19.3	17.2	56.0	████████	24.9	31.7	33.4	22.4
1984	(3.8)	(11.1)	5.4	(12.6)	46.8	17.1	████████	(7.6)	6.2
1985	140.9	108.9	53.4	21.0	51.6	43.9	████████	16.1	31.7
1986	37.2	34.3	27.1	43.8	56.0	99.7	45.2	████████	18.2

□ BEST PERFORMER

████████ WORST PERFORMER

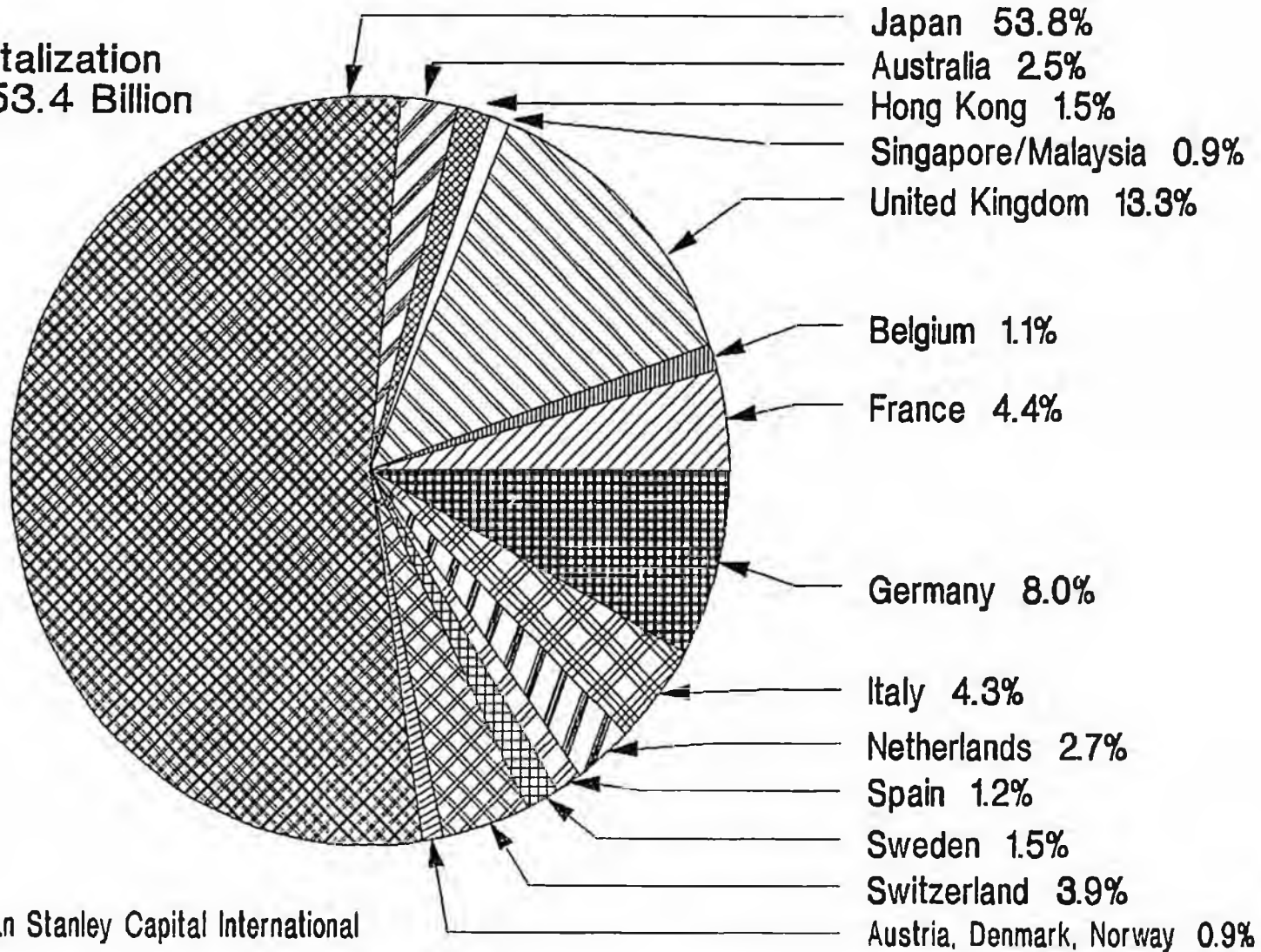
U.S. INTERNATIONAL EQUITY MARKET PERFORMANCE COMPARISON

M.S.C.I. EAFE INDEX vs. STANDARD & POOR'S 500



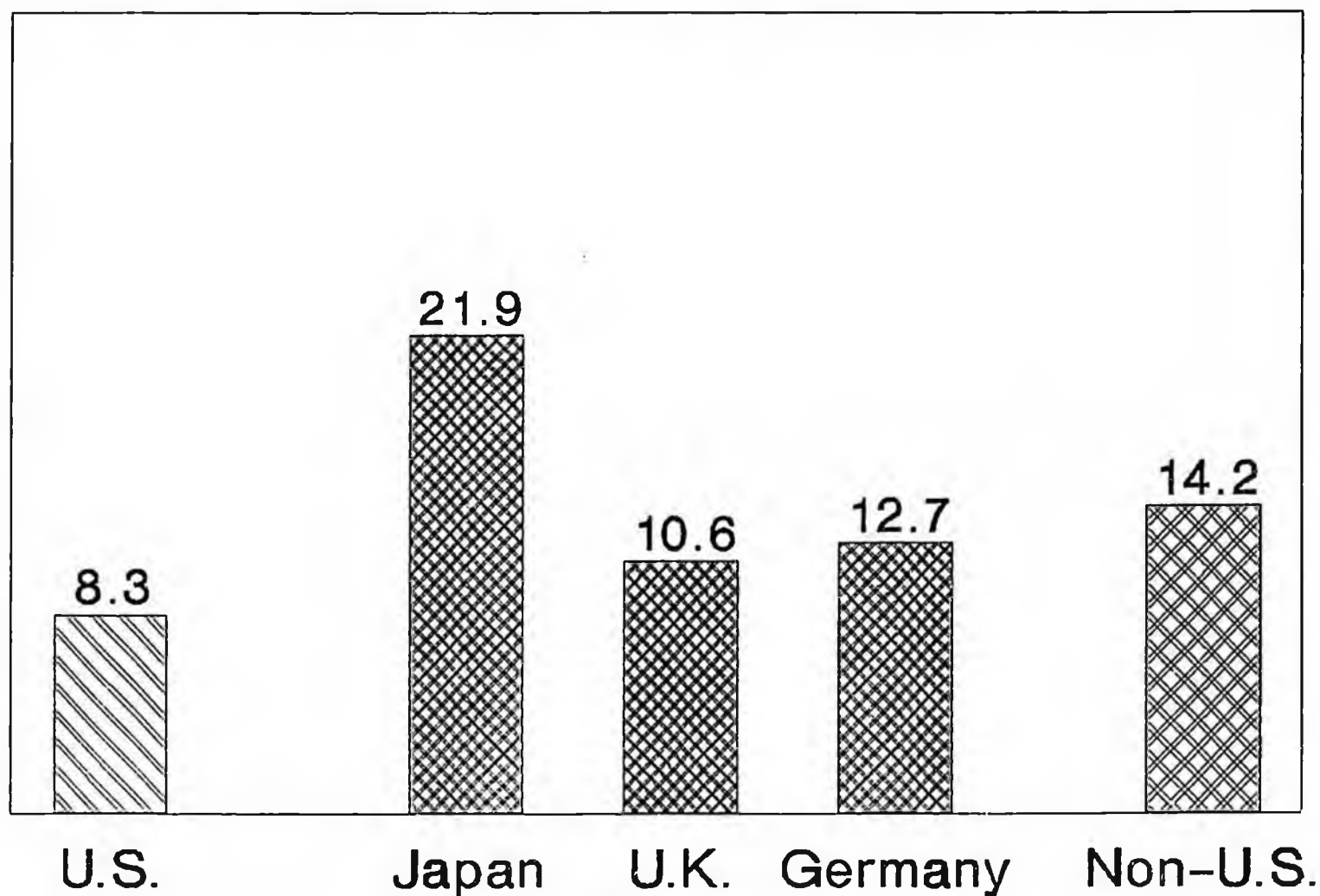
Components of The MSCI Europe, Australia, Far East (EAFE) Index December 31, 1986

Total Capitalization
U.S. \$2,053.4 Billion

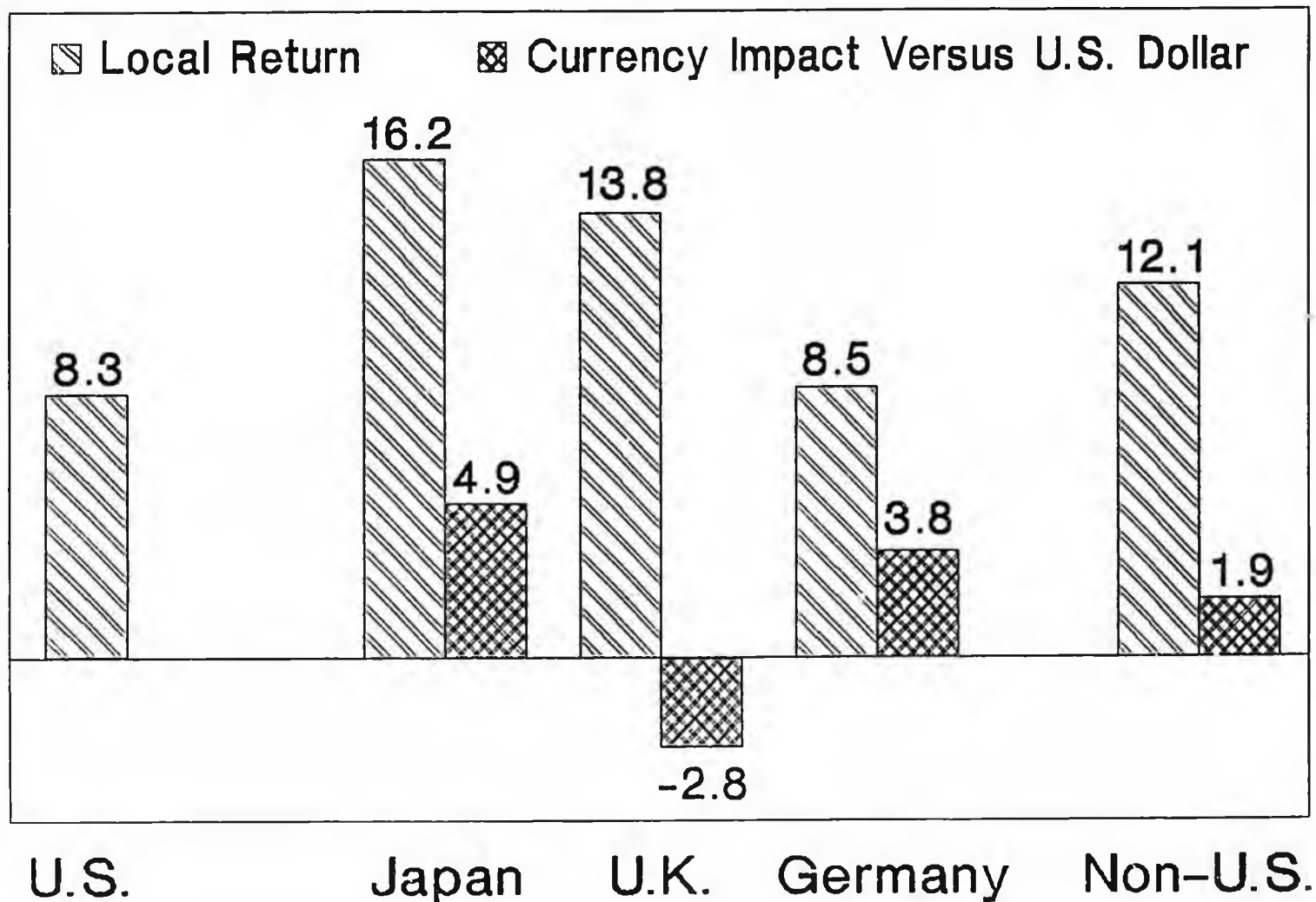


Source: Morgan Stanley Capital International

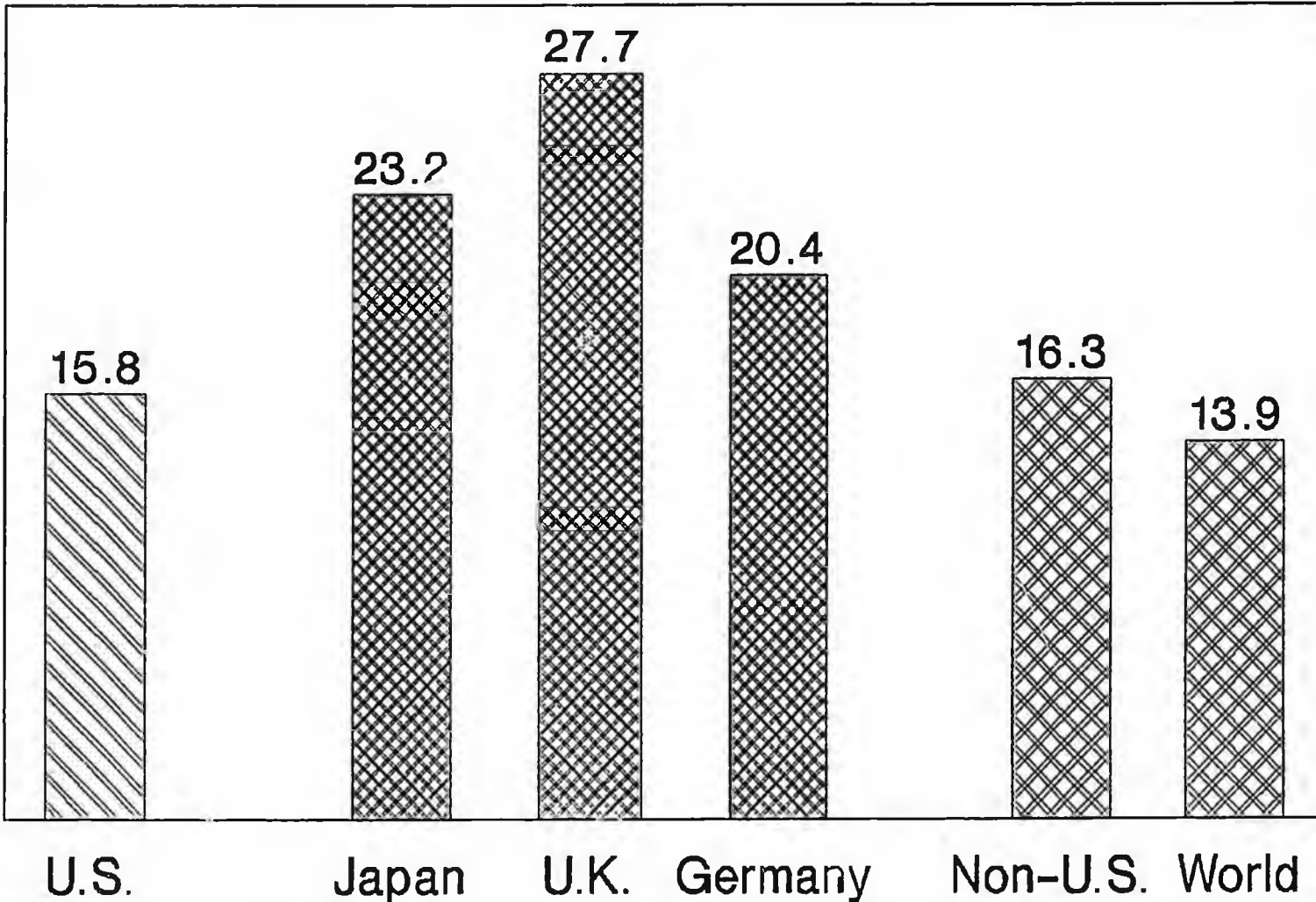
INTERNATIONAL EQUITY MARKETS ANNUALIZED RETURNS IN U.S. DOLLARS 1970 - 1986



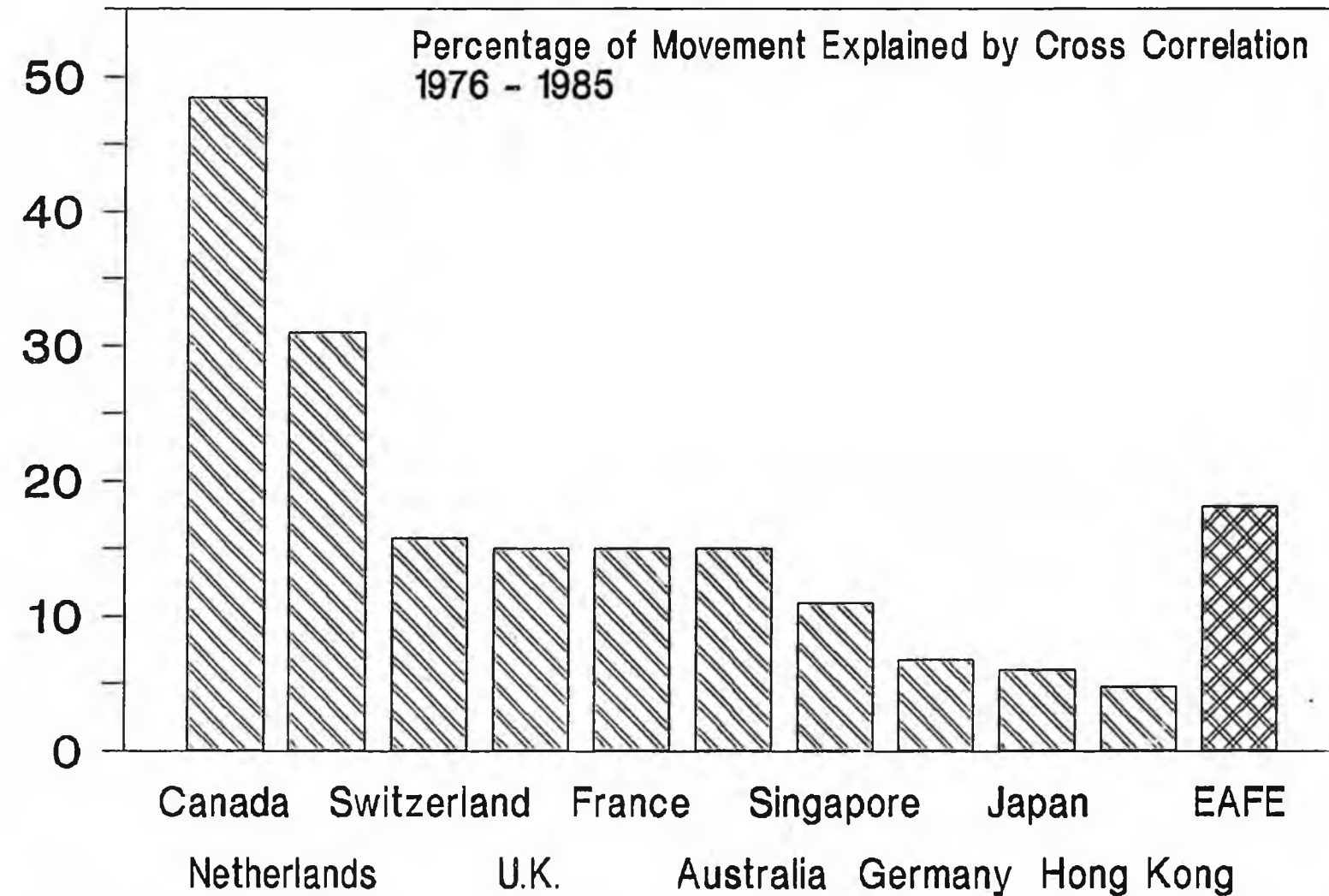
INTERNATIONAL EQUITY MARKETS ANNUALIZED LOCAL AND CURRENCY RETURNS 1970 - 1986



**INTERNATIONAL EQUITY MARKETS
STANDARD DEVIATION OF RETURNS IN U.S. DOLLARS
1970 - 1986**

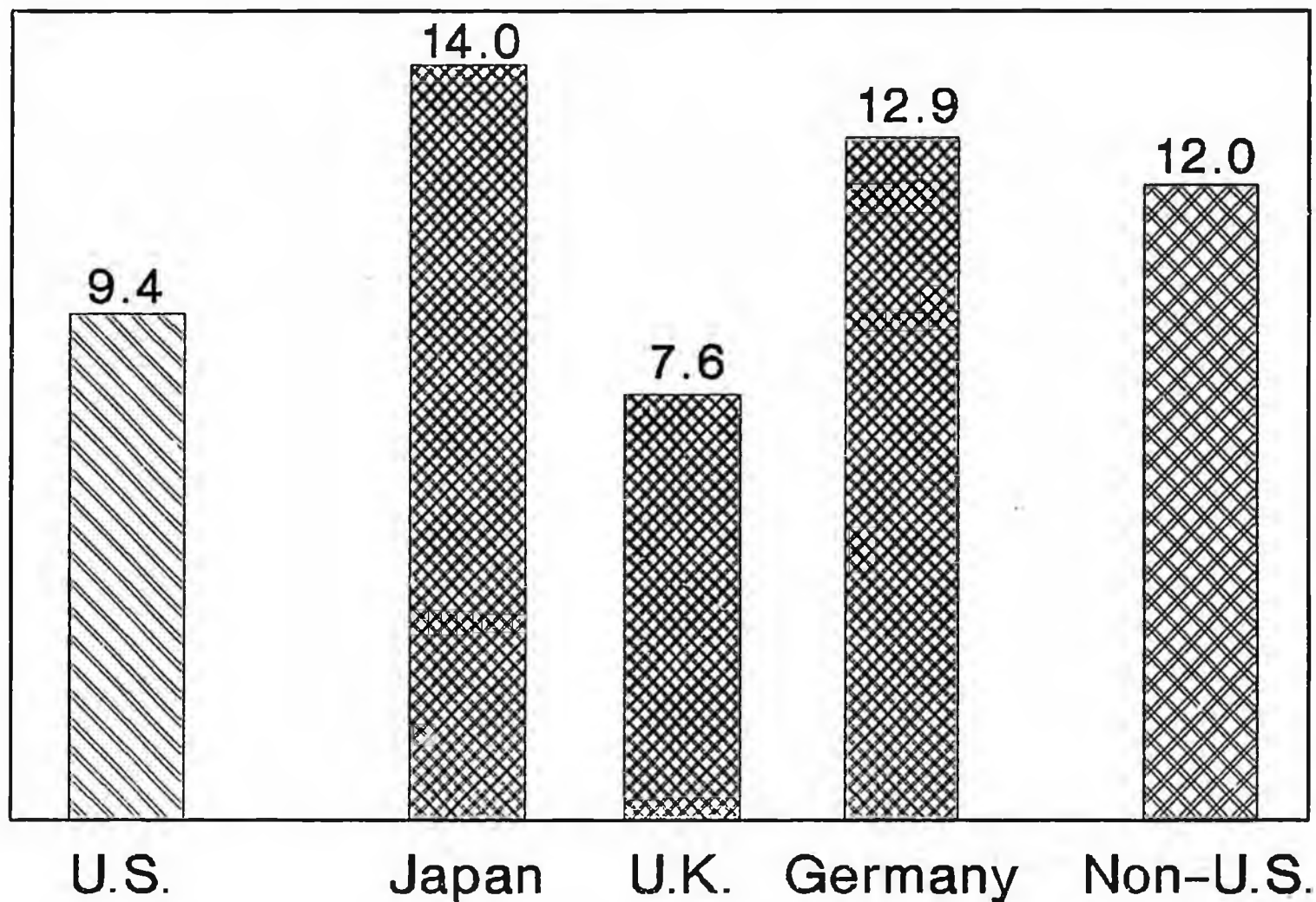


CORRELATION OF RETURNS BETWEEN U.S. AND MAJOR FOREIGN MARKETS

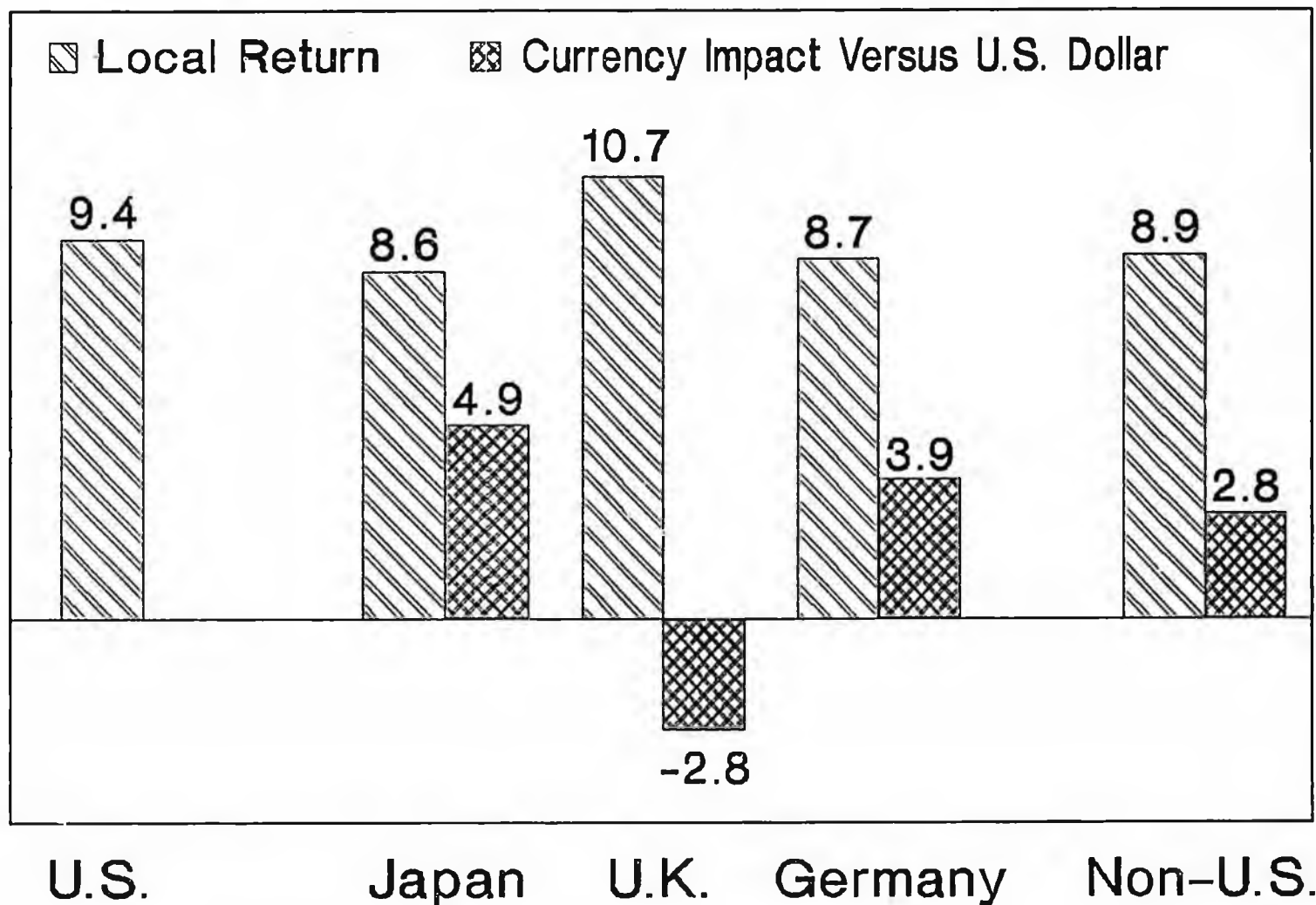


EAFE: Europe, Australia, and Far East Index

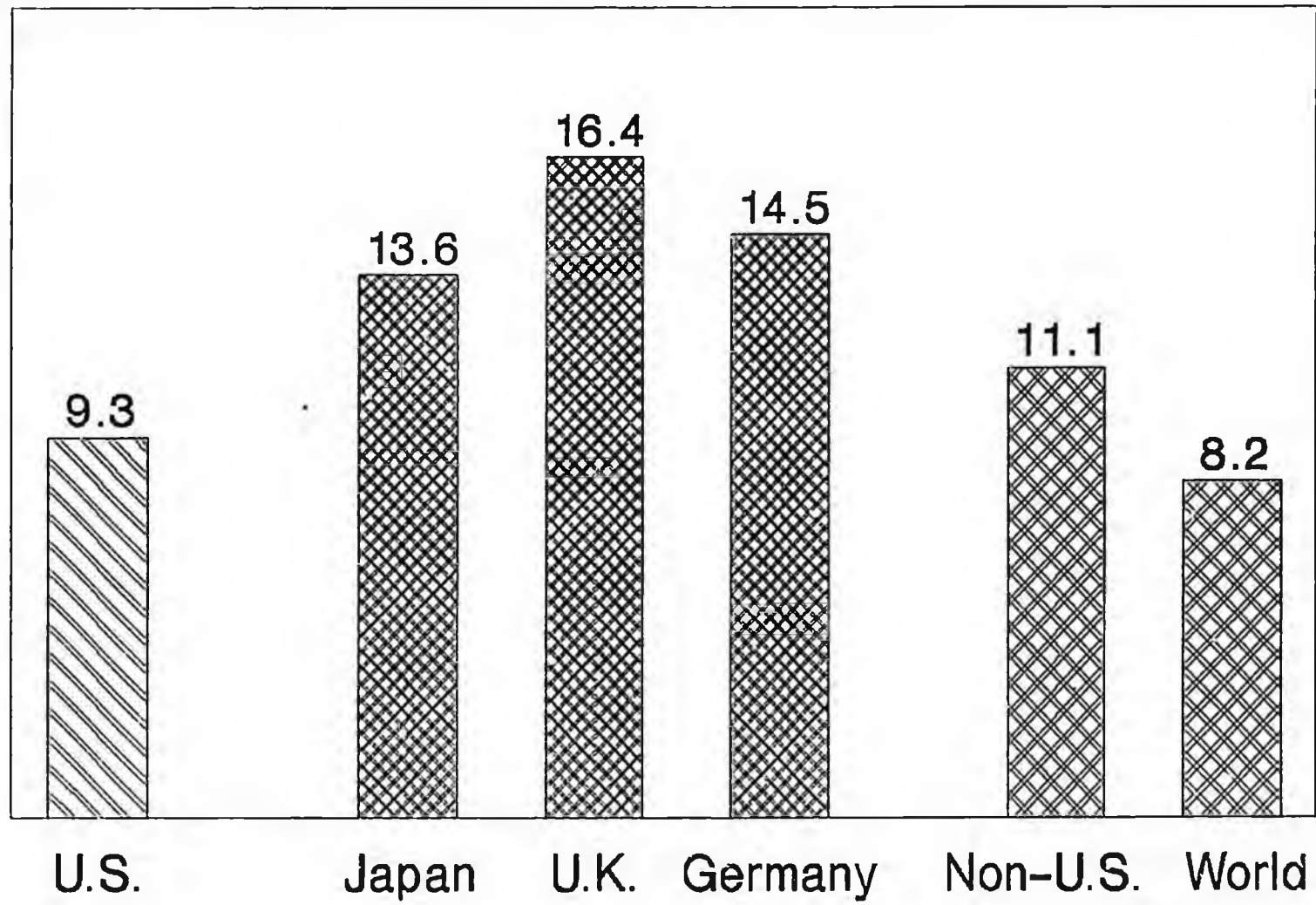
INTERNATIONAL FIXED INCOME MARKETS ANNUALIZED RETURNS IN U.S. DOLLARS 1970 - 1986



INTERNATIONAL FIXED INCOME MARKETS ANNUALIZED LOCAL AND CURRENCY RETURNS 1970 - 1986

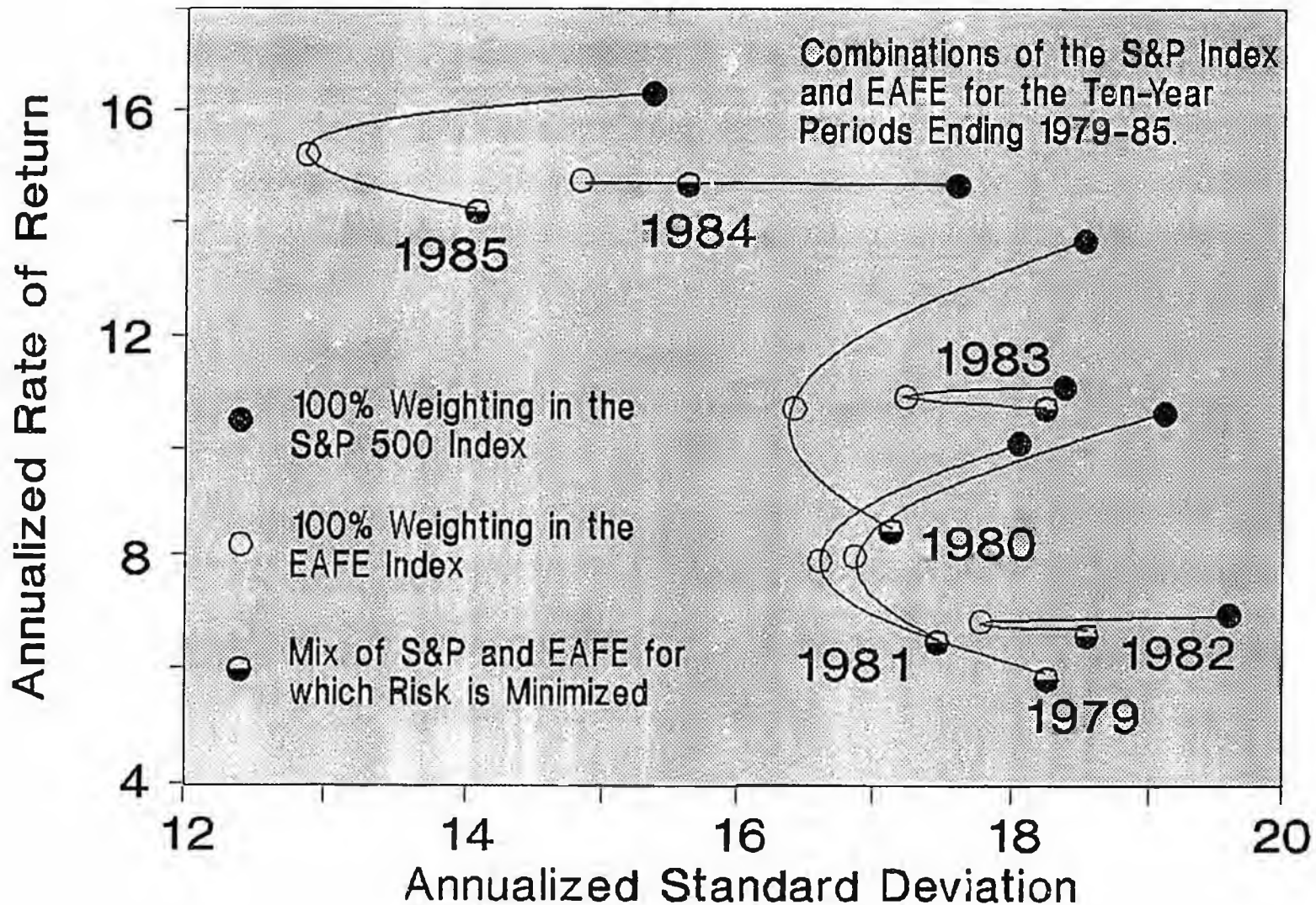


**INTERNATIONAL FIXED INCOME MARKETS
STANDARD DEVIATION OF RETURNS IN U.S. DOLLARS
1970 - 1986**



EAFE VERSUS THE S & P 500

RISK-RETURN ANALYSIS





Alaska Permanent Fund Corporation

P.O. Box 4-1000 Juneau, Alaska 99802-4100

(907) 465-2047 Telecopy (907) 586-2057

Board of Trustees:

Byron I. Mallott, Chairman

Oral E. Freeman, Vice-Chairman

Hugh Malone

Grace Schaible

Marc Langland

John Kelsey ✓

Executive Director:

David A. Rose

Chief Investment Officer:

William L. Means

THE IMPORTANCE OF INVESTING GLOBALLY IN A SHRINKING WORLD

Why foreign investments? This is a question which wouldn't even have arisen 20 years ago. In 1967, the United States' financial markets represented over two-thirds of the world's equity market capitalization, and the United States was the world's unquestioned financial and industrial leader. By the end of 1987, it represented only 33% of the world's equity market capitalization, and many economists predict that this percentage will continue to shrink.

The world's investable capital markets, excluding cash and real estate, totaled some \$13 trillion at the end of December 1986. The world fixed-income markets amounted to some \$7.4 trillion while the world equity markets totaled \$5.6 trillion. Some statisticians are projecting that by the year 2000, world GNP will be over \$15 trillion, with 75% outside the United States.

With the breakdown of exchange controls and rapid technological advances in communications, the internationalization of the world's financial markets has been proceeding at a rapid pace. To put into perspective the magnitude of these changes, one only has to consider that in 1973 television news in Juneau was delayed at least a day

and all scheduled programs were delayed a week. The tapes had to be flown to Juneau from Seattle, and not infrequently, bad weather delayed their arrival. The only access to current world news and the financial markets was the telephone.

Today, thanks to satellite telecommunications, the Alaska Permanent Fund Corporation has instant access not only to world news but also to the world's financial markets. In our office in Juneau, each of our investment officers has two television monitors on which we are able to obtain Reuters and Telerate financial services. We have instant access to the stock market, the U.S. Government bond market, foreign exchange quotations, commodities, financial futures, worldwide financial news, and trading in U.S. Government bonds in both London and Tokyo as well as New York.

The rapidity with which the world has been shrinking has been truly breathtaking. Worldwide global telecommunications and the integration of the world's financial markets is no longer a dream but well on the way to being an accomplished fact.

During the past 17 years, a period of explosive change, the non-U.S. markets have offered significant investment

opportunities for U.S. investors. Many of the world's fastest growing economies today are located in the Pacific Basin, and investments in this area offer some of the most attractive opportunities currently available.

Opportunities can be seen both in the form of return enhancement and risk reduction. A number of statistical studies have shown definite benefits from foreign investment, both in the level of return and the reduction of risk. It has been demonstrated that the inclusion of foreign investments in a domestic portfolio reduces the volatility (risk) of that portfolio since the world's financial markets do not all move in concert. The degree of benefit demonstrated varies from one study to another depending upon the particular time span used, the countries covered, and the types of investments, but the positive conclusions persist through all of them.

Global investing isn't restricted to only a few companies; it includes most of the world's major industries. The number one oil company in the world is Exxon. Numbers two and three are foreign companies - The Royal Dutch Shell Group and British Petroleum. The two largest food companies are European - Unilever of Dutch and British ownership; and Nestle, a Swiss concern. The number two and three chemical companies in the world behind Dupont are German - Bayer and

Hoechst. And the top four banks are Japanese - Daichi Kangyo, Fuji, Sumitomo, and Mitsubishi. Some of the most significant research for modern wonder drugs is being undertaken by a number of major Swiss and British pharmaceutical companies.

Currently the world is involved in fierce competition to determine which companies will be the winners in the fields of capital goods, consumer electronics, and telecommunications. A large number of the most rapidly growing firms are situated outside the United States, reflecting fast expanding overseas markets and abundant overseas supplies of industrial raw materials and of labor at various skill levels. In some instances, investors can only participate in certain areas of technology by investing in foreign firms.

Over the ten year period ending December 1986, the Standard & Poor's 500 Index managed a very healthy compounded return of 13.7% annually. The Capital International Europe, Australia, Far East Index returned an annual 22.3% for the same period. The next decade may be just the converse with the S&P at 22.3% and EAFE at 13.7%. Even if this is the case, one can be fairly certain that there will be countries, securities, and whole asset classes that will

outperform the U.S. for periods of time during the next decade.

The United States' inability to stand apart from the rest of the world as an independent entity is, above all, the reason to factor international investing into investment plans. In addition, a number of analysts suggest that the prudent man rule and the prudent expert rule require investors with fiduciary responsibilities to look carefully at developments worldwide and to put in place plans for an uncertain future - a future of unpredictable global influence on investments.

We don't know how the U.S. market will compare to foreign markets over the next twenty years. The analysis of international markets should be embraced because it can protect a securities portfolio against unforeseen dangers. Uncertainty about the future should be a compelling force leading investors to diversify as widely as possible.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 25, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the purchase of foreign investments by the board of trustees of the Alaska Permanent Fund. The bill specifically permits the purchase of foreign securities by the board.

Returns from foreign investment have exceeded those from investments in the United States over most recent 10-year periods. In addition, the United States represents less than one-half of the world's equity capitalization, and that share is declining as foreign economies experience more rapid long-term growth. No one national market consistently produces superior or inferior returns, and foreign securities markets exhibit a low correlation with the U.S. market. Consequently, the ability to invest in those foreign securities will reduce overall portfolio risk while providing an increased return when compared to a portfolio of solely U.S. equities.

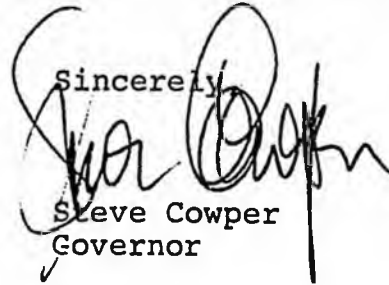
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Hon. Jan Faiks

Page 2

we might be forced to eliminate investments in banks with smaller reported capital but very large unreported reserves, which might make them some of the safest banks in the world.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the word "Sincerely,".

Steve Cowper
Governor