

ALASKA LEGISLATURE

1686

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

Am i
Conceptual to
add where
needed

CS FOR HOUSE BILL NO. 315(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE STATE AFFAIRS COMMITTEE

**Offered: 2/25/98
Referred: Finance**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE DEFERRED MAINTENANCE
TASK FORCE**

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to operating appropriations for facility operations, maintenance
2 and repair, and renewal and replacement of public buildings and facilities; and
3 providing for an effective date."

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

5 * **Section 1.** AS 37.07.020 is amended by adding a new subsection to read:

6 (e) The budget prepared under (a) of this section must present the proposed
7 operating expenditures for each agency for annual facility operations, annual
8 maintenance and repair, and periodic renewal and replacement of public buildings and
9 facilities separately from the other proposed operating expenditures by the agency.
10 Proposed annual appropriations for an agency's facility operations, maintenance and
11 repair, and renewal and replacement ~~for~~ components of public buildings and facilities contained in an
12 appropriation bill prepared under (a) of this section must be presented separately from
13 appropriations for other proposed operating expenditures by the agency.

14 * **Sec. 2.** AS 37.07.120 is amended by adding new paragraphs to read:

1 (8) "facility operations" means activities and expenses relating to the
2 day-to-day operations of a building or facility, including utilities, janitorial service,
3 security service, snow removal, and direct supervision of related maintenance activities;

4 (9) "maintenance and repair" means the day-to-day scheduled and
5 preventive maintenance effort, including minor repair work, required to keep a building
6 or facility operational and in a continuous state of readiness;

7 (10) "renewal and replacement" means the scheduled replacement of
8 worn-out major building components and the replacement or retrofitting of obsolete
9 or inefficient building systems in order to maintain or extend the life of a building or
10 facility.

11 * Sec. 3. This Act takes effect July 1, 1998.

HB

317

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: January 13, 1998

FURTHER REFERRALS:

Date of Committee Action: 3/19/98

The FINANCE Committee considered:

HB 317

HOUSE BILL NO. 317

PERMANENT FUND CORP. INVESTMENTS

"An Act relating to investments of the Alaska Permanent Fund Corporation."

recommends it be replaced with the following committee substitute _____ 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) Revenue fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Theriault	X			
	Hanley	X			
	Mulder	X			
	Martin	X			
	Kohring	X			
	J. Davies	X			
	Grussendorf	X			
	Moses	X			
	G. Davis	X			
	Foster	X			

CO CHAIR'S SIGNATURE
 Theriault Hanley

Revision Date: _____ Dept. Affected: Revenue
 Title: Alaska Permanent Fund Corporation Investments BRU: Alaska Permanent Fund Corporation
 Component: Alaska Permanent Fund Corporation
 Sponsor: (H) Rules/LB&A
 Requestor: (H) FIN COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	72,000.0	75,384.0	78,927.0	82,636.6	86,520.5	90,587.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
TOTAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0

Estimate of any current year (FY98) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 HB 317 as proposed amends AS 37.13.120(l) which established the Alaska Permanent Fund Corporation's legal investment classes and their respective level of authorization. HB 317 increases the percentage level of domestic and non-domestic corporate stocks to 60% of the total investments of the Permanent Fund.

 The projected costs above are calculated based on a 60% exposure to domestic and non-domestic stocks with 35% invested in passive manager accounts and the remaining in active portfolios. The projected change in revenues is based upon an assumed increased earnings rate of 30 basis points applied to the asset value of the Permanent Fund. Growth in the asset value is at the long-term Callan projection of 8.7%, less dividend distributions of 4%.

Prepared by: Byron I. Mallott Phone: 465-2047
 Division: Alaska Permanent Fund Corporation Date: March 24, 1998
 Approved by Commissioner: Wilson L. Condon Date: March 24, 1998
 Agency: Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
 Title: Permanent Fund Corporation Investments BRU: Alaska Permanent Fund Corporation
 Component: Alaska Permanent Fund Corporation
 Sponsor: Rules / LBA
 Requestor: (H) FIN COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other	4,265.0	4,986.0	6,118.0	7,278.0	8,308.0	8,763.0
TOTAL	4,265.0	4,986.0	6,118.0	7,278.0	8,308.0	8,763.0

Estimate of any current year cost \$ 586.0

POSITIONS:

FULL-TIME			
PART-TIME			
TEMPORARY			

waiting for revised F.N.

ANALYSIS: (Attach a separate page if necessary)

HB 317 as proposed amends AS 37.13.120(l) which established the Alaska Permanent Fund Corporation's legal investment classes and their respective level of authorization. HB 317 increases the percentage level of domestic and non-domestic corporate stocks to 60% of the total investments of the Fund.

The projected costs above are calculated based on a 60% exposure to domestic and non-domestic stocks with 35% invested in passive manager accounts and the remaining in active portfolios.

Prepared by: Byron I. Mallott
 Division: Alaska Permanent Fund Corporation
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-2047
 Date: March 17, 1998
 Date: March 17, 1998

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For further distribution information call the Governor's Legislative Office

Revision Date: _____ Dept. Affected: Revenue
 Title: Alaska Permanent Fund Corporation Investments BRU: Alaska Permanent Fund Corporation
 Component: Alaska Permanent Fund Corporation
 Sponsor: (H) Rules/LB&A
 Requestor: (H) FIN COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	72,000.0	75,384.0	78,927.0	82,636.6	86,520.5	90,587.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
TOTAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0

Estimate of any current year (FY97) cost \$ 586.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

HB 317 as proposed amends AS 37.13.120(l) which established the Alaska Permanent Fund Corporation's legal investment classes and their respective level of authorization. HB 317 increases the percentage level of domestic and non-domestic corporate stocks to 60% of the total investments of the

The projected costs above are calculated based on a 60% exposure to domestic and non-domestic stocks with 35% invested in passive manager accounts and the remaining in active portfolios. The projected change in revenues is based upon an assumed increased earnings rate of 30 basis points applied to the asset value of the Permanent Fund. Growth in the asset value is at the long-term Callan projection of 8.7%, less dividend distributions of 4%.

Prepared by: Byron I. Mallott Phone: 465-2047
 Division: Alaska Permanent Fund Corporation Date: March 20, 1998
 Approved by Commissioner: Wilson L. Condon Date: March 20, 1998
 Agency: Revenue

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For further distribution information call the Governor's Legislative Office

3/19/98 pm



Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500

(907) 465-2047

March 12, 1998

Representative Gene Therriault
Co-Chair, House Finance Committee
Capitol Room 511
Juneau, Alaska 99811

Dear Representative Therriault:

I am writing to request that you schedule House Bill No. 317 in the House Finance Committee at your earliest convenience. This bill, which is supported unanimously by the APFC Board of Trustees, would increase from 50% to 60% the Board's authorization to invest in common stocks.

Virtually all the literature on capital markets theory and practice indicates that equities provide a vastly superior long-term rate of return compared to other financial assets, albeit with increased short- and intermediate-term volatility. HB 317 would give the Board of Trustees the flexibility to increase the Fund's investments in equities to a level comparable to its peers. Currently, the Permanent Fund has a smaller allocation to equities than most other large institutional funds, including the State of Alaska's retirement funds.

We look forward to testifying in support of this bill at your earliest convenience. Attached is back-up material to accompany the fiscal note which is presently enroute to you via the Commissioner of the Department of Revenue. Thank you.

With warm regards,

A handwritten signature in black ink, appearing to read "Byron I. Mallott".

Byron I. Mallott
Executive Director

C: Board of Trustees

Alaska Permanent Fund Corporation



The Case for HB 317

To grant the Trustees
the authority and flexibility
to invest up to 60% of the Permanent Fund
in stocks



Arguments in Favor of HB 317

- ◆ **Equities significantly outperform other asset classes over the long term.**
- ◆ **The Fund would produce more net income for use by both current and future generations.**
- ◆ **The Fund's principal would be better protected against the effects of inflation.**
- ◆ **The Fund's asset allocation would become more comparable to that of other large institutional funds, and its performance more competitive.**
- ◆ **Moving from 50% to 60% equities, there is four times as much upside potential as downside risk -- over a 5-year period, the best-case investment environment increases returns by 120 bps, the worst-case decreases returns by only 30 basis points.**



Equities Outperform -- 46 times better than bonds over the long term

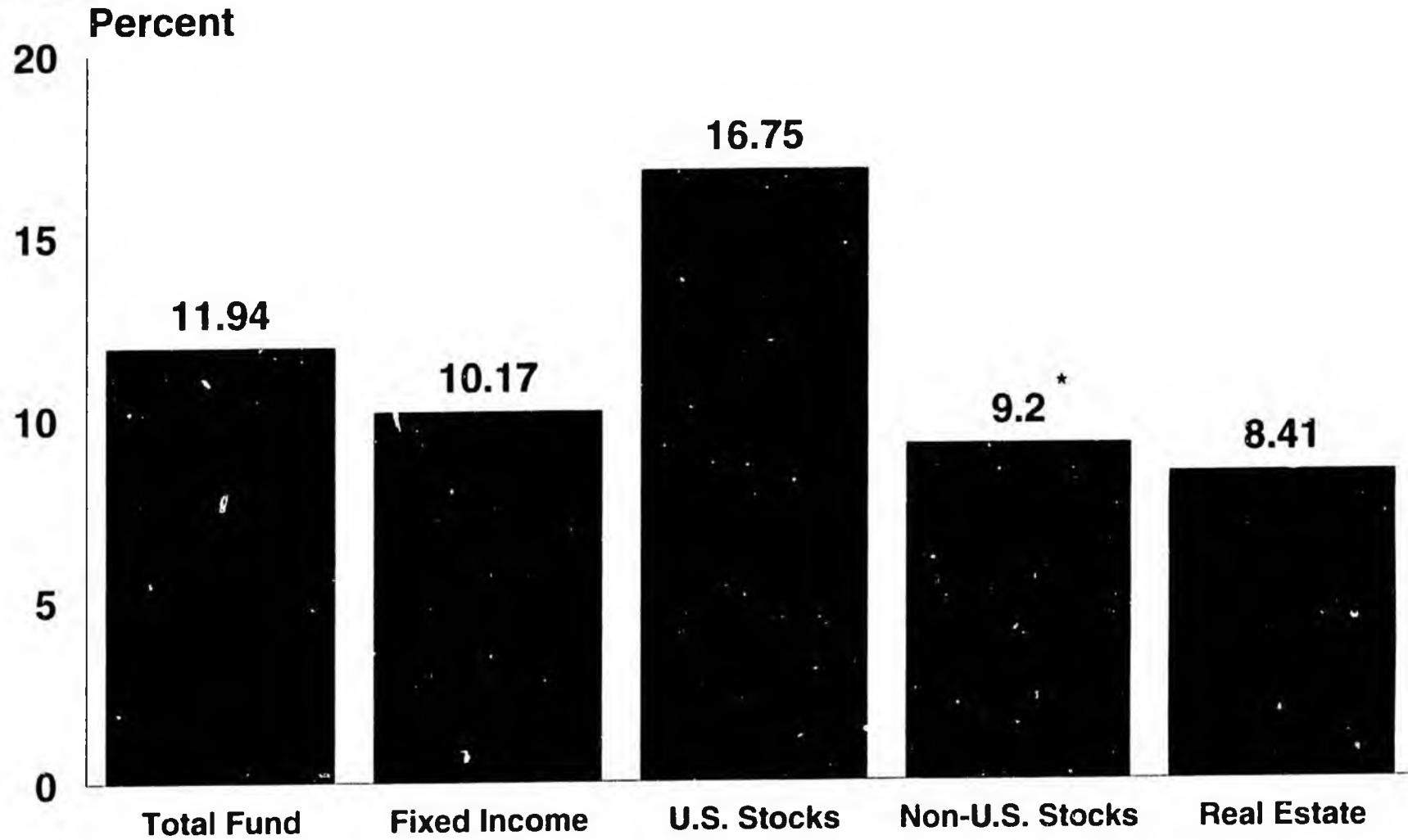
**Consider the growth of \$1.00 invested in
various U.S. asset classes from Dec. 31, 1925
to Dec. 31, 1997:**

◆ Inflation	\$	9.02
◆ Treasury bills		14.25
◆ Treasury bonds		39.07
◆ Common stocks		1,828.33



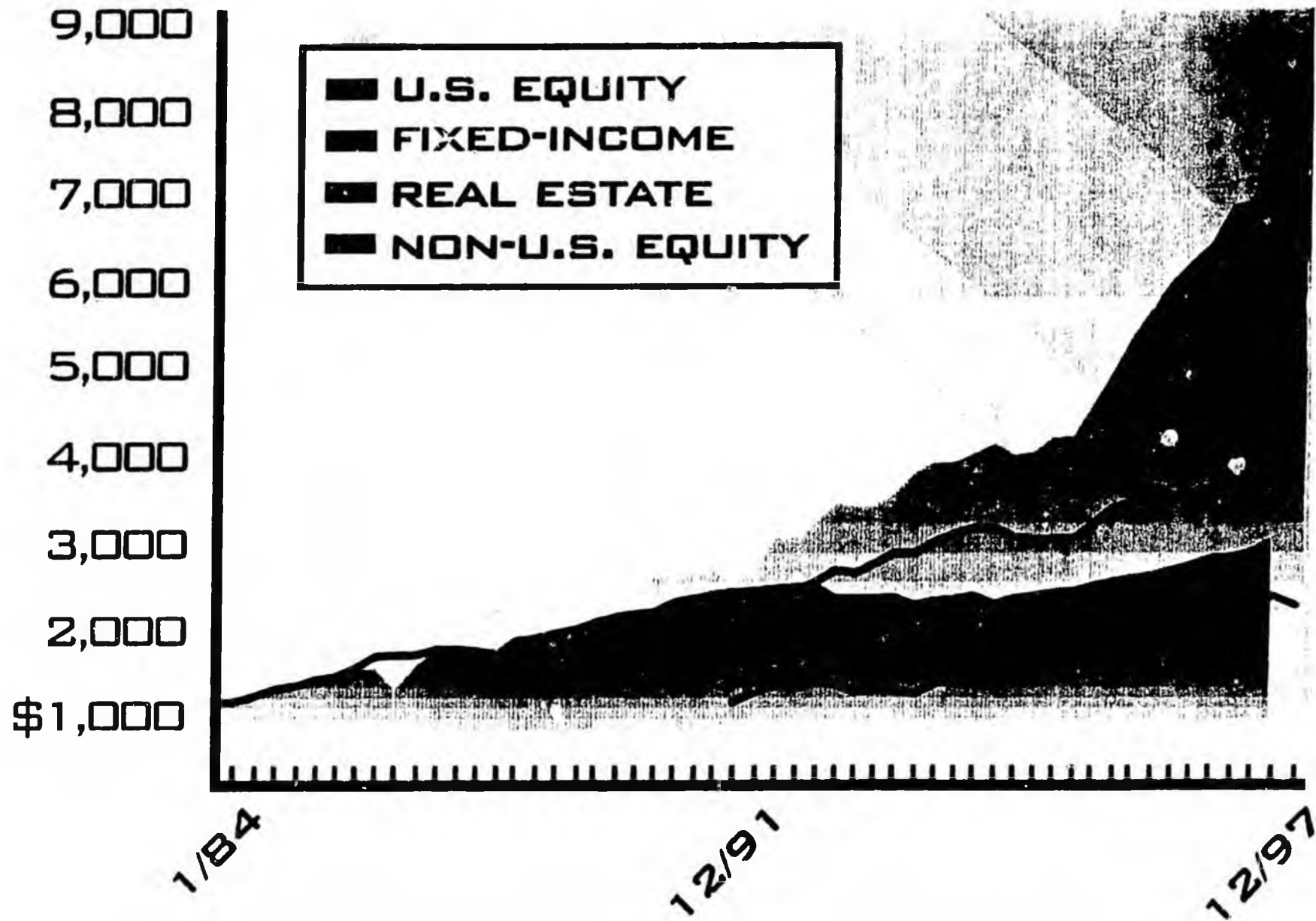
Long-Term Total Returns

14 Years Ending December 31, 1997



* Last 7 Years

Permanent Fund's 14-Year Performance





Other Large Institutional Funds Invest More in Stocks

According to Pensions and Investments Age, these are the average allocations to equities of the top 200 largest U.S. defined benefit pension funds as of September 30, 1997:

◆ Corporate	67%
◆ Public	60%
◆ Alaska PERS	58%
<hr/>	
◆ Alaska Permanent Fund	48%

Equities Allocations of Other Large Institutional Funds

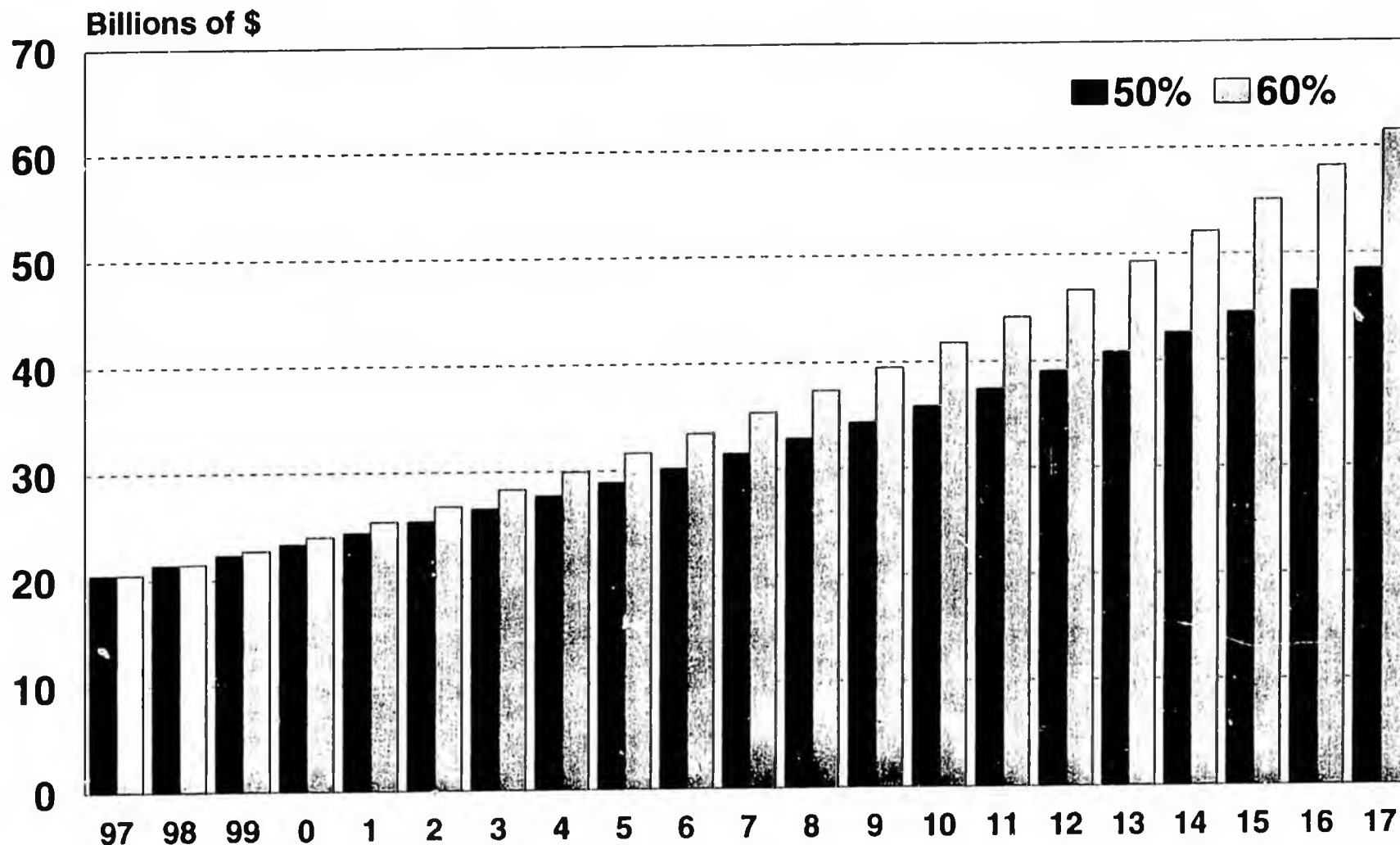
according to a recent issue of *Pensions & Investment Age*

Fund	Market Value (billions of \$)	Asset Allocations (%)		
		Domestic Equities	International Equities	Combination
New York St Teachers	65,200	63.1	9.4	72.5
New York City Tvar A	10,910	70.6		70.6
New York City ERS	32,439	59.8	10.5	70.3
Minnesota St. Bl	30,100	51.6	16.2	67.8
Virginia RS	26,834	53.0	13.0	66.0
Massachusetts PRIM	20,451	49.3	15.4	64.7
Texas Teachers RS	60,621	55.6	8.6	64.2
California PERS	127,599	45.0	19.1	64.1
New York City Teachers	20,332	52.0	12.0	64.0
New Jersey	56,400	49.6	12.6	62.2
Connecticut St.	16,824	48.0	14.0	62.0
Oregon PERF	27,886	40.8	20.3	61.1
Mississippi PERS	11,790	50.4	9.4	59.8
Alaska State Pension Investment Board	10,658	42.0	17.0	59.0
New York City Police	13,055	57.4		57.4
Illinois Teachers RS	18,022	43.3	11.0	54.3
Missouri Public Schools	14,729	38.3	15.3	53.6
Ohio St Teachers'	40,708	43.0	10.0	53.0
California STRS	64,803	32.3	20.3	52.6
New York Common RF	82,507	45.2	7.1	52.3
Pennsylvania School	35,633	47.0	3.0	50.0
Alaska Permanent Fund Corporation	20,900	37.2	11.0	48.2



A \$14 Billion Difference

\$48 billion vs. \$62 billion in 2017



✦ Assumptions: Fund with 50% equities earns 8.4%, Fund with 60% equities earns 8.7%
Growth is net of a 4% annual income distribution



Impact on the Permanent Fund of a 20% Stock Market Correction

Total Fund value as of Dec. 31, 1997: \$23.0 billion

Stocks market value:	\$10.1 billion
Stocks cost value:	<u>7.6 billion</u>
Unrealized gains:	2.5 billion

After a 20% global stock market correction:

Stocks market value	\$8.1 billion
Stocks cost value:	<u>7.6 billion</u>
Unrealized gains	.5 billion

Expected Permanent Fund total return with 60% in equities:	8.7%
Expected Permanent Fund total return with 50% in equities:	8.4%

\$23.0 billion Permanent Fund	x 8.7%	= \$2.00 billion
\$23.0 billion Permanent Fund	x 8.4%	= \$1.93 billion

A 20% reduction in earnings rate	8.7%	x 80%	= 7.0%
A 20% reduction in earnings rate	8.4%	x 80%	= 6.7%

\$23.0 billion Permanent Fund	x 7.0%	= \$1.61 billion
\$23.0 billion Permanent Fund	x 6.7%	= \$1.54 billion

The annual total return difference between a Permanent Fund at a 50% equities level and a 60% level, without the correction, is \$70 million, with the correction, the difference is \$70 million.



50% vs 60% Equities: Best Case vs Worst-Case

Five-Year Impact Based on Callan Capital Market Assumptions

Total Fund value as of Dec. 31, 1997: \$23.0 billion

	BEST-CASE RETURN	WORST-CASE RETURN
Fund with 60% in equities:	16.1%	1.9%
Fund with 50% in equities:	14.9%	2.2%

\$23.0 billion Permanent Fund	x 16.1%	=	\$3.703 billion
\$23.0 billion Permanent Fund	x 14.9%	=	<u>3.427 billion</u>
Difference			276 million

\$23.0 billion Permanent Fund	x 1.9%	=	\$437 million
\$23.0 billion Permanent Fund	x 2.2%	=	<u>506 million</u>
Difference			- 69 million

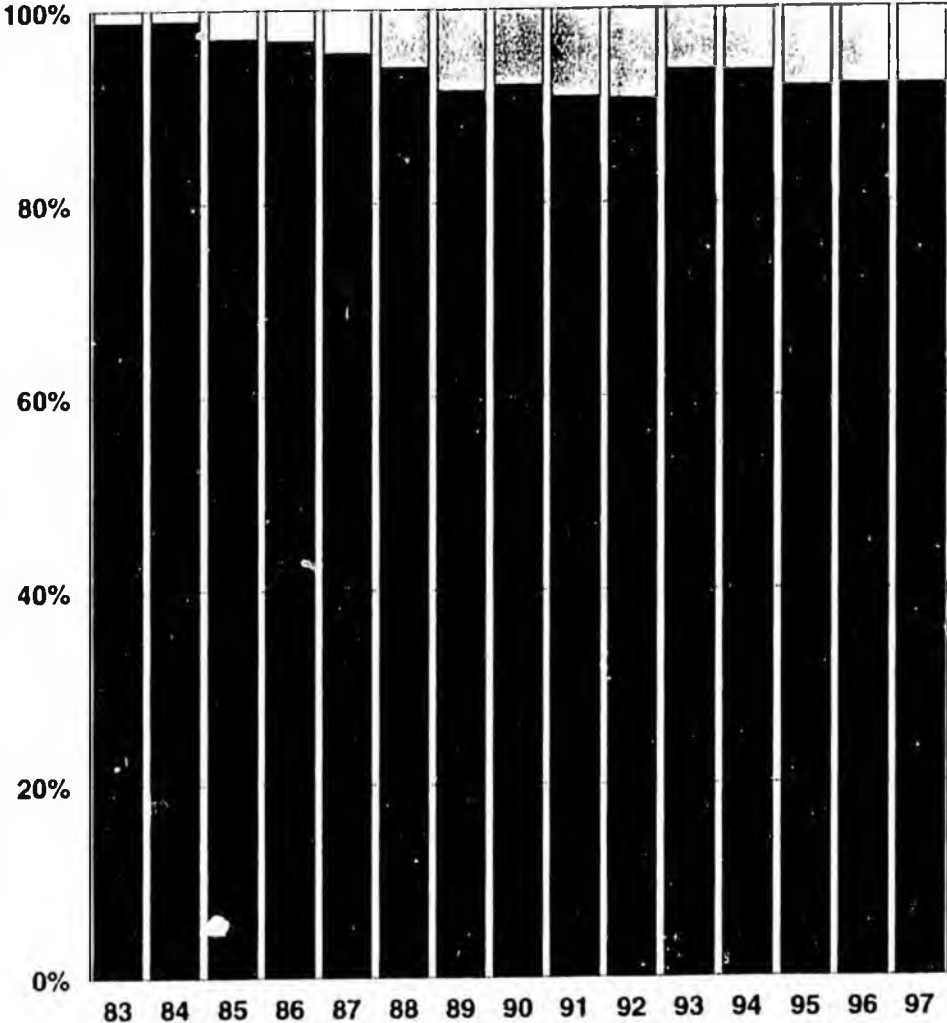
NOTE: The upside potential (best case) from a shift to 60% equities from 50% is \$276 million per year for each of the five years in the period -- a total of \$1.380 billion. The downside risk (worst-case) is \$69 million in reduced earnings -- a total of \$345 million for the five years. The best and worst cases represent the 95th percentile and 5th percentile probabilities respectively.

Permanent Fund Asset Allocation

Incremental Change

Since
1983

Current





House Finance Committee

SUBJECT OF MEETING:
HB 317

DATE: **March 19, 98**

PLACE: **Cap 519**

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?	
Byron Malott / Kim Kelly	APEC				2047	<input checked="" type="radio"/> Y <input type="radio"/> N	HR 317	
① CLIFF STONE	Rep AUSTIN					<input type="radio"/> Y <input type="radio"/> N	411	
R. Austerman						<input type="radio"/> Y <input type="radio"/> N		
Mary Gore staff	Minimally					<input type="radio"/> Y <input type="radio"/> N		
Doug Griffin (3194) 277-8638 3pm Alcohol Bus Cur Bone						<input type="radio"/> Y <input type="radio"/> N		
						<input type="radio"/> Y <input type="radio"/> N		
							<input type="radio"/> Y <input type="radio"/> N	
							<input type="radio"/> Y <input type="radio"/> N	
							<input type="radio"/> Y <input type="radio"/> N	

HB

317

SFIN

FILE

FISCAL NOTE

Bill Version: HB 317
(H) Publish Date: 3/23/98

Revision Date: _____ Dept. Affected: Revenue
 Title: Alaska Permanent Fund Corporation Investments BRU: Alaska Permanent Fund Corporation
 Component: Alaska Permanent Fund Corporation
 Sponsor: (H) Rules/LB&A
 Requestor: (H) FIN COMPONENT SERIAL NO. 109

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()	72,000.0	75,384.0	78,927.0	82,636.6	86,520.5	90,587.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0
TOTAL	4,265.0	4,986.0	6,118.0	7,278.0	8,508.0	9,863.0

Estimate of any current year (FY98) cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)
 HB 317 as proposed amends AS 37.13.120(l) which established the Alaska Permanent Fund Corporation's legal investment classes and their respective level of authorization. HB 317 increases the percentage level of domestic and non-domestic corporate stocks to 60% of the total investments of the Permanent Fund.

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Prepared by: Byron I. Mallott Phone: 465-2047
 Division: Alaska Permanent Fund Corporation Date: March 24, 1998
 Approved by Commissioner: Wilson L. Condon Date: March 24, 1998
 Agency: Revenue

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COMMITTEE COPY

HB

321

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 18, 1998

FEATHER REVERENDS

Date of Committee Action: 3/1/99

The FINANCE Committee

HOUSE BILL NO. 321

TRUST INVESTMENT ACT

"An Act relating to trusts, to the payment of fees, and to standards of care applicable to personal representatives, conservators, and trustees; and providing for an effective date."

with the following conditions:

HB 321

- 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) DCED 2/18/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Therriault	X			
<i>Vin Kohns</i>	Kohns	X			
<i>John Davies</i>	J. Davies			X	
<i>Ben Grussendorf</i>	Grussendorf	X			
<i>Wall Moses</i>	Moses	X			
<i>Pete Kelly</i>	Kelly	✓			
<i>[Signature]</i>	Foster	X			

CHAIR'S SIGNATURE

Gene Theriault
Therriault

FISCAL NOTE

02-09-98P04:44 RCVD

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB321 (H) L&C

Revision Date: _____
 Title: Uniform Prudent Investor Act
 Sponsor: Rep. Ryan
 Requestor: House Labor and Commerce

Department: Commerce and Economic Development
 BRU: Banking, Securities and Corporations
 Component: Banking, Securities and Corporations
 COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS						
FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director *Willis F. Kirkpatrick* Phone: 465-2521
 Division: Banking, Securities and Corporations Date: 2-9-98
 Approved by Commissioner: Deborah B. Sedwick *Deborah B. Sedwick* Date: 2-9-98
 Agency: Commerce and Economic Development

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FISCAL NOTE

No: 1

Bill Version: HB 321

(H) Publish Date: 2/18/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date: _____
Title: Uniform Prudent Investor Act

Department: Commerce and Economic Development
BRU: Banking, Securities and Corporations
Component: Banking, Securities and Corporations

Sponsor: Rep. Ryan
Requestor: House Labor and Commerce

COMPONENT SERIAL NO. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/Mental Health						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director
Division: Banking, Securities and Corporations

Approved by Commissioner: Deborah B. Sedwick
Agency: Commerce and Economic Development

Phone: 465-2521
Date: 2-9-98
Date: 2-9-98

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House of Representatives

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Representative Joe Ryan

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PHONE (907) 465-3875

SPONSOR STATEMENT for HB 321

The Uniform Prudent Investor Act reverses common law rules that restrict the investment powers of trustees. The new act requires a trustee to invest as a prudent investor would, using reasonable care, skill and caution in light of the objectives and risk tolerance of the individual trust. Diversification of assets is an obligation. Trustees can delegate investment responsibilities to experts. Within the scope of these powers and duties, trustees can choose to invest in any kind of asset that meets the objective of the specific trust.

UNIFORM PRUDENT INVESTOR ACT

- A SUMMARY -

Trustees of trusts and like fiduciaries have been subject to rules severely restricting the types of investment modalities in which they can invest the assets of the trusts that they administer and manage. Interest-bearing instruments — safe income — of limited kinds (no junk bonds) are the limit of risk permitted or thought to be permitted under the traditional rules. Protect the paper value of the principal at all costs is the mandate for trustees. In addition, a trustee's performance is rated by the performance of each and every investment, singly, and not on the performance of the whole of the portfolio. And trustees have been precluded from obtaining professional investment help.

The result for trusts is modest income production at best without regard for the erosion of a trust's assets by inflation. Can it be that these rules miscalculate the real risk and actually jeopardize the assets of a trust rather than provide for their protection?

The answer is yes. And a remedy is now at hand in the Uniform Prudent Investor Act (UPIA), promulgated by the Uniform Law Commissioners in 1994. The adoption of this act by the state legislatures will correct the rules, based on false and damaging premises, that now govern the actions of trustees.

By no means does UPIA turn trustees into unrestrained speculators. It provides rules governing investment that, in fact, result in greater protection for the trust's assets while providing a prospect of better income. UPIA does not encourage irresponsible, speculative behavior, but requires careful assessment of investment goals, careful analysis of risk versus return, and diversification of assets to protect them. It gives the trustee the tools to accomplish these ends. UPIA requires trustees to become devotees of "modern portfolio theory" and to invest as a prudent investor would invest "considering the purposes, terms, distribution requirements, and other circumstances of the trust" using "reasonable care, skill, and caution."

The trustee has a list of factors which must be considered in making investment decisions, including "general economic conditions," "possible effect of inflation or deflation," "the expected total return from income and the appreciation of capital," and "other resources of the beneficiaries." The trustee must take tax consequences of investment decisions into account. There is a positive obligation to diversify assets "unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying." The trustee's obligations are significant, requiring sophisticated approaches to investment that really take into account the right risk-to-return ratio for the particular trust.

In addition, a trustee's performance in UPIA is measured by the performance of all the assets together. A loss with respect to a single asset does not mean that the trustee has violated his or her fiduciary responsibilities. The act takes the truly holistic approach to investment practices.

In return for these obligations, UPLA removes any restrictions upon the types of investment modalities which may be chosen in a trust's portfolio. It is quite possible, for example, to hold positions in high-interest bonds (junk bonds) or mutual funds investing in such bonds, in a diversified portfolio, if such an investment meets the needs of the particular trust in light of the risk/return analysis specific to that trust.

One of the boons to trustees of smaller trusts is the ability to invest in mutual funds. Mutual funds reduce investment risk by diversifying their portfolios. By using mutual funds, a trustee of a trust that does not have a large enough corpus to effectively diversify its assets can enhance diversification of the trust's portfolio to limit the trust's risk of loss.

UPLA also permits the trustee to delegate investment and management functions "that a prudent trustee of comparable skills could properly delegate under the circumstances." Careful selection of the agent and careful, periodic review of the agent's actions are part of the trustee's responsibility when delegating authority. An agent has a responsibility of reasonable care in conducting the delegated business of the trust.

Why is it that the prudent man rule of prior law may, in fact, jeopardize the assets in a trust? Some of the instruments in which trustees have been able to invest have become more volatile in price. Treasury bonds, for example, long thought to be safe investments, now fluctuate considerably in value with the fluctuation of interest rates. The former so-called safe investment may not be so safe anymore. In contrast, common stocks have shown consistently better returns over the years than bonds — yet trustees have been prevented from investing in common stocks. Stocks have been historically safer investments, therefore, in diversified portfolios than bonds have been. Trusts have been deprived of return at some greater risk by the antiquated rules that govern investment of their assets.

By far the most insidious damage to trust assets comes from inflation. If trustees cannot invest in modalities that exceed the rate of inflation in return, the inevitable result is diminution of the corpus of the trusts they manage. The beneficiaries of trusts so restricted lose in all ways, both with respect to income and principal.

The UPLA provides rules that can be modified or waived in the trust agreement. Any person who wishes to put property in trust and who wants to provide different standards of conduct for the trustee is permitted to do so under UPLA.

UPLA provides a reasonable approach to the investment of trust assets that better meets the needs of beneficiaries while preserving trust assets. It should become the law in every state as soon as possible.

Founded in 1892, the National Conference of Commissioners on Uniform State Laws is a confederation of state commissioners on uniform laws. Its membership is comprised of 300 practicing lawyers, judges, and law professors who are appointed by each of the 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands to draft uniform and model state laws and work toward their enactment.

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Mail Stop 3101

130 Seward Street, Suite 403
Juneau, Alaska 99801-2105

MEMORANDUM

February 9, 1998

SUBJECT: Sectional Summary (HB 321)

TO: Representative Joe Ryan

FROM: Tamara Brandt Cook
Director *TBC*

Here is the sectional summary you requested for a bill dealing with trusts based on the Uniform Prudent Investor Act of the National Conference of Commissioners on Uniform State Laws.

Secs. 1 and 2. Correct a cross-reference to a statute repealed in this bill.

Sec. 3. Adds a new article -- the Uniform Prudent Investor Act.

Sec. 13.36.200. Requires a trustee to comply with the prudent investor rule and permits the rule to be expanded, restricted, eliminated, or altered by the provisions of a trust.

Sec. 13.36.205. Requires a trustee to manage assets by considering the purposes, terms, distribution requirements, and other circumstances of the trust. Lists specific circumstances that a trustee must consider. Requires a trustee to make a reasonable effort to verify facts relevant to management of trust assets. A trustee with special skills has a duty to use those skills.

Sec. 13.36.210. Requires diversification of investments, unless the purposes of the trust are better served without diversifying.

Sec. 13.36.215. Requires a trustee to review a trust and make decisions regarding assets within a reasonable time after accepting a trusteeship or receiving the assets.

Sec. 13.36.220. Requires a trustee to manage assets solely in the interest of the beneficiaries.

Sec. 13.36.225. Requires a trustee to act impartially if a trust has two or more beneficiaries.

Sec. 13.36.230. A trustee may only incur costs that are reasonable in managing a trust.

Sec. 13.36.235. Compliance with the prudent investor rule is determined in light of the facts existing at the time of the trustee's decision or action.

Sec. 13.36.240. A trustee may delegate investment and management functions, but the trustee must exercise care, skill and caution in selecting an agent, establishing the terms of the delegation, and reviewing the agent's actions.

Representative Joe Ryan
February 9, 1998
Page 2

Sec. 13.36.260. Certain general phrases that may appear in a trust invoke the standards of this article.

Sec. 13.36.265. The new article applies to trusts existing on and created after the effective date of those sections, but, as applied to existing trusts, the article governs only decisions or actions that occur after the effective date.

Sec. 13.36.270. The new article is to construed to make uniform the law among the states that adopt a Uniform Prudent Investor Act.

Sec. 13.36.275. The short title is the Uniform Prudent Investor Act.

Sec. 4. The existing statute dealing with a trustee's standard of care is repealed.

Sec. 5. Immediate effective date.

TBC:glc
98-070.glc

A Few Facts About
THE UNIFORM PRUDENT INVESTOR ACT

PURPOSE: This act removes much of the common law restriction upon the investment authority of trustees of trusts and like fiduciaries. It allows such fiduciaries to utilize modern portfolio theory to guide investment decisions. A fiduciary's performance is measured on the performance of the whole portfolio, not upon the performance of each investment singly. The act allows the fiduciary to delegate investment decisions to qualified and supervised agents. It requires sophisticated risk-return analysis to guide investment decisions.

ORIGIN: Completed by the Uniform Law Commissioners in 1994.

ENDORSED BY: American Bar Association
American Bankers Association

STATE ADOPTIONS:	Arizona	New Jersey *
	Arkansas *	New Mexico
	California	North Dakota *
	Colorado	Oklahoma
	Connecticut *	Oregon
	Idaho *	Rhode Island
	Maine	Utah
	Minnesota	Washington
	Missouri	West Virginia
	Nebraska	

1997 INTRODUCTIONS:	District of Columbia	Iowa
	Hawaii	Massachusetts
	Indiana	Mississippi
		Vermont

Investment Legislation Governing Trusts and Foundations (by State)

As of November, 1997

A model Uniform Prudent Investor Act ("UPIA") was promulgated by the National Conference of Commissioners on Uniform State Laws in 1994 and recommended for enactment by the states. The UPIA allows trustees and similar fiduciaries to employ modern portfolio theory to guide investment decisions, and evaluates a fiduciary's conduct based on a strategy for the total portfolio, rather than on the selection of individual assets. In addition, the UPIA makes the following alterations in the former criteria for fiduciary investment: (A) the tradeoff between risk and return is identified as the fiduciary's central investment consideration; (B) categorical restrictions on types of investments have been abrogated; (C) the concept that fiduciaries should diversify portfolio investments has been integrated into the definition of prudence; (D) the much criticized rule of trust law forbidding the trustee to delegate investment and management functions has been reversed (some jurisdictions impose notice requirements not mandated by the UPIA); and (E) the trustee may be relieved from liability for acts of the agent, if certain requirements are met.

It should be noted that charitable foundations and private trusts are subject to similar investment rules. The UPIA is applicable to foundations organized in trust form. Charitable corporations, on the other hand, are governed in many jurisdictions by the Uniform Management of Institutional Funds Act ("UMIFA"). The far right column of the chart indicates whether a state has adopted UMIFA.

The chart at the right shows the states that have adopted the UPIA, or substantial portions thereof, as of this publication. Additionally, many other states are identified that now require a total portfolio approach to investment management, but which do not otherwise have provisions resembling the UPIA. If a state has no total portfolio statute, the chart makes no representation regarding whether that state's laws contain any other provision resembling the UPIA.

State	Uniform Prudent Inv. Act (or most UPIA provisions) Effective Date	Total Portfolio Statutes (minimal UPIA provisions) Effective Date	Authority
Alabama		5/16/89	Ala. Code §
Alaska			
Arizona	7/20/96		Ariz. Rev. St.
Arkansas	3/31/97		Act 940 of
California	1/1/96		Cal. Prob. C
Colorado	7/1/95		Colo. Rev. S
Connecticut	6/2/97		Public Act 3
Delaware		7/3/86	Del. Code §
Dist. of Columbia		2/1/95	D.C. Super.
Florida	10/1/93		Fla. Stat. An
Georgia		1/1/90	Ga. Code An
Hawaii	4/14/97		30 Hawaii I
Idaho	7/1/95		Idaho Code
Illinois	1/1/96		760 Ill. Cor
Indiana			
Iowa		4/22/91	Iowa Code
Kansas	7/1/90		Kan. Stat. A
Kentucky		7/15/96	Kent. Rev. S
Louisiana			
Maine	1/1/97		Me. Rev. St
Maryland	10/1/96		Md. Est. &
Massachusetts			
Michigan			
Minnesota	1/1/97		Minn. Stat.
Mississippi			
Missouri	8/28/96		Mo. Ann. S
Montana		10/1/89	Mont. Coc
Nebraska	4/2/97		Legislative
Nevada		4/17/89	Nev. Rev. S
New Hampshire			
New Jersey	3/7/97		N.J. Stat. A
New Mexico	7/1/95		N.M. Stat.
New York	1/1/95		N.Y. Est., I
North Carolina			
North Dakota	8/1/97		N.D. Cent
Ohio			
Oklahoma	11/1/95		Okla. Stat.
Oregon	9/9/95		Or. Rev. St
Pennsylvania			
Rhode Island	8/6/96		R.I. Stat. §
South Carolina		6/5/90	S.C. Code
South Dakota	7/1/95		S.D. Code
Tennessee		7/1/89	Tenn. Cox
Texas		6/16/91	Tex. Prop
Utah	7/1/95		Utah Cod
Vermont			
Virginia	4/6/92		Va. Code
Washington	7/23/95		Wash. Re
West Virginia	7/1/96		W. Va. C.
Wisconsin			
Wyoming			

WHY STATES SHOULD ADOPT THE UNIFORM PRUDENT INVESTOR ACT

The Uniform Prudent Investor Act reverses common law rules that restrict the investment powers of trustees. The new act requires a trustee to invest as a prudent investor would, using reasonable care, skill and caution in light of the objectives and risk tolerance of the individual trust. Diversification of assets is an obligation. Trustees can delegate investment responsibilities to experts. Within the scope of these powers and duties, trustees can choose to invest in any kind of asset that meets the objective of the specific trust.

What are the specific advantages of the Uniform Prudent Investor Act?

1. Trusts are likely to achieve a better return for beneficiaries than is the case under the common law rules.
2. Trustees can protect the trust corpus better through diversification of assets than is the case under the common law rules.
3. Trustees can invest to counter the effects of inflation, something that the common rules do not allow.
4. A trustee no longer is forced to rely upon his or her own knowledge and expertise, but can acquire investment services to enhance his or her own knowledge and skill.
5. Trustees can take into account the changing character and kinds of assets available for investment, free of archaic restrictions.
6. Trustees are judged on overall performance of the assets in a trust, rather than on the performance of specific assets.
7. The specific needs of each trust can be taken into account in devising investment strategy, rather than be subordinate to generic investment rules treating all trusts as the same.
8. The Act will provide uniformity of law, necessary in an interstate investment environment.

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Fax 203/432-1100

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Fax 414/277-0654

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Fax 510/842-4171

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2600 Century Square
1501 Fourth Ave.
Seattle, WA 98101
206/422-3150
Fax 206/428-7040

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Fax 310/283-7199

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541/346-3802
Fax 541/346-1564

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Univ. of Georgia
School of Law
Athens, GA 30602
706/542-3174
Fax 706/542-7404
E-mail: wellman@jll.lawr.h.sgs.edu

Director of Research

LAWRENCE W. WAGGONER
Univ. of Michigan Law School
625 S. State St.
Ann Arbor, MI 48109-1215
313/763-2506 Fax: 313/764-4389
E-mail: waggoner@umia.h.onr

Reporter

DAVID M. ENGLISH
Santa Clara Univ.
School of Law
Santa Clara, CA 95053
408/554-5412
Fax 408/554-4026

February 10, 1998

Reply Address: University of Georgia
School of Law
Athens, GA 30602-6012

Arthur H. Peterson, Esq.
Dillon & Findley
The Ebner Bldg.
350 North Franklin St.
Juneau, AK 99801

Dear Art,

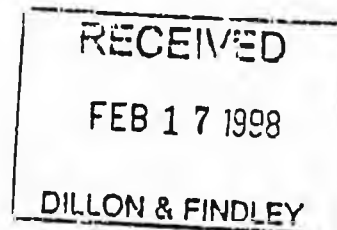
Your letter of February 2 and enclosures was on my desk when I returned today following three days in Chicago for a drafting committee meeting.

I agree that the adjustments in the Probate Code that are included in the Uniform Prudent Investor Act bill are appropriate. I am delighted that Alaska appears to be about to enact the Uniform Prudent Investor Act.

Hope you are fine. We are.

Cheers,

Jack



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Melanie E. Mickelson

The Ebner Building
350 North Franklin Street
Juneau, Alaska 99801
Telephone (907) 586-4000
Facsimile (907) 586-3777

ANCHORAGE

Ray R. Brown
Mauri Long
Kristen D. Pettonen
Paralegal
M. Bernita Raymond

510 L Street, Suite 603
Anchorage, Alaska 99501
Telephone (907) 277-5400
Facsimile (907) 277-9896

February 2, 1998

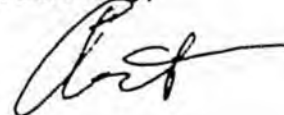
Professor Richard V. Wellman
University of Georgia
School of Law
Athens, GA 30602

Re: Uniform Prudent Investor Act

Dear Dick:

You will find enclosed a copy of our House Bill 321, proposing enactment of the Uniform Prudent Investor Act, and my January 30, 1998 letter to the sponsor regarding it. The drafter in our Legislative Affairs Agency added a couple of amendments to the Uniform Probate Code, which do not appear in the official NCCUSL version. My quick glance at them indicates that they are okay, as mentioned in my letter to the sponsor. What do you think?

Yours truly,



Arthur H. Peterson
Uniform Law Commissioner
for Alaska

Enclosure

AHP/ph

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Peter K. Pauter
Paralegal
Ten Houschua
Firm Administrator
Melanie E. Mickelson

The Ebner Building
350 North Franklin Street
Juneau, Alaska 99801
Telephone (907) 586-4000
Facsimile (907) 586-3777

February 19, 1998

ANCHORAGE

Ray R. Brown
Mauri Long
Kristen D. Pettersen
Paralegal
M. Benita Raymond

510 L Street, Suite 603
Anchorage, Alaska 99501
Telephone (907) 277-5400
Facsimile (907) 277-9896

Honorable Norman Rokeberg, Chair
House Labor & Commerce Committee
Alaska State Legislature
Room 24-A, M/S 3100
Juneau, Alaska 99801-1182

HAND DELIVERED

Re: House Bill 321, Uniform Prudent Investor Act

Dear Representative Rokeberg:

I understand that HB 321, proposing enactment of the Uniform Prudent Investor Act, is in your committee. I support this measure, urge you to schedule it for an early hearing, and urge a "Do Pass" recommendation from your committee.

You will find enclosed a copy of my January 30, 1998 letter to the sponsor, Representative Joe Ryan, along with my February 2, 1998 letter to Professor Richard Wellman, the nation's preeminent authority on the Uniform Probate Code (and a uniform law commissioner from Georgia). Also attached is Professor Wellman's February 10 reply to me, expressing his agreement with the modifications that HB 321 makes in the Uniform Probate Code. He also supports our enactment of the Uniform Prudent Investor Act.

Thanks for considering these comments and the attachments, and I hope that we can get this bill enacted this year.

Yours truly,



Arthur H. Peterson
Uniform Law Commissioner
for Alaska

Enclosures (3)

cc w/Wellman corresp.:
Representative Joe Ryan
Rest of Alaska's ULC Delegation

HB

323

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 1, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/4/98

The FINANCE Committee considered:

HB 323

HOUSE BILL NO. 323

PERS CREDIT FOR NONCERTIFICATED EMPLOYEES

“An Act relating to the calculation of credited service in the public employees' retirement system for noncertificated employees of school districts, regional educational attendance areas, and state boarding schools; and providing for an effective date.”

recommends it be replaced with the following committee substitute CS HB 323 (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) DOA, 5/1/98

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Cene Therriault</i> Therriault	X			
<i>Eldon Mulder</i> Mulder			✓	
<i>Eric Kohring</i> Kohring	X			
<i>Ben Grossendorfer</i> Grossendorfer	X			
<i>Walter Moses</i> Moses	X			
<i>Harold Davis</i> Davis	X			
<i>Pat Kelly</i> Kelly	✓			

CHAIR'S SIGNATURE

Cene Therriault

FISCAL NOTE

No: 2

Bill Version: CSHB 323 (HES)

(H) Publish Date: 5/1/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date: 4/28/98
 Title: "An Act relating to credited service in the public employees retirement system."
 Sponsor: Representative Brice
 Requestor: (H) HES

Department Affected: Administration
 BRU: Centralized Administrative Services
 Component: Retirement and Benefits

COMPONENT SERIAL NO. 2271

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	116.5	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	116.5	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

CHANGE IN REVENUES ()	0	0	0	0	0	0
------------------------	---	---	---	---	---	---

FUND SOURCE: (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1037 GF/Mental Health	0	0	0	0	0	0
OTHER - # 1029 PERS	116.5	0	0	0	0	0
TOTAL	116.5	0	0	0	0	0

Estimate of any current year (FY 98) cost: \$ 0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

The \$116.5 is needed to hire contractors to update the division's computer systems to accommodate the proposed changes. In addition to contractor time, division staff will dedicate time to make system changes and the impacted school districts may also need to update their systems.

This change would affect approximately 6,660 current PERS members.

Prepared by: Guy Bell
 Division: Retirement and Benefits

Phone: 465-4470
 Date: _____

Approved by Commissioner: Mark Boyer
 Agency: Department of Administration

Date: 4/28/98

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jd **COMMITTEE COPY**

Kelly #2
Adopt
no obj

HB 323

AMENDMENT

BY REPRESENTATIVE BRICE

OFFERED IN THE HOUSE FINANCE COMMITTEE

TO CSHB 323 (HESS): PERS Credit for Noncertificated School Employees

INSERT: Page 1, line 3: (after attendance areas) "the Alaska Vocational
Technical Center, "

INSERT: Page 1, line 10: (after area) "or the Alaska Vocational Technical
Center"

INSERT: Page 2, line 4: (after employee of) "the Alaska Vocational Technical
Center or "

RENUMBER REMAINING SECTIONS

no/obj
Adopt

Kelly #1

HB 323

AMENDMENT

BY REPRESENTATIVE BRICE

OFFERED IN THE HOUSE FINANCE COMMITTEE

TO CSHB 323 (HESS): PERS Credit for Noncertificated School Employees

DELETE: Page 2, line 17: (after service earned) "on or after the date that the administrator accepts it."

INSERT: Page 2, line 17: (after service earned) "for the school year in which the election is accepted by the administrator."

DELETE: Page 3, line 4: (after service earned) "on or after the date that the administrator accepts it."

INSERT: Page 3, line 4: (after service earned) "for the school year in which the election is accepted by the administrator."

RENUMBER REMAINING SECTIONS



Representative Tom Brice

ALASKA STATE LEGISLATURE

119 N. Cushman, Ste. 205
Fairbanks, AK 99701
907-456-7423 / Fax: 451-9293

While in Juneau
State Capitol
Juneau, AK 99801-1182
907-465-3466

REPRESENTATIVE TOM BRICE

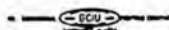
SPONSOR STATEMENT for CSHB 323 (HESS)

Alaska has many noncertificated employees in our schools who work nine, ten or eleven months out of the year along with thier certificated counterparts. These noncertificated employees however are not allowed to receive the full year toward retirement as their counterparts.

This bill addresses the inequity in State law and PERS system by placing noncertificated school employees who work a comparable amount of days in the same category of certificated employees. This bill will allow those noncertificated school district employees to receive the same amount of credit toward retirement as those certificated employees who work the same amount of time and receive a full year of credit toward retirement.

The change in the PERS system, under this bill, will be supported by the employees, rather than increasing the burden to school districts. Employees currently active in the system will have 180 days to opt into the new program. New employees will have the option to participate within 90 days of inception.

Thank you for your consideration.





JUNEAU SCHOOL DISTRICT

CITY AND BOROUGH OF JUNEAU

10014 CRAZY HORSE DRIVE • JUNEAU, ALASKA 99801-8529 • (907) 463-1700

March 2, 1998

To: Rep. Tom Brice
Rep. Gene Kubina

From: The non-certificated staff
at Juneau-Douglas High School

Re House Bill 323 & 322

We, the undersigned wholeheartedly
support this bill

We thank you for finally
addressing this disparity under
which we work.

Parveta Whiting P.O.
Sandra E. Ekerson
Stephanie Callaghan
Dorothy Stalvey

OC
Laurie Massey
Virginia M. Irvine
Mary L. Kallid
W. Snyder
Tova Cloutros

THE CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT IS AN AA/EO EMPLOYER AND EDUCATIONAL INSTITUTION



JUNEAU SCHOOL DISTRICT

CITY AND BOROUGH OF JUNEAU

10014 CRAZY HORSE DRIVE • JUNEAU, ALASKA 99801-8529 • (907) 463-1700

John Spind
Luby, Duross

Jim Scales

Chad Deard

Ta Lisa

Donna Woodrow

Joyce K. Hansen

Ode Blum

Myron Welby

Carol Allen

Jessie Lee

Linda Craig

Abby Perkins

Pat Ann

Gudy T. Gibson

Margaret Smith

Debra R. Heys

Melinda C. Curtin

Barbara Conant

Benjamin Jackson

Janice M. Paris

Marty Ragan

P.O. Box 7592

Nikiski, Alaska 99635

February 10, 1998

House Labor & Commerce Committee
Juneau, AlaskaRE: H. B. #323
"Year for School Year Retirement Credit"

Dear Legislator:

I ask for your support on the passage of H.B. #323.

I have been a secretary for the Kenai Peninsula Borough School District for the past fourteen (14) years.

During this time I have witnessed the dedication and selflessness displayed by the secretaries in the school district. Overtime is a thing of the past - but the work load keeps increasing. Many secretaries are putting in endless hours of overtime just to keep things flowing and on an even keel - while still having time to deal with students, parents, and various community and intervention agencies. There have been many times that I've put in 10-12 hour days. Some times to complete scheduling, or do grades for Parent/Teacher Conferences so the report cards will be ready for them. But mostly, it is just to keep up with the day-to-day work. (Approximately 50 hours/week - sometimes even more.)

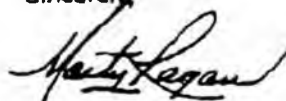
I contacted the Public Employees Retirement System recently. After deducting for the supplemental health care & indebtedness for the RHP, I would receive approximately \$270 per month. (Under PERS my credited service is 11 years towards retirement.)

A little known fact is that while we may elect to have our salaries distributed to us over twelve months instead of nine, (contrary to popular belief) we are not paid for the summer months, nor are we eligible to draw unemployment.

It is time that these dedicated professionals be given credit for their service and contribution to our students, schools, and communities by giving them a full years retirement credit for each school year served.

I would like to thank Rep. Tom Brice for sponsoring this bill and the rest of the committee for giving me a chance to voice my support for H.B. #323.

Sincerely,



Marty Ragan
Counseling Secretary
Nikiski High School
Nikiski, Alaska

(907) 776-9435

02-11-98P02:57 RCVD

2/11/98

I SUPPORT HOUSE BILL 323

Murphy & Peterson

INSTRUCTIONAL AIDE
NODDEVIK SCHOOL

2-11-98

I Support House Bill 323

02-11-98 10:57 AM

Parolee Baller
Custodian
Moore School

02-11-98 02:58 RCVD

February 11, 1998

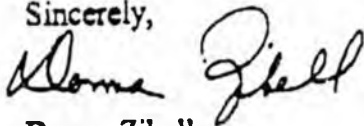
Re: House Bill 323

I would like to express my support of House Bill 323 regarding calculating credit for noncertificated employees.

Having been employed in the school system since August 1974, I favor any recognition and benefits that can be afforded noncertificated employees since they are a vital support system in our schools.

Thank you for your consideration in this matter.

Sincerely,



Donna Zibell
Secretary
Noorvik Schools

Please submit this comment to the House Labor and Commerce Committee:
Norm Rokeberg, Chair
John Cowdry
Bill Hudson
Joe Ryan
Jerry Sanders
Tom Brice
Gene Kubina

I urge you to support HB 323 recalculating the retirement credits for the educational support staff to receive a FULL year of credit for one year of work. The support staff at the schools are full time employees. We are not eligible to apply for unemployment while we are off during the summer. Teachers, administrators and School Board Members receive a FULL year of credit to their retirement account for each school year ~~that~~ that they work. I feel that is in only fair and equitable for the support staff in public service to receive a FULL year of credit in PERS. I thank you for your consideration to this bill and for passing HB 323.

Thank you.



Tammie Bishop
PO Box 453
Homer, AK 99603
235-1520

wk - 235-1520

Please submit this comment to the House Labor and Commerce Committee:
Norm Rokeberg Chair
John Cowdry
Bill Hudson
Joe Ryan
Jerry Sanders
Tom Brice
Bene Kubina

I strongly urge you to support HB 323 recalculating the retirement credits for the educational support staff to receive a full year of credit for one year of work. The support staff at the schools are full time employees. We are not eligible to apply for unemployment while we are off during the summer. School Board Members receive a full year of credit to their retirement account for each school year. I feel this is grossly unfair. I thank you for your consideration to this bill and for passing HB 323.

Thank you,

Emma Borok (Morris)
PO Box 1410
Homer, Alaska 99603
235-8024

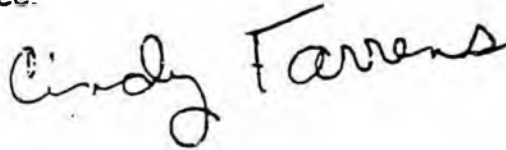
Emma Borok

WK 235-8986

Please submit this comment to the House: Labor and Commerce Committee:
Norm Rokeberg Chair
John Cowdry
Bill Hudson
Joe Ryan
Jerry Sanders
Tom Brice
Bene Kubina

Please support HB 323 to recalculate retirement credits for educational support staff to receive one years credit for one years work. School support staff are full time employees that are not eligible for unemployment while not working in the summer. All other school staff receive a full years credit to their retirement for each school year worked. Also School Board members receive this credit for each school year. For each year in public service, we would like a full years credit in PERS. Thank you for passing HB 323 from your committee.

Thank you. Cindy Farrens
PO Box 3821
Homer, AK 99603
235-2166

A handwritten signature in cursive script that reads "Cindy Farrens". The signature is written in dark ink and is positioned to the right of the typed name and address.

The following comment is in regards to HB 323. Please submit to the house Labor and Commerce Committee:

Norm Rokeberg, Chair

John Cowdry

Bill Hudson

Joe Ryan

Jerry Sanders

Tom Brice

Bene Kubina

I urge you to support HB 323 which would allow school district employees who are under PERS to get one year's credit for each school year worked. All other PERS employees get a full year's credit for each school year worked. Also, other seasonal school district employees can apply for unemployment when they are not working.

That is not an option for school support staff.

We would like a full year's credit in PERS for each year in public service. Thank you for passing HB 323 from your committee.

Daryl Farrans

PO Box 3821

Homer, AK 99603

235-2166

Work - 235-6090

Karson D. Dorvall
Leobof A. Dorvall
PO Box 5022
Nikolaevsk, AK 99556-5022
February 10, 1998

House Labor & Commerce Committee
Representative Norman Rokeberg - Chairman
Juneau, AK

Mr. Chairman & Committee

I write to you today to voice my support for HB323. I feel it is past time that this unfairness in the Public Employees Retirement System (PERS) is made right. I call it unfair for a number of reasons:

- Myself, a support employee of the Kenai Peninsula Borough School District (KPBSD), I must work 24 school years to earn a 20 year retirement. Many of my coworkers must work longer (28 - 28 years) to earn a 20 year retirement. Those employees who work less than 8hrs a day, (6 -7) even longer. I say 8 hour employees, but ask any of them and they'll tell you they put in a lot more than that, in which they receive no compensation at all.
- Being a 9 -10 month employee it is difficult if not impossible to find work during the summer break. Conflicts with starting dates, and dates we must report back for work, make us an unlikely candidate for hire. (not all school employees run charter boats or are commercial fishers)
- Being a school district employee, we cannot collect unemployment compensation during this down time, even though we have it deducted from our checks. This period is in actuality a forced layoff, and should qualify.

The school district employees have suffered for years with minimal wage increases, while the cost of living has eroded their purchasing power. Myself, my wife and I both work, over half of my wife's paycheck goes to pay for child care, I have to work another part time job to make ends meet. Depriving my children of the quality time they deserve with their parents.

HB 323 will not solve all the problems of public employees, but it will go a long way in setting this right.

I ask that you support this Bill.

Respectfully

Karson D. Dorvall

Karson D. Dorvall - Custodian, Kenai Peninsula Borough School District

Leobof A. Dorvall

Leobof A. Dorvall - Bilingual Instructor, Kenai Peninsula Borough School District

HOUSE COMMITTEE REPORT

(7) Date Referred to Committee: January 15, 1998 FURTHER REFERRALS: HES

Date of Committee Action: 4/22/98

The LABOR AND COMMERCE Committee considered: HB 323

HOUSE BILL NO. 323 PERS CREDIT FOR NONCERTIFICATED EMPLOYEES

“An Act relating to the calculation of credited service in the public employees' retirement system for noncertificated employees of school districts, regional educational attendance areas, and state boarding schools; and providing for an effective date.”

recommends it be replaced with the following committee substitute CS HB 323 (LAC) the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) DOA APPROVES PREVIOUS: (Dept/Date)
 fiscal note(s) DOA fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>John Caudery</i>	✓			
<i>Norm Bice</i>	✓			
<i>Joe Ryan</i>	✓			
<i>Gene Kuberni</i>	✓			
<i>Bill Hudson</i>	✓			
<i>Norm Robley</i>	✓			

CHAIR'S SIGNATURE *Norm Robley*
 HOUSE LABOR AND COMMERCE COMMITTEE REPORT

HB

325

(File 1)

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: January 16, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/18/98

The FINANCE Committee considered:

HB 325

HOUSE BILL NO. 325

APPROPRIATIONS: OPERATING BUDGET

"An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 325 (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) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault	X			
<i>[Signature]</i>	Hanley	X			
<i>[Signature]</i>	Martin	X			
<i>[Signature]</i>	Mulder	X			
<i>[Signature]</i>	Moses			X	
<i>[Signature]</i>	Kelly	✓			
<i>[Signature]</i>	G Davis	✓			
<i>[Signature]</i>	Foster	X			
<i>[Signature]</i>	J Davis				T
<i>[Signature]</i>	Kohring				X
<i>[Signature]</i>	Gruessendorf				X

CHAIR'S SIGNATURE *[Signature]* *[Signature]*

State of Alaska

Tony Knowles, Governor

Office of Management and Budget

PO Box 110020

Juneau AK 99811-0020

(907) 465-4660, fax 465-3008

To: Annalee McConnell
Director

Date: February 4, 1998

From: Brad Pierce
Senior Policy Analyst

Subject: Operations and
Maintenance Costs of
State Buildings and
Infrastructure

Attached is an estimate developed for the Long Range Financial Planning Commission in 1995 of what should be spent for adequate operations and maintenance of Alaska's public infrastructure.

The estimate for publicly-owned buildings uses formulas developed by national facility maintenance experts based on a percentage of the building's replacement value.

I'd like to stress that these are only estimates based on 1995 data.

Operations and Maintenance Costs of Alaska's Public Infrastructure

Public Buildings

Operations costs are fixed costs associated with the day to day operation of a public facility. Personnel costs, utilities, janitorial, grounds maintenance and risk management fees are basic costs of operations and are funded as such in each agency's budget. Operational expenses generally take precedence over other expenses. Maintenance and repair and renewal and replacement costs are just as tangible in the life cycle of public buildings but are often not adequately funded.

Routine Maintenance and Repair

- Routine maintenance is the day-to-day scheduled and preventative maintenance required to keep buildings operational and in a continual state of readiness. Minor repair is also included in this category.
- Routine maintenance costs for Alaska's public buildings is estimated at \$35 million per year.
- The average age of Alaska's public buildings is 23 years old; many of the facilities built during the 80s boom years are now reaching the expensive stage of their useful life.

Renewal and Replacement

- Renewal and replacement covers the scheduled replacement of worn out major building components and the retrofitting or replacement of obsolete or inefficient building systems. Upgrading to current codes is also included in this category. Renewal and replacement funding maintains and in some instances extends the useful life of facilities.
- Renewal and replacement costs for Alaska's public buildings is estimated at \$29 million.

Deferred Maintenance

- Institutions do not normally program for deferred maintenance but it becomes a fact of life when annual resources are not sufficient to complete the work required to keep facilities in optimal condition.
- Over the long term, it is much less costly to maintain facilities than to let them deteriorate to the point where it is not cost effective to keep them operational and new construction is required. Thus deferred maintenance is a real measure of the cost of neglect.
- The annual cost of maintenance for state facilities is projected to be \$64 million, while the deferred maintenance backlog is estimated at \$251 million. (See Table .)

Alaska's Transportation Network: Highways, Airports, Harbors and Ferries

	DOTPF Estimated Maintenance Needs (\$ thousands)			
	Highways	Aviation	Harbors	Total
Current M & O Funding	57,000	16,200	100	73,300
Additional Annual M & O Needed to Properly Maintain the System	16,000	4,500	4,000	24,500
Total Annual M & O Needed	73,000	20,700	4,100	97,800
Capital Infusion Needed to Eliminate Deferred Maintenance Backlog	30,000	12,000	30,000	72,000

Deterioration of the state's transportation network due to underfunding of annual maintenance is a significant cost to the economy. Standard engineering estimates provide the basis for the table above. These estimates are for facilities maintained by the state only – municipalities are responsible for maintenance of some of the road system and several harbors, while the international airports have their own program receipts funding.

- Alaska is a growing state with massive infrastructure needs. The fundamental problem is to strike a sustainable balance in our capital and maintenance spending that allows for upkeep of existing infrastructure while continuing to build to support a growing economy.
- Experience has shown that when maintenance of public infrastructure is neglected for a period of years, political pressure builds and the result is likely to be a very large capital spending spree when revenues become available as was the case in FY 94 when \$704 million in state general funds was spent on capital projects, much of it to address deferred maintenance issues.

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

Operations and Maintenance Costs of Alaska's Public Infrastructure

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Facilities Maintenance Model

Agency	No. of Bldgs.	Square Feet	Average Age	Replacement Value	(1) Maintenance & Repair	(2) Renewal & Replacement	Required O &M, Repair & Replace Budget	Deferred Maintenance Backlog	Percent of Replacement Value
Courts	11	64,087	19.5	102,285,829	1,534,287	1,173,279	2,707,566	1,755,300	1.7%
DCED	12	16,970	11.8	3,108,015	46,620	21,573	68,194	0	0.0%
AUFG	304	518,785	24.1	104,183,442	1,562,752	1,476,954	3,039,705	3,702,000	3.6%
DHSS	36	538,779	16.0	203,939,469	3,059,092	1,919,430	4,978,522	13,552,500	6.6%
DMVA	82	593,598	23.6	82,994,492	1,244,992	1,152,228	2,397,221	2,905,952	3.5%
DNR	151	288,938	22.8	23,627,196	354,408	316,882	671,290	2,960,100	12.5%
DOA	12	492,327	21.2	118,580,047	1,778,701	1,478,763	3,257,464	9,838,300	8.3%
DOC	82	1,034,379	17.0	320,740,575	4,811,109	3,207,406	8,018,514	12,365,000	3.9%
DOE	28	380,909	33.5	63,626,885	954,403	1,253,824	2,208,227	4,500,000	7.1%
DOT/PF	651	2,461,945	21.6	357,181,516	5,357,723	4,538,306	9,896,029	44,281,000	12.4%
DPS	62	270,259	19.9	76,102,155	1,141,532	890,843	2,032,375	1,199,900	1.6%
Legislature	2	118,540	46.0	32,815,230	492,228	887,942	1,380,170	385,000	1.2%
University	372	4,860,691	21.8	847,542,799	12,713,142	10,868,490	23,581,632	153,923,585	18.2%
Total	1,805	11,640,207	23.0	\$2,336,732,650	\$35,050,990	\$29,185,920	\$64,236,909	\$251,368,637	10.8%

Notes: (1) Association of Physical Plant Administrators Formula = $0.015 * \text{Replacement Value}$.

(2) Modified Sherman - Dergis Formula = $0.75 * \text{Replacement Value} * \text{Age} / 1,275$.

Source: "Alaska's State Owned Buildings: An Inventory and Assessment," U of A Statewide Facilities Office, February 1995.

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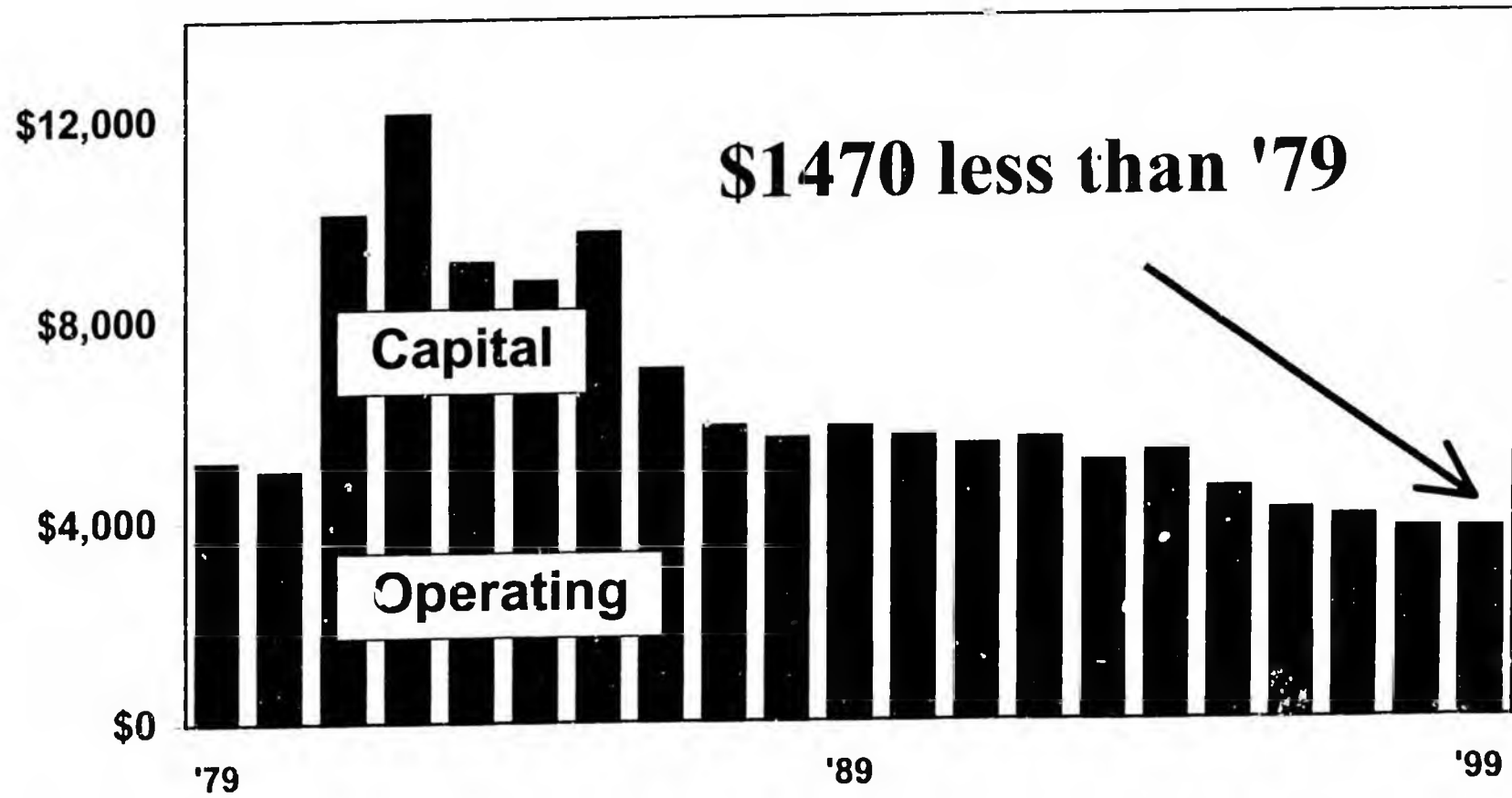
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Projection with Gov. Knowles' FY99 Initiatives and January Oil Price Forecast for FY99

General Fund Budget Projections	Fiscal Year				
	1998	1999	2000	2001	2002
All dollars in millions except oil prices.					
Average Oil Price (\$/bbl.)	\$16.48	\$17.28	\$18.34	\$18.93	\$19.50
Oil Production (MMbbl/day)	1.32	1.31	1.36	1.35	1.33
Assuming \$15/bbl. for rest of FY98		January Update	Fall Revenue Sources Book		
Available Revenues: Department of Revenue					
1 General Fund Net Disposable Unrestricted Revenue	2,004.4	1,901.0	1,962.6	1,965.7	1,946.4
2 Constitutional Budget Reserve Fund (CBRF) Earnings (requires 3/4 vote of legislature)	285.0	237.4	237.7	239.5	232.8
3 General Fund Surplus Carryforward and ILTF	75.0				
4 Total General Fund Revenues and CBRF Earnings	2,364.4	2,138.4	2,200.3	2,205.2	2,179.2
Expenditures: Office of Management and Budget 1/06					
5 Operating - Agency budgets including supplementals.	1,099.2	1,129.0	1,129.0	1,129.0	1,129.0
6 K-12 Education (FY 99 with Gov's. Quality Education initiative, then with enrollment @ 1.5% plus 1% statutory increase)	670.1	710.3	728.1	746.3	764.9
7 Other Formula - Longevity Bonus, Medicaid, Temporary Assistance to Needy Families, Power Cost Equalization, etc. After FY99, growth at 0.5%.	413.6	389.1	391.0	393.0	395.0
8 Existing General Obligation Debt	5.9	3.0	2.4		
9 Existing School Debt Reimbursement (Schools backlog funded entirely with tobacco tax revenues.)	56.1	44.8	54.7	42.7	31.0
10 Existing Lease Financing	10.3	16.3	16.5	16.7	16.2
11 Capital Budget	91.7	92.3	92.3	92.3	92.3
12 Loans and Fund Transfers	22.3	22.2	17.3	17.3	17.3
13 Total General Fund Expenditures	2,369.2	2,407.0	2,431.3	2,437.3	2,445.7
14 (Projected Draw on CBRF Principal)/Earnings Surplus	(4.8)	(268.6)	(231.0)	(232.1)	(266.5)
Constitutional Budget Reserve Fund					
	1998	1999	2000	2001	2002
15 CBRF Balance - at Start of Fiscal Year	3,171.7	3,180.5	3,185.1	3,227.3	3,233.4
16 Income at 7.16% (Jan. Department of Revenue Cash Flow Update)	285.0	237.4	237.7	239.5	232.8
17 Oil & Gas Tax Dispute Resolutions	10.4	270.0	270.0	235.0	35.0
18 Miscellaneous Transfers	3.2	3.2	3.2	3.2	(0.5)
19 Draw from Income for Annual Budget	(285.0)	(237.4)	(237.7)	(239.5)	(232.8)
20 Draw from Principal for Annual Budget	(4.8)	(268.6)	(231.0)	(232.1)	(266.5)
21 CBRF Balance - at End of Fiscal Year	3,180.5	3,185.1	3,227.3	3,233.4	3,001.4
Permanent Fund					
	1998	1999	2000	2001	2002
22 Earnings Reserve Account - at End of FY	377	357	331	372	509
23 Permanent Fund Balance - at End of FY (market)	23,387	24,651	25,991	27,486	29,161

State Spending per Alaskan Declines in Today's Dollars



\$338 Million of Inflation and Population Increases Absorbed Since FY95

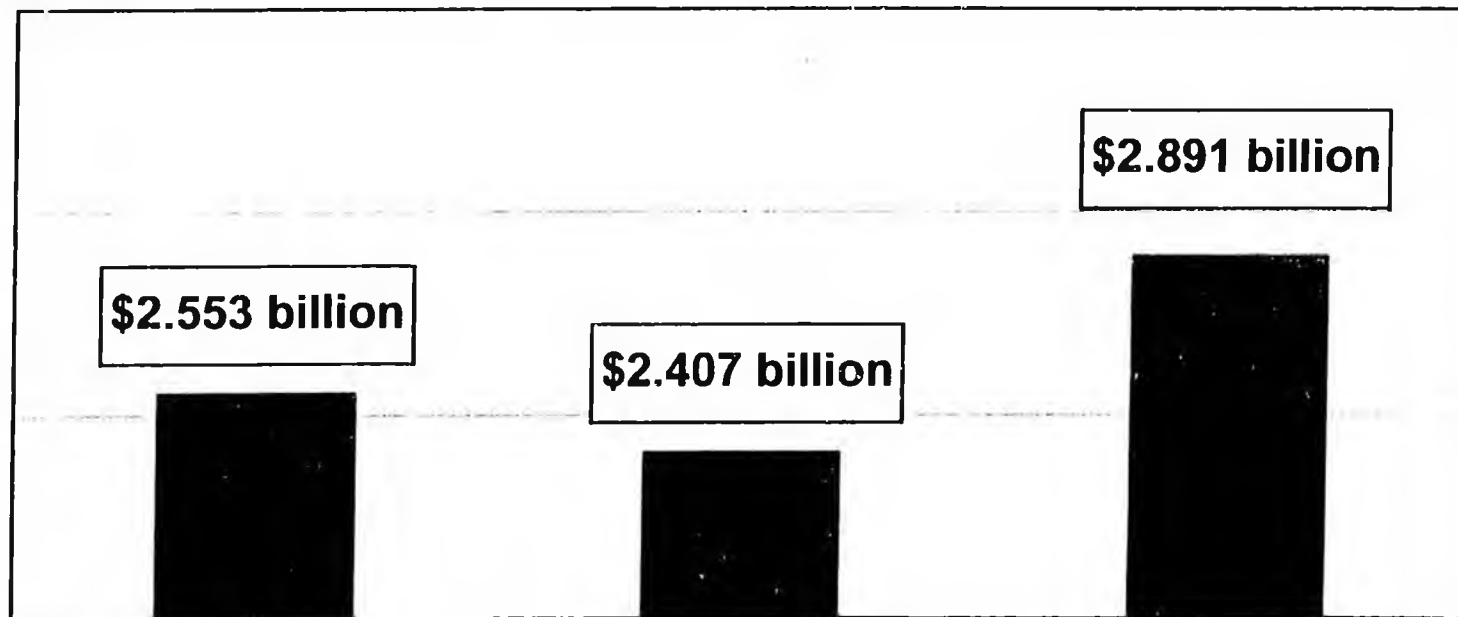
Billions

\$3.5

\$3.0

\$2.5

\$2.0



**Final FY95 General
Fund Budget**

**Gov's FY99 General
Fund Budget**

**FY99 If Adjusted for
CPI and Population
Since FY95**