

ALASKA LEGISLATURE

1490

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

**S B**

**8 8**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/9/95

FURTHER:

REPORTED OUT OF  
C 3-30-95

DATE TURNED INTO OFFICE: 3-30-95

The Finance Committee considered SENATE BILL NO. 88

"An Act establishing a pilot program for charter schools; and providing for an effective date."

and recommends:

- be replaced with CS SB 88 ( FIN )
- adopt previous CS (          )
- attached amendment(s)
- adopt Letter of Intent by          Committee
- further referral to the          Committee

- Senate Bill:
- same title
  - new title
- House Bill:
- same title
  - technical change
  - new: SCR#

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Neri</i>	✓	<i>Paul F. Schmitt</i>	X		
<i>Bill E. Kelly</i>	✓	<i>Daniel Donley</i>	✓		
<del><i>Daniel Donley</i></del>					
<i>Best Prop</i>	✓				
Co-Chair: <i>[Signature]</i>	✓				
Co-Chair: <i>Kirk Halford</i>	✓				

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
DOE	7/18/95		2.0

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

No. 1  
 Bill Version: SB 88  
 (S) Publish Date: 3.9.95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: An Act establishing a pilot program for charter schools  
 Sponsor: Senator Sharp  
 Requester: Senator Sharp

Department Affected: Education  
 BRU: Education Program Support  
 Component: Basic Education and Instructional Improvement  
 COMPONENT SERIAL NO. 171

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	2.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF March	2.0	0.0	0.0	0.0	0.0	0.0
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	2.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) impact: \$ 0.0

**ANALYSIS: (Attach a separate page if necessary.)**

Senate Bill 88 establishes a pilot program for charter schools. The State Board of Education will need to develop, notice, and promulgate regulations to implement SB 88.

Prepared by: Sheila Peterson, Special Assistant  
 Division: Commissioner's Office  
 Approved by Commissioner: [Signature]  
 Agency: Education

Phone: 465-2803  
 Date: February 18, 1995  
Jerry Covey  
 Date: February 18, 1995

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*Faxed  
9:55am*

**FAX**

TO: Legal Services  
Phone: 465-3867  
Fax: 465-2029

FROM: Kathy  
Senate Finance Committee  
2618

DATE: March 30, 1995

RE: CSSB 88 (Fin)

Please incorporate attached Amendments 1 and 2 into CSSB 88 (HES) to produce a Senate Finance Committee Substitute for the bill and return the original to Kathy or Norma, Room 520, Capitol Building. The bill was reported out of committee several minutes ago and will be read across the floor of the Senate into Rules at 11:00 a.m. this morning. Please give me a call if you have question or I can be of assistance. Thank You.

Adopted  
3/30/95

A M E N D M E N T

CSSB-88(Fin)

Offered by: Senator Bert Sharp

Page 2, line 12

Delete [control] add supervise.

Page 4, line 15

After the word teacher add or employee.

Page 4, line 16

After the word teacher add or employee.

After the words assigned to delete [teach in].

Page 4, line 17

After the word teacher add or employee.

SENATE FINANCE  
COMMITTEE  
Amendment Number: 1  
Bill Number: SB 88  
Sponsor: SHARP Date: 3/27  
Logged In By: [Signature]

3/30/95

*Adopted*

AMENDMENT

OFFERED IN THE SENATE  
TO: CSSB 88(HES)

BY SENATOR SHARP

- 1 Page 2, line 11, after "shall":
- 2 Insert "be selected by the academic policy committee and shall"

SENATE FINANCE  
COMMITTEE

Amendment Number: #2  
 Bill Number: SB 88  
 Sponsor: SHARP Date: 3/30  
 Logged In By: [Signature]

*Fin*  
CS FOR SENATE BILL NO. 88(HES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 3/9/95  
Referred: Finance

Sponsor(s): SENATORS SHARP, Frank, Miller, Taylor, Rieger

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing a pilot program for charter schools; and providing for an  
2 effective date."

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

4 \* Section 1. ESTABLISHMENT OF CHARTER SCHOOLS. (a) A charter school may  
5 be established as provided under this Act upon the approval of the local school board and the  
6 state Board of Education of an application for a charter school. The state Board of Education  
7 may not approve more than 30 charter schools to operate in the state at any one time and shall  
8 approve charter schools in a geographically balanced manner as follows: not more than 10  
9 schools in Anchorage; not more than five schools in Fairbanks; not more than three schools  
10 in the Matanuska-Susitna Borough; not more than three schools in the Kenai Peninsula  
11 Borough; not more than two schools in the City and Borough of Juneau; not more than seven  
12 schools located in other areas of the state, and these seven schools shall be allocated as nearly  
13 as possible in a geographically balanced manner throughout the rest of the state.

14 (b) A local school board shall prescribe an application procedure for the establishment

1 of a charter school in that school district. The application procedure must include provisions  
2 for an academic policy committee consisting of parents of students attending the school,  
3 teachers, and school employees and a proposed form for a contract between a charter school  
4 and the local school board, setting out the contract elements required under sec. 2(c) of this  
5 Act.

6 (c) A local school board shall forward to the state Board of Education applications for  
7 a charter school that have been approved or denied by the local board.

8 \* Sec. 2. ORGANIZATION AND OPERATION OF A CHARTER SCHOOL. (a) A  
9 charter school operates as a school in the local school district except that the charter school  
10 (1) is exempt from the local school district's textbook, program, curriculum, and scheduling  
11 requirements; (2) is exempt from AS 14.14.130(c); the principal of the charter school shall  
12 select, appoint, or otherwise <sup>Supervise</sup> ~~control~~ employees of the charter school; and (3) operates under  
13 the charter school's annual program budget as set out in the contract between the local school  
14 board and the charter school under (c) of this section. A local school board may exempt a  
15 charter school from other local school district requirements if the exemption is set out in the  
16 contract.

17 (b) A charter school shall

18 (1) keep financial records of the charter school;

19 (2) oversee the operation of the charter school to ensure that the terms of the  
20 contract required by (c) of this section are being met; and

21 (3) meet regularly with parents and with teachers of the charter school to  
22 review, evaluate, and improve operations of the charter school;

23 (4) meet with the academic policy committee at least once each year to  
24 monitor progress in achieving the committee's policies and goals.

25 (c) A charter school shall operate under a contract between the charter school and the  
26 local school board. A contract must contain the following provisions:

27 (1) description of the educational program;

28 (2) specific levels of achievement for the education program;

29 (3) admission policies and procedures;

30 (4) administrative policies;

31 (5) statement of the charter school's funding allocation from the local school

1 board and costs assignable to the charter school program budget;

2 (6) method by which the charter school will account for receipts and  
3 expenditures;

4 (7) location and description of the facility;

5 (8) name of the teacher, or teachers, who, by agreement between the charter  
6 school and the teacher, will teach in the charter school;

7 (9) teacher-to-student ratio;

8 (10) number of students served;

9 (11) the term of the contract, not to exceed a term of five years;

10 (12) a termination clause providing that the contract may be terminated by the  
11 local school board for the failure of the charter school to meet educational achievement goals  
12 or fiscal management standards, or for other good cause;

13 (13) a statement that the charter school will comply with all state and federal  
14 requirements for receipt and use of public money;

15 (14) other requirements or exemptions agreed upon by the charter school and  
16 the local school board.

17 (d) A charter school may be operated in an existing school district facility or in a  
18 facility within the school district that is not currently being used as a public school, if the  
19 chief school administrator determines the facility meets requirements for health and safety  
20 applicable to other public schools in the district.

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28 (b) The program budget of a charter school is to be used for operating expenses of  
29 the educational program of the charter school, including purchasing textbooks, classroom  
30 materials, and instructional aids.

31 (c) The charter school shall provide the financial and accounting information requested

1 by the local school board or the Department of Education, and shall cooperate with the local  
2 school district or the department in complying with the requirements of AS 14.17.190.

3 \* Sec. 4. ADMISSION. (a) The program of a charter school may be designed to serve

4 (1) students within an age group or grade level; or

5 (2) students who will benefit from a particular teaching method or curriculum.

6 (b) A charter school shall enroll all eligible students who submit a timely application,  
7 unless the number of those applications exceeds the capacity of the program, class, grade  
8 level, or building. In the event of an excess of those applications, the charter school and the  
9 local school board shall attempt to accommodate all of those applicants by considering  
10 providing additional classroom space and assigning additional teachers from the district to the  
11 charter school. If it is not possible to accommodate all eligible students who submit a timely  
12 application, students shall be accepted by random drawing. A school board may not require  
13 a student to attend a charter school.

14 (c) In addition to other requirements of law, a charter school shall be nonsectarian.

15 \* Sec. 5. <sup>OR Employee</sup>TEACHER <sup>OR Employee</sup>TRANSFERS, EVALUATIONS, AND NEGOTIATED  
16 AGREEMENTS. (a) A teacher, <sup>OR Employee</sup> may not be assigned to ~~teach in~~ a charter school unless the  
17 teacher <sup>OR Employee</sup> consents to the assignment.

18 (b) All provisions of an existing negotiated agreement or collective bargaining  
19 agreement applicable to a teacher or employee of a district apply to that teacher or employee  
20 if employed at a charter school in that district, unless the district and the bargaining unit  
21 representing the teacher or employee agree to an exemption.

22 (c) A teacher in a charter school shall be evaluated in an equivalent manner as all  
23 other teachers in the district, except that if there is no administrator assigned to the charter  
24 school, the local school board, with the agreement of the charter school, shall designate a  
25 school district administrator in that district to evaluate a teacher in a charter school.

26 \* Sec. 6. CONTRACTS; DURATION. A contract for a charter school may be for a term  
27 of no more than five years and may not extend beyond July 1, 2005.

28 \* Sec. 7. REGULATIONS. The state Board of Education may adopt regulations under  
29 AS 44.62 (Administrative Procedure Act) necessary to implement this Act.

30 \* Sec. 8. DEFINITIONS. In this Act,

31 (1) "academic policy committee" means the group designated to supervise the

1 academic operation of a charter school and to ensure the fulfillment of the mission of a charter  
2 school;

3 (2) "charter school" means a school established under this Act that operates  
4 within a public school district;

5 (3) "local school board" means a borough or city school board or a regional  
6 school board;

7 (4) "parent" means a biological, adoptive, or foster parent, or an adult who acts  
8 as guardian of a child and makes decisions related to the child's safety, education, and  
9 welfare;

10 (5) "parent advisory group" means a group that is recognized by the school as  
11 representative of those parents having children attending that school, that has regular meetings,  
12 and in which membership is open to all parents within that school's attendance area;

13 (6) "teacher" means a person who serves a school district in a teaching,  
14 counseling, or administrative capacity and is required to be certificated in order to hold the  
15 position.

16 \* Sec. 9. This Act is repealed July 1, 2005.

17 \* Sec. 10. TRANSITION. Notwithstanding sec. 12 of this Act, the state Board of  
18 Education may proceed to adopt regulations necessary to implement this Act. The regulations  
19 take effect under AS 44.62 (Administrative Procedure Act), but not before the respective  
20 effective date of the relevant section or sections of this Act.

21 \* Sec. 11. Section 10 of this Act takes effect immediately under AS 01.10.070(c).

22 \* Sec. 12. Sections 1 - 8 of this Act take effect July 1, 1995.

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Juneau, Alaska 99801-2105*

Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

House Health, Education & Social Services  
May 2, 1995  
2:04 p.m.

A M E N D M E N T

CSSB-88(Fin)

Offered by: Senator Bert Sharp

Page 2, line 12

Delete [control] add supervise.

Page 4, line 15

After the word teacher add or employee.

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After the words assigned to delete [teach in].

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After the word teacher add or employee.

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: SB 88  
Sponsor: Sharp Date: 3/27  
Logged In By: [Signature]

# FISCAL NOTE

No. 1  
 Bill Version: SB 88  
 (S) Publish Date: 3.9.95

STATE OF ALASKA  
 1995 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
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 Sponsor: Senator Sharp  
 Requester: Senator Sharp

Department Affected: Education  
 BRU: Education Program Support  
 Component: Basic Education and Instructional Improvement  
 COMPONENT SERIAL NO. 171

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	2.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match	2.0	0.0	0.0	0.0	0.0	0.0
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	2.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY95) impact: \$ 0.0

**ANALYSIS: (Attach a separate page if necessary.)**

Senate Bill 88 establishes a pilot program for charter schools. The State Board of Education will need to develop, notice, and promulgate regulations to implement SB 88.

Prepared by: Sheila Peterson, Special Assistant

Phone: 465-2803

Division: Commissioner's Office

Date: February 18, 1995

Approved by Commissioner: *[Signature]*

Jerry Covey

Agency: Education

Date: February 18, 1995

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#1 2124195  
(S) TIES, FIN

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 88

Revision Date: \_\_\_\_\_  
Title: An Act establishing a pilot program for charter schools  
Sponsor: Senator Sharp  
Requester: Senator Sharp

Department Affected: Education  
BRU: Education Program Support  
Component: Basic Education and Instructional Improvement  
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<b>TOTAL OPERATING</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>						
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<b>REVENUE FUND SOURCE:</b>						
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<b>TOTAL</b>	<b>2.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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SPB 88

*Amended ...  
Reported Out  
3/30/95*

**CS FOR SENATE BILL NO. 88(HES)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**NINETEENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE**

**Offered: 3/9/95**

**Referred: Finance**

**Sponsor(s): SENATORS SHARP, Frank, Miller, Taylor, Rieger**

**A BILL**

**FOR AN ACT ENTITLED**

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9 welfare;

10 (5) "parent advisory group" means a group that is recognized by the school as  
11 representative of those parents having children attending that school, that has regular meetings,  
12 and in which membership is open to all parents within that school's attendance area;

13 (6) "teacher" means a person who serves a school district in a teaching,  
14 counseling, or administrative capacity and is required to be certificated in order to hold the  
15 position.

16 \* Sec. 9. This Act is repealed July 1, 2005.

17 \* Sec. 10. TRANSITION. Notwithstanding sec. 12 of this Act, the state Board of  
18 Education may proceed to adopt regulations necessary to implement this Act. The regulations  
19 take effect under AS 44.62 (Administrative Procedure Act), but not before the respective  
20 effective date of the relevant section or sections of this Act.

21 \* Sec. 11. Section 10 of this Act takes effect immediately under AS 01.10.070(c).

22 \* Sec. 12. Sections 1 - 8 of this Act take effect July 1, 1995.

# Alaska State Legislature

SENATOR  
BERT SHARP

DISTRICT P

CHAIRMAN  
SENATE STATE AFFAIRS COMMITTEE

MEMBER  
FINANCE COMMITTEE  
RULES COMMITTEE

## FAIRBANKS

DENALI BANK BUILDING  
119 N. CUSHMAN, SUITE 201  
FAIRBANKS, ALASKA 99701  
(907) 452-7885/7886

## SESSION ADDRESS

STATE CAPITOL, ROOM 514  
JUNEAU, ALASKA 99801-1182  
(907) 465-3004/4921

Senate

TO: Senator Rick Halford, Co-Chair  
Senate Finance Committee

FROM: Senator Bert Sharp *Bert*

RE: **PRIORITY** Request for Hearing

DATE: March 20, 1995

I am requesting that CSSB-88; "An Act establishing a pilot program for charter schools; and providing for an effective date, be heard before the Senate Finance Committee.

Thank you for your consideration.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

# Alaska State Legislature

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BERT SHARP  
DISTRICT P

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## SESSION ADDRESS

STATE CAPITOL, ROOM 514  
JUNEAU, ALASKA 99801-1182  
(907) 465-3004/4921

Senate

TO: Senator Rick Halford, Co-Chair  
Senate Finance Committee

FROM: Senator Bert Sharp 

RE: Request for Hearing

DATE: March 7, 1995

I am requesting that CSSB-88; "An Act establishing a pilot program for charter schools; and providing for an effective date:, be before the Senate Finance Committee.

Thank you for your consideration.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

# Alaska State Legislature

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BERT SHARP

DISTRICT P

CHAIRMAN  
SENATE STATE AFFAIRS COMMITTEE

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## SESSION ADDRESS

STATE CAPITOL, ROOM 514  
JUNEAU, ALASKA 99801-1182  
(907) 465-3004/4921

Senate

## SPONSOR STATEMENT

CSSB-88(HES)

BY: SENATOR BERT SHARP

THE ISSUE OF CHARTER SCHOOLS WAS DISCUSSED AT LENGTH DURING THE TWO YEARS OF THE 18TH LEGISLATURE. UNFORTUNATELY, CHARTER SCHOOLS WAS JUST ONE PART OF SB-61, WHICH IN ALL ASPECTS, WAS AN "OMNIBUS EDUCATION BILL" THE BILL TRIED TO ADDRESS DIVERSE ISSUES, EACH OF WHICH, WERE CONTROVERSIAL AND IN SOME WAY, TAINTED THE OTHER BY ASSOCIATION.

I'VE TRIED TO CRAFT SB-88 TO BE A SINGLE ISSUE BILL ON CHARTER SCHOOLS. MY GOAL IS TO SET AS FEW LIMITATIONS AS POSSIBLE IN SETTING UP AND OPERATING CHARTER SCHOOLS. THIS BILL WILL ALLOW SCHOOL DISTRICTS, TEACHERS AND PARENTS THE SPACE TO BE CREATIVE. IT ALLOWS THE CHARTER SCHOOLS TO UTILIZE EXISTING SCHOOL FACILITIES, NEW FACILITIES AND/OR THE OPTION OF LEASING PRIVATELY OWNED STRUCTURES FROM THE OWNER. A GEOGRAPHICAL ALLOCATION HAS BEEN DONE TO ASSURE FAIRNESS STATEWIDE.



REPRESENTING  
GOLDEN HEART  
OF ALASKA

ALL CHARTER SCHOOL PROPOSALS MUST BE SUBMITTED TO THE LOCAL SCHOOL BOARD FOR CONSIDERATION, AND UPON THEIR APPROVAL, FORWARDED TO THE COMMISSIONER OF THE DEPARTMENT OF EDUCATION FOR REVIEW AND COMPLIANCE TO STATE LAW.

ALL STAFFING OF CHARTER SCHOOLS MUST BE DONE ON A VOLUNTEER BASIS, WITH THE PRINCIPAL OR ADMINISTRATOR HAVING THE RIGHT OF FINAL APPROVAL OF ALL STAFF SELECTION.

BY CHALLENGING STUDENTS TO ACHIEVE AT THEIR HIGHEST CAPABILITIES, I FIRMLY BELIEVE CHARTER SCHOOLS MAY LEAD THE WAY TO A MORE EFFECTIVE EDUCATION SYSTEM FOR THE NEXT CENTURY.

I URGE YOUR SUPPORT ON THIS IMPORTANT LEGISLATION.



Fairbanks North Star Borough School District

# FAIRBANKS NORTH STAR BOROUGH SCHOOL DISTRICT

520 Fifth Avenue

Fairbanks, Alaska 99701-4756

(907) 452-2000

Board of Education March 9, 1995

Sue Wilken  
President  
Seat A  
474-0341

Senator Bert Sharp  
Alaska State Legislature  
MS 3100  
Juneau, Alaska 99801-1182

Bill Burrows  
Vice President  
Seat E  
451-0985

Dear Senator Sharp:

Jane Haigh  
Treasurer  
Seat D  
457-7334

Thank you for responding to the Fairbanks School Board's request to support legislation regarding the establishment of a pilot program for charter schools in Alaska.

Bob Boko  
Clerk  
Seat G  
474-9081

Your effort in sponsoring SB88 is appreciated. Passage of this bill will serve Fairbanks and the state well in its attempt to explore different means of organizing and managing schools. We are committed to doing our part at the local level. Together, we can continue to work toward the improvement of education of Fairbanks' youth. We feel strongly that an option for non-mandated charter schools to contract with local school boards promotes that effort.

Jerry McBeath  
Member  
Seat C  
479-2870

As you know, the Fairbanks community has always held education as a high priority. We recognize that improvements should always be our goal and we appreciate your assistance in considering of different forms of educational delivery.

Andy Warwick  
Member  
Seat F  
474-9148

Sincerely,

Cynthia Henry  
Member  
Seat B  
474-0034

Bill Burrows  
Vice President  
Board of Education

Bill Heinen, Lt. Col.  
Eielson Air Force Base  
Representative  
377-3259

cc: Interior Delegation  
Rick Cross, Superintendent  
Linda Anderson, Legislative Liaison

John Popp, Major  
Fort Wainwright Army Post  
Representative  
356-3771

Jay McAlpin  
Student Representative  
458-9061

HC 31 Box 5248-A  
Wasilla, AK 99654-9704  
March 25, 1995

Senator Bert Sharp  
State Capitol Bldg.  
Juneau, AK 99601-1182

Dear Senator Sharp,

Greetings. I have received word from Sen. Taylor's office that the Senate is considering their own version of the Charter Schools bill. It has come to my attention that you will be considering SB 88 in your finance committee meeting on Monday. I would urge you to reflect on these ideas:

A. Charter schools support teachers, students and parents with different learning styles from the "mainstream" traditional factory model. I would point out that educational research has established more appropriate educational models and the existing institution is 10 to 20 years behind in implementing them

B. In times when money in education seems to poured into a black hole with no effective return, it is time to try something new to get the results parents, teachers and industry/business want in the future work force.

C. Other states that have implemented these schools have not been overwhelmed by costs. Contrary to what traditional education advocates claim, these schools would have to function within existing budget constraints within their districts. In other words, students participating in charter schools would get the same dollar amount as an other student within the district. Monies would not be drained away from traditional programs.


D. Without going to a major overhaul of the institution of education, charter schools can effectively speed up trends happening in most districts: sight-based management, inclusion of special needs students in the regular classroom, parent and industry partnerships in individual schools.

In short, it is possible to revitalize and renovate public education from within the institution making it more appropriate for diverse learning styles, management trends and regain public enthusiasm and support for the same monies available currently in these tight economic times. The public will support change as long as it is not too radical and this approach of charter schools is the best viable vehicle. The return for

this vision and investment will be young people prepared for the future job markets and a more timely updating of our educational system in America.

Please become an advocate for our children's future. Do all you can to pass a charter schools bill this session.

Sincerely,

A handwritten signature in cursive script that reads "Chris Casler".

Chris Casler

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

DATE: 2/15/95

FURTHER: Finance

Date of 5-Day Notice: 2.16.95  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3.8.95

HESS Committee considered SENATE BILL NO. 88

"An Act establishing a pilot program for charter schools; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 88
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:  
 same title  
 new title  
 House Bill:  
 technical change  
 new: SCR# \_\_\_\_\_

HESS

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
Mike Miller	✓				
		Judith E. Salo	✓		
		Ally Ellis	✓		
		How A. Leman	✓		
CHAIR: Lyda Green	✓				

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal

DOE	2/8		✓

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SB**

**89**

**HFIN**

**FILE**

# HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 19, 1996

FURTHER REFERRALS:

Date of Committee Action: 5/1/96

The FINANCE Committee considered:

CSSB 89(FIN) am

CS FOR SENATE BILL NO. 89(FIN) am

PERMANENT FUND BOARD MEMBERS & STAFF

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

recommends it be replaced with the following committee substitute HCSSB 89(FIN)  the same title  a new title

additional referral to \_\_\_\_\_ Committee

attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) Senate DOR, 3/8/96

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Richard J. Foster</i>	Foster	X			
<i>William Hanley</i>	Hanley	X			
<i>John Mulder</i>	Mulder	X			
<i>Terry Martin</i>	Martin	X			
<i>John Parnell</i>	Parnell	X			
<i>Kie Kohring</i>	Kohring	X			
<i>Ben Grussendorf</i>	Grussendorf			X	
<i>Mike Navarre</i>	Navarre			X	
<i>Tay Brown</i>	Brown			X	
<i>John Kelly</i>	Kelly	X			
<i>Gene Therriault</i>	Therriault			X	

CHAIR'S SIGNATURE \_\_\_\_\_

*Richard J. Foster*

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to the members of the board BRU: APFC  
and staff of the Alaska Permanent Fund Corporation. Component: APFC  
 Sponsor: Senator Rieger  
 Requestor: Senate Finance COMPONENT SERIAL NO. 109

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL	28.9	29.3	29.7	30.2	30.6	31.1
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>	<b>33.7</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	31.5	31.9	32.3	32.8	33.2	33.7
<b>TOTAL</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>	<b>33.7</b>

Estimate of any current year (FY96) cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The fiscal note assumes implementation on July 1, 1996. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees of two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron I. Mallart, Executive Director Phone: (907) 465-2047  
 Division: Alaska Permanent Fund Corporation Date: 1/22/96  
 Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: Department of Revenue

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 For further distribution information call the Governor's Legislative Office

4/27/96

WD

AMENDMENT \

OFFERED IN THE HOUSE  
TO: HCS CSSB 89(STA)

BY REPRESENTATIVE BROWN

- 1 Page 2, lines 8 - 23
- 2 Delete all material.
- 3 Renumber sections accordingly.

WD

4/27/96

AMENDMENT

OFFERED IN THE HOUSE  
TO: HCS CSSB 89(STA)

BY REPRESENTATIVE BROWN

- 1 Page 3, line 4, after "director":
- 2 Delete "and other employees serve"
- 3 Insert "serves"
- 4 Page 3, line 4, after "board,":
- 5 Delete "except that"
- 6 Insert "and"

As compared to

HCS CSSB 89 (STA)

HOUSE CS FOR CS FOR SENATE BILL NO. 89( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): SENATORS RIEGER, Frank, Green, Halford, Kelly, Leman, Miller, Pearce, Phillips, Sharp, Taylor, Torgerson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the members of the board and staff of the Alaska  
2 Permanent Fund Corporation."

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

4 \* Section 1. AS 37.13.050(a) is amended to read:

5 (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists  
6 of seven [SIX] members appointed by the governor. Two of the members must be  
7 heads of principal departments of state government, one of whom shall be the  
8 commissioner of revenue. Five [FOUR] members shall be appointed by the governor  
9 from the public and may not hold any other state or federal office, position, or  
10 employment, either elective or appointive, except as a member of the armed forces of  
11 either the United States or of this state.

12 \* Sec. 2. AS 37.13.050(b) is amended to read:

13 (b) The [FOUR] public members of the board must have recognized  
14 competence and wide experience in finance, investments, or other business

1 management-related fields and at least one of the public members must have  
2 recognized competence and experience in investment portfolio management.

3 \* Sec. 3. AS 37.13.060 is amended to read:

4 Sec. 37.13.060. TERM OF OFFICE. The public members of the board shall  
5 be appointed for terms of four years, and they may be reappointed. The terms of the  
6 public members shall be staggered so that the terms of no more than two [ONE  
7 TERM OF A] public members expire [MEMBER EXPIRES] each year.

8 \* Sec. 4. AS 37.13.070(a) is amended to read:

9 (a) The governor may remove a public member of the board from office only  
10 for cause. A removal by the governor must be in writing and must state the reason  
11 for the removal. A member who is removed by the governor may not participate in  
12 board business and may not be counted for purposes of establishing a quorum after the  
13 member receives written notice of removal from the governor. In this subsection,  
14 "cause" means

15 (1) incompetency, which is the inability or the unintentional or  
16 intentional failure to perform the duties of the trustee; or

17 (2) misfeasance or malfeasance in office, which includes the failure  
18 of the trustee to exercise prudent judgment in the affairs of the corporation or  
19 intentionally taking action for reasons other than the financial best interest of the  
20 corporation.

21 \* Sec. 5. AS 37.13 is amended by adding a new section to read:

22 Sec. 37.13.075. LIMITATIONS ON GOVERNOR. (a) The governor shall  
23 base the decision to appoint a board member solely on the financial best interest of the  
24 fund.

25 (b) The governor may not influence or attempt to influence the board to make  
26 an investment decision that violates prudent investment principles.

27 (c) Violation of this section constitutes a violation of AS 39.52.

28 \* Sec. 6. AS 37.13.100 is amended to read:

29 Sec. 37.13.100. CORPORATION STAFF. The board may employ and  
30 determine the salary of an executive director. The executive director may, with the  
31 approval of the board, select and employ additional staff as necessary. The executive

Deleted (3) conviction of a crime that would cause a significant number of reasonably prudent members of the public to distrust the trustee's ability to discharge the duties of the trustee.

1 director and other employees <sup>added</sup> with investment responsibilities serve at the pleasure  
2 of the board, except that the board may enter into employment contracts that do  
3 not exceed two years' duration. An employee of the corporation, including the  
4 executive director, may not be a member of the board. The executive director and the  
5 other employees of the board are in the exempt service under AS 39.25.

6 \* Sec. 7. AS 37.13.120(a) is amended to read: *New section*

7 (a) The prudent-investor rule shall be applied by the board in the management  
8 and investment of fund assets. The prudent-investor rule as applied to investments of  
9 the fund means that, in making investments, the board shall exercise the judgment and  
10 care under the circumstances then prevailing that an institutional investor of ordinary  
11 prudence, discretion, and intelligence exercises in the management of large investments  
12 entrusted to it not in regard to speculation but in regard to the permanent disposition  
13 of funds, considering probable safety of capital as well as probable income. Each  
14 board member has a fiduciary duty to the fund, and each member shall perform  
15 official actions solely in accordance with that duty.

Deleted - AS 37.13.100 is amended by adding a new section to read:

(b) A board member shall act solely in the best interest of the fund when making decisions regarding the executive director or employees of the corporation. A person who violates this subsection breaches a fiduciary responsibility.

HOUSE CS FOR CS FOR SENATE BILL NO. 89(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 4/19/96  
Referred: Finance

Sponsor(s): SENATORS RIEGER, Frank, Green, Halford, Kelly, Leman, Miller, Pearce, Phillips, Sharp, Taylor, Torgerson

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17                   (2) misfeasance or malfeasance in office, which includes the failure  
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20                   corporation; or

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10           (b) A board member shall act solely in the best interest of the fund when  
11 making decisions regarding the executive director or employees of the corporation.  
12 A person who violates this subsection breaches a fiduciary responsibility.

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

1           Sec. 37.13.100. CORPORATION STAFF. The board may employ and  
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# Alaska State Senate

**SENATOR STEVE RIEGER**  
District 1

Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council

*During Session:*  
State Capitol, Room 516  
Juneau, Alaska 99801  
(907) 465-3879

716 West 4th Avenue, Suite 530  
Anchorage, Alaska 99501  
(907) 258-8188

## Sponsor Statement

### **SB 89 – An Act Relating to the Members of the Board and Staff of the Alaska Permanent Fund Corporation**

In the past two years there has been 100% turnover in the top management of the Alaska Permanent Fund Corporation – among them the executive director, the chief investment officer, and all six trustees. This level of turnover is not healthy.

The purpose of SB 89 is to provide greater continuity in the management of the fund, which should translate into more careful, deliberate financial decision-making. The bill makes it clear that removal of a trustee must be for cause. The number of public members is increased from four to five members with staggered terms. Senate Bill 89 also clarifies that the investment policies of the fund and staffing decisions must be made solely in the best interest of the fund.

The management issue is significant because the Alaska Permanent Fund is significant. In a few short years, the Permanent Fund has grown to over \$18 billion. This is an amount more than seven times the amount of general funds used in the annual state operating and capital budget. Sound and stable management of a fund of this magnitude is essential.

With the exception of the accelerated removal of trustees which occurred in the last two governor transitions, this bill is not aimed at correcting any particular past practices. Passage of SB 89 should not be construed as an indication that any past Permanent Fund Board of Trustees' decisions were incorrect or improper. Instead, SB 89 is forward-looking – designed to strengthen the protections for the corpus of the fund – so that the fund will be of maximum value and long-lived.

April 22, 1996




RECEIVED JAN 30 1996

**Alaska Permanent Fund Corporation**  
P.O. Box 25500 Juneau, Alaska 99802-5500  
(907) 465-2047

**MEMORANDUM**

**DATE:** January 29, 1996

**TO:** Senator Steve Rieger  
Senator Rick Halford

**FROM:** Byron I. Mallott   
Executive Director

**SUBJECT:** **Trustees' Position on Senate Bill No. 89 and  
Senate Joint Resolution 14**

This is to reiterate the position of the Board of Trustees regarding Senate Bill No. 89 and Senate Joint Resolution 14. As was the case last session, the Board does not intend to take a position on either the bill or the proposed Constitutional amendment because, in their view, the issues addressed are legislative prerogatives.

c: Board of Trustees  
Pat Pourchot, Governor's Legislative Director

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/95

FURTHER:

DATE TURNED INTO OFFICE: 3-8-96

The Finance Committee considered **SENATE BILL NO. 89**

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 89 (FIN.)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve King</i>	✓	<i>David Wiley</i>	✓		
<i>Roll &amp; Hill</i>	✓				
<i>BA King</i>	✓				
Co-Chair: <i>John</i>	✓				
Co-Chair: <i>Rick Halstead</i>	✓				

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

<i>DOR</i>	<i>1/22/95</i>		<i>31.5</i>

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal


-5  
SB

\* APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

*has further  
 reb.*

DATE: 2/15/95

FURTHER: Finance

Date of 5-Day Notice: 3/2/95  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-10-95

*due*

State Affairs Committee considered SENATE BILL NO. 89

"~~An Act relating to the~~ members of the board and staff of the Alaska Permanent Fund Corporation."

*FN*

and recommends:

- be replaced with CS SB 89 (STA)
- adopt previous CS
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill: same title
- new title
- House Bill: technical change
- new: SCR

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Forw A Hman</i>	<input checked="" type="checkbox"/>	<i>Stan DUN CA</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>				

**NEW FISCAL NOTE(S):** *FY96*

Department	Date	Zero	Fiscal
<i>REV</i>	<i>3/7</i>		<i>31.0</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*Include fiscal notes accompanying Governor's bill

ALASKA  
STATE SENATE  
ROLL CALL



Alaska State Senate  
Nineteenth Legislature  
Second Session

RCS# 233  
Item 17

03-26-96  
11:54:53

CSSB 89(FIN) am  
Third Reading - On Reconsideration

Yeas:	14	Frank, Green, Halford, Hoffman, Kelly, Leman, Miller, Pearce, R. Phillips, Rieger, Salo, Sharp, Taylor, Torgerson
Nays:	6	Adams, Donley, Duncan, Ellis, Lincoln, Zharoff
Excused:	0	
Absent:	0	

# HOUSE COMMITTEE REPORT

4/19/96

Finance

Date Referred to Committee: March 27, 1996

FURTHER REFERRALS:

Date of Committee Action: 4-18-96

The STATE AFFAIRS Committee considered:

CSSB 89(FIN) am

CS FOR SENATE BILL NO. 89(FIN) am

PERMANENT FUND BOARD MEMBERS & STAFF

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

recommends it be replaced with the following committee substitute HCS CS SB 89 (STA)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) Senate Rev 3/8/96  
 fiscal note(s) \_\_\_\_\_  fiscal note(s)

zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>X Connette James</i>	James	✓			
<i>Christian Porter</i>	Porter	✓			
<i>Joseph Green</i>	Green	✓			
<i>John Iwan</i>	Iwan	✓			
<i>Tom Robinson</i>	Robinson			✓	
<i>Ed Willis</i>	Willis			✓	
<i>Scott Ogden</i>	Ogden	✓			
		(5)		(2)	

CHAIR'S SIGNATURE

*Connette James*

Alaska State Senate

SENATOR STEVE RIEGER  
District 1

Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council

During Session:  
State Capitol, Room 516  
Juneau, Alaska 99801  
(907) 465-3879

716 West 4th Avenue, Suite 530  
Anchorage, Alaska 99501  
(907) 258-8188

MEMORANDUM

TO: Representative Mark Hanley, Co-chair  
Representative Richard Foster, Co-chair  
House Finance Committee

FROM: Senator Steve Rieger *SR*  
Senate District I

DATE: April 25, 1996

RE: Hearing request for SB 89 - "An Act relating to the members of  
the board and staff of the Alaska Permanent Fund Corporation."

I respectfully request a hearing on SB 89 which passed the House State Affairs Committee with 5 "do pass" and 2 "no recommendation" on April 18, 1996.

I have enclosed a sponsor statement and packet of information on SB 89 for the House Finance members. The legislation has a \$31,500 fiscal note from the Department of Revenue. If you have any questions on this legislation, please contact me or Sheila Peterson on my staff.

Thank you very much for your consideration.

Enclosures

*cc'd  
A/100  
LW  
5-95*

**SB**

**89**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/10/95

FURTHER: 3/8/96

DATE TURNED INTO OFFICE: 3-8-96

The Finance Committee considered **SENATE BILL NO. 89**

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 89 (Fix)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Knapp</i>	✓	<i>David Duley</i>	✓		
<i>Bob E. Hill</i>	✓				
<i>Bob Knapp</i>	✓				
Co-Chair: <i>Alan</i>	✓				
Co-Chair: <i>Rick Halford</i>	✓				

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>DOR</i>	<i>1/22/96</i>		<i>315</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to the members of the board BRU: APFC  
and staff of the Alaska Permanent Fund Corporation. Component: APFC  
 Sponsor: Senator Rieger  
 Requestor: Senate Finance COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL	28.9	29.3	29.7	30.2	30.6	31.1
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>	<b>33.7</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	31.5	31.9	32.3	32.8	33.2	33.7
<b>TOTAL</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>	<b>33.7</b>

Estimate of any current year (FY96) cost \$ \_\_\_\_\_

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1996. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron I. Mallott, Executive Director Phone: (907) 465-2047  
 Division: Alaska Permanent Fund Corporation Date: 1/22/96  
 Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: Department of Revenue

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Rieger moved  
of adopted

9-LS0683\G.1 ✓ 3/8/96  
Lauterbach  
2/6/96

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

1 Page 3, line 1, after "board":

2 Insert "except that the board may enter into employment contracts that do not  
3 exceed two years' duration"

4 Page 3, line 4, after "AS 39.25.":

5 Delete all material.

6 Page 3, line 5:

7 Delete all material.

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: CSSB 89(STA)  
Sponsor: S. Rieger Date: 2-6-96  
Logged In By: SL

Rieger moved  
adopted 3/5/96  
9-LS0683\G.2 ✓  
Lauterbach  
2/6/96

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

- 1 Page 2, line 9:
- 2 Delete "Within the limitations of AS 37.13.075. the [THE]"
- 3 Insert "The"
  
- 4 Page 2, line 10, after "office":
- 5 Insert "only"
  
- 6 Page 2, line 23:
- 7 Delete "or remove"

SENATE FINANCE  
COMMITTEE  
Amendment Number: 2  
Bill Number: CSSB 89(STA)  
Sponsor: J. Rieger Date: 2-6-96  
Logged in By: J.

moved Donley  
adopted 3/8/96  
9-LS0683\G.3  
Lauterbach  
2/6/96

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 89(STA)

BY SENATOR RIEGER

SENATE FINANCE  
COMMITTEE 3  
Amendment Number:  
Bill Number: CSSB 89 (STA)  
Sponsor: S. Rieger Date: 2-6-96  
Logged In By: AW

1 Page 2, line 16:  
2 Delete "or"

3 Page 2, line 20, after "corporation":  
4 Insert "; or

5 (3) conviction of a crime that would cause a significant number of  
6 reasonably prudent members of the public to distrust the trustee's ability to  
7 discharge the duties of the trustee"

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT OF

DATE: 3/10/95

FURTHER: 3/8/96

DATE TURNED INTO OFFICE: 3-8-96

The Finance Committee considered SENATE BILL NO. 89

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 89 (Fin.)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title
- House Bill:**
- same title
- technical change
- new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Kinn</i>	✓	<i>David Doney</i>	✓		
<i>Bill E. Hill</i>	✓				
<i>BA King</i>	✓				
Co-Chair: <i>Alan</i>	✓				
Co-Chair: <i>Rick Halvord</i>	✓				

**NEW FISCAL NOTE(S):**

Department                      Date    Zero    Fiscal

<i>DOR</i>	<i>1/22/96</i>		<i>315</i>

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date    Zero    Fiscal


APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

2-1-96  
See p. 3 for  
proposed lang.  
by Sen. Donley.  
9-LS0683VG

CS FOR SENATE BILL NO. 89(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/10/95  
Referred: Finance

Sponsor(s): SENATORS RIEGER, Frank, Green, Halford, Kelly, Leman, Miller, Pearce, Phillips,  
Sharp, Taylor, Torgerson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the members of the board and staff of the Alaska  
2 Permanent Fund Corporation."

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

4 \* Section 1. AS 37.13.050(a) is amended to read:

5 (a) The Board of Trustees of the Alaska Permanent Fund Corporation consists  
6 of seven [SIX] members appointed by the governor. One [TWO OF THE MEMBERS  
7 MUST BE HEADS OF PRINCIPAL DEPARTMENTS OF STATE GOVERNMENT,  
8 ONE OF WHOM] shall be the commissioner of revenue. Six [FOUR] members shall  
9 be appointed by the governor from the public and may not hold any other state or  
10 federal office, position, or employment, either elective or appointive, except as a  
11 member of the armed forces of either the United States or of this state.

12 \* Sec. 2. AS 37.13.050(b) is amended to read:

13 (b) The [FOUR] public members of the board must have recognized  
14 competence and wide experience in finance, investments, or other business

1 management-related fields and at least two of the public members must have  
2 recognized competence and wide experience in investment portfolio management.

3 \* Sec. 3. AS 37.13.060 is amended to read:

4 Sec. 37.13.060. TERM OF OFFICE. The public members of the board shall  
5 be appointed for terms of four years, and they may be reappointed. The terms of the  
6 public members shall be staggered so that the terms of no more than two [ONE  
7 TERM OF A] public members expire [MEMBER EXPIRES] each year.

8 \* Sec. 4. AS 37.13.070(a) is amended to read:

9 (a) Within the limitations of AS 37.13.075, the [THE] governor may remove  
10 a public member of the board from office for cause. A removal by the governor must  
11 be in writing and must state the reason for the removal. A member who is removed  
12 by the governor may not participate in board business and may not be counted for  
13 purposes of establishing a quorum after the member receives written notice of removal  
14 from the governor. In this subsection, "cause" means

15 (1) incompetency, which is the inability or the unintentional or  
16 intentional failure to perform the duties of the trustee; or

17 (2) misfeasance or malfeasance in office, which includes the failure  
18 of the trustee to exercise prudent judgment in the affairs of the corporation or  
19 intentionally taking action for reasons other than the financial best interest of the  
20 corporation.

21 \* Sec. 5. AS 37.13 is amended by adding a new section to read:

22 Sec. 37.13.075. LIMITATIONS ON GOVERNOR. (a) The governor shall  
23 base the decision to appoint or remove a board member solely on the financial best  
24 interest of the fund.

25 (b) The governor may not influence or attempt to influence the board to make  
26 an investment decision that violates prudent investment principles.

27 (c) Violation of this section constitutes a violation of AS 39.52.

28 \* Sec. 6. AS 37.13.100 is amended to read:

29 Sec. 37.13.100. CORPORATION STAFF. The board may employ and  
30 determine the salary of an executive director. The executive director may, with the  
31 approval of the board, select and employ additional staff as necessary. The executive

1 director and other employees serve at the pleasure of the board. An employee of  
2 the corporation, including the executive director, may not be a member of the board.  
3 The executive director and the other employees of the board are in the exempt service  
4 under AS 39.25. The board may not enter into an employment contract with an  
5 employee that exceeds two years' duration.

6 \* Sec. 7. AS 37.13.100 is amended by adding a new subsection to read:

7 (b) A board member shall act solely in the best interest of the fund when  
8 making decisions regarding the executive director or employees of the corporation.

9 A person who violates this subsection breaches a fiduciary responsibility.

2-1-96  
DD Any employee contract  
prop. should specify that  
amend. the employee serve  
lang. at the pleasure of the board.

2-1-96  
No action  
taken on the  
above.

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 89(STA)

BY SENATOR RIEGER

- 1 Page 2, line 9:
- 2 Delete "Within the limitations of AS 37.13.075, the [THE]"
- 3 Insert "The"
  
- 4 Page 2, line 10, after "office":
- 5 Insert "only"
  
- 6 Page 2, line 23:
- 7 Delete "or remove"

SENATE FINANCE  
COMMITTEE  
Amendment Number: 2  
Bill Number: CSSB 89 (STA)  
Sponsor: J. Rieger Date: 2-6-96  
Logged in By: LU

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR RIEGER

TO: CSSB 89(STA)

SENATE FINANCE  
COMMITTEE

Amendment Number: 3

Bill Number: CSSA 89(STA)

Sponsor: S. Rieger Date: 2-6-96

Logged In By: AW

1 Page 2, line 16:

2 Delete "or"

3 Page 2, line 20, after "corporation":

4 Insert "; or

5 (3) conviction of a crime that would cause a significant number of  
6 reasonably prudent members of the public to distrust the trustee's ability to  
7 discharge the duties of the trustee"

# Alaska State Senate

**SENATOR STEVE RIEGER**  
District 1

Senate Finance Committee  
Chair, Senate Transportation Committee

Legislative Budget and Audit Committee  
Administrative Regulation Review Committee  
Legislative Council



*During Session:*  
State Capitol, Room 516  
Juneau, Alaska 99801  
(907) 465-3879

716 West 4th Avenue, Suite 530  
Anchorage, Alaska 99501  
(907) 258-8188

## Sponsor Statement

### **SB 89 – An Act Relating to the Members of the Board and Staff of the Alaska Permanent Fund Corporation**

In the past two years there has been 100% turnover in the top management of the Alaska Permanent Fund Corporation – among them the executive director, the chief investment officer, and all six trustees. This level of turnover is not healthy.

The purpose of SB 89 is to provide greater continuity in the management of the fund, which should translate into more careful, deliberate financial decision-making. The bill makes it clear that removal of a trustee must be for cause and reduces the cabinet-member appointees from two members to one member. The number of public members is increased from four to six members with staggered terms. Senate Bill 89 also clarifies that the investment policies of the fund and staffing decisions must be made solely in the best interest of the fund.

The management issue is significant because the Alaska Permanent Fund is significant. In a few short years, the Permanent Fund has grown to over \$18 billion. This is an amount more than seven times the amount of general funds used in the annual state operating and capital budget. Sound and stable management of a fund of this magnitude is essential.

With the exception of the accelerated removal of trustees which occurred in the last two governor transitions, this bill is not aimed at correcting any particular past practices. Passage of SB 89 should not be construed as an indication that any past Permanent Fund Board of Trustees' decisions were incorrect or improper. Instead, SB 89 is forward-looking – designed to strengthen the protections for the corpus of the fund – so that the fund will be of maximum value and long-lived.

January 25, 1996



JAN 30 1996

**Alaska Permanent Fund Corporation**  
P.O. Box 25500 Juneau, Alaska 99802-5500  
(907) 465-2047

**MEMORANDUM**

**DATE:** January 29, 1996

**TO:** Senator Steve Rieger  
Senator Rick Halford

**FROM:** Byron I. Mallott *Byron I. Mallott*  
Executive Director

**SUBJECT:** **Trustees' Position on Senate Bill No. 89 and  
Senate Joint Resolution 14**

This is to reiterate the position of the Board of Trustees regarding Senate Bill No. 89 and Senate Joint Resolution 14. As was the case last session, the Board does not intend to take a position on either the bill or the proposed Constitutional amendment because, in their view, the issues addressed are legislative prerogatives.

c: Board of Trustees  
Pat Pourchot, Governor's Legislative Director

# FISCAL NOTE

No.   1    
 Bill Version: SB 89  
 (S) Publish Date: 3-10-95

**STATE OF ALASKA**  
**1995 LEGISLATIVE SESSION**

**BII**

Dept. Affected: Revenue  
 BRU: APFC  
 Component: APFC  
 COMPONENT SERIAL NO. 109

Revision Date: \_\_\_\_\_  
 Title: An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation.  
 Sponsor: Senator Rieger  
 Requester: Senate State Affairs

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL	28.4	28.9	29.3	29.7	30.2	30.6
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>31.0</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	31.0	31.5	31.9	32.3	32.8	33.2
<b>TOTAL</b>	<b>31.0</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>

Estimate of any current year (FY95) cost: \$ \_\_\_\_\_

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1995. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron J. Mailott, Executive Director  
 Division: Alaska Permanent Fund Corporation  
 Approved by: \_\_\_\_\_  
 Commissioner: Deborah Vogt  
 Agency: Revenue

Phone: 465-2047  
 Date: 3/6/95  
 Date: 3/7/95

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318195  
(S) STA, FIN

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. SB 89

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: An Act relating to the members of the board BRU: APFC  
and staff of the Alaska Permanent Fund Corporation. Component: APFC  
 Sponsor: Senator Rieger  
 Requester: Senate State Affairs COMPONENT SERIAL NO. 109

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL	28.4	28.9	29.3	29.7	30.2	30.6
CONTRACTUAL	2.6	2.6	2.6	2.6	2.6	2.6
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>31.0</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other	31.0	31.5	31.9	32.3	32.8	33.2
<b>TOTAL</b>	<b>31.0</b>	<b>31.5</b>	<b>31.9</b>	<b>32.3</b>	<b>32.8</b>	<b>33.2</b>

Estimate of any current year (FY95) cost: \$ \_\_\_\_\_

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

This fiscal note assumes implementation on July 1, 1995. It projects costs associated with increasing the number of trustees from six to seven, and replacing one commissioner with a public member.

Travel assumes 15 trips per year in-state and 2 trips per year out-of-state.

Transportation costs are assumed to increase at a 4% rate of inflation each year. Per diem and honorarium remain constant in all years.

Contractual includes registration fees at two seminars.

Other Fund Source: Corporate Receipts.

Prepared by: Byron I. Mallott, Executive Director  
 Division: Alaska Permanent Fund Corporation  
 Approved by: \_\_\_\_\_  
 Commissioner: Deborah Vogt  
 Agency: Revenue

Phone: 465-2047  
 Date: 3/6/95  
 Date: 3/7/95

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**SENATE COMMITTEE REPORT**  
**First Committee of Referral**

*has further reb.*

DATE: 2/15/95

FURTHER: Finance

Date of 5-Day Notice: 3/2/95  
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-10-95

*Due*

State Affairs Committee considered SENATE BILL NO. 89

"An Act relating to the members of the board and staff of the Alaska Permanent Fund Corporation."

*FN*

and recommends:

- be replaced with CS SR 89 (STA)
- adopt previous CS \_\_\_\_\_
- attached amendment(s) \_\_\_\_\_
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

**Senate Bill:**  
 Same title  
 new title  
**House Bill:**  
 technical change  
 new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Low A. Jensen</i>	<input checked="" type="checkbox"/>	<i>Jan Dun com</i>	<input checked="" type="checkbox"/>		
CHAIR: <i>Ben Abney</i>	<input checked="" type="checkbox"/>				

**NEW FISCAL NOTE(S):** *FY96*

Department	Date	Zero	Fiscal
<i>REV</i>	<i>3/7</i>		<i>31.0</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**SB**

**92**

**HFIN**

**FILE**

HOUSE COMMITTEE REPORT

(11)

Date Referred: April 12, 1995

FURTHER REFERRALS:

Date of Committee Action: 5/1/95

The FINANCE Committee considered:

SB 92

SENATE BILL NO. 92

AHFC SUBJECT TO EXEC. BUDGET ACT

"An Act requiring that, in addition to its operating budget, all activities of the Alaska Housing Finance Corporation are subject to the Executive Budget Act."

recommends it be replaced with the following committee substitute HRS CS SB 92 (FIN)  the same title  a new title

additional referral to \_\_\_\_\_ Committee

attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal note(s) \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) Revenue 3/1/95

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Muldin	✓			
<i>[Signature]</i>	Martin	✓			
<i>[Signature]</i>	Pannell			X	
<i>[Signature]</i>	Kohring			X	
<i>[Signature]</i>	NAVARE			X	
<i>[Signature]</i>	BROWN			X	
<i>[Signature]</i>	Kelly	✓			
<i>[Signature]</i>	Therriault			X	

Acting  
CO-CHAIR'S SIGNATURE *[Signature]*

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

Bill Version: 5892  
BILL: (S) Publish Date: 3/1/95

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: AHFC Subject to Executive Budget Act BRU: AHFC  
 Component: AHFC  
 Sponsor: (S)IRLS  
 Requester: (S)ISTA COMPONENT SERIAL NO. 110/1937/

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ \_\_\_\_\_

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

No additional costs or significant impact is anticipated with the implementation of this proposed legislation upon the Alaska Housing Finance Corporation.

Prepared by: [Signature] Phone: 07-564-9326  
 Division: AHFC Date: 2/27/95  
 Approved by: [Signature]  
 Commissioner: Deborah Voigt Date: 2/27/95  
 Agency: Revenue

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9-LS0762AM ✓  
Chenoweth  
5/1/95

*adopted NO(OB)*

HOUSE CS FOR SENATE BILL NO. 92( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act redefining the activities of the Alaska Housing Finance Corporation that  
2 are subject to the Executive Budget Act."

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

4 \* Section 1. AS 18.56.089(a) is amended to read:

5 (a) The provisions of AS 37.07 (Executive Budget Act)

6 (1) apply to

7 (A) the operating budget of the corporation;

8 (B) amounts payable from corporate earnings or assets of the  
9 corporation for grants or grant programs authorized by this chapter;

10 (C) interest rate subsidies and building subsidies as determined  
11 by the corporation [, EXCEPT SUBSIDIES PAYABLE FROM THE  
12 CORPORATION'S ARBITRAGE EARNINGS];

13 (D) the amount and source or sources of the total annual  
14 appropriation for the corporation's loan programs for which a subsidy is

1 not provided, but the provisions of AS 37.07 are not otherwise applicable  
2 to that appropriation;

3 (E) the amount and source or sources of the total annual  
4 appropriation for the corporation's multi-family housing loans and the  
5 corporation's housing programs and housing projects if a subsidy is  
6 provided from the corporation's arbitrage earnings for the loans,  
7 programs, or projects, but the provisions of AS 37.07 are not otherwise  
8 applicable to that appropriation; and

9 (F) except as otherwise specifically provided in (2) of this  
10 subsection, the activities of the corporation under AS 18.55 and the activities  
11 of the corporation under this chapter [AS 18.55.010 - 18.55.960];

12 (2) do not apply to activities of the corporation under AS 18.55 and  
13 this chapter that relate to the corporation's borrowing of money as provided in this  
14 chapter to make, purchase, and service mortgage loans, including the issuing of  
15 its obligations or evidence of that borrowing and the repayment of the debt  
16 obligation [EXCEPT AS PROVIDED IN (1) OF THIS SUBSECTION OR  
17 AS OTHERWISE SPECIFICALLY PROVIDED IN THIS CHAPTER].

Attachment 1  
5/1/95

TO HCS SB 92 ( )  
9-LS0762\M  
Chenoweth  
5/1/95

Amendment 1

adopted

ND

OB

On page 2, lines 12 - 17, delete subsection (2) and replace with the following;

" (2) do not apply to activities of the corporation under AS 18.55 and this chapter that:

(A) relate to the corporation's borrowing of money as provided in this chapter to make or purchase mortgage loans, including the issuing of its obligations or evidence of that borrowing and the repayment of the debt obligation;

(B) relate to the corporation's ability to refinance existing mortgage loans in order to achieve a lower interest rate;

(C) are directly attributable to the servicing of mortgage loans, including real estate owned by the corporation as a result of foreclosure [EXCEPT AS PROVIDED IN (1) OF THIS SUBSECTION OR AS OTHERWISE SPECIFICALLY PROVIDED IN THIS CHAPTER]."

9-LS1029A  
Chenoweth  
4/3/95

HOUSE CONCURRENT RESOLUTION NO.  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Introduced:  
Referred:

A RESOLUTION

1 Suspending Uniform Rules 24(c), 35, 41(b), and 42(e) of the Alaska State  
2 Legislature concerning Senate Bill No. 92, relating to exemption of certain  
3 activities of the Alaska Housing Finance Corporation from the provisions of the  
4 Executive Budget Act.

5 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 That under Rule 54 of the Uniform Rules of the Alaska State Legislature, the  
7 provisions of Rules 24(c), 35, 41(b), and 42(e) of the Uniform Rules, regarding changes to the  
8 title of a bill, are suspended in consideration of Senate Bill No. 92, relating to exemption of  
9 certain activities of the Alaska Housing Finance Corporation from the provisions of the  
10 Executive Budget Act.

DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

MEMORANDUM

February 7, 1995

**SUBJECT:** Effect of AS 18.56.089(a), making elements of the Alaska Housing Finance Corporation Act subject to the Executive Budget Act, AS 37.07 (Work Order No. 9-LS0675A)

**TO:** Representative Terry Martin, Chair  
Legislative Budget and Audit Committee  
ATTN: John Manly

**FROM:** Jack Chenoweth  
Legislative Counsel 

You have asked about the effect of AS 18.56.089(a) "making the Alaska Housing Finance Corporation subject to AS 37.07 the Executive Budget Act.

" The current language of AS 18.56.089(a) derives from secs. 89 and 90, ch. 4, FSSLA 1992. That measure merged the then-Alaska State Housing Authority and various Department of Community and Regional Affairs housing-assistance programs into AHFC and made a number of collateral changes affecting all housing programs. The current language, a reworking and extension of significant changes previously made by ch. 12, SLA 1991, now reads:

(a) The provisions of AS 37.07 (Executive Budget Act)

(1) apply to

(A) the operating budget of the corporation;

(B) amounts payable from corporate earnings or assets by the corporation for grants or grant programs authorized by this chapter;

(C) interest rate subsidies and building subsidies as determined by the corporation, except subsidies payable from the corporation's arbitrage earnings;

(D) activities of the corporation under AS 18.55.010 - 18.55.960;

(2) do not apply to activities of the corporation under this chapter except as provided in (1) of this subsection or as otherwise specifically provided in this chapter.

The courts have observed that the Executive Budget Act implements the constitutional provision, article IX, sec. 13, by which all appropriations are to be made by legislative Act. Municipality of Anchorage v. Frohne, 568 P.2d 3, 5, at n. 5. The heart of AS 37.07 are its assignment of budget development, review, approval, and execution responsibilities among the several branches of state government, and its expression, in AS 37.07.080(a), of the limitation on program execution imposed on agencies, generally subjecting the programs to legislative appropriation.

AS 18.56.089(a) was revised with that in mind. Before its alteration by secs. 89 and 90 of ch. 4, FSSLA 1992, the provision directed that "[t]he operating budget of the corporation is subject to AS 37.07 (Executive Budget Act)." As you can readily see, following the 1992 amendment, now, in addition to legislative oversight and appropriation of the corporation's annual operating budget, the legislature has made a series of the corporation's program components subject to prior legislative review and approval:

(1) amounts payable from corporate earnings or assets . . . for grants or grant programs authorized by AS 18.56;<sup>27</sup>

(2) interest rate subsidies and building subsidies as determined by AHFC,<sup>28</sup> except subsidies payable from the corporation's arbitrage earnings; and

(3) activities of AHFC under the former Alaska State Housing Authority Act (AS 18.55) programs: housing project and public building assistance; moderate cost and rental housing; and slum clearance and redevelopment.

---

<sup>27</sup> Among grant programs specifically enumerated in AS 18.56 are those concerned with energy efficient home design and construction (AS 18.56.410), the low cost and low income housing development fund and related grants (AS 18.56.650), the senior citizens housing development fund grants (AS 18.56.810), and the various components of the home energy conservation and weatherization program (AS 18.56.850).

<sup>28</sup> Several programs authorize use of interest rate subsidies in conjunction with housing. One of AHFC's principal programs is its "special mortgage loan purchase program," set out in AS 18.56.098, under which the corporation may purchase first or second mortgage loans. In conjunction with that, AS 18.56.091(a) directs establishment of a "home ownership assistance program (HOAP)," permitting low and moderate income persons to purchase homes with assistance of a subsidy. Subsidy assistance is also available under the corporation's housing development fund program for congregate housing, AS 18.56.100 -- see subsection (1), and the homeownership assistance fund, AS 18.56.430.

The theory behind these distinctions, as I recall from my work on the bills that eventually became ch. 4, FSSLA 1992, is this: The legislature was prepared to let AHFC receive payments from outstanding loans that originally had been generated by sale of revenue bonds or legislative appropriations, and re-loan those amounts free of the necessity or opportunity of legislative appropriation. However, one-time housing assistance programs for which there was no expectation that the corporation would eventually recover any significant portion of the assistance payment--such as those characterized by grants, subsidies, and the like--that tended to reduce AHFC's balance sheet position should, under the constitutional provision, have prior legislative approval.

AHFC recently closed out the public offer of more than \$100 million of low-income loans. Except for what has been reported in the newspapers, I have no details on that program. I understand from the Legislative Auditor that corporation officials have represented that they relied on arbitrage earnings<sup>4</sup> to serve as the source of the subsidy component of those loans,

---

<sup>4</sup> Arbitrage earnings are, generally, the earnings obtained from the difference in the price between purchase and sale of securities in two markets.

It is my recollection that, when, in 1992, the Senate had under consideration House Bill 152, the immediate predecessor of the bill that eventually became ch. 4, FSSLA 1992, the Senate's Community & Regional Affairs Committee was very concerned with trying to find a sure way by which to maintain legislative control over proposed subsidies without extending that control to loan earnings available for further lending. The first committee substitute drafts contemplated a long, program-by-program enumeration of the subsidies that were subject to legislative appropriation. The language eventually offered and agreed to, now AS 18.56.089(a)(1)(C), was suggested by AHFC bond counsel and inserted in the draft Senate C&RA Committee Substitute.

I am not aware of any other history of this provision. In what proved to be one of the 17th Legislature's longest and most detailed measures, the fact that the language appeared in the CRA Senate Committee Substitute allowed it to continue in place in all subsequent versions of the bill.

I don't know, but I can speculate that bond counsel may have sought the exception of the arbitrage earnings from the prior legislative appropriation requirement for at least two reasons: (1) the corporation may have insisted that, because those earnings reflected sound investment efforts by AHFC officials and contractors, the corporation should reap the reward, subject to the limitation that the earnings be made available for housing-program related

Representative Terry Martin, Chair  
February 7, 1995  
Page 4

that is, as the source of the money that would cover the difference between market interest rates and the announced five percent rate of these low-income housing loans. AHFC officials have apparently represented that they could issue loans in this volume without prior legislative appropriation. The re-lending of amounts derived from repayment of loan principal and interest does not require prior appropriation, while the subsidy component of those loans is free of the requirement of prior legislative appropriation under the exception for arbitrage earnings of AS 18.56.089(a)(1)(C). The test, it seems to me--and as I advised the Legislative Auditor--ought to be to ascertain whether (1) subsidy payments contemplated by this recent low-income housing loan initiative can fairly be distinguished from the face amounts of the loans, and (2) whether those subsidy payments are wholly attributable to AHFC's arbitrage earnings.

If you have additional information about the arbitrage earnings-based subsidy component and want it reviewed, please contact me.

JBC:klb:glc  
95-045.klb

4

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initiatives only, and (2) use of arbitrage earnings was, and is, closely circumscribed by Internal Revenue Service rulings, was carefully monitored by the federal tax service, and might require a commitment to use by the corporation sooner than would be possible if subject to legislative appropriation.

HOUSE CS FOR SENATE BILL NO. 92(STA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

Offered: 4/12/95  
Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act requiring that, in addition to its operating budget, activities of the  
2 Alaska Housing Finance Corporation, except the corporation's unsubsidized  
3 mortgage loan activities and except certain of the corporation's multi-family loans  
4 and projects, are subject to the Executive Budget Act."

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

6 \* Section 1. AS 18.56.089(a) is amended to read:

7 (a) The provisions of AS 37.07 (Executive Budget Act)

8 (1) apply to

9 [(A)] the operating budget of the corporation, to all [;

10 (B) AMOUNTS PAYABLE FROM CORPORATE EARNINGS  
11 OR ASSETS OF THE CORPORATION FOR GRANTS OR GRANT  
12 PROGRAMS AUTHORIZED BY THIS CHAPTER;

13 (C) INTEREST RATE SUBSIDIES AND BUILDING  
14 SUBSIDIES AS DETERMINED BY THE CORPORATION, EXCEPT

1 SUBSIDIES PAYABLE FROM THE CORPORATION'S ARBITRAGE  
2 EARNINGS;

3 (D)] activities of the corporation under AS 18.55, and, except  
4 as otherwise specifically provided in (2) of this subsection, to the activities  
5 of the corporation under this chapter [AS 18.55.010 - 18.55.960];

6 (2) do not apply to activities of the corporation under this chapter that  
7 relate to

8 (A) the corporation's borrowing of money as provided in  
9 this chapter to make, purchase, and service mortgage loans, including the  
10 issuing of its obligations or evidence of that borrowing and the repayment  
11 of the debt obligation; ~~projects~~  
Programs

12 (B) multi-family loans and projects not to exceed A HFC's  
13 \$10,000,000 individually that may require grants or tax credits or that use  
14 arbitrage earnings as subsidies; and

15 (C) the corporation's loan programs for which a subsidy is  
16 not provided [EXCEPT AS PROVIDED IN (1) OF THIS SUBSECTION OR  
17 AS OTHERWISE SPECIFICALLY PROVIDED IN THIS CHAPTER].



# Alaska State Legislature

## Legislative Budget & Audit Committee

### House Members

Rep. Terry Martin, Chair  
Rep. Con Beards  
Rep. John Davies  
Rep. Gary Davis  
Rep. Mark Hamley (alt)  
Rep. Vic Kohring

### Senate Members

Sen. Randy Phillips, Vice Chair  
Sen. Al Adams  
Sen. Steve Frank  
Sen. Rick Halford  
Sen. Steve Rieger  
Sen. Fred Zharoff (alt)

### SB 92/HB 189 Sponsor Statement

#### Bringing all Activities of AHFC under the Executive Budget Act

SB 92/HB 189 was introduced by the Rules Committee at the unanimous request of the Legislative Budget and Audit Committee. In short, this legislation would bring all activities of the Alaska Housing Finance Corporation (AHFC) under the review procedures of the Executive Budget Act (AS 37.07).

Under the Executive Budget Act, an agency's budget for programs and services are established through both the executive and legislative processes for the annual general appropriations act (the operating budget). Currently AHFC statutes (AS 18.56.089) bring four listed areas under the Executive Budget Act:

- (1) the operating budget of the corporation
- (2) corporate earnings or assets used for grants or grant programs
- (3) interest rate subsidies and building subsidies as determined by the corporation
- (4) activities of the corporation related to the former ASHA program

All other current activities of the corporation are exempt from the budget process.

An example of a major AHFC program exempted is the program of distributing over \$110 million of corporation arbitrage funds for 5% low interest housing loans. SB 92/HB 189 would bring this program under legislative review as part of the operating budget.

The Legislative Budget and Audit Committee has stated that it feels programs such as the arbitrage distribution and all housing subsidy programs are significant state fiscal policy matters that should fall under the review process of both the legislative and executive branches.