

SB

37

<target><bill>SB 37</bill><subject>SB
37</subject><comm>SWTR26</comm></target>

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 1/21/09

FURTHER: State Affairs
Finance

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

DATE TURNED
IN TO OFFICE: 01/02/09

Senate Special Committee on World Trade, Technology, and Innovations considered SENATE BILL NO. 37

SB 37 DIVEST INVESTMENTS IN SUDAN

"An Act relating to certain investments of the Alaska permanent fund, the state's retirement systems, the State of Alaska Supplemental Annuity Plan, and the deferred compensation program for state employees in companies that do business in Sudan, and restricting those investments."

and recommends:

- be replaced with SCS or CS _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
<hr/>
HOUSE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#
REV-PFG		✓			1
REV-TRS			✓		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Wielachowski	✓			
	French	✓			
CHAIR:	McGuire	✓			

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 37
() Publish Date: _____

Identifier (file name): SB37-REV-APFC-03-30-09 Dept. Affected: Revenue
Title DIVEST INVESTMENTS IN SUDAN RDU AK Permanent Fund Corporation
Component AK Permanent Fund Corporation
Sponsor Senator French
Requester Senate World Trade, Tech, Innovations Component Number 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual	20.0		20.0	20.0	20.0	20.0	20.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous	30.0		30.0	30.0	30.0	30.0	30.0
TOTAL OPERATING	50.0	0.0	50.0	50.0	50.0	50.0	50.0

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							
1105 APFC Receipts	50.0		50.0	50.0	50.0	50.0	50.0
TOTAL	50.0	0.0	50.0	50.0	50.0	50.0	50.0

Estimate of any current year (FY2009) cost: 30.0

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This bill would require that APFC divest any securities of publicly traded companies that are directly held in actively or passively managed separate (non-commingled) funds. This bill would also require that APFC send letters to managers of actively traded commingled funds requesting that they consider divesting the listed securities. APFC is directed to develop a divestment list; administrative cost of purchasing lists of publicly traded companies doing business in Sudan from external sources each year as part of research process totals \$30.0. Active separate account managers have stated that they will not charge customization fees. Stated customization charge in addition to regular management fees for passive accounts (as of Jan 2009) of \$20.0.

Prepared by: Michael J. Burns
Division Alaska Permanent Fund Corporation
Approved by: _____

Phone 907-796-1520
Date/Time March
Date _____

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 37
() Publish Date: _____

Identifier (file name): SB37-DOR-TRS-03-30-09 Dept. Affected: Revenue
Title: Sudan Divestiture RDU: Treasury
Component: ARMB/ARMB Custody/Treasury
Sponsor: Senator French
Requester: Senate World Trade, Technology and Innovation Component Number: 2813/2812/121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	***	***	***	***	***	***	***	***
CAPITAL EXPENDITURES	***	***	***	***	***	***	***	***
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	***	***	***	***	***	***	***	***

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

This bill requires the fiduciaries of state investment funds to divest of certain investments in publicly traded companies that conduct business operations or have direct investments in business operations in Sudan. While Treasury believes that active and passive separate account managers will not charge additionally for divestment, Treasury does not believe that managers of passive commingled funds will be able to comply with the divestment policy and that Sudan-free replacement funds will need to be identified. Currently, there are 25 funds (primarily participant directed funds) that would need to be replaced. Costs for conducting a search for a single fund is approximately \$25,000, although multiple fund searches would result in reduced costs. Other costs to be considered would include the opportunity cost of staff time to implement new contracts and any cost impact resulting from introducing additional plan options to participants. The effect this bill will have on investment performance is unknown.

Prepared by: Pamela Green, Comptroller
Division: Treasury Division
Approved by: Jerry Burnett, Deputy Commissioner
Department of Revenue

Phone 465-2300
Date/Time 1/23/09 12:00 AM
Date 3/30/2009

Alaska State Legislature



Senator Hollis French

SB 37 - Divest Investments in Sudan

Sponsor Statement

Government supported genocide has killed hundreds of thousands of people and displaced approximately 2.5 million residents from the Darfur region of Sudan. This legislation will enact a targeted divestment program that prevents the state of Alaska from investing Permanent Fund and retirement plan dollars in companies that directly finance genocide in Darfur. SB 37 gives Alaska the opportunity to join the states, businesses and educational institutions that refuse to fund such atrocities.

Targeted divestment is a proven tactic to reduce the viability of genocide in Darfur. Twenty seven other states have divested from businesses that operate in the region. The cost to these states has been negligible. Institutions have found no noticeable decrease in returns when divestment only targets companies that have explicit financial links to the conflict. Holdings in these companies amount to seven investments valued at less than 0.1% of all Permanent Fund assets, showing that the implementation of this legislation will not require a major shift in investment strategy.

Results from the divestment movement have been promising. Sudan, unlike many foreign governments that sponsor genocide, has responded favorably when threatened with economic sanctions. Partly as a result of the divestment movement, the Sudanese government purchased a six-page, \$1 million advertisement in the New York Times that sought out foreign direct investment. As more companies pull out of the region or encourage the government of Sudan to halt violent acts, the end of genocide is highly probable.

Ignoring genocide has left several scars on recent American history. With the cost of action so small, Alaska has no excuse to sit on the sidelines. I urge you to support this important and meaningful piece of legislation.

SB 37 Short Sectional Summary:

Section 1 of the bill (**Page 1 lines 6-14**) applies Section 2 of this bill to the obligations of the Alaska Retirement Management Board

Section 2 of the legislation (**starting on Page 2 line 1**) outlines how the board will identify, notify and, if necessary, divest funds from scrutinized companies.

Subsection (a) (**Page 2 line 3**) describes how the board shall identify scrutinized businesses. It includes numerous routes to create a list, and the definition of 'scrutinized business' will be discussed in more detail later in the bill.

Subsection (b) (**Page 2 line 18**) provides some examples of companies that aren't to be included on this scrutinized company list. As examples, businesses that have a plan to cease offending business operations in the country, or that have taken actions to support people affected by the genocide, will not be added to the scrutinized business list.

Subsection (c) (**Page 3 line 7**) requires that the board notify these scrutinized companies.

Subsection (d) (**Page 3 line 22**) provides for divestment from scrutinized companies that have active business operations in the state that do not divest within 90 days of notification from the board, as defined in subsection (c).

Subsection (e) (**page 3 line 30**) deals with companies that have inactive business operations in Sudan. 'Inactive business operations' are defined in section (h), page 5 line 4, as continued holding or the renewal of rights to property in Sudan that isn't currently generating revenue.

Subsection (f) (**page 4 line 9**) establishes reporting requirements to the legislature and other agencies.

Subsection (g) (**page 4 line 13**) says that this legislation prevails when it conflicts with the outlined investment policy in statute for the permanent fund.

Subsection (h) (**page 4 line 17**) provides definitions. The longest one (**page 5 line 27 through page 6 line 23**) defines 'scrutinized companies,' and ensures that this legislation won't include a broad list of businesses. Scrutinized companies only include businesses that have direct contractual agreements with the government of Sudan, that include oil and power production, supplying military equipment, or that are actively involved with supporting genocide actions. An 'out' exists for companies or projects that support or provide assistance to marginalized populations in the country. This definition of 'scrutinized company' is very limited, and in general practice includes only a few dozen companies.

Section 3 of the bill (**Page 6 line 24**) terminates the divestment program once certain benchmarks are met, such as the end of violence.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 37
 () Publish Date: _____

Identifier (file name): SB37-DOR-TRS-03-30-09 Dept. Affected: Revenue
 Title: Sudan Divestiture RDU: Treasury
 Component: ARMB/ARMB Custody/Treasury
 Sponsor: Senator French
 Requester: Senate World Trade, Technology and Innovation Component Number: 2813/2812/121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	***	***	***	***	***	***	***	***
CAPITAL EXPENDITURES	***	***	***	***	***	***	***	***
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2009) cost: _____

POSITIONS

	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

This bill requires the fiduciaries of state investment funds to divest of certain investments in publicly traded companies that conduct business operations or have direct investments in business operations in Sudan. While Treasury believes that active and passive separate account managers will not charge additionally for divestment, Treasury does not believe that managers of passive commingled funds will be able to comply with the divestment policy and that Sudan-free replacement funds will need to be identified. Currently, there are 25 funds (primarily participant directed funds) that would need to be replaced. Costs for conducting a search for a single fund is approximately \$25,000, although multiple fund searches would result in reduced costs. Other costs to be considered would include the opportunity cost of staff time to implement new contracts and any cost impact resulting from introducing additional plan options to participants. The effect this bill will have on investment performance is unknown.

Prepared by: Pamela Green, Comptroller
 Division: Treasury Division
 Approved by: Jerry Burnett, Deputy Commissioner
Department of Revenue

Phone 465-2300
 Date/Time 1/23/09 12:00 AM
 Date 3/30/2009

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 37
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Identifier (file name): SB37-REV-APFC-03-30-09 Dept. Affected: Revenue
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 Component AK Permanent Fund Corporation
 Sponsor Senator French
 Requester Senate World Trade, Tech, Innovations Component Number 109

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual	20.0		20.0	20.0	20.0	20.0	20.0	20.0
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous	30.0		30.0	30.0	30.0	30.0	30.0	30.0
TOTAL OPERATING	50.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
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1005 GF/Program Receipts								
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1105 APFC Receipts	50.0		50.0	50.0	50.0	50.0	50.0	50.0
TOTAL	50.0	0.0	50.0	50.0	50.0	50.0	50.0	50.0

Estimate of any current year (FY2009) cost: 30.0

POSITIONS

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Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

This bill would require that APFC divest any securities of publicly traded companies that are directly held in actively or passively managed separate (non-commingled) funds. This bill would also require that APFC send letters to managers of actively traded commingled funds requesting that they consider divesting the listed securities. APFC is directed to develop a divestment list: administrative cost of purchasing lists of publicly traded companies doing business in Sudan from external sources each year as part of research process totals \$30.0. Active separate account managers have stated that they will not charge customization fees. Stated customization charge in addition to regular management fees for passive accounts (as of Jan 2009) of \$20.0.

Prepared by: Michael J. Burns
 Division: Alaska Permanent Fund Corporation
 Approved by: _____

Phone 907-796-1520
 Date/Time March
 Date _____



SUDAN DIVESTMENT

TASK FORCE

A project of the Genocide Intervention Network

Genocide Intervention Network
1000 17th Street, NW
Washington, DC 20036
Phone: 202-331-1111
www.genocidestop.org
www.sudaninvest.org

EFFICACY OF TARGETED DIVESTMENT AT A GLANCE

The government of Sudan has been historically responsive to economic pressure.

US sanctions declared in 1997 caused the Sudanese government to drop its support for terror and cooperate with the US on counter-terrorism. The emerging Sudan divestment movement has already caught the attention of the Sudanese government, which has spent considerable time and energy attacking the campaign, even going so far as to purchase a six page ad for more than \$1 million in the New York Times to counteract the divestment movement. Unlike isolated countries that tend to shrug off sanctions, the Sudanese government is desperately trying to attract foreign investment. Threats to these efforts are taken very seriously by Sudan.

Divestment makes genocide costly.

Under current political and diplomatic pressure the Sudanese government incurs virtually no cost for continuing its genocide in Darfur, beyond further damage to its image in the West. Divestment, however, forces the Sudanese government to pay a price for its refusal to restore peace and security to Darfur.

Widespread divestment causes share price depreciation.

While the effect of divestment on offending companies' share prices thus far remains unclear, the divestment movement is spreading with enormous speed, both in the US and internationally. It is only a matter of time before enough assets have been divested to actually make a substantial impact on share prices. There is precedent for share price depreciation vis-à-vis a previous Sudan divestment campaign—Talisman Energy's share price was estimated to have dropped roughly a third on account of the divestment campaign against it.

Foreign direct investment enables the Sudanese government to carry out genocide in Darfur.

Recent increases in foreign direct investment in Sudan, particularly in the oil industry, have disproportionately benefited Sudan's military and elite. Since oil was first extracted in 1999, Sudan's military budget has more than doubled. It is estimated that 70-80% of oil revenue is now funneled into Sudan's military.

The Sudanese government is paying attention to the divestment movement.

The Sudanese embassy authored a press release and an op-ed condemning divestment, and the Sudanese ambassador actually spoke by phone with activists in an attempt to discourage divestment. The Sudanese government even took out a six-page ad in the New York Times this past March extolling Sudan as a peaceful country worthy of foreign direct investment.

Companies in Sudan are already responding to shareholder pressure.

CHC Helicopter Corporation, the world's largest provider of helicopter services to the global offshore oil and gas industry and previously a highly scrutinized company in Sudan, recently ceased all business operations in Sudan for the indefinite future after substantial levels of inquiry from a range of concerned investors. Another firm operating in Sudan and an S&P 500 company, Schlumberger, which provides oil-field services to the major oil consortiums in Sudan, has committed to reinforcing its existing outreach programs by implementing substantial humanitarian programs to reach marginalized populations in the country.

Also this year, Rolls Royce PLC, which sells oil-engineering equipment, announced its decision to leave Sudan citing "increasing international humanitarian concerns about the situation in Darfur." Additionally, Swiss power giant ABB announced its decision to suspend all non-humanitarian operations in Sudan—a decision in which divestment played a partial role. Shortly thereafter, one of Germany's largest companies, Siemens, pledged to pull out of the country, also citing the pressure created by divestment as a factor.



SUDAN DIVESTMENT

TASK FORCE

A project of the Genocide Intervention Network

Some American firms exempted from US sanctions, including Xerox and 3M, have decided to curtail all non-humanitarian operations in the country. Companies have also begun to go so far as to list the divestment movement as a potential concern on SEC filings. Finally, in a clear sign of concern, companies tied to Sudan have spent increasing amounts on political contributions to Congressional leaders who are supporting Sudan divestment legislation.

Sudan divestment keeps the media focused on Darfur.

Divestment continues to keep Darfur in the public eye and sends a clear message to both the Federal government and the international community that the crisis warrants attention. Additionally, the divestment campaign highlights the role that foreign corporations and governments play in sustaining the genocidal policies of the government of Sudan. Coverage for divestment has appeared in the New York Times, Wall Street Journal, Washington Post, International Herald Tribune, LA Times, BBC, Financial Times, NPR, Christian Science Monitor, and many other media outlets. See www.sudandivestment.org/inthenews.asp for a representative listing.

Targeted Divestment: Supported by Foreign Policy and Financial Experts

Prominent foreign policy experts and think tanks which do not classically support blanket sanctions, including experts from the International Crisis Group, Harvard University, the Heritage Foundation, and former UN Envoy to Sudan, Jan Pronk, have all endorsed targeted sanctions, including divestment, on the Sudanese regime calling it a critical tool for influencing the behavior of the Sudanese government and bringing long-term peace and security to the region. In March 2007, the *Associated Press* reported that opposition leaders in Sudan have also expressed support for targeted sanctions on the Khartoum government. Finally, a number of Sudan experts from around the globe have pointed to targeted divestment as a financially prudent strategy for helping to stop genocide in Darfur.

International Crisis Group

"The [targeted Sudan divestment] campaign should be encouraged, including by naming and shaming companies, and copied in other countries."

Reberta Cohen - Senior Advisor, The Brookings Institution

"In the view of some analysts, divestment campaigns may prove more effective than sanctions. Rolls Royce's withdrawal from Sudan this past year reportedly surprised the government and affected the import of needed machine parts. The Sudanese government has publicly urged an end to divestment actions, underscoring the potential sting of their impact."

UN Human Rights Council

"...the General Assembly should call upon all UN institutions and offices to abstain from entering into business transactions with [foreign companies that have an adverse impact on the situation of human rights in Darfur]."

Joseph Stiglitz - Nobel Prize Winner and Trustee of Amherst College

"The government does not have a heavy development agenda--it's not as though the government is busy building schools in Darfur. It's a pretty clear case of this money being used against the government's own people."

Alfred Taban, editor of the independent newspaper, the Khartoum Monitor

"[Sudanese officials are] very worried about such sanctions. They get a lot of money from these companies."

A Coalition 15 Former European, Canadian, and US Foreign Ministers

"If by the end [of 2006], Mr Bashir still refuses or, more likely, continues pretending to agree one day and saying no the next, he should pay a stiff price. That price should include...measures to target revenue from Sudan's oil sales."

For a full report on the efficacy of targeted divestment and complete references, visit www.sudandivestment.org/position.asp.

LEGISLATIVE RESEARCH REPORT

JANUARY 22, 2009



REPORT NUMBER 09.096

DIVESTMENT OF QUALIFYING COMPANIES OPERATING IN SUDAN FROM ALASKA PUBLIC FUNDS

BY DANIEL LESH, LEGISLATIVE ANALYST

You asked about state economic sanctions against the government of Sudan via the divestment of public assets in certain companies. Specifically, you asked for a review of relevant U.S. state laws and a description of the potential effects of a "targeted divestment" law on the State of Alaska with respect to the Alaska Permanent Fund and other Alaska state funds.

SUMMARY

As of January 21st, 2009, at least 31 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has declared that genocide is taking place. Twenty-seven of these states have enacted divestment policies. By our calculation, as of December 31st, 2008, state investments totaling roughly \$19.6 million would be subject to divestment under legislation currently introduced in Alaska (HB 5, HB 45, SB 37). If any one of these bills became law, divestment of these assets would be accomplished over an 18-month period and would incur additional administrative costs. The direct impacts of divestment on the state's investment earnings, as well as on targeted companies, are debatable, but in both cases would likely be minimal.

STATUS OF STATE DIVESTMENT LEGISLATION

As of January 21st, 2009, at least 31 states have adopted or are considering implementing policies to divest state assets from Sudan, where the U.S. Congress has declared that genocide is taking place.¹ Lawmakers in 20 states have enacted laws that require state funds to divest holdings in some or all companies operating in Sudan. Seven additional states have adopted

¹ Data on state legislation are from *Lexis.com* and the Sudan Divestment Task Force's chart of "Divestment Statistics" (Attachment A).

similar policies through their executive branches. Louisiana's legislature has passed a law encouraging divestment, but state officials do not appear to be following this recommendation. Lawmakers in another three states are considering measures that address divestment from Sudan. Please see Table 1 for details on Sudan divestment legislation in each of these states.

The laws and pending legislation listed in Table 1 generally follow one of two models. Of the 31 divestment policies, 21—including the policy proposed in Alaska—follow a targeted approach that is applicable only to specific types of foreign companies operating in Sudan.² A targeted approach relies on the creation and maintenance of lists of companies that are deemed to be supporting the genocide in Sudan. Most of the targeted companies participate in Sudan's oil industry and pay taxes and royalties that fund the Sudanese government.

States that do not follow a targeted divestment approach prohibit investment in any company operating in Sudan, though generally with an exception for humanitarian and various other types of organizations. A number of states (Colorado, Florida, Georgia, Kentucky, Louisiana, Maryland, and Missouri) have also included other countries, such as Iran, North Korea, and Syria, in their divestment policies.

On December 31st, 2007, President Bush signed the Sudan Accountability and Divestment Act, which authorizes—but does not require—state and local governments to disassociate from companies operating in Sudan and prohibits the granting of new federal contracts to those foreign companies.

As you may know, no domestic companies are affected by state divestment laws, because U.S. companies are prohibited from operating in Sudan by federal executive orders dating from 1997.³

² Targeted divestment is advocated by the Sudan Divestment Task Force (SDTF), a prominent organization in this area. We include their model legislation as Attachment B and apply its provisions—which are substantially the same as those introduced in Alaska—in this report.

³ Executive Orders 13067 (1997), 13400 (2006), and 13412 (2006).

Table 1: Status of State Legislation Related to Divestment of Public Funds from Sudan

State	Citation	Pending Legislation
Targeted divestment measure		
Alaska		HB 5, HB 45, SB
Arizona	Ariz. Rev. Stat. § 35-391 (2008)	
California	Cal. Gov. Code § 7513.6 (2007)	
Colorado	Colo. Rev. Stat. § 24-54.8 (2007)	
Florida	Fla. Stat. § 215.473 (2007)	
Hawaii	Act No. 192, Session Law 2007	
Indiana	Ind. Code Ann. § 5-10.2-9	
Iowa	Iowa Code § 12F (2007)	
Kansas	Kan. Stat. Ann. § 74-4923 and 74-4960 (2007)	
Massachusetts	Chapter 151, Session Law 2007	
Michigan	Mich. Comp. Laws Ann. § 38.1133 (2008)	
Minnesota	Minn. Stat. § 11A.243 (2007)	
Nebraska		LB 140
New Hampshire	N.H. Rev. Stat. Ann. § 100-D (2008)	
New Mexico	Executive Branch Policy	
New York	Executive Branch Policy	
North Carolina	N.C. Gen. Stat. § 147-86 (2008)	
Ohio	Executive Branch Policy	
South Carolina	S.D. Codified Laws § 9-16-55 (2008)	
Texas	Tex. Govt Code Ann. § 806.001 (2007)	
Vermont	Executive Branch Policy	
Non-targeted (blanket) divestment measure		
Georgia		HB 99
Illinois ^(a)	40 Ill. Comp. Stat. 5/1-110.6 (2007)	
Maine	Me. Rev. Stat. Ann. tit. 5, § 1956 (2007)	
Maryland	Md. Code Ann. § 21-123.1 (2008)	
Missouri	Executive Branch Policy	
New Jersey	N.J. Stat. Ann. § 52:18A-89.9 (2007)	
Oregon	Or. Rev. Stat. § 293.811-817 (2006)	
Non-binding measures encouraging divestment		
Arkansas ^(b)	SCR 20 & Executive Branch Policy	
Connecticut ^(b)	Conn. Gen. Stat. § 3-21e (2007) & Executive Branch Policy	
Louisiana	La. Rev. Stat. Ann. § 11:312 (2007)	

NOTES: Pending legislation in some states may not have been captured by our search and this list should not be treated as exhaustive. (a) Illinois' 2007 legislation replaced the state's 2005 law, which was found unconstitutional. (b) Laws in Arkansas and Connecticut are non-binding, but the states have divested significant assets. **SOURCES:** Lexis.com; Sudan Divestment Task Force's "Divestment Statistics" chart (Attachment A).

TARGETED DIVESTMENT OF ALASKA STATE FUNDS

The state of Alaska maintains invested assets totalling about \$60 billion dollars.⁴ Of these investments, a small portion (about \$20 million) would be subject to divestment under a targeted approach.⁵ As of December 31st, 2008, we calculate that a maximum of about \$15.8 million in Permanent Fund investments (about 0.05% of the \$29.7 billion market value of the fund at that time) would require divestment using the Sudan Divestment Task Force's list of targeted companies (see Table 2). In addition, we identified about \$3.8 million in other state assets that would be targeted for divestment, using a list of holdings also current through December 31st, 2008.

Table 2: Alaska Permanent Fund and Other State Stock Holdings Subject to Divestment

Company	Market Value	Country
<i>Permanent Fund</i>		
China Petroleum (Petrochina)	\$ 14,353,173	China
Dongfeng Automodile Company Limited	\$ 1,302,581	China
Wartsila	\$ 93,466	Finland
Lundin Petroleum	\$ 44,681	Sweden
TOTAL FOR PERMANENT FUND	\$ 15,793,900	
<i>Other State Funds Managed by Division of Treasury</i>		
Alstom	\$ 1,596,456	France
Abb	\$ 1,216,860	Switzerland
Wartsila	\$ 987,127	Finland
TOTAL FOR OTHER STATE FUNDS	\$ 3,800,443	
GRAND TOTAL	\$ 19,594,343	

NOTES: Data current as of December 31, 2008. Holdings subject to divestment determined using the Sudan Divestment Task Force's (SDTF) divestment lists. Some of the stocks listed above may be in direct holdings in actively managed investment funds, which are exempt from divestment under the SDTF targeted divestment model applied in this report.
SOURCES: Alaska Permanent Fund holdings obtained from the fund's website, <http://www.apfc.org/>. Data on stock holding in other state funds obtained from Pam Green, state comptroller, Department of Revenue, (907) 465-3751.

⁴ As of November 30th, 2008—the most recent date for which these data are available—the state's investments include the following: the Alaska Permanent Fund (\$28.9 billion); funds under the fiduciary responsibility of the Alaska Retirement Management Board, including the Public Employees' Retirement System (\$8.6 billion), Teachers' Retirement System (\$3.9 billion), Judicial Retirement System (\$0.1 billion), National Guard/Naval Militia Retirement System funds (\$.02 billion), Supplemental Benefits System funds (\$1.8 billion), and Alaska Deferred Compensation Plan funds (\$0.4 billion); funds under the fiduciary responsibility of the Commissioner of the Department of Revenue, including the General Fund and other Non-segregated Investments (GeFONSI; \$7.8 billion), Constitutional Budget Reserve Fund (\$6.1 billion), and other funds (\$1.3 billion); including the Public School Trust Fund, Alaska Children's Trust, Investment Loss Trust Fund, General Obligation Bonds, International Airports funds, Retiree Health Insurance Fund, Power Cost Equalization Endowment Fund, Illinois Creek Mine Restoration Fund, Permanent Fund Dividend Fund, and Alaska Sport Fish Construction Fund); and other state funds (\$0.2 billion); including the University of Alaska Trust Fund, Alaska Student Loan Corporation funds, Exxon Valdez Oil Spill Investment Fund, and Mental Health Trust Reserve Fund). Information on state funds obtained from a Department of Revenue table, which we include as Attachment C.

⁵ Only the portions of funds with publicly-traded equity would be affected, which for these funds is typically a small proportion of total investments. Furthermore, the targeted approach we apply here includes an exception for indirect holdings in actively managed, commingled investment funds—the most difficult and expensive type of fund to customize.

Under the targeted divestment bills currently under consideration in Alaska (HB 5, HB 45, SB 37), divestment of the assets described in Table 2 would occur over an 18-month period following the effective date of the legislation. In the first step of the process, fund directors would be allowed 90 days to compile and adopt a "scrutinized companies list" based on criteria and sources outlined in the legislation. Following adoption of the list, funds would be required to contact all scrutinized companies in which they have direct holdings and allow them 90 days to change their offending operations before becoming subject to divestment.⁶ Within nine months of the adoption of the "scrutinized companies list," funds would be required to complete the divestment of 50 percent of holdings in scrutinized companies. Within 15 months, 100 percent of holdings in scrutinized companies would be required to be divested. Funds would not be required to divest indirect, actively managed holdings. This timeframe is within that described by Alaska fund managers as reasonable.⁷ Lastly, ongoing reporting requirements and the screening of future investments would be required.

In conversations with our office roughly one year ago, the Alaska Permanent Fund and the state's chief investment officer expressed reservations about divestment, citing increased administrative costs and possible declines in fund performance.⁸ We note, however, that divestment research we reviewed, which ultimately argues against divestment, concludes that fund performance changes are usually "negligible, and in most cases zero."⁹

Due to the nature of the global investment marketplace, it is debatable, but unlikely, that the divestment of Alaska public funds from targeted companies would have a direct, negative economic impact on those companies. Clearly, however, divestment laws have drawn considerable press attention and are a prominent factor in the ongoing debate regarding public response to the genocide occurring in Sudan.

I hope you find this information to be useful. Please do not hesitate to contact us if you have questions or need additional information.

⁶ Under the divestment models outlined in HB 5 and SB 37, fund directors would also be required to contact mutual fund managers managing *indirect* assets targeted for divestment and held by state funds. In this communication, state fund directors would be required to request consideration that such mutual fund managers divest targeted companies from their applicable portfolios, or create an alternative fund portfolio without holdings in targeted companies.

⁷ Personal correspondence in January 2008 with Laura Achee, research and communications liaison, Alaska Permanent Fund Corporation, (907) 796-1522. Ms. Achee stated that most of the assets could be divested in several weeks. However, managers of two accounts that do not allow customization would have to be replaced, a process which generally requires several months. In a January 2008 conversation, Gary Bader, chief investment officer, Alaska Department of Revenue, (907) 465-4399, described a similar process, including the necessity to review contracts with seven asset account managers hired by the Alaska Retirement Management Board.

⁸ Ms. Achee, research and communications liaison, Alaska Permanent Fund Corporation, expressed concern that new manager searches could yield managers that do not perform as well as current managers. Overall, in her view, divestment "would have a dampening effect on the Permanent Fund to some degree, without any guarantee that the actions would bring about the desired result in the targeted country." Gary Bader, chief investment officer, Alaska Department of Revenue, expressed his belief that Alaska funds would likely perform substantially worse after divestment.

⁹ See page 6 of "Should Public Plans Engage in Social Investing?," a publication of the Center for Retirement Research at Boston College (Attachment D), for a description of empirical research on the impacts of divestment on fund performance.