

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 823

1 * Sec. 3. AS 14.25.035(d) is amended to read:

2 *T.R.S.* (d) The commissioner of administration shall report to the board concerning the condition
3 and administration of the system. The reports shall be distributed to the members of the system.
4 The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] shall provide
5 reports to the board on the condition and investment performance of the teachers' retirement trust
6 fund including a summary of an annual external performance review.

7 * Sec. 4. AS 14.25.180 is amended to read:

8 *T.R.S.* Sec. 14.25.180. MANAGEMENT AND INVESTMENT OF FUND. (a) The Alaska
9 State Pension Corporation [COMMISSIONER OF REVENUE] is the [TREASURER OF THE
10 SYSTEM AND THE] fiduciary of the fund. In managing the fund, the Alaska State Pension
11 Corporation [COMMISSIONER OF REVENUE] shall

12 (1) consider the status of the fund's investments and the system's liabilities on
13 both a current and a probable future basis;

14 (2) determine the appropriate investment objectives for the fund;

15 (3) establish investment policies aimed at achieving the objectives; and

16 (4) act only in regard to the best financial interests of the system's beneficiaries.

17 (b) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] may
18 invest the fund on the basis of probable total rate of return without regard to the distinction
19 between principal and income or to the generation of income.

20 (c) In carrying out investment duties under this chapter, the Alaska State Pension
21 Corporation [COMMISSIONER OF REVENUE] has the same powers and duties in regard to
22 the teacher's retirement trust fund as are provided in AS 37.10.071, except that the standard of
23 prudence that the corporation [COMMISSIONER] must obey under AS 37.10.071(c) shall be
24 in regard to the management of large trust investments rather than large investments.

25 * Sec. 5. AS 22.25.048(c) is amended to read:

26 *Judicial Retirement System* (c) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] is the
27 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the same powers
28 and duties under this section in regard to the judicial retirement trust fund as are provided in
29 AS 14.25.180.

30 * Sec. 6. AS 26.05.228(c) is amended to read:

31 *Military Retirement System* (c) The Alaska State Pension Corporation [COMMISSIONER OF REVENUE] is the

1 [TREASURER OF THE SYSTEM AND THE] fiduciary of the fund and has the same powers
2 and duties under this section in regard to the fund as are provided under AS 14.25.180.

3 * Sec. 7. AS 36.30.850(b)(15) is amended to read:

4 *Procurement Code* (15) a contract that is a delegation, in whole or in part, of investment powers held
5 by the commissioner of revenue under [AS 14.25.180,] AS 14.40.400, AS 14.42.200, 14.42.210,
6 AS 18.56.095, [AS 22.25.048, AS 26.05.228,] AS 37.10.070, 37.10.071, or AS 37.14 [, or
7 AS 39.35.080];

8 * Sec. 8. AS 36.30.990(1) is amended to read:

9 *Procurement Code Exemption* (1) "agency"
10 (A) means a department, institution, board, commission, division,
11 authority, public corporation, the Alaska Pioneers' Home, or other administrative unit of
12 the executive branch of state government;

13 (B) does not include

- 14 (i) the University of Alaska;
15 (ii) the Alaska State Housing Authority;
16 (iii) the Alaska Railroad Corporation;
17 (iv) the Alaska Housing Finance Corporation;
18 (v) a regional Native housing authority created under
19 AS 18.55.996, or a regional electrical authority created under AS 18.57.020; or
20 (vi) the Alaska State Pension Corporation;

21 * Sec. 9. AS 37.05.146 is amended to read:

22 *Program Receipts* Sec. 37.05.146. DEFINITION OF PROGRAM RECEIPTS. In AS 37.05.142 - 37.05.146
23 and AS 37.07.080 "program receipts" means fees, charges, income earned on assets, and other
24 state money received by a state agency in connection with the performance of its functions; all
25 program receipts except the following are general fund program receipts:

- 26 (1) federal receipts;
27 (2) University of Alaska receipts (AS 14.40.491);
28 (3) individual, foundation, or corporation gifts, grants, or bequests that by their
29 terms are restricted to a specific purpose;
30 (4) receipts of the following funds:
31 (A) highway working capital fund (AS 44.68.210);

- 1 (B) correctional industries fund (AS 33.32.020);
- 2 (C) loan funds;
- 3 (D) international airport revenue fund (AS 37.15.430);
- 4 (E) funds managed by the Alaska State Housing Authority (AS 18.55.020),
- 5 the Alaska Housing Finance Corporation (AS 18.56.020), the Medical Indemnity
- 6 Corporation of Alaska (AS 21.88.020), the Alaska Railroad Corporation (AS 42.40.010),
- 7 the Municipal Bond Bank Authority (AS 44.85.020), or the Alaska Industrial
- 8 Development and Export Authority (AS 44.88.020);
- 9 (F) fish and game fund (AS 16.05.100);
- 10 (G) school fund (AS 43.50.140);
- 11 (H) training and building fund (AS 23.20.130);
- 12 (I) retirement funds (AS 14.25, AS 22.25, AS 26.05.222, AS 39.35, and
- 13 former AS 39.37);
- 14 (J) permanent fund (art. IX, sec. 15, Alaska Constitution);
- 15 (K) public school trust (AS 37.14.110);
- 16 (L) second injury fund (AS 23.30.040);
- 17 (M) fishermen's fund (AS 23.35.060);
- 18 (N) FICA administration fund (AS 39.30.050);
- 19 (O) receipts of the employee benefits program established under
- 20 AS 39.30.150 - 39.30.180;
- 21 (P) receipts of the deferred compensation program established under
- 22 AS 39.45.

*Excludes SBS and
Deferred Comp. from
definition as Program Receipts.*

23 * Sec. 10. AS 37.10.071 is amended to read:

24 *Replaces* Sec. 37.10.071. INVESTMENT POWERS AND DUTIES. (a) In making investments

25 *Comm. of Revenue* under this section, the fiduciary of a state fund [COMMISSIONER OF REVENUE] shall

26 *with "fiduciary"* (1) act as official custodian of cash and investments by securing adequate and safe

27 *of state fund.* custodial facilities for them;

28 (2) receive all items of cash and investments;

29 (3) collect and deposit the principal of and income from owned or acquired

30 investments;

31 (4) invest and reinvest the assets in accordance with this section;

- 1 (5) receive and spend appropriations to cover the cost of the exercise of duties
- 2 under this section;
- 3 (6) exercise the powers of an owner with respect to the assets;
- 4 (7) perform all acts, not prohibited by this section, whether or not expressly
- 5 authorized, that the fiduciary [COMMISSIONER] considers necessary or proper in administering
- 6 the assets;
- 7 *G.A.A.P.* (8) maintain accounting records in accordance with generally accepted
- 8 [INVESTMENT] accounting principles;
- 9 (9) engage an independent certified public accountant to conduct an annual audit
- 10 of the financial condition and investment transactions;
- 11 (10) enter into and enforce contracts or agreements considered necessary,
- 12 convenient, or desirable for the investment purposes of this section; and
- 13 (11) when choosing to acquire or dispose of investments, secure competitive
- 14 national or international market rates or prices, or the equivalence of those rates or prices in the
- 15 judgment of the fiduciary [COMMISSIONER].
- 16 (b) Under this section, the fiduciary of a state fund or the fiduciary's
- 17 [COMMISSIONER OR THE COMMISSIONER'S] designee may
- 18 (1) delegate investment, custodial, or depository authority on a discretionary or
- 19 nondiscretionary basis to officers or employees of the state or to independent firms, banks, or
- 20 trust companies, by designation through appointments, contracts, or letters or authority;
- 21 (2) acquire or dispose of investments either directly, indirectly, or through
- 22 investment pools or trusts, by competitive or negotiated agreements, contracts, or auctions, in
- 23 public or private markets;
- 24 (3) concentrate or diversify investments as the fiduciary [COMMISSIONER]
- 25 considers appropriate to increase the probable total rate of return or to decrease the overall
- 26 exposure to potentially adverse market value risks;
- 27 (4) protect the market value or the rate of return of the investments by entering
- 28 into forward agreements to buy or sell assets at a future date as a hedge against existing held
- 29 assets or as a precommitment of future cash flows;
- 30 (5) lend assets, under an agreement and for a fee, against deposited collateral of
- 31 equivalent market value;

FIDUCIARY RESPONSIBILITIES

Covering - go to financial institutions?

1 (6) borrow assets on a short-term basis, under an agreement and for a fee, against
 2 the deposit of collateral consisting of other assets in order to accommodate temporary cash or
 3 investment needs;

4 (7) hold investments in bearer or registered form in the name of the state, a fund,
 5 or nominees authorized by the fiduciary [COMMISSIONER];

6 (8) utilize consultants, advisors, custodians, investment services, and legal counsel
 7 for assistance in investment matters on either a continuing or a limited-term basis and with or
 8 without compensation;

9 (9) declare records to be confidential and exempt from AS 09.25.110 and
 10 09.25.120 if the records contain information that discloses the particulars of the business or the
 11 affairs of a private enterprise, investor, borrower, advisor, consultant, counsel, or manager.

12 *Prudent Investor Rule* (c) In exercising investment, custodial, or depository powers or duties under this section,
 13 the fiduciary of a state fund [COMMISSIONER] shall exercise the judgment and care under
 14 the circumstances then prevailing that an institutional investor of ordinary professional prudence,
 15 discretion, and intelligence exercises in managing large investments with consideration for the
 16 purpose of the fund, the investment objectives, the continuing disposition of the fund's invest-
 17 ments, and the probable safety of the capital as well as the probable investment returns. With
 18 respect to the Alaska State Pension Corporation, the fiduciaries of the corporation shall
 19 apply the prudent investor rule and exercise their fiduciary duty in the sole financial best
 20 interest of the funds entrusted to them and of the beneficiaries of those funds. The trustees
 21 may not make or authorize investment decisions or the voting of shares for a purpose other
 22 than the sole financial best interest of the funds or beneficiaries.

23 (d) In exercising investment, custodial, or depository powers or duties under this section,
 24 the fiduciary or the fiduciary's [COMMISSIONER OR A] designee [OF THE
 25 COMMISSIONER] is liable for a breach of a duty that is assigned or delegated under this
 26 section, or under AS 14.25.180, AS 14.40.400(b), AS 37.10.070, AS 37.14.110(c), 37.14.160, 37.-
 27 14.170, or AS 39.35.080. However, the fiduciary or the [COMMISSIONER OR THE
 28 COMMISSIONER'S] designee is not liable for a breach of a duty that has been delegated to
 29 another person if the delegation is prudent under the applicable standard of prudence set out in
 30 statute or if the duty is assigned by law to another person, except to the extent that the fiduciary
 31 [COMMISSIONER] or designee

1 (1) knowingly participates [PARTICIPATE] in, or knowingly undertakes to
2 conceal, an act or omission of another person, knowing that the act or omission is a breach of
3 that person's duties under this chapter;

4 (2) by failure to comply with this section in the administration of specific
5 responsibilities, enables another person to commit a breach of duty; or

6 (3) has knowledge of a breach of duty by another person, unless the fiduciary
7 [COMMISSIONER] or designee makes reasonable efforts under the circumstances to remedy the

8 breach.
9 *Indemnification for imprudent acts.* (e) The state shall defend and indemnify the fiduciary [COMMISSIONER] or an officer
10 or employee of the state against liability under (d) of this section to the extent that the alleged
11 act or omission was performed in good faith and was prudent under the applicable standard of
12 prudence.

13 (f) In this section, "fiduciary of a state fund" or "fiduciary" ["COMMISSIONER OF
14 REVENUE" OR "COMMISSIONER"] means

15 (1) the commissioner of revenue for investments under [AS 14.25.180 OR]
16 AS 37.10.070; [OR]

17 (2) with respect to the Alaska State Pension Corporation, for investments
18 under AS 14.25.180.

- 19 (A) each trustee who serves on the corporation's board of directors;
20 (B) each officer of the corporation; and
21 (C) any other person who exercises control or authority with respect
22 to management or disposition of assets held by the corporation or who gives
23 investment advice to the corporation; or

24 (3) the person or body provided by law to manage the investments, for
25 investments not subject to AS 14.25.180 or AS 37.10.070.

26 * Sec. 11. AS 39.25.110(11) is amended by adding a new subparagraph to read:

27 *Exempt Service* (G) Alaska State Pension Corporation;

28 * Sec. 12. AS 39.30 is amended by adding a new section to read:

29 *S.B.S* Sec. 39.30.175. INVESTMENT OF BENEFIT PROGRAM RECEIPTS. The State
30 Pension Corporation is the fiduciary of the receipts of the employee benefits program established
31 under AS 39.30.150 - 39.30.180 and has the same powers and duties concerning the management

1 and investment in regard to those receipts as are provided under AS 14.25.180.

2 * Sec. 13. AS 39.35.020 is amended to read:

3 *P.E.R.S.* Sec. 39.35.020. ADMINISTRATION. The commissioner of administration is responsible
4 for the administration of the system and for carrying out this chapter. In addition the
5 commissioner shall

6 (1) maintain the accounts of the system;

7 (2) make payments for the various purposes specified;

8 (3) submit periodic reports or statements of account that are needed;

9 (4) issue a statement of account to an employee requesting it showing the amount
10 of the employee's contributions to the system;

11 (5) as soon as possible after the close of each fiscal year, and not later than six
12 months after the close of each fiscal year, send to the governor, the legislature, and the board an
13 annual statement on the operations of the system containing

14 (A) a balance sheet;

15 (B) a statement of income and expenditures for the year;

16 (C) a report on an actuarial valuation of its assets and liabilities;

17 (D) a summary of assets held in the pension fund listed by the categories
18 of investment, as provided by the Alaska State Pension Corporation [COMMISSIONER
19 OF REVENUE];

20 (E) other statistical financial data that are necessary for a proper
21 understanding of the financial condition of the system and the result of its operations;

22 (6) establish a public employees retirement trust fund in which the assets of the
23 system shall be deposited and held;

24 (7) engage an independent certified public accountant to conduct an annual audit
25 of the system's accounts and the annual report of the system's financial condition and activity;

26 (8) report to the board concerning the condition and administration of the system
27 and distribute the report to the members of the system.

28 * Sec. 14. AS 39.35.080 is amended to read:

29 *P.E.R.S.* Sec. 39.35.080. DUTIES OF THE ALASKA STATE PENSION CORPORATION
30 [COMMISSIONER OF REVENUE]. The Alaska State Pension Corporation
31 [COMMISSIONER OF REVENUE] is the [TREASURER OF THE SYSTEM AND THE]

1 fiduciary of the fund. The corporation [COMMISSIONER] has the same powers and duties
2 established under this chapter in regard to the fund as are provided in AS 14.25.035(d) and
3 14.25.180.

4 * Sec. 15. AS 39.45.030 is amended by adding a new subsection to read:

5 *Deferred* (c) Before investing the funds held under the state deferred compensation program, the
6 *Comp.* administrator of the program shall consult with the Alaska State Pension Corporation. The
7 commissioner shall reimburse the corporation for the cost of providing the advice.

8 * Sec. 16. AS 39.50.200(b) is amended by adding a new paragraph to read:

9 *Conflict of Interest* (52) Alaska State Pension Corporation (AS 37.10.210).

10 * Sec. 17. AS 44.25.020 is amended to read:

11 Sec. 44.25.020. DUTIES OF DEPARTMENT. The Department of Revenue shall

12 *Adds ASPC to Dept. of Revenue duties.* (1) enforce the tax laws of the state;

13 (2) collect, account for, have custody of, invest, and manage all state funds and

14 all revenues of the state except revenues incidental to a program of licensing and regulation

15 carried on by another state department and funds managed and invested by the Alaska State

16 Pension Corporation;

17 (3) register cattle brands;

18 (4) supply necessary clerical and administrative services for the Alcoholic

19 Beverage Control Board; and

20 (5) invest and manage the balance of the power development fund in accordance

21 with AS 44.83.386.

22 * Sec. 18. TRANSITION. All litigation, hearings, investigations, and other proceedings pending

23 under a law amended or repealed by this Act, or in connection with functions transferred by this Act,

24 continue in effect and may be continued and completed notwithstanding a transfer, amendment, or repeal

25 provided for in this Act. Orders and regulations issued or adopted under authority of a law amended

26 or repealed by this Act remain in effect for the term issued, or until revoked, vacated, or otherwise

27 modified under the provisions of this Act. All contracts, rights, liabilities and obligations created by or

28 under a law amended or repealed by this Act, and in effect on the effective date set out in sec. 21 of this

29 Act, remain in effect notwithstanding this Act's taking effect. Records, equipment, and other property

30 of agencies of the state whose functions are transferred under this Act shall be transferred commensurate

31 with the provisions of this Act.

1 * Sec. 19. ORGANIZATION OF TRUSTEES. (a) Notwithstanding AS 37.10.210(c), enacted by
2 sec. 1 of this Act, the initial terms of the members, other than the commissioner of revenue, of the board
3 of trustees of the Alaska State Pension Corporation shall be as follows:

- 4 (1) one elected member and one appointed member shall serve terms of four years;
5 *initial* (2) one elected member shall serve a three-year term;
6 *terms* (3) one elected member and one appointed member shall serve terms of two years;
7 (4) one elected member and one appointed member shall serve one-year terms.

8 (b) The board of trustees of the Alaska State Pension Corporation may hold organizational
9 meetings as soon as a quorum of the board has been appointed to or selected for the board.

10 * Sec. 20. AS 37.10.210 and 37.10.230 - 37.10.390, enacted by sec. 1 of this Act, and sec. 19 of this
11 Act take effect July 1, 1991. *Board/Corporate Organization - July 1, '91*

12 * Sec. 21. Except as provided in sec. 20 of this Act, this Act takes effect on the earlier of July 1,
13 1992, or the date established by resolution of the board of trustees of the Alaska State Pension
14 Corporation for the transfer to it of securities and assets of the retirement funds. The board shall
15 promptly provide the revisor of statutes and the lieutenant governor with a copy of this resolution.

*Effective date to transfer assets - by board resolution or
by July 1, 1992.*

M E M O R A N D U M

February 15, 1991

SUBJECT; ALASKA STATE PENSION CORPORATION (ASPC): Summary of
Proposed CS for SSSB 18 by Section

TO; Senator Pat Pourchot

FROM; Susan Barnett, Staff

I have prepared this sectional analysis of the proposed CS for SSSB 18, An Act establishing the Alaska State Pension Corporation; relating to management and investment of state pension funds and other state funds; and providing for an effective date.

TITLE: Identifies that the retirement system funds, and other state funds upon agreement are to be managed and invested by the corporation.

SECTION 1: creates the Alaska State Pension Corporation.

Sec. 37.10.210 establishes the corporation as a public corporation. Subsection (b) sets out the eight voting trustees, four of which are elected by members of the retirement systems, two of which are appointed by the governor from a list submitted by employers, one additional is appointed by the governor from a list of nominees submitted by the other seven trustees, and the commissioner of revenue serves as a trustee. Subsection (c) sets out staggered four year terms for trustees. Subsections (d) and (e) set out removal of trustees and filling of vacancy. Subsections (f)(g)(h) set out board organization: board elects chair annually, five trustees constitute a quorum and designees are not allowed. Subsection (i) requires trustees to participate in financial education training.

Sec. 37.10.220 sets out the powers and duties of the board, including establishing investment policies for the funds for which it is responsible, submitting investment reports to the legislature, employers, appropriate boards, contracting for external performance reviews, employing outside investment advisors, employing legal counsel, permitting trustees to enter agreement to assume responsibility for other state funds upon agreement with the managers of those funds. CS for SSSB 18 requires the board advise the commissioner of administration concerning the investment of funds held under the state deferred compensation program.

Sec. 37.10.230 sets out conflict of interest provisions for the fiduciaries and allows the board to designate other staff who must comply with these provisions. Under this section, the board shall adopt regulations to restrict fiduciaries and any designated staff, from having a substantial interest in corporate assets. Subsection (c) identifies that failure to disclose conflicts is grounds for termination of employment.

Sec. 37.10.240 exempts the board from the Administrative Procedures Act but requires the board to comply with the open meetings law.

Sec. 37.10.250 sets the honorarium for trustees at \$150 per meeting day and states that those who are public employees shall serve without compensation but shall be granted administrative leave.

Sec. 37.10.260 requires the board to employ and fix the compensation for an executive director who must meet qualifications as set in statute. The executive director may appoint employees with approval of the board. Subsection (b) requires the board to adopt regulations restricting staff from financial interest in those companies which provide service to the corporation. All employees are exempt from the personnel act but are subject to the ethics act.

Sec. 37.10.270 requires the board to appoint an investment advisory council composed of at least three and not more than five members who must meet qualifications. Subsection (b) sets out staggered three year terms. Subsection (c) allows board to establish compensation for advisory members. Subsection (d) sets out duties of the council to include reviewing investments, recommending investment policy, advising on selection of consultants and auditors. Subsection (e) allows the council to contract with other state agencies to provide advice.

Sec. 37.10.280 requires the board to protect assets held in trust and its own assets, services and employees by purchasing insurance or arranging for self-insurance.

Sec. 37.10.290 exempts the corporation and property it owns, manages or holds in trust from all taxes and assessments in the state.

Sec. 37.10.300 permits banks to give sureties to the corporation or to enter collateral agreements on approved securities.

Sec. 37.10.310 prohibits the corporation from engaging in commercial banking activity, from acting as a depository or trustee for a private person and from acting as a lender to a private person of money from any source other than the money from the state funds under its own management.

Sec. 37.10.320 limits the states responsibility for liabilities of the corporation.

Sec. 37.10.390 defines board, corporation and retirement systems.

Section 2 AS 06.05.025 amends the banking code to allow the board of trustees or the legislative auditor to request an examination of the corporation by the Division of Banking, Securities and Corporations

SECTION 3: substitutes the corporation for the Commissioner of Revenue in reporting about the condition of the teachers retirement system (TRS) and requires the corporation provide the TRS board with an annual external performance review of the trust fund.

SECTION 4; makes the corporation fiduciary of the TRS fund in place of the Commissioner of Revenue.

SECTION 5; substitutes the corporation for the commissioner of revenue in management of the Judicial Retirement Trust.

SECTION 6; substitutes the corporation for the commissioner of revenue in management and investment of the Alaska National Guard and Alaska Naval Militia retirement fund, referred to as the Military fund or system.

SECTIONS 7 and 8 exempt the corporation from the procurement code but require the board of trustees to adopt comparable procedures.

SECTION 9 adds SBS and Deferred Compensation funds to the list of those excluded from the definition of Program Receipts.

SECTION 10 substitutes the corporation for the Commissioner of Revenue in the section that sets out the powers and duties of the fiduciary that invests and manages state funds. In paragraph (a)(8) the bill requires accounting records to be kept in accordance with generally accepted accounting principles. Subsection (c) requires the fiduciary to exercise the Prudent Investor Rule in exercising powers and duties. Subsection (e) requires the state to defend and indemnify the fiduciary if fiduciary performed in good faith and was prudent. Subsection (f) defines fiduciary to include trustee, officer of the corporation and any other person who exercises control over corporation assets.

SECTION 11; places employees of the corporation in the exempt service.

SECTION 12: identifies the corporation as the fiduciary of the receipts of the employee benefits program. (SBS)

SECTIONS 13 and 14: substitute the corporation for the Commissioner of Revenue in the management and investment of the public employees retirement (PERS) fund.

SECTION 15; requires the commissioner of administration to consult with the corporation before investing deferred compensation funds.

SECTION 16; adds the members of the Alaska State Pension Corporation to coverage of the conflict of interest statutes.

SECTION 17; amends the duties of the Department of Revenue to reflect the changes made by the bill.

SECTION 18; is a transition section.

SECTION 19; sets out the initial terms of the board and permits the board to hold organizational meetings as soon as a quorum has been appointed/elected.

SECTION 20; sets July 1, 1991 as the effective date for board organization.

SECTION 21; sets the earlier of July 1, 1992 or the date established by resolution of the trustees as the effective date for the corporation to begin managing and investing assets as well as other duties as defined in the bill.

January 30, 1991

Revised: February 15, 1991

The following is a summary of the changes made to SB 18 that are now in the Sponsor Substitute for Senate Bill 18.
(For CS changes, see page 2)

Section 2. AS 37.10 Article 5

Sec. 37.10.210 (b)

(Page 2 Lines 5-12) Changes the board from seven to eight trustees, four of the trustees to be elected by the members in the retirement systems. Elected seats are identified as:

- 1 Active PERS/Active SBS
- 1 Retired PERS
- 1 Active TRS
- 1 Retired from system other than PERS.

Sec. 37.10.210 (g) (Page 2, Line 28) Changes quorum from four to five.

Sec. 37.10.220 (a) (7) (Page 3, Lines 20,21) Under powers and duties of the board, adds a requirement that the board advise the commissioner of administration concerning the investment of funds held under the state DEFERRED COMPENSATION PROGRAM.

Section 9. AS 36.30.990 (1)

(Page 8, Line 24) Previous drafting error corrected. Updated statute now in bill, which includes AHFC.

Section 12. AS 39.30

Sec. 39.30.175 (Page 12, Lines 2-6) establishes the corporation as the fiduciary for the SUPPLEMENTAL BENEFITS SYSTEM (SBS).

Section 15. AS 39.45.030 (Page 13, lines 9-12) requires the commissioner of administration to consult with the corporation prior to investing DEFERRED COMPENSATION PROGRAM funds and to reimburse corporation for cost of advise.

Section 19. (Page 14, Line 10) under Organization of Trustees, sets out a 3 year term for the additional elected member.

Page 2

Changes made in the Proposed Committee Substitute for SSSB 18:

Section 1, FINDINGS, of the Sponsor Substitute for SB 18 has been removed in the Proposed CS.

Section 9, the PROGRAM RECEIPTS LANGUAGE has been added to include receipts of the employee benefits program (SBS) and receipts of the deferred compensation program on the list of funds excluded from the Program Receipts/General Fund definition.

SUPPLEMENTAL BENEFITS SYSTEM (SBS) ISSUE PAPER
Senator Pat Pourchot January 22, 1991

WHAT IS THE SUPPLEMENTAL BENEFITS SYSTEM (SBS)?

The SBS program was established in 1979 as a replacement for the Federal Social Security program, from which the state withdrew. It was designed to offer "risk free" accumulation of retirement income under an annuity plan. Currently, the SBS investment portfolio of over \$540 million consists exclusively of Guaranteed Investment Contracts (GICs) with seven carriers. The program is expected to total \$800 million in 1992.

State employees are required to participate in the plan. Each month a contribution of 12.26% of an employee's salary is made to the employee's individual account. Contributions are equally shared by the employer and employee. The employee contributes 6.13% in employee pre-tax wage reductions while the employer contributes an equal amount in additional wages.

IS SBS CONSIDERED A RETIREMENT "PENSION" PROGRAM?

SBS participants are, at present, nearly exclusively "active" employees unlike PERS and TRS, in which vested terminated and retired employees constitute the majority of plan participants. 88% of the SBS program participants are state government employees compared with the PERS plan, which is only 46% state employees. Notably, 95% of all SBS participants elect to withdraw their savings in a lump sum upon leaving state service, regardless of age or retirement status. Participation in the retirement systems i.e. PERS, restricts benefit distribution to a post retirement formula.

According to the 1990 William M. Mercer SBS Report, "participants in SBS may see it as a savings plan because they have other retirement income benefits available. Younger employees typically view this type of plan as a savings plan".

Additionally, SBS is viewed differently from standard retirement programs at federal levels. SBS is not subject to the Employees Retirement Income Security Act (ERISA) as are other state retirement systems.

WHO MANAGES THE SBS FUNDS?

The Department of Administration (DOA) has historically been responsible for the investment and administration of the SBS program. In April 1990, by agreement between the Departments, through temporary regulations, the investment responsibility for

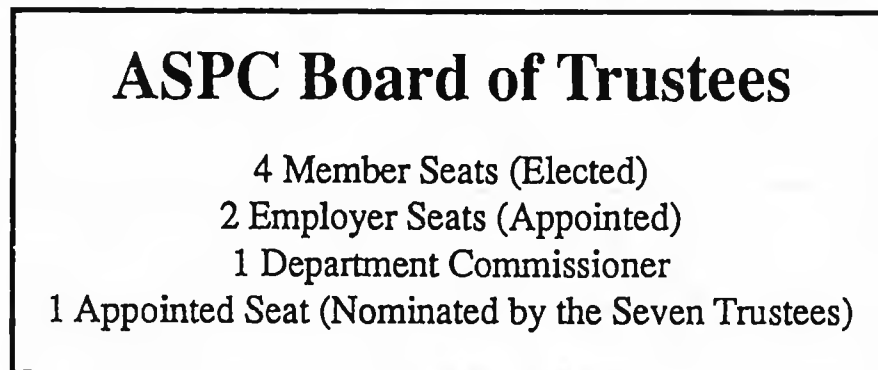
SBS assets was transferred from DOA to the Department of Revenue (DOR). No formal statement of fiduciary responsibility has been formulated for SBS. The PERS board, by statute, has the responsibility to adopt regulations and policies for the operation of the program.

As of this date, DOA and DOR have formed a SBS Task Force, with the PERS Board's approval. The Task Force assisted in drafting a Request for Proposal to select an entity to invest and administer the SBS annuity funds, for the purpose of diversifying the investment strategy of the funds. The Department intends to solicit proposals from financial institutions involved with annuity fund investment, management and benefit dispersal.

Alaska State Pension Corporation (ASPC)

Proposed CS Sponsor Substitute SB 18

A public corporation located in the
Department of Revenue to manage the following funds:
Public Employees Retirement System Fund \$2.74 billion
Teachers Retirement System Fund \$1.70 billion
Judicial Retirement System Fund \$28.67 million
Military Retirement Fund \$3.9 million
Supplemental Benefits System \$600 million



Executive Director

**Investment
Advisory Council**
3 - 5 Professionals

Chief Investment Officer

Investment Staff

STATE OF ALASKA


 STEVE COWPER, GOVERNOR

DEPARTMENT OF REVENUE

TREASURY DIVISION

 333 Willoughby Avenue, 11th Floor
 P.O. Box 58
 Juneau, Alaska 99811-0400

 Telephone: (907) 465-2350
 Facsimile: (907) 465-2394

October 12, 1990

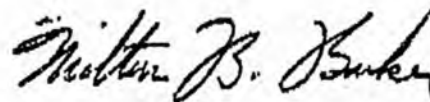
Susan K. Barnett
 Legislative Assistant for Senator Pat Pourchot
 Room 504
 State Capital
 P. O. Box V
 Juneau, Alaska 99811

Dear Susan:

At your request, I submit the following June 30, 1990 balances at market of the following funds:

Public Employees' Retirement Trust Fund	\$2,741,196,000	
Teachers' Retirement Trust Fund	1,700,702,000	
Supplemental Benefits System		
Guaranteed Investment Contracts	710,000,000	(surrender value)
Trust Fund	25,474,000	
Judicial Retirement Trust Fund	28,674,000	
Military Retirement Trust Fund	3,901,000	
University of Alaska Trust Fund	14,986,000	
Public School Trust Fund	\$102,658,000	

Yours truly,



Milton B. Barker
 Deputy Commissioner

MBB/ph

cc: Cliff Groh

of Trustees
Marc Langland,
Chairman
Charles H. Parr,
Vice-Chairman
Douglas B. Baily
John T. Kelsey
Byron I. Mallott
Hugh Malone



Alaska Permanent Fund Corporation

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

(907) 465-2047

October 2, 1990

The Honorable
Pat Pourchot
Alaska State Senator
3111 "C" Street, Suite 545
Anchorage, Alaska 99503

Re: Position of the Board of Trustees of the Alaska Permanent Fund Corporation on the Management of the PERS/TRS Funds.


Dear Senator Pourchot:

At your request, the Board of Trustees discussed and voted on its position concerning the possible management of the PERS/TRS funds by the Alaska Permanent Fund Corporation. It was the unanimous vote of the Board that the Trustees have no interest in assuming responsibility for the management of PERS/TRS and other state investment funds that have actuarial and different liability obligations than the Alaska Permanent Fund.

In general, it is the view of the Trustees, as well as staff, that the management of the Alaska Permanent Fund involves very different management philosophies and policies than are involved in the management of retirement funds. The potential mixing of the two types of policies in one organization was felt to be detrimental for both types of funds.

I have enclosed the verbatim transcript of the portion of the Board meeting where the Trustee position was raised, discussed, and voted upon. If you have any questions, please do not hesitate to call.

Sincerely,


Marc Langland
Chairman

DEPARTMENT OF REVENUE
POSITION PAPER

Senate Bill 18
House Bill 37
Alaska State Pension Corporation

The Department of Revenue supports the basic concepts embodied in this legislation for the following reasons:

1. a board to govern investments would improve accountability, public visibility, and continuity; and
2. the Department believes the fiduciary responsibility should not solely rest with the Commission of Revenue.

Professionalism of the Board

Preferable to an investment advisory council would be the inclusion of a minority of investment professionals on the board of the proposed corporation. It is difficult to see how exclusion of professionals as board members would be in the best interests of beneficiaries, given the fact that there is a clearly defined objective of maximizing investment earnings subject to prudence. Inclusion of professionals would seem to be an important edge in order to provide competitive investment results.

Legislative Audit stated in their June 19, 1989 Special Report on PERS and TRS that, "Some members of the board of trustees should have the necessary professional skills." Greta Marshall, former Chief Investment Officer of the California Public Employees Retirement System, in her September 17, 1990 comments to the PERS and TRS Boards (enclosed) strongly recommended placing professionals on the board. Professionals would be chief investment officers or trustees of other institutional investment funds.

Experience seems to indicate a real danger of advisory committees (as an avenue for professional input) falling into disuse. The best approach for assuring the continuing vitality of a professional component for board decision-making is inclusion of such persons on the board.

Integration of Benefits Administration with Investments

The benefits of integrating pension administration with investment need to be more clearly identified and considered in light of the resulting loss of focus and attention on investments by the board, management, and participants. It is questionable whether any possible benefits would compare with the potential adverse effects on returns on investments of over \$4.4 billion.

One of the Department's main concerns in advocating a separate organization for investment management has been to increase the visibility of, focus on, and attention to investments. For precisely these reasons, the Department both sought to extricate investment management from line agency status and opposed mixing it with the Permanent Fund.

The importance of these concerns is reflected in the fact that many of the nation's leading institutional investors have been spinning-off their investment management activities into separate organizations. Major banks with which the Department is acquainted, such as Citibank, Morgan Guaranty, Security Pacific, and Bank of America, have moved the investment management function out of their trust departments into separate subsidiaries. As indicated in the enclosed news articles, Stanford, Harvard, Princeton, and Duke Universities have done likewise. These developments are part of the trend during the 1980's in the corporate world to downsize, restructure, and spin-off corporate functions to achieve more intensive management focus and ultimately profitability. This was a reaction to the unwieldy conglomerates created in the 1970's.

Integration does not seem to be required for purposes of coordinating administrative and investment functions. The Department is able to identify very little activity that involves joint action or direct interaction of the Departments of Revenue and Administration. Most such activity consists of consolidated reporting in the PERS and TRS newsletters, audits, actuarial reports, and annual reports. In these areas, coordination is achieved as required without resorting to organizational amalgamation. The Department of Revenue's advice is provided as to two of the several assumptions used in the actuary's report--namely, the assumed investment earnings rate and the method for valuation of investments. The audit of the retirement systems as a whole, done by auditors retained by the Division of Retirement and Benefits, relies on the audits of investment assets performed by the Treasury Division's auditors. Regulations recently adopted by the Department of Revenue require the submission of various investment reports as well as an annual oral presentation of the reports and investment policy to the retirement boards. This is and has been the practice. These joint activities are sporadic and do not require daily or ongoing interaction.

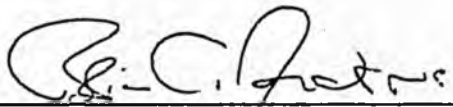
Another prominent, highly successful example of the separation of benefit and investment management organizationally is that of the Department of Revenue's Permanent Fund Dividend Division and the Alaska Permanent Fund Corporation.

The one really critical link between the liabilities (benefits) side of the systems and the assets (investment) side is the long-range cash flow projections of the systems done by the systems' actuary. These are performed annually and included in the actuary's report. As Gordon S. Harrison stated in his September 27, 1990 memorandum,

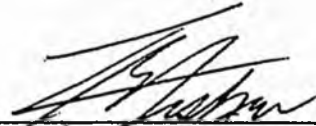
"(Investment) policies should reflect the characteristics of the fund and its participants, such as the size of the fund, promised benefit scales, employer and employee contribution rates, liquidity demands by retirees, investment returns, and the turnover rate, age profile, life expectancies and salary increases of members."

The cash flow projections specifically incorporate all of these characteristics and are used by the Department to establish investment policy for the retirement funds.

Should unforeseen needs arise for coordination, avenues are available to meet the needs. Benefits administration is governed through public meetings of the retirement boards. The Department of Revenue receives meeting agendas and can attend the meetings like any public person would, or may be called upon by the Department of Administration or the boards to appear. The Department rarely has occasion to attend the boards' benefit meetings. Establishment of an investment corporation would afford similar access to the Department of Administration with respect to investment matters. This is in addition to direct consultation between the departments when needed.

BY: 

DATE: 2.11.91

BY: 
Department of Revenue

DATE: 2-11-91

**DEPARTMENT OF REVENUE
POSITION PAPER**

**CS SS SB 18
Alaska State Pension Corporation**

The goal should be to provide for continued prudent management of State of Alaska retirement funds. To accomplish this goal, there are several alternatives including the following:

1. continued sole fiduciary in the Commissioner of Revenue.
2. a separate corporation managed by a board of trustees with minimal accountability to the Governor.
3. a retirement board within the Department of Revenue.

A retirement board within the Department of Revenue as proposed in SB 10 is clearly preferable. It requires minimal additional expenses, uses existing structures and staff within Treasury Division, and provides for shared fiduciary responsibility.

State pension plans may be managed in a variety of ways including the three basic alternatives listed above. A clear majority of states use an investment board within state government. A few have a sole fiduciary but we are not aware of any who have a separate corporate structure. Most boards are accountable to the governor. Many years ago there were abuses of pension monies. These abuses led to federal and State laws governing pension funds. As a result, pension funds are managed more responsibly with substantially greater member benefit protections.

In Alaska, members of state pension plans are protected. Article 12 of the Constitution requires that there be no diminishment of benefits. In other words, a member's benefits may not be reduced and benefit reductions can only be applied to new members. Absent the trust fund, annual benefit payments would have to be appropriated annually. The members are guaranteed their benefits by the State of Alaska. The State is required to actuarially fund the retirement system. The State cannot remove monies from the fund to pay for other expenditures because this would probably be considered a diminishment of benefits. By statute, members pay a fixed rate toward funding a pension plan and the State and the participating subdivisions make up the actuarially computed difference. The State, through its governor, should be in control of managing the pension funds. This is because the State is the ultimate guarantor of benefits and the members' contributions rates are fixed. The pension monies should, of course, be managed in accordance with rules of prudence which is presently the case.

The Commissioner of Revenue is now the fiduciary. In performing his duties, the Commissioner is charged with applying the prudent investor rule in exercising his fiduciary duty in the financial best interest of the funds entrusted to him and the beneficiaries of those funds. CS SS SB 18 ("Bill") would apply this rule of prudence to a board of trustees. The concept of a shared fiduciary has merit. Decisions regarding the management and investment of pension monies would be shared by a board. The board members could bring their collective knowledge and ideas to the decision-making process.

The separate corporation and member controlled board proposed in the Bill will cost more to operate and will be an entity with no accountability to the people through their elected officials and especially the governor. A fiduciary board can be constituted within the Department of Revenue as was proposed in SB 10. This board could perform the same functions as the board proposed for the separate Corporation. A fiduciary board within Revenue would operate within an existing structure at minimal additional cost and would be accountable to the governor. The board would be charged with full fiduciary responsibilities and be required to exercise the prudent investor rule.

The board of trustees created by the Bill would be controlled by elected members. The board would elect its own chair. The board would consist of four elected members, two appointed by the governor from political subdivision employer nominees, and the Commissioner of Revenue. These seven then elect an eighth member which means the elected members have majority representation. Trustees serve four year terms. The governor may not remove a trustee unless the trustee cannot perform "normal" duties due to mental or physical incapacitation, is convicted of a felony, or commits an act that under State law constitutes a felony or misdemeanor that is incompatible with service on the Board.

This board would be exempt from the procurement code, all its employees would be in the exempt service, and the board would retain its own legal counsel. With all this independence, the State must still indemnify the trustees against liability.

The Bill does set forth some good management tools. It provides for performance measurement, investment advisory service, an advisory counsel, and an annual audit. Treasury now performs many functions required by the bill. PERS and TRS funds have performance measurement by a nationally recognized firm. All trust funds are audited by an independent CPA firm with an opinion as to conformance with generally accepted accounting principles. Treasury uses investment advisors, monthly financial statements are prepared, and results are presented semi-annually to the PERS and TRS boards. The management practices set forth in the Bill can be required of a single fiduciary or a shared fiduciary. In fact, these functions should be performed even if not required.

Treasury has been accused in the past of improper management, poor investment results, and high costs. While there were some problems, the retirement funds averaged an annual rate of return of 12.4% over the five years ended June 30, 1990. By comparison, the Permanent Fund averaged 11.3%. Based on the Permanent Fund's investment objectives, they achieved an excellent rate of return. The retirement funds were more heavily invested in equities resulting in the higher earnings rate. While it is true it cost more to manage the retirement funds, there is a reason for this. Treasury manages several funds and not just one, it costs substantially more to manage equities than fixed income securities, and the retirement funds are still managing real estate mortgages acquired several years ago. If the additional rate of return of 1.1% (12.4% - 11.3%) is considered, the retirement funds earned approximately \$55 million (\$5 billion at 1.1%) more than if the Permanent Fund rate of return was earned. This is an annual amount of additional earnings. These earnings far more than offset the additional cost. Also a substantial amount of time is spent working the real estate mortgages which are becoming a smaller part of the total portfolio. The real estate mortgages amounted to 23.9% of the portfolio at June 30, 1985 and only 4.5% at June 30, 1990.

The Bill has recently been touted as a cure for the apparent problems with SBS invested monies. SBS monies were managed and invested by the Department of Administration. The current problems are certainly not due to retirement fund considerations. Moving SBS monies to an independent corporation for management is a hasty reaction and may not be the best solution. After all, SBS monies are immediately employee vested. Perhaps the employees should have the opportunity to direct their investments.

The Bill provides that the corporation advise the Commissioner of Administration concerning the investment of funds held under the State deferred compensation program. The first question that should be resolved is who should manage deferred compensation monies. This program is entirely voluntary and considerable consideration should be given to employee directed investments. For both SBS and deferred compensation, a standard low-risk U.S. government securities fund could be established. Employees wishing a more aggressive posture could elect other options.

In conclusion, this bill sets up an independent corporation not responsible to the people through the governor. The State, by Constitution, is the ultimate guarantor of pension benefits and the employer rate is the one that fluctuates to meet actuarial requirements while the employee rate is fixed. Yet the board would be controlled by members of the retirement funds and board members could not be removed by the governor except in very unusual circumstances. The corporation would be exempt from procurement code requirements and all employees would be in the exempt service. The corporation can retain its own legal counsel and yet the State must indemnify the fiduciary against liability. The corporation would experience substantial start-up costs and would be administratively more expensive to operate than a board within Revenue.

A separate investment board created within the Department of Revenue should be established. Most features of CS SS SB 18 could be incorporated into the investment board functions and the board member composition could be modified to conform more to that of proposed SB 10.

SFC-91
2/19/91

SBS ANNUITY CONTRACTS

<u>Name/Initial Year</u>	<u>Percent</u>	<u>Approximate Surrender Value</u>	<u>Maturity Date</u>
State Mutual Life Ins. Co./1985	13.01%	\$151.1 million	January 1, 1991
Transamerica Occidental Life Ins. Co./1986	10.66%	\$77.4 million	January 2, 1992
Aetna Life Ins. Co./1986	9.5%	\$41.5 million	January 2, 1992
Executive Life Ins. Co./1987	8.6%	\$27.1 million	January 2, 1993
New York Life Ins. Co./1987	8.6%	\$69.2 million	January 4, 1993
Transamerica Occidental Life Ins. Co./1988	9.21%	\$59.7 million	January 3, 1994
Executive Life Ins. Co./1988	9.9%	\$52.9 million	January 3, 1994
Metropolitan Life Ins. Co./1989	9.69%	\$73.7 million	January 3, 1995
Transamerica Occidental Life Ins. Co./1989	9.15%	\$55.0 million	January 3, 1995
Executive Life Ins. Co./1989	9.10%	\$90.3 million	July 1, 1994
Exec Life/ 1990	8.46%	\$66.0 million	Jan. 2, 1996

ALASKA'S TEACHERS NEED AN INDEPENDENT PUBLIC CORPORATION TO MANAGE OUR RETIREMENT FUND

—Charlie Arteaga
Chair, TRS Board

You know that your retirement depends on the Teachers' Retirement trust fund. You may not realize that you own this retirement fund. You do, and it is time to take a hand in its management.

The Teachers' Retirement System (TRS) trust fund has now grown to more than \$1.6 billion in size. The State of Alaska and local school districts have contributed to this fund for your benefit, but no government owns this money. You own this money. By law, your pension rights are the private property of you, the individual beneficiary.

Unfortunately, some legislators do not understand this fact. Some think the State owns Teachers' Retirement and other pension funds, and some seem to think the fund could be taken or "borrowed" to help solve a fiscal crisis. To fight this kind of thinking, we need to take the TRS fund out of the political arena and put our retirement fund in an independent public corporation where we help run things.

There are other good reasons why we need to make this change now.

Right now, the Commissioner of Revenue, who is a political appointee, is in charge of your fund. (The TRS Board has no direct role in the investment of the funds, although the Board is responsible for administering retirement benefits.) The Commissioner of Revenue has divided loyalties, because the Department of Revenue must manage numerous other funds, collect state taxes, distribute Permanent Fund Dividends, and enforce child support obligations.

Investment of the TRS Fund and the other retirement and trust funds should be the only priority of the organization responsible for the funds. All these other jobs the Department of Revenue has to do tend to keep the TRS fund hidden from the public eye—and you and the other beneficiaries need to know how your retirement funds are being run.

We need to take the TRS fund out of the political arena. We also need to make sure the TRS fund gets more management attention and more visibility than it has under the present set-up. Establishing a separate public corporation for the investment of the TRS fund and other retirement and trust funds is the best way to achieve these goals. (The corporation would separately account for each of the funds, just as the Department of Revenue does now.)

This corporation should be governed by a strong board of directors which should include representatives of you, the beneficiaries, because you have your funds at stake. The board should also include professional investors, who will provide built-in expertise in the complicated world of finance. The corporation should have its own staff, which should be dedicated to achieving the best return for the beneficiaries and not be distracted by other duties.

The TRS Board believes that these changes are overdue. Only a few other states have a single person in charge of their teacher pension plans. A 1989 report by Legislative Audit recommended that the Alaska Legislature put a board of trustees in charge of TRS and PERS. Legislative Audit's recommendations included placing on the board both representatives of the beneficiaries and financial experts.

(See Page 4, TEACHERS NEED INDEPENDENT CORPORATION)

WHAT'S HAPPENING IN OTHER STATES...

New Jersey Retired Educators' Association is increasing its state life membership dues from \$150 to \$375 on August 31. Annual unified dues are \$35 and will increase annually with the cost-of-living adjustment.

California Teachers' Association-Retired (CTA-R) and California Retired Teachers' Association (CRTA) are joining forces as a result of an agreement between California Teachers' Association, the statewide active teachers' organization, and CRTA, the predominant association for retired teachers in California. With turf battles settled, the new organization should see rapid growth.

Arkansas Retired Educators' Association has experienced rapid membership growth since passage of legislation to permit dues transmittal through the state retirement system. Arkansas now has 1,960 NEA-R members and is eligible for two official delegates at the annual meeting.

Washington Education Association Retired has life membership dues of \$75 and annual dues of \$10. One of the goals of the organization is to up the maximum of the three percent cost-of-living adjustment for retirees.

Michigan Education Association-Retired has as a part of its pre-retirement seminars a computerized program for use in determining retirement benefits and retrieving information about specific programs in the retirement system.

NEA-AK/R NEWSLETTER

The official organ of NEA-Alaska/Retired, the Newsletter is published quarterly at Anchorage, Alaska.

Editor: Dr. Merritt C. Olson

ALASKA'S TEACHERS NEED INDEPENDENT CORPORATION

(Continued from page 1)

Legislation to accomplish this came very close to being enacted during the last session of the legislature. The bill was called Senate Committee Substitute for Committee Substitute for House Bill 580 (State Affairs). The only thing that prevented the passage of this legislation was the belief of some legislators that mixing the management of the TRS fund and other retirement funds in with the management of the Permanent Fund was a better approach. It is not.

The Permanent Fund is owned by all Alaskans. The retirement funds are owned by you and other beneficiaries. Getting mixed up with the Permanent Fund will confuse the point we need to make--that the retirement funds are our property, not the property of all Alaskans and every legislator.

Mixing the retirement funds in with the Permanent Fund would create a complicated, unwieldy creature just when we are on the verge of establishing a strong management structure for the retirement funds that will give those funds high visibility and clarity of purpose. TRS and the other retirement funds have been buried at the Department of Revenue for years. Why would we bury them now in the Permanent Fund?

The management of the retirement funds will be an important issue during next year's legislative session. I urge you to tell your legislator--and all those who want to be your legislator--that you support an independent public corporation to run your retirement fund. The Teachers' Retirement System fund belongs to you and other teachers, active and retired. Creating an independent public corporation will allow you to have a say in the management of your money, and will make the system more accountable to you. You and your money deserve nothing less.

ALASKA TRS SAYS 'NO' TO DUES CHECK-OFF

The Alaska Teachers' Retirement System recently denied NEA-Alaska/R's request for a membership check-off for dues payments. Sally Smith, director of the Division of Retirement and Benefits, indicated that the check-off would involve expenses in compiling lists that "would impact an already stretched operation at a cost to everyone--not just those who express interest."

Last year the Arkansas legislature enacted a measure that mandated the retirement system of the state to provide a dues check-off for the Arkansas Retired Educators' Association. It has resulted in a marked increase in membership for the Arkansas retired group.

MEDICARE MAKES CHANGES IN CLAIMS REPORTING

Beginning September 1, 1990, doctors providing medical treatment must prepare and submit Medicare claims for all Part B services, Medicare officials recently announced. Details of the announcement include:

- The physician, surgeon or medical supply company MUST prepare and submit the claim even if assignment is not accepted. A charge cannot be made for handling the claim.
- If the provider of medical services does not agree to accept the Medicare approved amount as payment in full, the patient is responsible for paying the entire bill. Medicare payment for the approved amount will be mailed directly to the patient.
- If the provider of medical services refuses to prepare and submit the Medicare claim, the patient should contact the Medicare carrier.

NEA-ALASKA PRESIDENT'S MESSAGE . . .

--Don Oberg

The 1989-90 success of NEA-Alaska was due to a great extent to the support and leadership of the members of NEA-AK/Retired. Your organizational talents were perhaps most evident in the political arena as we were able to gain significant improvements in our retirement programs and other NEA-Alaska legislative priorities.

We look forward to another productive and rewarding year working together to improve our Alaskan schools as well as benefits to members of our profession--past and present.

PRE-RETIRED SEMINAR FEATURED AT NEA-AK ISSUES CONFERENCE

NEA-Alaska/R gave two pre-retirement seminar sessions at the NEA-Alaska Issues Conference held at the Anchorage Hilton Hotel on August 9 and 10. The first sectional covered financial planning and TRS pension and Social Security coverage. The second session dealt with choosing a retirement location.

Don Schulz, Hank Harrison and Merritt Olson conducted the sessions which were attended by 35 teachers and educational support personnel from all parts of Alaska.

MEMBERSHIP DUES:

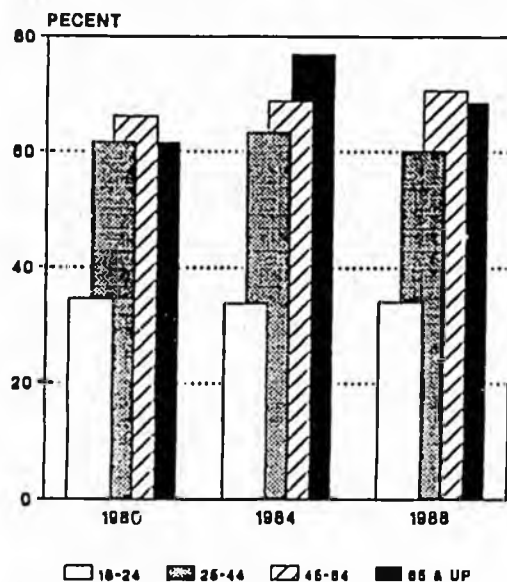
NEA-R Life	\$100
Annual	\$ 10
NEA-AK/R Life	\$200
Annual	\$ 25

OLDER VOTERS

Older people are generally eager to participate in all facets of political life. Older persons are often involved in registering voters, assisting voters in traveling to polls, and actually conducting poll operations on election day. They believe in the Eisenhower adage, "Politics should be the part-time profession of every citizen."

The voter turnout graph illustrates the participation rate of four age groups of Alaska voters in elections held between 1980 and 1988.

VOTER TURNOUT GRAPH



Prepared for AARP by Election Data Services

1991 ALASKA LEGISLATIVE PROGRAM

PRIORITIES

HEALTH

- Increase access to appropriate and affordable health care for all Alaskans by:
 - advocating formulation of a health policy for Alaska
 - supporting concept of state-mandated insurance for the uninsured
 - seeking legislation and appropriations for a comprehensive and coordinated program of home-, community-, and institutionally-based services throughout the state
 - supporting availability of adequate health insurance for all, including those uninsured

ECONOMIC SECURITY AND BUDGET

- Strengthen programs which will provide economic security for all Alaskans by:
 - supporting legislation to stabilize the Longevity Bonus Program
 - advocating recognition of the economic and social value of the retirement community by supporting programs to encourage retirees to remain in Alaska
 - supporting full funding of present property tax relief to senior citizen homeowners and renters

SUPPORT ITEMS

- Support legislation to provide separate management of public pension funds
- Support efforts to improve availability of insurance by means of tort reform and/or increased regulations consistent with adequate consumer protection

SL1003AK(1090)

ALASKA

State Legislative Committee

1991 FACTS & LEGISLATIVE PRIORITIES



American Association
of Retired Persons



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

PARTMENT Revenue	DIVISION Treasury	BILL NUMBER CS SS SB 18	SPONSOR Pourchot
SHORT TITLE OF BILL An act creating the Alaska State Pension Corporation			
PARTMENT POSITION Oppose			
PREPARED BY Darrel Rexwinkel	DATE 3-21-91	COMMISSIONER'S SIGNATURE <i>[Signature]</i>	DATE 3-21-91

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Administration	CONSTITUENT GROUPS AFFECTED BY BILL Members of State Retirement Systems and participating employers
ORGANIZATIONAL SUPPORT FOR BILL Alaska Municipal League, member organizations	ORGANIZATIONAL OPPOSITION TO BILL Not known

SCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

1. Establish public corporation to manage pension monies.
2. Member controlled board of trustees not accountable to the Governor.
3. Shared fiduciary responsibility.

ANALYSIS OF BILL/PROGRAM EFFECTS (see attached position paper)

1. Shared fiduciary should result in greater public and member confidence over investment practices.
2. Improved investment performance may be obtained due to collective input into investment decisions.
3. Separate corporation would add significantly to administrative costs. The new entity would require facilities, computer systems, start-up costs, more State employees, employees would be exempt, and the Corporation would be exempt from the procurement code.
4. Governing board would have minimal accountability to the Governor.

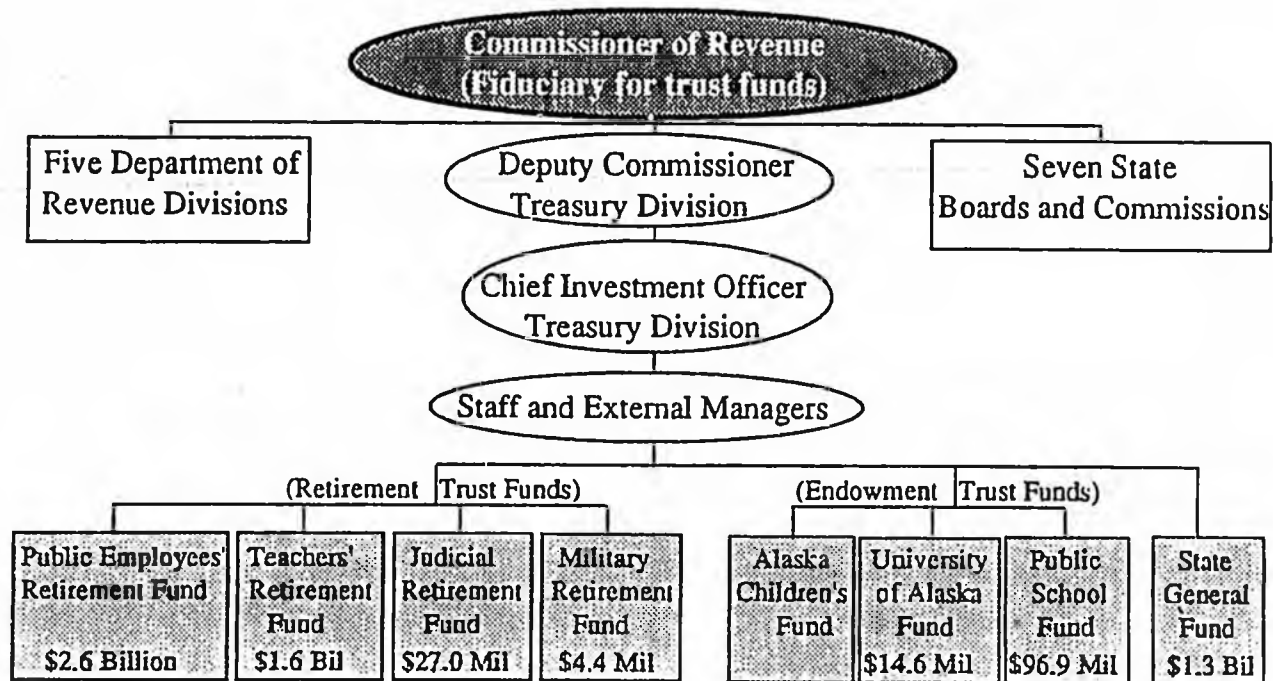
AMENDMENTS PROPOSED

1. Investment board within Department of Revenue.
2. Nine member board appointed by the Governor consisting of 2 members of the TRS board, 2 members of the PERS board, the Commissioners of Revenue and Administration, and three public members.
3. Elimination of SBS and deferred compensation oversight.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

CURRENT LAW
(FIGURE 1)

INVESTMENT OF STATE FUNDS



ONLY 6 STATES STILL HAVE A SOLE INDIVIDUAL AS FIDUCIARY.

page-
411

ORGANIZATION AND FUNCTION

The Department of Revenue, Division of Treasury (Treasury) is responsible for, and has sole discretion over, the prudent investment and management of the Public Employees' Retirement Fund (PERS) and the Teachers' Retirement Fund (TRS).

Chapter 141, SLA 1988 amended PERS and TRS statutes by designating the funds as retirement trust funds and appointing the commissioner of Revenue as treasurer of the retirement systems and fiduciary of the funds. Under the amending legislation, the commissioner of Revenue shall:

1. Consider the status of the funds' investments and the system's liabilities on both a current and a probable future basis.
2. Determine the appropriate investment objectives for the funds.
3. Establish investment policies aimed at achieving the objectives.
4. Act only in regard to the best financial interests of the system's beneficiaries.

The amendments also repealed the "legal list" of investments the retirement funds were restricted to and placed upon the commissioner of Revenue, or his designee, the responsibility of fund fiduciary. Treasury also employs external investment managers who manage a substantial portion of the retirement funds.

Additionally, there are two boards which oversee the administrative aspects of the retirement systems. The Public Employees' Retirement Board is composed of five members, three of whom are members of the Department of Administration personnel board and two who are members of the system and elected by the membership of the system. The Teachers' Retirement Board consists of five members appointed by the governor. Both boards are mostly administrative in nature, being responsible for governing the regulatory aspects of the retirement systems.

The Alaska Permanent Fund is managed by an executive director, who reports to a six-member board of trustees appointed by the governor.

TREASURY DIVISION
DEPARTMENT OF REVENUE
STATE OF ALASKA
July 26, 1990

Deputy Commissioner 5001
28

DEBT MANAGEMENT

Special Assistant 5036
to the Commissioner II
23

State Investment 5025
Officer II
22

Secretary II 5003
11

Research 0020
Analyst III
18

CASH MANAGEMENT

State Investment 5029
Officer III
24

INVESTMENT ACCOUNTING

Comptroller 5002
24

INVESTMENT MANAGEMENT

State Investment 5011
Officer IV
30

State Investment 5013
Officer II
22

Secretary I 5015
10

MARKETABLE
SECURITIES MANAGEMENT

State Investment 5005
Officer III
24

REAL ESTATE MANAGEMENT

State Investment 5012
Officer III
24

Accounting 5020
Technician III
16

Accountant IV 5010
20

Accounting 5007
Supervisor I
16

State Investment 5030
Officer II
22

Loan Examiner III 5024
19

Accounting 5009
Technician II
14

Accounting 5026
Technician II
14

Accounting 5014
Technician II
14

State Investment 5032
Officer I
20

Loan Examiner I 5033
15

Accounting 5018
Clerk II
9

Accounting 1145
Technician I
12

Accounting 5008
Technician III
16

Loan Examiner I NEW
15

Accounting 5021
Technician II
14

Clerk Typist III 5022
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Deputy Commissioner: Walter B. Becker

Date: 9-10-90

FISCAL NOTE

*3-26-91 Copies to HFC
this date.*

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSSSB18

Revision Date: 3/22/91
 Title: Alaska State Pension Corporation
 Sponsor: Senator Pourchot
 Requestor: _____

Department Affected: Revenue
 BRU: Revenue Operations
 Component: Treasury

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)
TOTAL OPERATING	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)
TOTAL	0	(19,316.7)	(20,089.4)	(20,892.9)	(21,728.7)	(22,597.8)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: See attached.

Prepared by: Brian C. Andrews *BCA*
 Division: Treasury Division
 Approved by Commissioner: _____ *[Signature]*
 Agency: Revenue

Phone: 465-2350
 Date: March 22, 1991

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

March 22, 1991 Analysis of CS SS SB 18

Revenue/Treasury

Alaska State Pension Corporation is assumed to take over retirement fund investments July 1, 1992. FY 93 is the full amount of the original FY 92 budget for retirement funds less a personal service cost adjustment of 575.0 resulting from the continual need for investment management of the General Investment Fund, Endowment Funds and other State trust funds which are currently be handled on a pro rata basis with retirement funds. Costs for FY 94 - FY 97 have been incremental increased by a compounded 4 per cent over FY 93.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. CSSSSB18

Revision Date: 3/22/91

Department Affected: Alaska Pension Fund Corporation

Title: Alaska State Pension Corporation

BRU: _____

Component: _____

Sponsor: Senator Pourchot

Component Serial No.

Requestor: _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4
TOTAL OPERATING	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4
TOTAL	1,277.5	20,993.6	21,833.3	22,706.7	23,614.9	24,559.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: See attached.

Prepared by: Brian C. Andrews *CB* *DJA*

Phone: 465-2350

Division: Treasury Division

Date: March 22, 1991

Approved by Commissioner: _____ *[Signature]*

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

March 22, 1991 Analysis of CS SS SB 18

Pension Corporation

Alaska State Pension Corporation is assumed to start up on January 1, 1992 for the take over of retirement fund investments on July 1, 1992 from Treasury. Start up costs include a separate physical location, furniture and equipment, electronic hardware and software, personal service costs, supplies and other obligations. FY 93 costs represent Treasury's FY 92 budgeted amount, separate physical location, personal service cost increases and the management of SBS. Costs for FY 94 - FY 97 have been incremental increased by a compounded 4 per cent over FY 93.

FISCAL NOTE

No. 3

Version: SB 18

(S) Publish Date: 2/1/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Revenue
Title: Alaska State Pension Corporation BRU: Treasury
Component: _____

Sponsor: Pourchot
Requestor: Senate State Affairs COMPONENT SERIAL NO.

1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)
TOTAL OPERATING	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)
TOTAL	(9,846.2)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)	(19,692.4)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.) Alaska State Pension Corporation is assumed to take over retirement fund investments January 1, 1992. FY 92 figures are half the amounts requested in Treasury's FY 92 budget for retirement funds. FY 93 - 97 are the full amount of FY 92 budget for retirement funds.

Prepared By: Milton B. Barker ^{MB} Phone: 465-2350
Division: Treasury Date: 1-25-91

Approved by Commissioner: Milton B. Barker for
Agency: Revenue Date: 1-25-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 2

Version: SB 18

(S) Publish Date: 2/1/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Alaska State Pension Corporation

Title: Alaska State Pension Corporation BRU: _____

Component: _____

Sponsor: Pourchot

Requestor: Senate State Affairs

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4
TOTAL OPERATING	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4
TOTAL	9,846.2	19,692.4	19,692.4	19,692.4	19,692.4	19,692.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.) FY 92 - 97 are the amounts deleted from the Treasury budget on the attached fiscal note. Net incremental cost is zero.

Prepared By: Milton B. Barker ^{MB} Phone: 465-2350

Division: Treasury Date: 1-25-91

Approved by Commissioner: Milton B. Barker for

Agency: Revenue Date: 1-25-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA 1991 LEGISLATIVE SESSION

No. 1

Version: 5818

(S) Publish Date: 2/1/91

Revision Date: _____
 Title: An Act Establishing the Alaska State Pension Corporation.
 Sponsor: Pourchot
 Requester: _____

Department Affected: Administration
 BRU: Retirement & Benefits
 Components: Retirement & Benefits
 COMPONENT SERIAL NO. 64

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

General Funds	0.0	0.0	0.0	0.0	0.0	0.0
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	0.0	0.0	0.0	0.0	0.0	0.0
Part-Time	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: _____

ANALYSIS: (attach a separate page if necessary)
 There is no measurable fiscal impact to the Division from this bill.

Prepared By: Gary M. Bader, Director *Gary M. Bader* Phone: 465-4470
 Division: Retirement and Benefits Date: 1/25/91
 Approved By Commissioner: *William Kelly* Date: 1/25/91
 Agency: Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, Impacted Agency(ies)

SB 20

SENATE FINANCE COMMITTEE REPORT

DATE: 2/7/92

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered

2d SS SB 20

"An Act making appropriations to the Department of Education for K - 12 support; and providing for an effective date."

Died in SFC

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

DO PASS:

1. _____

Co-Chair: Signature/Recommendation

PREVIOUS FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

OTHER RECOMMENDATIONS:

2. _____

Co-Chair: Signature/Recommendation

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

final

DATE: 1/³⁰21/91
5/10/91 (2d SS)

FURTHER: Finance

Date of 5-Day Notice: 23 JAN 92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 07 Feb 92

2d SPONSOR SUBSTITUTE
SENATE BILL NO. 20

HESS Committee considered

"An Act making appropriations to the Department of Education for K - 12 support; and providing for an effective date."

and a majority of the committee recommends it be replaced with

and recommended:

- replace with _____ CS 2nd SS SB 20 (HESS) same title new title
- attached amendment(s) AND DO PASS
- _____ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

App no fin

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Carl Frank
Sam Shannon
Jan Coste

Lynn Hoffman (No Rec)

Curtis Stupple
Chair: Signature and Recommendation

CS FOR 2d SPONSOR SUBSTITUTE FOR SENATE BILL NO. 20 (HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 2/7/92
 Referred: Finance
 Funding Information: General Fund \$630,451,500
 Other Funds 49,833,000
 \$680,284,500

Sponsor(s): SENATORS FISCHER, Collins, Menard

A BILL

FOR AN ACT ENTITLED

1 "An Act making an appropriation to the Department of Education for support of
 2 kindergarten, primary, and secondary education and community schools programs; and
 3 providing for an effective date."

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

5 * Section 1. (a) The sum of \$680,284,500 is appropriated from the general fund and from other
 6 funds in the amounts listed to the Department of Education for the purposes expressed and allocated in
 7 the amounts listed for operating expenditures for the fiscal year ending June 30, 1993:

8	FUND SOURCE	AMOUNT
9	General fund	\$622,961,800
10	General fund/mental health trust income account	
11	(AS 37.14.011)	7,489,700
12	Public school trust fund (AS 37.14.110)	8,309,000
13	School fund (AS 43.50.140)	2,700,000
14	P.L. 81-874	20,624,000

1	Federal receipts other than	
2	P.L. 81-874	18,200,000
3	PURPOSE	ALLOCATION AMOUNT
4	Foundation program	\$610,195,300
5	Student lunch program	18,100,000
6	Cigarette tax distribution	2,700,000
7	Tuition students	13,878,500
8	Boarding home grants	230,000
9	Youth in detention	800,000
10	Schools for the handicapped	3,077,500
11	Pupil transportation	28,572,000
12	Community schools	600,000
13	Additional district support	2,131,200

14 (b) The amount allocated under (a) of this section for additional district support is further
15 allocated to the following school districts in the amounts listed:

16	SCHOOL DISTRICT	ALLOCATION AMOUNT
17	Cordova City School District	\$ 187,800
18	Craig City School District	165,600
19	Dillingham City School District	234,000
20	Galena City School District	150,000
21	Hoonah City School District	165,600
22	Hydaburg City School District	96,600
23	Kake City School District	129,600
24	Klawock City School District	143,400
25	Nenana City School District	155,400
26	Pelican City School District	58,200
27	St. Mary's City School District	127,800
28	Skagway City School District	111,000
29	Tanana City School District	122,400
30	Unalaska City School District	157,800
31	Yakutat City School District	126,000

1 * Sec. 2. This Act takes effect July 1, 1992.

2d SPONSOR SUBSTITUTE FOR SENATE BILL NO. 20

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS FISCHER, Collins, Menard

Introduced: 5/10/91
 Referred: HES, Finance
 Funding Information: General Fund \$595,315,900
 Other Funds 45,724,000
 \$641,039,900

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations to the Department of Education for K - 12 support; and
 2 providing for an effective date."

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

4 * Section 1. The sum of \$641,039,900 is appropriated from the general fund and from other funds
 5 in the amount listed to the Department of Education for the purposes expressed and allocated in the
 6 amounts listed for operating expenditures for the fiscal year ending June 30, 1993:

7	FUND SOURCE	AMOUNT
8	General fund	\$595,315,900
9	Public school fund (AS 37.14.110)	7,500,000
10	School fund (AS 43.50.140)	2,500,000
11	Federal receipts	35,724,000
12	PURPOSE	ALLOCATION AMOUNT
13	Foundation program	\$574,250,900
14	Student lunch program	15,000,000

1	Cigarette tax distribution	2,500,000
2	Tuition students	14,711,200
3	Boarding home grants	230,000
4	Youth in detention	800,000
5	Schools for the handicapped	3,262,200
6	Pupil transportation	30,285,600
7	* Sec. 2. This Act takes effect July 1, 1992.	

ALASKA STATE LEGISLATURE
SENATE BILL NO. 20

HISTORY IN THE SENATE

1991
1/21
1/30
5/10
6/22
2/7

Read first time and referred to:
Hess and Finance
SS Intro: HESS + Finance
2dSS Intro: HESS, FIN

hwo RPT() CS 4 DP NR DNP AM
New Title Same Title Previous FN
FN OFN To Sen

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

RPT() CS DP NR DNP AM
New Title Same Title Previous FN
FN OFN To

Rules Calendar() CS AM Other
New Title Same Title Previous FN
FN OFN

Read second time

CS Adopted () New Title
 Amended Advanced

Read third time

Letter of Intent adopted
 Return to second for specific amendment

PASSED EFD Same or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reconsideration
Reconsideration not taken up

PASSED EFD Same or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Reported correctly engrossed
Signed by President, to House

Secretary of the Senate

HISTORY IN THE HOUSE

19

Read first time and referred to:

RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

RPT CS() New Title
DP DNP NR AM
FN OFN Previous FN

Read second time
CS() Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED EFD Same or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Intent adopted

Reconsideration
Reconsideration not taken up

PASSED ON RECON. EFD Same or
Yeas Yeas
Nays Nays
Excused Excused
Absent Absent

Intent adopted

Reported correctly engrossed, signed by the Speaker
and returned to the Senate

Chief Clerk of the House

SENATE-HOUSE HISTORY Continued

19	<p>Received from the House Version: _____</p> <p>Concur in House amendment Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>Failed to concur in House amendment, ask House recede Y ___ N ___ E ___ A ___</p> <p>House failed to / receded from amendment Y ___ N ___ E ___ A ___</p> <p>CC appointed by Senate _____ Chair _____</p> <p>CC appointed by House _____ Chair _____</p> <p>(S) Granted Limited Powers of Free Conference</p> <p>(H) Granted Limited Powers of Free Conference</p>
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19	<p>(S) Adopted CC Rpt _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>(H) Adopted CC Rpt _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>To enrolling Received from enrolling Sent to Governor</p> <p>_____ By Governor</p> <p>Chapter Number _____</p> <p>Filed with Lieutenant Governor</p>
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SB 24

SENATE FINANCE COMMITTEE REPORT

DATE: 1/21/91

FURTHER:

DATE TURNED INTO OFFICE: 2/12/91

The Finance Committee considered SENATE BILL NO. 24

"An Act making supplemental appropriations to the Department of Administration and the Department of Health and Social Services related to the longevity bonus program; and providing for an effective date."

and recommended:

[X] replace with CS SB24 (Fix) [X] same title
[] or adopt CS [] new title
[] attached amendment(s) [] technical title change (HB only)
[] letter of intent adopted

[X] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to

ATTACHES NEW FISCAL NOTE(S):

[] fiscal note(s) Dept/Date:

[] zero fiscal note(s)

APPROVES PREVIOUS:

[] fiscal note(s) Dept/Date:

[] zero fiscal note(s)

[X] appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Handwritten signatures: Jim Deuca, Al Adams, Lynn Hoff, Rich Wehling

Blank lines for other recommendations

1. [Signature] 2. [Signature] Do-pass

Co-Chairs: Signatures and Recommendations

Adopted
2/12/91

7-LS0082D

CS FOR SENATE BILL NO. 24 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Funding Information:	General Fund	\$5,792,600
	Other Funds	<u>-0-</u>
		\$5,792,600

Sponsor(s): SENATORS KERITULA, Sturgulewski, Uehling

A BILL

FOR AN ACT ENTITLED

1 "An Act making supplemental appropriations to the Department of Administration and the
2 Department of Health and Social Services related to the longevity bonus program; and
3 providing for an effective date."

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

5 * Section 1. The sum of \$5,000,000 is appropriated from the general fund to the Department of
6 Administration for longevity bonus payments for the fiscal year ending June 30, 1991.

7 * Sec. 2. The sum of \$792,600 is appropriated from the general fund to the Department of Health
8 and Social Services for the old age assistance - Alaska longevity bonus hold harmless program for the
9 fiscal year ending June 30, 1991.

10 * Sec. 3. The unexpended and unobligated balance of the appropriations made by this Act lapse into
11 the general fund June 30, 1991.

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

L



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senate Finance Committee

FROM: Senator Kerttula

SUBJ: Senate Bill 24 --
Longevity Bonus Supplemental

In FY 91, the legislature appropriated \$ 60,858,000 for the longevity bonus program and \$ 4,714,800 for hold harmless for public assistance for the longevity bonus program. Governor Cowper vetoed \$5,000,000 of the longevity bonus appropriation, and \$392,900 of the hold harmless appropriation. This in effect left the program with funding for eleven months of the fiscal year. Due to additional case loads, the hold harmless program requires a total supplemental of \$792,600. Thus, a total supplemental of \$5,000,000 for longevity bonus payments, and \$792,600 for hold harmless is necessary to cover longevity bonus payments for the month of June, 1991.

SB 25

SENATE FINANCE COMMITTEE REPORT

DATE: 5/3/91

FURTHER:

DATE TURNED INTO OFFICE: 5-17-91

The Finance Committee considered SSSB 25

"An Act concerning the exercise of authority and recovery of damages by the state and its municipalities and villages in matters relating to environmental conservation, and relating to state assistance to municipalities and villages for expenses for prevention and abatement of environmental degradation; and providing for an effective date."

and recommended:

- replace with _____ CS
 - or adopt _____ ~~CS SSB 25 (LRA)~~
 - attached amendment(s)
 - _____ letter of intent adopted
- same title
 - new title
 - technical title change (HB only)

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S): Dept/Date:

- fiscal note(s) _____
- zero fiscal note(s) _____
- appropriation-no fiscal note

APPROVES PREVIOUS:

- fiscal note(s) _____ Dept/Date:
- zero fiscal note(s) ~~NO ACTION 5/22/91~~
~~NO ACTION 4/10/91~~
~~NO ACTION 3/18/91~~

SIGNING DO PASS:

Lynn Hoffman
Al Cichero
[Signature]
[Signature]
1. *[Signature]* no rec

OTHER RECOMMENDATIONS:

Dick Smith Do Not Pass
Kirk Kelly (NO REC)
[Signature]
2. *[Signature]* Do pass

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSSB 25

The sponsor substitute for SB 25 adopts new language in Section 5, proposed AS 29.60.599(6), to provide that villages irrevocably waive any claims to sovereign immunity that might arise in connection with the use of grant monies under the impact assistance grant program. The addition of the waiver provision will help insure that any future dispute that might arise involving grants to villages, unincorporated under state law, can be resolved in state courts. This is a change suggested in the Department of Law's original fiscal note, dated February 25, 1991. Otherwise, the department's original fiscal note comments remain unchanged.

FISCAL NOTE

No. 2

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: 555B 25

(S) Publish Date: 5/3/91

Revision Date: _____
Title: Exercise of authority and recovery of damages...
Sponsor: Senator Fred Zharoff
Requestor: _____

Department Affected: DEC
BRU: Environmental Quality
Component: EQ Projects

COMPONENT SERIAL NO.

1	1	0	1	1	6
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: NONE

ANALYSIS: (Attach a separate page if necessary.)

Under normal operating situations, DEC should need no additional resources to implement the legislation. However, should a significant oil spill occur, approximately 2 additional positions may be necessary.

The sponsor substitute does not change this fiscal note. 4/16/91

Prepared by: Janice Adair
Division: Commissioner's Office

Phone: 465-2600
Date: _____

Approved by Commissioner: *[Signature]*
Agency: Department of Environmental Conservation

Date: 3/18/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor

Changes in 55 5B 25 (CRA) have no fiscal impact. This fiscal note is appropriate.

5/2/91 / date Rick Solie / Comte Aide (initial)

FISCAL NOTE

No. 3

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SSSB 25

(S) Publish Date: 5/3/91

Revision Date: _____
Title: "An Act..recovery of damages.."

Department Affected: Community & Regional Affairs
BRU: _____

Sponsor: Sen Zharoff & Sturgulewski

Component: _____

Requestor: _____

COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

There is no immediate fiscal impact. However, there will be a big fiscal impact if there is a spill.

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708

Division: Administrative Services Date: 4/10/91

Approved by Commissioner: Edgar Blotchford *Edgar Blotchford*

Agency: Community & Regional Affairs

Distribution (by preparer): Legislative Finance, Legislative Sponso

Rev 10/90

Date: 4/9/91
changes in SSSB 25 (CRA)
have no fiscal impact. This
fiscal note is appropriate.
5/2/91 Rick Solie
date Comte Aide (initial)

CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 25 (CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 5/3/91
Referred: Finance

Sponsor(s): SENATORS ZIAROFF, Sturgulewski

A BILL

FOR AN ACT ENTITLED

1 "An Act concerning the exercise of authority by the state and its municipalities, and the
 2 recovery of damages by the state and its municipalities and villages, in matters relating
 3 to environmental conservation; relating to the liability of villages for environmental response
 4 actions and to state assistance to municipalities and villages for expenses for prevention
 5 and abatement of environmental degradation; and providing for an effective date."

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

7 * Section 1. INTENT. The provisions of AS 29.60.500 - 29.60.599, added by sec. 7 of this Act, are
 8 not intended by the legislature to confirm long-term benefits on municipalities receiving financial
 9 assistance under those provisions.

10 * Sec. 2. AS 29.35.020(b) is amended to read:

11 (b) A municipality may adopt an ordinance to exercise a power authorized by this
 12 subsection [PROTECT ITS WATER SUPPLY AND WATERSHED,] and may enforce the
 13 ordinance outside its boundaries. Before a [THIS] power authorized by this subsection may

1 be exercised inside the boundaries of another municipality, the approval of the other municipality
2 must be given by ordinance, and before a power authorized by this subsection may be
3 exercised inside a village, as that term is defined by AS 46.08.900, the approval of the
4 village must be given by resolution. A municipality intending to exercise its authority under
5 this subsection shall act by ordinance, and may adopt an ordinance under this subsection
6 to

7 (1) protect its water supply and watershed; or

8 (2) contain, clean up, or prevent the release or threatened release of oil or
9 a hazardous substance that may pose an imminent or substantial threat to persons,
10 property, or natural resources within the municipality's boundaries; however, this
11 paragraph does not authorize a municipality to enforce an ordinance outside its boundaries
12 to regulate exploration, development, production, or transportation of oil, gas, or minerals
13 in a manner inconsistent with the state's management of those resources, and enforcement
14 of the ordinance must be consistent with a regional master plan prepared by the
15 Department of Environmental Conservation under AS 46.04.210; in this paragraph,
16 "natural resources" has the meaning given in AS 46.03.826.

17 * Sec. 3. AS 29.35.020 is amended by adding a new subsection to read:

18 (e) In this section, "village"

19 (1) means the area within a five-mile radius of the village post office or, if there
20 is no post office, another site designated by the commissioner;

21 (2) does not include an area described in (A) of this paragraph that is within a
22 city or another village.

23 * Sec. 4. AS 29.35.200 is amended by adding a new subsection to read:

24 (d) A first class borough that exercises power necessary to contain, clean up, or prevent
25 a release or threatened release of oil or a hazardous substance, and exercise a power granted to
26 a municipality under AS 46.04, AS 46.08, or AS 46.09 shall exercise its authority in a manner
27 that is consistent with a regional master plan prepared by the Department of Environmental
28 Conservation under AS 46.04.210.

29 * Sec. 5. AS 29.35.210(a) is amended by adding a new paragraph to read:

30 (13) contain, clean up, or prevent a release or threatened release of oil or a
31 hazardous substance, and exercise a power granted to a municipality under AS 46.04, AS 46.08,

1 or AS 46.09; the borough shall exercise its authority under this paragraph in a manner that is
2 consistent with a regional master plan prepared by the Department of Environmental
3 Conservation under AS 46.04.210.

4 * Sec. 6. AS 29.35.220 is amended by adding a new subsection to read:

5 (e) A third class borough may by ordinance exercise power necessary to contain, clean
6 up, or prevent a release or threatened release of oil or a hazardous substance, and exercise a
7 power granted to a municipality under AS 46.04, AS 46.08, or AS 46.09, but the power
8 authorized by this subsection may be exercised only on a nonareawide basis. The borough shall
9 exercise its authority under this subsection in a manner that is consistent with a regional master
10 plan prepared by the Department of Environmental Conservation under AS 46.04.210.

11 * Sec. 7. AS 29.60 is amended by adding new sections to read:

12 ARTICLE 6. OIL AND HAZARDOUS SUBSTANCE MUNICIPAL
13 IMPACT ASSISTANCE.

14 Sec. 29.60.500. PURPOSE AND POLICY. (a) The legislature finds and declares that
15 a major release of oil or hazardous substances into the environment presents a real and substantial
16 threat to the economy and public welfare of the municipalities and villages that are affected by
17 the release and the resultant activities to contain and clean up the release.

18 (b) The legislature concludes that it is in the best interest of the state and its citizens to
19 provide a readily available fund for the payment of the expenses incurred by municipalities and
20 villages to mitigate the social and economic effects that arise out of a major release of oil or
21 hazardous substances and resultant cleanup activities.

22 (c) It is the intent of the legislature and declared to be the public policy of the state that
23 money to defray the cost of social and economic effects on municipalities and villages arising
24 from a major release of oil or a hazardous substance and resultant cleanup activities and to pay
25 for efforts to abate that release will be immediately available upon

26 (1) a determination by the governor that the release exceeds 2,500 barrels of oil,
27 or exceeds an amount of a hazardous substance that when released into the environment presents
28 a real and substantial threat to the economy and public welfare of the municipalities or villages
29 affected by it;

30 (2) the declaration by the governor of a disaster emergency relating to the release;
31 and

1 (3) a finding by the governor that

2 (A) the release of the oil or hazardous substance into the environment
3 presents a real and substantial threat to the economy and public welfare of the
4 municipalities and villages that are affected by the release and by the resultant activities
5 to contain and clean up the release; and

6 (B) it is in the best interest of the state to pay the expenses incurred by
7 municipalities and villages to mitigate the social and economic effects that arise out of
8 the release of the oil or the hazardous substance and the resultant cleanup activities.

9 Sec. 29.60.510. MUNICIPAL IMPACT GRANTS AUTHORIZED. (a) The
10 commissioner may use money from the oil and hazardous substance release response fund to
11 make grants to a municipality or village that is affected by the release or by the response to the
12 release and that demonstrates that the release or response to the release involves extraordinary
13 expenditures that are beyond the reasonable capability of the municipality or village to meet from
14 the current revenue sources of the municipality or village if

15 (1) the governor determines that a release of oil or a hazardous substance exceeds
16 2,500 barrels of oil, or exceeds an amount of a hazardous substance that, when released into the
17 environment, presents a threat to the economy and public welfare of the municipalities and
18 villages affected by it at least equivalent in effect to the effect of a release of oil in an amount
19 defined by this paragraph;

20 (2) the release has been proclaimed a disaster emergency by the governor under
21 AS 26.23.020; and

22 (3) the governor finds that

23 (A) the release of the oil or hazardous substance into the environment
24 presents a real and substantial threat to the economy and public welfare of the
25 municipalities and villages that are affected by the release and by the resultant activities
26 to contain and clean up the release; and

27 (B) it is in the best interest of the state to pay the expenses incurred by
28 municipalities and villages to mitigate the social and economic effects that arise out of
29 the release of the oil or the hazardous substance and the resultant cleanup activities.

30 (b) For each disaster emergency declared by the governor under AS 26.23.020, and
31 subject to agreement with the commissioner of environmental conservation as to the amount of

1 money in the fund that may be used by the department to make grants, the commissioner may
2 expend not more than \$10,000,000 of the balance of the fund that is appropriated to the spill
3 reserve or of the unrestricted balance of the fund for grants authorized under this section. If the
4 commissioner and the commissioner of environmental conservation do not agree on the amount
5 of money in the fund that may be used by the department to make grants under AS 29.60.500 -
6 29.60.599, the governor shall make the determination.

7 (c) Notwithstanding the limitation of AS 37.07.080(e) against the transfer of money
8 between appropriations, when the commissioner and the commissioner of environmental
9 conservation have agreed to the amount of money in the fund that may be used by the
10 department to make grants, or when that determination has been made by the governor, the
11 commissioner of environmental conservation shall promptly transfer that amount to the
12 department for use under AS 29.60.500 - 29.60.599.

13 (d) For money that has been transferred under (c) of this section, if within any one-year
14 period thereafter the commissioner does not use the money to make a grant under AS 29.60.500 -
15 29.60.599, the commissioner shall, at the direction of the governor or the request of the
16 commissioner of environmental conservation, return the unexpended amount transferred under
17 (c) of this section to the fund.

18 Sec. 29.60.520. PURPOSES OF MUNICIPAL IMPACT GRANTS. (a) A grant made
19 under AS 29.60.510 may be made

20 (1) only for

21 (A) provision of subsistence resources on which the residents of the
22 municipality or village rely for subsistence needs;

23 (B) the additional costs of a reasonable and appropriate function or
24 service, including administrative expenses for the incremental costs of providing the
25 function or service, limited to:

26 (i) public health and welfare functions and services, including
27 hospital, clinic, and emergency medical services; alcohol, drug abuse, and mental
28 health services; family support services; and the operation of waste disposal
29 systems and water quality improvement systems;

30 (ii) public safety functions and services, including police
31 protection, search and rescue, and fire protection;

1 (iii) public utility functions and services, including the operation
2 of electric generating plants and distribution systems, water supply systems,
3 telephone systems, and fuel distribution systems; and

4 (iv) housing functions and services, limited to leasing or making
5 other arrangements for temporary housing to be occupied by persons associated
6 with containment or clean up of the release;

7 (C) costs associated with leasing transportation facilities for use in
8 activities associated with the containment or clean up;

9 (D) costs of repair or replacement of equipment or a capital asset
10 associated with a function or service set out in (B) of this paragraph the useful life of
11 which has been substantially reduced by use associated with the containment or clean up;
12 and

13 (2) to compensate the municipality or village for

14 (A) the reduction of revenue attributable to the release of the oil or
15 hazardous substance; and

16 (B) the costs of projects or activities that are delayed or lost because of
17 the efforts of the municipality or village responding to the release or associated with the
18 containment or cleanup of oil or the hazardous substance.

19 (b) If money received under this section is used for a capital expenditure the
20 commissioner may require the municipality or village that acquired the item as a capital
21 expenditure to transfer it to the state at the end of the period during which the item is actually
22 used for spill response if the commissioner finds that retention of the item would confer an
23 inappropriate benefit on the municipality or village.

24 Sec. 29.60.530. CRITERIA TO EVALUATE GRANT APPLICATIONS. (a) In
25 determining whether an expenditure or proposed expenditure by a municipality or village is
26 eligible for a grant under AS 29.60.510, the department shall consider

27 (1) the degree to which the effect on the municipality or village is directly caused
28 by the oil or hazardous substance release or the response to the release;

29 (2) the availability of money to the recipient from other sources that can meet the
30 costs of providing the functions or services; and

31 (3) the severity of the effect addressed in the grant application.

1 (b) The department may reject an application for a grant under AS 29.60.510 or approve
2 an application for a grant in an amount that is less than the amount requested by a municipality
3 or village if the department determines that payment of the amount requested is not warranted
4 under (a) of this section.

5 (c) The department shall adopt, by regulation, criteria by which to rank all or a portion
6 of applications for the purpose of establishing the priority order of awarding grants if money
7 requested by eligible municipalities and villages under this section exceeds the amount available.
8 The criteria must be based on the elements set out in (a) of this section. If the total amount of
9 money requested by eligible municipalities and villages under this section exceeds the amount
10 available, the department shall rank applications for the purpose of establishing the priority order
11 of awarding grants in accordance with the regulations.

12 Sec. 29.60.540. LIMITATIONS ON USES OF GRANTS BY MUNICIPALITIES AND
13 VILLAGES. (a) A municipality may not use a grant made under AS 29.60.510 to reduce
14 current municipal tax rates or to retire its existing bonded indebtedness.

15 (b) Money received by a municipality or village under AS 29.60.500 - 29.60.599 may
16 not be used for a capital improvement, as that term is defined by AS 46.08.900(1).

17 Sec. 29.60.550. RECORDS. The department shall maintain records showing the income
18 and expenses of grants made under AS 29.60.510, and shall develop procedures governing the
19 expenditure of, and accounting for, money expended.

20 Sec. 29.60.560. IMPACT ASSESSMENT AND REMEDIAL PLANS. (a) For each
21 disaster emergency declared by the governor under AS 26.23.020 based on a release of oil or a
22 hazardous substance, the commissioner, after consulting with and securing the written approval
23 of the attorney general and after consulting with other state agencies, shall

24 (1) make an assessment of the social and economic effects of the release of the
25 oil or hazardous substance;

26 (2) develop a plan to

27 (A) recover the cost of release-related expenditures; and

28 (B) mitigate the social and economic effects of the release of the oil or
29 hazardous substance on the municipalities, the villages, and the region in which the
30 discharge occurs;

31 (b) The commissioner may make the assessment and plans required by (a) of this section

1 by

2 (1) using staff of the department;

3 (2) contracting with a municipality or other entity; or

4 (3) authorizing a municipality or other entity to perform that work and supporting
5 that effort by a grant.

6 (c) Only one assessment and one plan may be completed under this section for each
7 declaration of a disaster emergency.

8 (d) The commissioner may pay the costs of the assessment, the plan, and the recovery
9 of the cost of release-related expenditures from money available in the fund.

10 (e) Expenditures made under this section may be made only from the amount transferred
11 to the commissioner under AS 29.60.510(c), unless

12 (1) the commissioner and the commissioner of environmental conservation
13 mutually agree that payment may be made from money in the oil and hazardous substance release
14 response fund not transferred under AS 29.60.510(c); or

15 (2) the commissioner pays them from another source.

16 Sec. 29.60.590. REGULATIONS. The commissioner and the commissioner of
17 environmental conservation shall jointly develop and adopt regulations that are necessary to
18 implement the purposes of AS 29.60.500 - 29.60.599.

19 Sec. 29.60.599. DEFINITIONS. In AS 29.60.500 - 29.60.599,

20 (1) "barrel" when used with reference to oil has the meaning given by
21 AS 43.20.072;

22 (2) "containment and cleanup" has the meaning given in AS 46.08.900;

23 (3) "disaster emergency" means a disaster declared by the governor under
24 AS 26.23.020;

25 (4) "fund" means the oil and hazardous substance release response fund
26 established by AS 46.08.010;

27 (5) "hazardous substance" has the meaning given in AS 46.09.900;

28 (6) "oil" and "release" have the meanings given in AS 46.08.900;

29 (7) "service"

30 (A) means a function performed or service provided by a municipality
31 under a duty or power authorized by this title or by another provision of law authorizing

1 a municipality to perform functions or provide services, or a comparable function
2 performed or service provided by a village;

3 (B) includes functions not previously performed and services not
4 previously provided by the municipality or village;

5 (8) "village" means a place within the unorganized borough or within a borough
6 if the power, function, or service for which a grant application is submitted under AS 29.60.500 -
7 29.60.599 is not exercised or provided by the borough on an areawide or nonareawide basis at
8 the time the grant application is submitted, that

9 (A) has irrevocably waived, in a form approved by the Department of
10 Law, any claim of sovereign immunity that might arise in connection with the use of
11 grant money under this chapter; and

12 (B) has

13 (i) a council organized under 25 U.S.C. 476 (sec. 16 of the Indian
14 Reorganization Act);

15 (ii) a traditional village council recognized by the United States as
16 eligible for federal aid to Indians; or

17 (iii) a council recognized by the commissioner under regulations
18 adopted by the department to determine and give official recognition of village
19 entities under AS 44.47.150(b).

20 * Sec. 8. AS 46.03.760(e) is amended to read:

21 (e) In addition to liability under (a) - (d) of this section, a person who violates or causes
22 or permits to be violated a provision of AS 46.03.740 - 46.03.750 is liable to the state, in a civil
23 action brought under AS 46.03.822, for the full amount of actual damages caused to the state by
24 the violation, including

25 (1) direct and indirect costs associated with the abatement, containment, or
26 removal of the pollutant;

27 (2) [,] restoration of the environment to its former state;

28 (3) amounts paid as grants under AS 29.60.510 - 29.60.599 and as emergency
29 first response advances and reimbursements under AS 46.08.070(c); [,] and

30 (4) all incidental administrative costs.

31 * Sec. 9. AS 46.03.822(a) is amended to read:

1 (a) Notwithstanding any other provision or rule of law and subject only to the defenses
2 set out in (b) of this section and the exception set out in (i) of this section, the following persons
3 are strictly liable, jointly and severally, for damages to persons or property, whether public or
4 private, including damage to the natural resources of the state or municipality, [AND] for the
5 costs of response, containment, removal, or remedial action incurred by the state, [OR] a
6 municipality, or a village, and for the additional costs of a function or service, including
7 administrative expenses for the incremental costs of providing the function or service, that
8 are incurred by the state, a municipality, or a village, and the costs of projects or activities
9 that are delayed or lost because of the efforts of the state, the municipality, or the village,
10 resulting from an unpermitted release of a hazardous substance or, with respect to response costs,
11 the substantial threat of an unpermitted release of a hazardous substance:

12 (1) the owner of, and the person having control over, the hazardous substance at
13 the time of the release or threatened release; this paragraph does not apply to a consumer product
14 in consumer use;

15 (2) the owner and the operator of a vessel or facility, from which there is a
16 release, or a threatened release that causes the incurrence of response costs, of a hazardous
17 substance;

18 (3) any person who at the time of disposal of any hazardous substance owned or
19 operated any facility or vessel at which the hazardous substances were disposed of, from which
20 there is a release, or a threatened release that causes the incurrence of response costs, of a
21 hazardous substance;

22 (4) any person who by contract, agreement, or otherwise arranged for disposal or
23 treatment, or arranged with a transporter for transport for disposal or treatment, of hazardous
24 substances owned or possessed by the person, other than domestic sewage, or by any other party
25 or entity, at any facility or vessel owned or operated by another party or entity and containing
26 hazardous substances, from which there is a release, or a threatened release that causes the
27 incurrence of response costs, of a hazardous substance;

28 (5) any person who accepts or accepted any hazardous substances, other than
29 refined oil, for transport to disposal or treatment facilities, vessels or sites selected by the person,
30 from which there is a release, or a threatened release that causes the incurrence of response costs,
31 of a hazardous substance.

1 * Sec. 10. AS 46.03.822(h) is amended to read:

2 (h) The state, [OR] a municipality, or a village is not liable under this section for costs
3 or damages as a result of actions taken in response to an emergency created by a release or
4 threatened release of a hazardous substance generated by or from a facility or vessel owned by
5 another person unless the actions taken by the state, the [OR] municipality, or the village
6 constitute gross negligence or intentional misconduct.

7 * Sec. 11. AS 46.03.900 is amended by adding new paragraphs to read:

8 (35) "service" means a function performed or service provided by the state or by
9 a municipality under a duty or power authorized by AS 29 or other provision of law authorizing
10 a municipality to perform functions or provide services, or a comparable function performed or
11 service provided by a village; "service" includes functions not previously performed and services
12 not previously provided;

13 (36) "village" means a place within the unorganized borough or within a borough
14 as to a power, function, or service that is not exercised or provided by the borough on an
15 areawide or nonareawide basis that

16 (A) has irrevocably waived, in a form approved by the Department of
17 Law, any claim of sovereign immunity that might arise under this chapter; and

18 (B) has

19 (i) a council organized under 25 U.S.C. 476 (sec. 16 of the Indian
20 Reorganization Act);

21 (ii) a traditional village council recognized by the United States as
22 eligible for federal aid to Indians; or

23 (iii) a council recognized by the commissioner of community and
24 regional affairs under regulations adopted by the Department of Community and
25 Regional Affairs to determine and give official recognition of village entities
26 under AS 44.47.150(b).

27 * Sec. 12. AS 46.04.020 is amended by adding a new subsection to read:

28 (f) In fulfilling its responsibilities under (e) of this section, the department shall consult
29 with the governing bodies of municipalities and villages.

30 * Sec. 13. AS 46.04.900(5) is amended to read:

31 (5) "containment and cleanup" includes all direct and indirect efforts associated

1 with the prevention, abatement, containment, or removal of a pollutant, and the restoration of the
2 environment to its former state; when applied to expenses, the term includes the additional
3 costs of providing a reasonable and appropriate function or service incurred in response to
4 the discharge of a pollutant, including [, AND ALL INCIDENTAL] administrative expenses
5 for the incremental costs of providing the function or service;

6 * Sec. 14. AS 46.04.900 is amended by adding new paragraphs to read:

7 (20) "service" means a function performed or service provided by the state,
8 including functions not previously performed and services not previously provided by the state;

9 (21) "village" means a place within the unorganized borough or within a borough
10 as to a power, function, or service that is not exercised or provided by the borough on an
11 areawide or nonareawide basis that

12 (A) has irrevocably waived, in a form approved by the Department of
13 Law, any claim of sovereign immunity that might arise under this chapter; and

14 (B) has

15 (i) a council organized under 25 U.S.C. 476 (sec. 16 of the Indian
16 Reorganization Act);

17 (ii) a traditional village council recognized by the United States as
18 eligible for federal aid to Indians; or

19 (iii) a council recognized by the commissioner of community and
20 regional affairs under regulations adopted by the Department of Community and
21 Regional Affairs to determined and give official recognition of village entities
22 under AS 44.47.150(b).

23 * Sec. 15. AS 46.08.040(a) is amended to read:

24 (a) In addition to money in the fund that is transferred to the commissioner of
25 community and regional affairs to make grants under AS 29.60.510 and to pay for impact
26 assessments under AS 29.60.560, the [THE] commissioner of environmental conservation may
27 use money from the fund to

28 (1) investigate and evaluate the release or threatened release of oil or a hazardous
29 substance, and contain, clean up, and take other necessary action, such as monitoring and
30 assessing, to address a release or threatened release of oil or a hazardous substance that poses
31 an imminent and substantial threat to the public health or welfare, or to the environment;