

ALASKA LEGISLATURE
249 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

1 (1) "commissioner" means the commissioner of commerce and
2 economic development;

3 (2) "department" means the Department of Commerce and Econo-
4 mic Development.
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SCOMM

#9: 157

Introduced: 5/2/77
Referred: State Affairs and
Finance

1 IN THE HOUSE

BY GRUENING

2 HOUSE BILL NO. 518

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
7 ment of Commerce and Economic Development for the
8 appropriate technology revolving loan fund; and pro-
9 viding for an effective date."

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

11 * Section 1. The sum of \$350,000 is appropriated from the general fund
12 to the Department of Commerce and Economic Development for the purpose of
13 creating the appropriate technology revolving loan fund.

14 * Sec. 2. This Act takes effect July 1, 1977.

SCOMM

#9:158

COMMITTEE REPORT

5-5-77

FINANCE

HOUSE

_____ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON THE
ALASKA PERMANENT FUND has had HB 525
under consideration. A majority of the members of the Committee

- ☐ recommends it do pass
- ☐ recommends it do not pass
- ☐ recommends it do pass with attached amendment(s)
- ☐ recommends it be replaced with CS for _____ and that
CS for _____ do pass
- ☐ (and) recommends it be referred to the _____
committee
- ☐ reports it back without recommendation
- ☐ AND attaches a report of its intent
- ☐ (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

Chairman

Introduced: 5/5/77
Referred: Special Committee on
the Alaska Permanent Fund and
Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 525

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the distribution of income from
7 the Alaska Permanent Fund; amending rules of procedure;
8 and providing for an effective date."

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

10 * Section 1. AS 37 is amended by adding a new chapter to read:

11 CHAPTER 18. DISTRIBUTION OF INCOME FROM ALASKA PERMANENT FUND.

12 Sec. 37.18.010. POLICY, FINDINGS, AND PURPOSE. (a) It is the
13 duty and policy of the state with respect to the natural resources
14 belonging to it and the income derived from them to provide for their
15 utilization, development, and conservation for the maximum benefit of
16 its people.

17 (b) The legislature finds that there exists in Alaska a serious
18 problem of population turnover. A substantial portion of the state's
19 population is comprised of individuals who reside in Alaska for only a
20 relatively short period of time. This is especially true in the
21 state's larger cities. This constant turnover in population leads to
22 political, economic, and social instability and is harmful to the
23 state. It is in the public interest for the state to promote a stable
24 resident population.

25 (c) The legislature also finds that the demands on and costs of
26 state government have increased over the past few years at an excessive
27 rate and that this increase has been permitted to occur, at least in
28 part, by a feeling on the part of much of the electorate that those
29 demands and costs do not have a significant economic impact upon them

COMMITTEE COPY

1 personally. It is in the public interest for the state to promote the
2 involvement of its citizens in the budget making process by providing
3 them with a more personal and direct stake in the outcome of budget
4 decisions.

5 (d) The legislature finds that establishment of a mechanism for
6 direct distribution to the people of at least half of the annual
7 income of the Alaska Permanent Fund, and by which an individual's
8 portion of that distribution will increase the longer he continues to
9 be an Alaska resident, will promote the purposes of encouraging a
10 stable resident population, and of providing the people with a more
11 personal and direct stake in the outcome of the state's budget decisions
12 and ensure an equitable distribution of at least a portion of Alaska's
13 resource wealth among Alaska's citizens, who are its equitable owners.

14 Sec. 37.18.020. TOTAL AMOUNT OF ANNUAL DISTRIBUTION. No later
15 than the second day of each regular session of the legislature, the
16 commissioner shall report to the governor and the legislature on the
17 income from the Alaska Permanent Fund deposited in the general fund
18 during the fiscal year which ended on the preceding June 30. The
19 legislature shall appropriate at least 50 per cent of that amount to
20 the department for distribution under sec. 80 of this chapter.

21 Sec. 37.18.030. AMOUNT OF ANNUAL PAYMENTS. Each of the annual
22 payments to be distributed under sec. 80 of this chapter shall be
23 equal to the quotient of the amount appropriated pursuant to sec. 20
24 of this chapter divided by the total number of duly credited shares as
25 of December 31 of the year last preceding the year in which the appro-
26 priation was made.

27 Sec. 37.18.040. ELIGIBILITY FOR SHARES. (a) As of December 31,
28 1979, each eligible resident of Alaska who makes timely application
29 under sec. 70 of this chapter shall be credited by the commissioner

1 with one share under this chapter for each five-year period since
2 January 1, 1974, in which he has been an eligible resident, as defined
3 in sec. 100 of this chapter, or would have been but for being too
4 young by five years or less to register to vote.

5 (b) Shares are not transferable in any way whatsoever, and no
6 payments may be made, other than as expressly provided in sec. 80 of
7 this chapter, to anyone other than the eligible resident. Shares do
8 not survive the death of their holder, and any alienation is void as
9 against public policy. If a share should be declared or ordered by a
10 court to be alienated in any way, it ceases to exist for purposes of
11 this chapter until and unless it is restored to the person from whom
12 it was alienated.

13 Sec. 37.18.050. ELIGIBILITY FOR ANNUAL PAYMENTS. Each eligible
14 resident of Alaska, who has one or more shares under this chapter, and
15 who makes timely application under sec. 70 of this chapter, shall
16 receive one annual payment for each share to which he is entitled
17 under sec. 40 of this chapter.

18 Sec. 37.18.060. DETERMINATION OF ELIGIBILITY. (a) Any person
19 who applies for a share or for an annual payment or payments must make
20 proof of eligibility satisfactory to the commissioner. The commis-
21 sioner may not credit any person with a share or make a payment to any
22 person until and unless proof of that person's eligibility sufficient
23 to satisfy a reasonable person has been made to the commissioner

24 (b) Proof of eligibilty may be made by applicants from school
25 attendance records, state and local tax and licensing records, voter
26 registration records, birth and marriage certificates, selective
27 service records, sworn affidavits from others having knowledge of a
28 person's residence, and other forms of documentary evidence which a
29 reasonable person would rely on in the conduct of his own affairs. An

1 affidavit from an applicant without supporting evidence of eligibility
2 is not satisfactory proof of eligibility.

3 (c) A person may attempt to make proof by waiving his right to
4 privacy and authorizing the commissioner to make a search of any and
5 all local, state, and federal records and any private employment
6 records which may tend to prove his eligibility. The commissioner's
7 making any search of records is entirely discretionary, and he is
8 under no duty to make the search or to exercise reasonable care in
9 making the search, if he does so; the entire risk is upon the applicant.

10 (d) Upon his determination of a person's eligibility for a share
11 or for an annual payment, the commissioner shall, by first class mail,
12 notify the person of that determination. If the person is determined
13 to be ineligible, he shall be informed by certified mail, of the
14 following:

15 (1) the reason for his ineligibility;

16 (2) that he may file additional proof and/or file a request
17 for a hearing before the commissioner at which to present proof of his
18 eligibility; and

19 (3) that his failure to do one or the other within 30 days
20 makes the decision final and unappealable.

21 (e) If a person does not file additional proof or file a request
22 for a hearing with the commissioner within 30 days after his receipt
23 of the commissioner's notice of the determination, the commissioner's
24 decision becomes final as to the period involved and there can be no
25 further appeal. This time limit is jurisdictional.

26 (f) If a person files additional proof or files a request for a
27 hearing with the commissioner within 30 days after he receives the
28 commissioner's notice of the determination and, after the additional
29 evidence has been considered or the hearing held, he is still in-ter-

1 mined to be ineligible, he may appeal to the superior court within 30
2 days after he receives notice of the final decision. This time limit
3 is jurisdictional, and no suit may be brought after it has elapsed.
4 In considering the appeal, the superior court is to review solely on
5 the record which was before the commissioner and to use the reasonable-
6 basis test on factual matters and its own judgment on the law. The
7 same standard of review shall apply, if a further appeal is taken to
8 the supreme court. This requirement is substantive, not procedural.

9 (g) A person not eligible as of December 31 in any year may
10 establish or reestablish eligibility as of December 31 in subsequent
11 years.

12 Sec. 37.18.070. APPLICATION PERIOD. (a) In order to receive a
13 payment or to be credited with a share, an eligible person must first
14 apply for one or both on the Alaska net income tax form or on another
15 form provided by the commissioner.

16 (b) The application covers the last preceding period ending on
17 December 31 in which the applicant was eligible for a payment or to be
18 credited with a share or both.

19 (c) The application, together with the proof of eligibility
20 required by sec. 60 of this chapter, for the year or five-year period
21 claimed as of December 31 must be filed with the commissioner or, if
22 mailed, postmarked no later than the following April 15. This filing
23 date is mandatory. Any applications not timely filed or postmarked
24 will be returned and the applicant is not eligible for the year for
25 which the late application was made. This provision does not bar
26 subsequent presentation of additional proof of eligibility so long as
27 the application was timely filed. A year for which a person would
28 have been eligible but for his failure to file a timely application
29 may subsequently be counted toward a five-year period to be eligible.

1 for a share under this chapter.

2 Sec. 37.18.080. ANNUAL PAYMENTS. (a) Payments shall be made as
3 soon as practical after January 1 of the year following the application.

4 (b) If the payment is to a person presently incarcerated as
5 punishment for committing a crime, it shall be made to the Department
6 of Health and Social Services to offset the expense to the state of
7 the incarceration.

8 (c) At the request of the person to whom payments are to be
9 distributed and to the extent allowed under federal law, distribution
10 of payments may be deferred or otherwise set aside so as to defer the
11 payment of income taxes. Payments may also be made as tax credits or
12 rebates at the request of the person to whom payments are to be
13 distributed.

14 Sec. 37.18.090. PENALTIES. (a) Any person who wilfully submits
15 false or misleading information to the commissioner in making proof of
16 his eligibility or of the eligibility of another is guilty of a mis-
17 demeanor.

18 (b) In addition to any criminal penalties imposed, any person
19 convicted of violating (a) of this section whose conviction is not
20 reversed is not, and can never become, an eligible resident under this
21 chapter, forfeits any shares with which he may have been credited, and
22 is not, and can never become, eligible to be credited with any shares
23 or to receive any payments.

24 Sec. 37.18.100. DEFINITIONS. In this chapter, unless the context
25 requires otherwise,

26 (1) "commissioner" means the commissioner of revenue or his
27 designee;

28 (2) "department" means the Department of Revenue;

29 (3) "eligible resident" means any person who is registered

1 to vote under the Election Code, is a resident of Alaska under AS
2 15.05.020, filed (or whose parent or parents filed) a resident Alaska
3 income tax return for the year preceding his application, and was
4 physically present in Alaska for more than one-half the period between
5 January 1 and December 31 last preceding his application for one or
6 more payments, for a share, or both, or who, if not so physically
7 present was temporarily absent for reasons of professional, vocational
8 or other special education for which a comparable program was not
9 reasonably available in Alaska, post-secondary education, military
10 service, medical treatment, or service in Congress;

11 (4) "five-year period" includes any cumulation of periods
12 within a span of no more than 10 years which totals five full years;

13 (5) "share" means a right to receive payment from the
14 annual distribution made under this chapter and credited by the
15 department to an eligible resident.

16 Sec. 37.18.110. NONSEVERABILITY. If the residency requirements
17 of this chapter are invalid, the provision is nonseverable, and the
18 entire chapter is invalid and of no force or effect.

19 * Sec. 2. In sec. 1 of this Act, the enactment of AS 37.18.060(e) and
20 (f) has the effect of imposing a jurisdictional limitation on the operation
21 of Appellate Rule 45, Alaska Rules of Court Procedure, in that an appeal
22 under the rule (having to do with appeals from administrative decisions to
23 the superior court) must be brought from the commissioner's decisions as to
24 eligibility within 30 days or the courts will have no jurisdiction to hear
25 it. This is an exercise of the legislature's authority over the jurisdic-
26 tion of the courts, but because it also effects an implied, narrow amend-
27 ment to Appellate Rule 45 by imposing this jurisdictional time limit instead
28 of the procedural time limit of the same duration which will continue to
29 apply to other appeals, this section has also been included.

1 * Sec. 3. This Act takes effect immediately, the first distribution
2 shall be made as soon as practicable after January 1, 1980, based on income
3 received during the fiscal years 1977 through 1979 to persons eligible as
4 of January 1, 1979.
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ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 525

By THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

"An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure; and providing for an effective date."

Distr. of income / Ak. Perm. Fur

Introduced in the House 5-5-1977

Distr. of income / Ak. Perm. Fund	
Introduced in the House	5-5-1977

HISTORY IN THE HOUSE											
19 77	Read first time and referred to Committee on										
May 5	AK. Permanent Fund; and Finance Reported back with recommendation that										
	Read second time and										
	Read third time and										
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PASS	Effective Date										
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CHIEF CLERK OF THE HOUSE											

HISTORY IN THE SENATE																					
19	Read first time and referred to Committee on Reported back with recommendation that Read second time and Read third time and <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> Reconsideration <table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table> Reported correctly engrossed Signed by President Returned to House	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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SECRETARY OF THE SENATE																					

HISTORY IN THE HOUSE		
19		Received from Senate
		Concurred in Senate amendment thus adopting:
		Failed to concur in Senate amendment; asked Sen. to recede
		Senate receded from amendment
		Senate failed to recede from amendment
		FCC appointed by House
		FCC appointed by Senate
		FCC adopted
		To enrolling
		Reported correctly enrolled
		Sent to Governor
		 by Governor
		Filed with Lt. Governor
		Chapter No.

74B 525

May 4, 1977

The Honorable Hugh Malone
Speaker of the House
Alaska State Legislature
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting for your consideration proposed legislation to provide for the annual distribution of at least one-half of the income from the Alaska Permanent Fund directly to Alaskans. The proposal is submitted at this time primarily for discussion, something that the legislature, the administration and the public can consider and refine during the interim between the 1977 and 1978 sessions of the Tenth State Legislature.

While the concept is often characterized as "Alaska, Inc.," (since it reflects the principle that all Alaskans are "shareholders" in our mineral wealth), no corporation -- as such -- is proposed. The corporate concept of "dividends" is reflected in the bill, though, since Alaskans simply receive annual payments from the state based on the length of time that they have resided here.

In assence, anyone who has reached 18 years of age by December 31, 1979, and who has resided here since January 1, 1974, will be credited with one "share" and be eligible to receive one payment. More people will become eligible each year as they too achieve five years of residence. Thereafter, for each additional five-year period of residence, they are credited with still another share. Actual physical residence, with certain exceptions, for more than half the year is required.

The amount of the annual payment will equal the number of "shares" divided into the amount of the money which the legislature appropriates to the program from the income earned from the Permanent Fund. A person with more than one "share" will receive more than one payment. Thus, the longer a person resides here, and the more the legislature appropriates, the more money he or she will receive.

The objectives of making a direct distribution of a portion of our mineral wealth are severalfold. First and foremost, we seek to give Alaskans a direct dividend, as it were, from the harvest of Alaska's mineral wealth. This not only gives them a share of that wealth but also a direct stake in the decisions which determine how that wealth will be managed. Second, we seek to promote a stable, resident population; and toward that end, require the minimum five-year period of residence and actual, physical residence for eligibility. We promote continued residence by making Alaskans eligible for more shares at five-year intervals of continued residence. Finally, we seek to promote voter registration for 100 per cent of our eligible population; for we want Alaskans to have their say -- as voters -- in how their wealth is administered. Toward this end, registration as a voter is required for eligibility.

The provisions of the bill are, in part, somewhat complex, but they are necessary to protect against fraud and provide for fair and systematic administration of the program. We will need to mount an extensive educational campaign, particularly in rural Alaska, to ensure that all eligible Alaskans are able to participate. I do not doubt that it can be done.

Let me emphasize that this distribution of income will involve only a small portion of total oil income, the remainder of which will be available for general government appropriation. However, I am convinced that giving to the people of Alaska a portion of the earnings produced from permanent fund investments is the most sensible and equitable distribution possible. It is very much theirs, and it is they, rather than we, who can best determine how it is to be spent.

Sincerely,

Jay S. Hammond
Governor

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 525 An Act providing for the distribution of income
Title from the Alaska Permanent Fund; amending rules of procedure and providing for an
Requested by _____ Date _____ effective date.

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected General Government
Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		250.0				
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		250.0				

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify) <u>Permanent Fund</u>		250.0				

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note is limited to consultant charges for determination of accounting procedures, records to be used, legal restrictions and requirements, recommendation of personnel and administrative costs, and specification of reporting requirements in regards to distribution of permanent fund income. Reporting requirements are anticipated to include the reporting to the Administration, Legislature, and the general public.

IV. DATE May 3, 1977 PREPARED BY Jim Edenso
AGENCY Department of Revenue
Original: Legislative Finance PHONE 465-2350
cc: Budget and Management
Prime Sponsor (First Legislator Named)

SCOMM

#9:159

Introduced: 1/10/78
Referred: Special Committee
on the Alaska Permanent Fund
and Finance

1 IN THE HOUSE

BY GRUENING

2 HOUSE BILL NO. 579

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to income of the Alaska permanent
7 fund; and providing for an effective date."

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

9 * Section 1. AS 37.13 is amended by adding new sections to read:

10 Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of
11 the permanent fund becomes part of the permanent fund and shall be de-
12 posited in the permanent fund annually.

13 Sec. 37.13.200. INCOME TO BOROUGH AND CITIES. The Board of
14 Trustees of the Alaska Permanent Fund Corporation shall allocate to each
15 organized borough and each city of any class an amount equal to that
16 amount received by the borough or city for the fiscal year ending
17 June 30, 1977, under the provisions of AS 43.70.010 - 43.70.120, re-
18 pealed by this Act. Allocations under this section shall be made
19 January 1 of each year from income of the permanent fund.

20 * Sec. 2. AS 43.70.010 - 43.70.120 are repealed.

21 * Sec. 3. This Act takes effect January 1 of the year following the
22 effective date of an Act establishing the Alaska Permanent Fund Corporation.

SCOMM

#9:160

Introduced: 1/11/78
Referred: The Special Committee
on the Alaska Permanent Fund
and Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; and
7 providing for an effective date."

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

9 * Section 1. AS 24.20 is amended by adding new sections to read:

10 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

11 Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The
12 Investment Oversight Committee is established as a permanent interim
13 committee of the legislature. The establishment of the committee recog-
14 nizes the need of the legislature for technical review and oversight of
15 the performance of all agencies of the state which perform lending,
16 borrowing or investment functions.

17 Sec. 24.20.610. FINDINGS. The legislature finds that there is a
18 substantial need for oversight of the performance of all agencies of the
19 state which perform lending, borrowing or investment functions since
20 these functions do not receive the detailed review to which other ex-
21 penditures of public money are subject, and therefore the knowledge
22 necessary for sound legislation in this area is not readily available.
23 There is a need for legislative oversight which will provide information
24 on the policy and performance of these agencies, the extent to which the
25 agencies conform to statutory intent, and the impact of their perfor-
26 mance on the economy and treasury.

27 Sec. 24.20.620. PURPOSES. The purposes of the committee are to

28 (1) monitor and report

29 (A) the performance of the agencies of the state which

1 perform lending, borrowing or investment functions,

2 (B) the extent to which the performance of these agen-
3 cies has contributed to the fiscal, financial, economic and social
4 improvement of the state and its citizens,

5 (C) the extent to which these agencies and the executive
6 have prepared and coordinated short and long term economic, fiscal,
7 investment and financial planning;

8 (2) hold these agencies accountable to statutory intent in
9 their performance by recommending, where appropriate, changes in policy
10 to the agencies or changes in legislation to the legislature;

11 (3) annually review the extent of capitalization of the
12 investment funds of the state and alternative investment policy for the
13 general fund surplus and recommend needed legislation.

14 Sec. 24.20.630. MEMBERSHIP. The committee is composed of eight
15 members: the president of the senate, the speaker of the house, and
16 three members appointed from each house by the respective presiding
17 officer. The membership from each house shall include at least one
18 member from each of the two major political parties. The committee
19 shall select its own chairman.

20 Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be
21 organized within 15 days after the organization of each legislature.
22 Members serve for the duration of the legislature during which they are
23 appointed. If a member is reelected or his term of office extends into
24 the next succeeding legislature, he continues to serve until reappointed
25 or the appointment of his successor.

26 (b) When a member of the committee files a declaration of candi-
27 dacy for an elective office other than that of member of either house of
28 the legislature, and he has not resigned from membership on the com-
29 mittee, his committee membership terminates on the date of filing.

1 Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory
2 or appointive membership of the committee, the presiding officer of the
3 house incurring the vacancy shall choose a successor. If the office of
4 the president of the senate or speaker of the house of representatives
5 becomes vacant and a vacancy from the affected house occurs among the
6 membership of the committee, the remaining committee members from the
7 house incurring the vacancy shall appoint a new member.

8 Sec. 24.20.660. MEETINGS. The committee may meet during sessions
9 of the legislature and during the interim between sessions at such times
10 and places in the state as the chairman may determine. Members may
11 receive, for the minimum time required to get to and from meetings and
12 for the period while attending meetings, the same travel and per diem
13 allowances provided by law for members of the legislature when attending
14 sessions, except that members of the committee receive no per diem
15 during legislative sessions other than the per diem allowance paid to
16 other members of the legislature.

17 Sec. 24.20.670. POWERS. The committee has the power to

18 (1) organize, adopt rules for the conduct of its business,
19 and prescribe procedures for the comprehensive fiscal analysis, budget
20 review and post-audit functions over those agencies of the state which
21 perform lending, borrowing or investment functions;

22 (2) hold public hearings, administer oaths, issue subpoenas,
23 compel the attendance of witnesses and production of papers, books,
24 accounts, documents and testimony, and have the deposition of witnesses
25 taken in a manner prescribed by court rule or law for taking depositions
26 in civil actions;

27 (3) require all state officials and agencies of state govern-
28 ment to give full cooperation to the committee or its staff in assem-
29 bling and furnishing requested information;

1 (4) hold public hearings relating to the confirmation of the
2 Board of Trustees of the Alaska Permanent Fund Corporation, the Board of
3 Trustees of the Alaska Renewable Resources Corporation, and the Alaska
4 Enterprise Investment Corporation Policy Board;

5 (5) prepare and distribute reports, memoranda, or other
6 necessary materials;

7 (6) make recommendations concerning the structure and operat-
8 ing practices of all agencies of the state which perform lending, bor-
9 rowing or investment functions;

10 (7) receive and review reports and post-audit analyses con-
11 ducted by the Legislative Budget and Audit Committee relating to all
12 agencies of the state which perform lending, borrowing or investment
13 functions;

14 (8) enter into and enforce all contracts necessary or desira-
15 ble for the functions of the committee.

16 Sec. 24.20.680. STAFF. The legislative audit division and the
17 legislative finance division shall provide audits, reports and analyses
18 requested by the committee. The committee may hire and determine the
19 salary of the staff it considers necessary within the limit of the
20 budget approved by the legislature.

21 Sec. 24.20.690. DUTIES. The committee shall

22 (1) report to the legislature its recommendations relating to
23 the confirmation of suggested appointees to the Alaska Permanent Fund
24 Corporation, the Board of Trustees of the Alaska Renewable Resources
25 Corporation, and the Alaska Enterprise Investment Corporation Policy
26 Board;

27 (2) annually review the long-range operating plans of all
28 agencies of the state which perform lending, borrowing or investment
29 functions;

1 (3) review periodic reports from all agencies of the state
2 which perform lending, borrowing or investment functions;

3 (4) present a complete report of investment programs, plans,
4 performance, and policies of all agencies of the state which perform
5 lending, borrowing or investment functions to the legislature within 30
6 days after the convening of each regular session;

7 (5) present to the legislature within 30 days after the con-
8 vening of each regular session a review of the report of the governor
9 under AS 37.09.020(b) with recommendations for any needed legislation;

10 (6) in conjunction with the finance committee of each house
11 recommend annually to the legislature the investment policy for the
12 general fund surplus and the income from the permanent fund.

13 Sec. 24.20.700. RECORDS. The committee shall keep a complete file
14 of all reports presented to it and all reports presented by it to the
15 legislature or any legislative committee.

16 * Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

17 (b) The governor shall annually, before the convening of the
18 legislature, report to the legislature through the Investment Oversight
19 Committee the long-range fiscal and economic consequences of

20 (1) alternate levels of capitalization of the investment
21 funds of the state; and

22 (2) alternative investment policy for the general fund sur-
23 plus.

24 * Sec. 3. AS 37 is amended by adding a new chapter to read:

25 CHAPTER 13. ALASKA PERMANENT FUND.

26 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of
27 the state constitution, there is established as a separate fund the
28 Alaska permanent fund. The permanent fund consists of 100 per cent of
29 mineral lease bonuses after deduction of any amounts allocated to the

1 Alaska Native Fund under the Alaska Native Claims Settlement Act and
2 implementing state legislation and any amounts allocated by law to the
3 Alaska renewable resources development fund and 30 per cent of all
4 mineral lease rentals, royalties, royalty sale proceeds, and federal
5 mineral revenue sharing payments received by the state and any other
6 money allocated by law or appropriated to the principal of the fund
7 which shall be paid to the Alaska Permanent Fund Corporation at least
8 once each month. Management of the permanent fund is performed by (1)
9 the Alaska Permanent Fund Corporation established in this chapter to
10 which five-sixths of the receipts from these sources is allocated and
11 (2) the Alaska Enterprise Investment Corporation established in AS 44.55
12 to which one-sixth of the receipts from these sources is allocated until
13 the amount so allocated reaches the sum of \$100,000,000. Thereafter the
14 total receipts from these sources is allocated to the Alaska Permanent
15 Fund Corporation.

16 Sec. 37.13.020. FINDINGS. The people of the state, by constitu-
17 tional amendment, have required the placement of at least 25 per cent of
18 all mineral lease rentals, royalties, royalty sale proceeds, and federal
19 mineral revenue sharing payments and bonuses received by the state into
20 a permanent fund. The legislature finds with respect to the Alaska
21 Permanent Fund Corporation that

22 (1) it should provide a means of conserving a portion of the
23 state's revenues from mineral resources to the ultimate benefit of
24 future generations of Alaskans;

25 (2) the primary goal of the corporation should be to maximize
26 total return while maintaining safety of principal;

27 (3) it should be used as a savings device managed to allow
28 the maximum use of disposable income from the corporation as needed for
29 purposes designated by law.

1 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
2 provide a mechanism for the management and investment of permanent fund
3 assets in a manner consistent with the findings established in sec. 20
4 of this chapter.

5 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
6 established the Alaska Permanent Fund Corporation. The corporation is a
7 public corporation and government instrumentality in the Department of
8 Revenue managed by a board of trustees but has a legal existence inde-
9 pendent of and separate from the state. The purpose of the board is to
10 manage and invest the assets of the corporation in accordance with this
11 chapter.

12 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
13 of trustees consists of three members appointed by the governor and
14 confirmed by a majority of the members of the legislature in joint
15 session.

16 (b) The board shall annually elect a chairman from among its
17 members.

18 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
19 appointed for terms of four years, and they may be reappointed. Terms
20 shall be staggered. Initial terms shall be one member serving for two
21 years, one member serving for three years, and one member serving for
22 four years.

23 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
24 remove a trustee from office by and with the consent of a majority of
25 the members of the legislature in joint session. A removal by the
26 governor shall be in writing and state the reason for removal. If the
27 legislature is not in session, the governor may suspend a member of the
28 board. Upon suspension, a trustee may not participate in board business
29 and may not be counted for purposes of establishing a quorum. The joint

1 session shall be held within 30 days from the date of removal if the
2 removal occurs while the legislature is in session or within 30 days of
3 convening of the legislature if the legislature is not in session. If
4 the legislature refuses to consent to his removal, the trustee shall be
5 reinstated to his position.

6 (b) A vacancy on the board shall be promptly filled by appointment
7 by the governor and confirmation by a majority of the members of the
8 legislature in joint session, and an appointee to fill a vacancy shall
9 hold office for the balance of the term for which his predecessor on the
10 board was appointed. If a vacancy arises on the board while the legis-
11 lature is not in session, the governor may appoint an interim trustee
12 who shall exercise all powers of a permanent trustee until such time as
13 the legislature in joint session fails to confirm the interim trustee's
14 appointment.

15 (c) A vacancy on the board does not impair the authority of a
16 quorum of the board to exercise all the powers and perform all the
17 duties of the board.

18 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
19 be appointed to the board who has not been a resident of the state for
20 at least three years.

21 (b) No member of the board may hold any other state or federal
22 office, position or employment, either elective or appointive, except as
23 a member of the armed forces of the United States or of this state.

24 (c) At least one member of the board shall have recognized com-
25 petence and wide experience in finance, investments, or other business
26 management-related field. No two members may be appointed to the board
27 who share substantially similar professional or occupational backgrounds

28 Sec. 37.13.090. QUORUM. Two members of the board constitute a
29 quorum for the transaction of business and the exercise of the powers

1 and duties of the board.

2 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
3 honorarium of \$250 for each meeting day if they attend the meeting and
4 are entitled to per diem and travel allowances as provided by law for
5 members of state boards and commissions.

6 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
7 determine the salary of an executive director. The executive director
8 may, with the approval of the board, select and employ additional staff
9 as necessary. The executive director may not be a trustee. The execu-
10 tive director and all employees of the board are in the exempt service
11 under AS 39.25.

12 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
13 to the provisions of AS 39.50.

14 (b) If a member or employee acquires, owns or controls an in-
15 terest, direct or indirect, in an entity or project in which corporation
16 assets are invested, he shall immediately disclose the interest to the
17 board. The disclosure is a matter of public record and shall be in-
18 cluded in the minutes of the board meeting next following the disclo-
19 sure.

20 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
21 applicable to the board in its management and investment of permanent
22 fund assets. The prudent-man rule as applied to investments of the
23 corporation means that in making investments the board shall exercise
24 the judgment and care under the circumstances then prevailing which an
25 institutional investor of ordinary prudence, discretion, and intel-
26 ligence exercises in the management of large investments entrusted to it
27 not in regard to speculation but in regard to the permanent disposition
28 of funds, considering the probable income from them as well as probable
29 safety of capital.

1 (b) The corporation assets may only be used for income-producing
2 investments.

3 (c) The board shall seek to maintain a reasonable diversification
4 in its investments unless under the circumstances it is clearly prudent
5 not to do so.

6 (d) The board shall submit long-range and quarterly investment
7 reports to the Investment Oversight Committee.

8 (e) The corporation may not borrow funds or guarantee the obli-
9 gations of others.

10 (f) The board may enter into and enforce all contracts necessary,
11 convenient or desirable for purposes of the fund except it may not
12 contract with agencies or departments of the state to recommend or
13 select investments.

14 (g) Subject to (a) of this section the board may invest its assets
15 in obligations of the United States or obligations for which the full
16 faith and credit of the United States are pledged for payment of princi-
17 pal and interest; loans secured by first liens on unencumbered realty or
18 leaseholds; and corporate stock and corporate obligations which under
19 the Securities Act of 1933 are freely marketable.

20 (1) No portion of the assets of the fund may be used in the
21 purchase of stock of any corporation which is not paying dividends on
22 that stock in cash at the time of purchase; nor in the purchase of bonds
23 of any corporation, upon which any regular interest payment has been
24 defaulted at any time within five years before purchase, except bonds
25 never in default but which have been outstanding for less than five
26 years.

27 (2) No portion of the assets of the corporation may be used
28 in the purchase of stocks if immediately following the purchase the
29 proportionate market value of all stocks held by the corporation would

1 exceed 30 per cent of the corporation's assets.

2 (h) The board shall establish and from time to time as necessary
3 modify guidelines for the investment of the corporation's assets.
4 Before adoption of any guidelines the guidelines shall be reported to
5 the Investment Oversight Committee for review and comment.

6 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
7 the total amount of losses on the sales of securities, not offset by
8 gains on the sales of securities during that year, shall be computed,
9 with a portion of these losses to be deducted each fiscal year from the
10 interest and dividend income and the resulting amount of interest and
11 dividend income added to the principal of the fund. Losses taken on the
12 sales of bonds shall be accumulated over a period equal to the average
13 remaining life of the bonds sold, and losses taken on the sales of
14 stocks shall be accumulated within a period of five years, unless these
15 losses are offset by gains on future sales of securities. In any fiscal
16 year in which the gains on the sales of securities exceed the losses on
17 the sales of securities, the excess shall be added to the principal of
18 the fund.

19 Sec. 37.13.150. INCOME. The interest and dividends received in a
20 year are the income of the fund for that year. The income available for
21 disbursement shall be determined on an averaging basis. For the first
22 five years, income will be the simple averaging of the annual current
23 return at cost. Subsequently, there will be a moving average current
24 return, in which the latest fiscal year will replace the oldest year.
25 The income available for disbursement will be the lesser of the latest
26 fiscal year's income, or the average annual current income for the past
27 five fiscal years of the fund at cost, and after adjustment for capital
28 losses charged to that fiscal year.

29 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is

1 from the general fund and is subject to the Executive Budget Act (AS
2 37.07).

3 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
4 provide for an annual post audit and annual operational and performance
5 evaluations of the board's investments and investment programs.

6 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
7 ber 30 of each year, the board shall publish a report to the governor,
8 legislature, and the public in easily understandable language. Each
9 report must include financial statements audited by independent outside
10 auditors, a statement of the amount of money received by the permanent
11 fund from each investment during the period covered, a statement of
12 permanent fund investments, a description of permanent fund investment
13 activity during the period covered by the report, a comparison of the
14 fund performance with the intended goals contained in sec. 20 of this
15 chapter, an examination of the impact of the investment criteria of this
16 chapter on the fund portfolio with recommendations of any needed changes
17 and any other information the board believes would be of interest to the
18 governor, the legislature, and the public. The annual income statement
19 and balance sheet of the permanent fund shall be published in at least
20 one newspaper in each judicial district. The income statement and
21 balance sheet for the two fiscal years preceding the publication of the
22 election pamphlet under AS 15.57 shall be included in that pamphlet.
23 The board may also publish other reports it considers desirable to carry
24 out its purpose.

25 Sec. 37.13.190. CONFLICT OF INTEREST. (a) Members of the board
26 of trustees are subject to the provisions of AS 39.50.

27 (b) Members of the board of trustees shall disclose their finan-
28 cial interest in an investment proposal and disqualify themselves from
29 voting on any investment proposal in which they have a financial in-

1 terest. The board may not make an investment in any project or enter-
2 prise in which officers of the corporation have a financial interest.
3 All officers of the corporation in the discharge of their offices owe
4 their duty entirely to the corporation and no other authority.

5 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
6 trustees and officers and staff of the corporation may not engage in
7 partisan political activities. The resources of the corporation may not
8 be used to finance any partisan political activities.

9 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
10 possession of the corporation is a public record, except that infor-
11 mation which discloses the particulars of the business or affairs of a
12 private enterprise or investor is confidential and is not a public
13 record. Confidential information may be disclosed only for the purposes
14 of an official law enforcement investigation or when its production is
15 required in a court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the iden-
17 tification of particular reports, items, persons, or enterprises.

18 * Sec. 4. AS 44 is amended by adding a new chapter to read:

19 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

20 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
21 created the Alaska Enterprise Investment Corporation. The corporation
22 is a public corporation and government instrumentality in the Department
23 of Revenue but has legal existence independent of and separate from the
24 state. The exercise by the corporation of the powers conferred by this
25 chapter is considered an essential governmental function of the state.

26 (b) One-sixth of the receipts of all mineral lease rentals, roy-
27 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
28 ments and bonuses allocated to the permanent fund shall be paid by the
29 Alaska Permanent Fund Corporation directly into the Alaska Enterprise

Investment Corporation until a total of \$100,000,000 has been paid in. The amount paid into the Alaska Enterprise Investment Corporation under this subsection is the paid-in capital of the corporation.

Sec. 44.55.020. FINDINGS. The legislature finds

(1) that investment in financially sound small and medium scale (A) productive private enterprises and (B) community development projects in the state, for which sufficient capital is not available from other sources on reasonable terms, is of benefit to the citizens of the state;

(2) there is a shortage of investment capital for financially sound small and medium scale (A) productive private enterprises and, (B) for community development projects for which sufficient capital is not available from other sources on reasonable terms;

(3) that the corporation working with private financial institutions to supplement but not supplant their services can help to alleviate this shortage.

Sec. 44.55.030. PURPOSE. The purpose of the corporation is to provide capital at market rates and terms for small and medium scale (1) productive private enterprises, and (2) community development projects for which sufficient capital is not available from other sources on reasonable terms.

Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY BOARD. (a) There is established the Alaska Enterprise Investment Corporation Policy Board consisting of a person employed in the executive branch of state government appointed by the governor and six public members appointed by the governor with due regard for geographical representation and confirmed by a majority of the members of the legislature in joint session. At least two of the public members shall have recognized competency and wide experience in investment finance. The

1 board shall elect one of the public members as chairman and other offi-
2 cers they determine desirable.

3 (b) The six appointed members shall serve for four-year terms, and
4 they may be reappointed. Terms shall be staggered. Initial terms shall
5 be two members serving for two years, two members serving for three
6 years, and two members serving for four years. A member continues to
7 serve until his successor is appointed and confirmed.

8 (c) A majority of the policy board members constitutes a quorum
9 for the transaction of business by the board. Decisions of the board
10 shall be taken by a majority vote. The board shall hold at least one
11 public meeting each year.

12 (d) Members of the policy board receive an honorarium of \$250 for
13 each meeting day if they attend the meeting and are entitled to per diem
14 and travel allowances as provided by law for members of state boards and
15 commissions.

16 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
17 may remove a policy board member from office by and with the consent of
18 a majority of the members of the legislature in joint session. The
19 joint session shall be held within 10 days from the date of removal if
20 the removal occurs while the legislature is in session or within 30 days
21 of convening of the legislature if the member was suspended. If the
22 legislature is not in session, the governor may suspend a member of the
23 policy board for cause. Upon suspension, a board member may not par-
24 ticipate in policy board business and may not be counted for purposes of
25 establishing a quorum. If the legislature refuses to consent to his
26 removal, the member shall be reinstated to his position.

27 (b) A vacancy arising on the policy board shall be promptly filled
28 by appointment by the governor and confirmation by a majority of the
29 members of the legislature in joint session, and an appointee to fill a

1 vacancy shall hold office for the balance of the term for which his
2 predecessor on the board was appointed. If a vacancy arises on the
3 board while the legislature is not in session, the governor may appoint
4 an interim board member who shall exercise all powers of a permanent
5 board member until such time as the legislature in joint session fails
6 to confirm the interim member's appointment.

7 (c) A vacancy on the policy board does not impair the authority of
8 a quorum of the board to exercise all the powers and perform all the
9 duties of the board.

10 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board
11 shall

12 (1) select and appoint the president and other members of the
13 Investment Committee established in sec. 80 of this chapter;

14 (2) annually review and approve long-range operating plans,
15 the budget for the forthcoming year, and the financial plan for the
16 following years;

17 (3) have responsibility on behalf of the corporation for
18 relations with the general public, legislature, executive branch, local
19 communities, and interest groups concerning all things excepting only
20 those matters that are the responsibility of the Investment Committee;

21 (4) review quarterly reports from the Investment Committee
22 concerning investment decisions and investment supervision, but the
23 board may not impose an investment decision upon, or override an invest-
24 ment decision of, the Investment Committee;

25 (5) review, consider and approve policies;

26 (6) establish an audit committee which shall select inde-
27 pendent outside auditors, and receive all audit reports.

28 Sec. 44.55.070. PRESIDENT. The president of the corporation is
29 appointed by the policy board for a term of four years, may be reap-

1 pointed, and serves at the pleasure of the policy board. The salary of
2 the president is set at the discretion of the policy board; but may not
3 be set below that of the highest paid member of the Investment Commit-
4 tee. The president shall

5 (1) have sole responsibility for presenting investment pro-
6 posals to the Investment Committee;

7 (2) be responsible for the ordinary business of the corpo-
8 ration and the organization, appointment, dismissal, and remuneration of
9 the officers and staff;

10 (3) be responsible for making investments in investment grade
11 securities, subject to review by the Investment Committee;

12 (4) establish and maintain adequate and appropriate organi-
13 zational, operating and financial controls.

14 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
15 the Investment Committee, consisting of the president and four members
16 appointed by the policy board. No member of the policy board may be a
17 member of the committee. Members of the committee shall be persons of
18 recognized competence and wide experience in investments, finance, and
19 other business management-related fields. A member may be reappointed
20 and continue to serve until his successor is appointed. The president
21 and members shall serve for four-year terms. Terms shall be staggered.
22 Initial terms shall be one member serving for one year, one member
23 serving for two years, one member serving for three years, and one
24 member and the president serving for four years.

25 (b) Three members of the committee constitute a quorum. Decisions
26 of the committee shall be taken by majority vote.

27 (c) Members of the committee other than the president receive an
28 annual salary within Range 30 in the salary schedule for state employees
29 established by AS 39.27.011.

1 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
2 responsibility to approve all investment proposals.

3 Sec. 44.55.100. BUDGET. The corporation operating budget is from
4 the general fund and is subject to the provisions of the Executive
5 Budget Act (AS 37.07).

6 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
7 committee members, and officers and staff of the corporation are in the
8 exempt service under AS 39.25.

9 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
10 the corporate purposes of the corporation, the policy board has power to

11 (1) adopt, alter and use a corporate seal;

12 (2) prescribe, adopt, amend, and repeal bylaws;

13 (3) sue and be sued in the name of the corporation;

14 (4) borrow funds, and in that connection furnish such collat-
15 eral or other security as it determines, except that corporation borrow-
16 ing may not exceed its paid-in capital;

17 (5) guarantee obligations of another corporation or legal
18 entity in order to facilitate their sale;

19 (6) enter into agreements necessary or convenient in the
20 exercise of its powers and functions;

21 (7) acquire, hold, use, lease, sell or otherwise dispose of
22 property of any kind, real, personal or mixed, or any interest in it;

23 (8) contract with state, federal and other agencies to
24 develop needed information and analyses;

25 (9) do all acts and things necessary, convenient or desirable
26 to carry out the powers granted or implied in this chapter.

27 (b) In carrying out the corporate purposes of the corporation, the
28 committee has the power to

29 (1) invest, in such form and such amounts not to exceed

1 \$100,000,000, as it considers appropriate, by purchasing the capital
2 stock of, or lending money to, projects, except that any investment in
3 the capital stock of or other ownership interest in a project may not
4 exceed 25 per cent of the capital stock of, or other ownership interest
5 in, the project, and no loan or other investment in the project by the
6 corporation may exceed 90 per cent of the cost of the project unless, in
7 the judgment of the committee, additional amounts must be loaned to
8 protect the interests of the investment fund;

9 (2) deposit surplus funds, or invest surplus funds through
10 the Alaska Permanent Fund Corporation in such obligations as it may
11 determine;

12 (3) buy and sell securities the corporation has issued or
13 guaranteed or in which it has invested;

14 (4) do all acts and things necessary, convenient or desirable
15 to carry out the powers granted or implied in this chapter.

16 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
17 committee and staff shall exercise the judgment and care under the
18 circumstances then prevailing which a person of ordinary prudence,
19 discretion, and intelligence exercises in the management of his own
20 affairs taking into consideration the probable income from the invest-
21 ments as well as probable safety of principal.

22 (b) An amount equal to at least 150 per cent of all guarantees by
23 the corporation shall be invested in investment-grade securities.

24 (c) The committee may invest not more than 50 per cent of the
25 resources of the corporation to provide a reasonable proportion of
26 longer-term investment capital for financing the establishment, improve-
27 ment, and expansion of productive private enterprises which will benefit
28 Alaskans, and for which sufficient capital is not available from other
29 sources on reasonable terms. These investments may take the form of

1 equity, debt, or debt guarantees.

2 (d) The committee may invest not more than 50 per cent of the
3 resources of the corporation in financing a reasonable proportion of the
4 longer-term investment capital needs for financially sound small and
5 medium scale community development projects of municipalities and public
6 corporate entities and private dwellings in the state for which suf-
7 ficient financing is not available from other sources on reasonable
8 terms. These investments may take the form of equity, debt, or debt
9 guarantees.

10 (e) The committee may not invest or guarantee obligations totaling
11 more than five per cent of the resources of the bank or \$2,500,000,
12 whichever is less, in a single project unless the legislature has ap-
13 proved the investment by concurrent resolution.

14 (f) The committee may not undertake any financing for which, in
15 its opinion, sufficient private capital could be obtained on reasonable
16 terms.

17 (g) The committee may not assume responsibility for managing any
18 enterprise or project in which it has invested and may not exercise
19 voting rights for that purpose or for any other purpose which, in its
20 opinion, properly is within the scope of managerial control.

21 (h) The committee shall only undertake its financing on terms and
22 conditions which it considers appropriate, taking into account the terms
23 and conditions normally obtained by private investors for similar fi-
24 nancing, the requirements of the enterprise or project, the risks being
25 undertaken by the corporation, and the participation of other investors
26 unless the legislature has appropriated funds for subsidizing invest-
27 ments which in the opinion of the corporation are of such high priority
28 that special terms and conditions are appropriate.

29 (i) The committee may seek to revolve the corporation's money by

1 selling its investments to other investors whenever it can appropriately
2 do so on satisfactory terms.

3 (j) The committee shall seek to maintain a reasonable diversi-
4 fication in its investments.

5 (k) The committee shall only consider investment proposals after
6 the applicant for an investment has submitted a detailed proposal to the
7 committee's staff and the staff has prepared a written report recommend-
8 ing the investment after a study of its merits.

9 (l) The committee shall analyze the economic and other effects of
10 an investment decision, including the effects on employment, income
11 distribution, environment, health, social and other factors. The com-
12 mittee shall be sensitive to the views of affected local communities.

13 (m) The committee may guarantee qualifying loans made by financial
14 intermediaries in order to facilitate investment by the intermediaries
15 in specific enterprises or projects whose individual financing require-
16 ments are not, in the opinion of the committee, large enough to warrant
17 its direct supervision.

18 (n) The committee shall provide for operational and performance
19 evaluations (post-audits) of its investments and investment programs and
20 report the results to the policy board.

21 (o) Nothing in this section prevents the committee, in the event
22 of actual or threatened default on any of its investments, actual or
23 threatened insolvency of the enterprise in which the investment has been
24 made, or other situations which, in the opinion of the committee,
25 threaten to jeopardize the investment, from taking such action and
26 exercising such rights as it may consider necessary for the protection
27 of its interests.

28 Sec. 44.55.130. CAPITAL RESERVE ACCOUNT. For the purpose of
29 securing its obligations, the corporation shall establish a special

1 account called the capital reserve account. The corporation shall pay
2 into that account the income of the corporation until the amount in the
3 capital reserve account is equal to 25 per cent of the outstanding
4 obligations of the corporation. Subsequently, at the beginning of each
5 fiscal year the corporation shall withdraw from the capital reserve
6 account any amount in the account in excess of 25 per cent of the obli-
7 gations secured or, if the amount in the account is less than 25 per
8 cent of the obligations secured, pay into the account from income the
9 amount necessary to bring the reserve to 25 per cent. All money held in
10 the capital reserve account may be used as required solely for (1) the
11 payment of the principal of obligations, (2) the purchase or redemption
12 of obligations, (3) the payment of interest on obligations, or (4) the
13 payment of any redemption premium required to be paid when those obli-
14 gations are redeemed before maturity.

15 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
16 financing operations, the policy board shall render a detailed report to
17 the legislature which shall

18 (1) define the sectors which need financing for expansion of
19 existing projects or the development of new projects;

20 (2) define the size and nature of projects which are feasible
21 for corporation financing;

22 (3) determine specific projects which are feasible for corpo-
23 ration and private financing;

24 (4) determine the availability of private investment capital
25 for the projects it determines are feasible;

26 (5) forecast the capital requirements of the corporation for
27 the first three years of its operations.

28 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
29 publish an annual report in easily understandable language to the

1 governor, legislature and the public. Each report shall include finan-
2 cial statements audited by independent outside auditors, a statement of
3 the amount of money received by the corporation from each source during
4 the period covered, a statement of corporation investments, a descrip-
5 tion of corporation investment activity during the period covered by the
6 report, an analysis of economic and other effects of investment deci-
7 sions including, but not limited to, the effects on employment, income
8 distribution, environment, health, social and other factors, and any
9 other information the policy board believes would be of interest to the
10 governor, the legislature and the public. The corporation may also
11 publish such other reports as it considers desirable to carry out its
12 purpose.

13 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the board
14 of trustees are subject to the provisions of AS 39.50.

15 (b) Members of the board of trustees shall disclose their finan-
16 cial interest in an investment proposal and disqualify themselves from
17 voting on any investment proposal in which they have a financial in-
18 terest. The board may not make an investment in any project or enter-
19 prise in which officers of the corporation have a financial interest.
20 All officers of the corporation in the discharge of their offices owe
21 their duty entirely to the corporation and no other authority.

22 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the board of
23 trustees and officers and staff of the corporation may not engage in
24 partisan political activities. The resources of the corporation may not
25 be used to finance any partisan political activities.

26 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
27 possession of the corporation is a public record, except that infor-
28 mation which discloses the particulars of the business or affairs of a
29 private enterprise or investor is confidential and is not a public

1 record. Confidential information may be disclosed only for the purposes
2 of an official law enforcement investigation or when its production is
3 required in a court proceeding. These restrictions do not prohibit the
4 publication of statistics presented in a manner that prevents the identification
5 of particular reports, items, persons, or enterprises.

6 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
7 taxes and assessments in the state. All security instruments issued by
8 the corporation, their transfer, and their income are exempt from all
9 taxes and assessments in the state.

10 Sec. 44.55.200. DEFINITIONS. In this chapter

11 (1) "board" or "policy board" means the Alaska Enterprise Investment
12 Corporation Policy Board established by sec. 20 of this chapter;
13

14 (2) "business enterprise" means a private corporation, firm,
15 partnership or sole proprietorship;

16 (3) "committee" means the Investment Committee established by
17 sec. 60 of this chapter;

18 (4) "corporation" means the Alaska Enterprise Investment
19 Corporation.

20 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

21 (21) members of the policy board and Investment Committee, and
22 the president, officers, and staff of the Alaska Enterprise Investment
23 Corporation;

24 (22) members of the board of trustees, the executive director,
25 and staff of the Alaska Permanent Fund Corporation.

26 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

27 (NN) Alaska Enterprise Investment Corporation Policy
28 Board and Investment Committee;

29 (OO) Alaska Permanent Fund Corporation Board of Trustees.

1 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
2 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
3 tion established by this Act within 10 days after request for transfer is
4 made by the corporation board of trustees.

5 (b) The Alaska Enterprise Investment Corporation may not expend funds
6 for any purpose other than normal operating expenses of the corporation until
7 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
8 the corporation including the funds received under AS 44.55.010 in sec. 4 of
9 this Act shall be invested as surplus funds under AS 44.55.120(b)(3) in sec.
10 4 of this Act until the paid-in capital reaches \$50,000,000.

11 * Sec. 8. AS 37.10.065 is repealed.

12 * Sec. 9. This Act takes effect immediately in accordance with AS 01.10.-
13 070(c).

Original sponsor: Special Committee on the
Alaska Permanent Fund

Offered: 2/24/78
Referred: Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE
ON THE ALASKA PERMANENT FUND

2 CS FOR HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; to
7 legislative oversight; and providing for an effective
8 date."

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

10 * Section 1. AS 24.20 is amended by adding new sections to read:

11 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

12 Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The
13 Investment Oversight Committee is established as a permanent interim
14 committee of the legislature. The establishment of the committee recog-
15 nizes the need of the legislature for technical review and oversight of
16 the performance of all agencies of the state which perform lending or
17 investment functions.

18 Sec. 24.20.610. FINDINGS. The legislature finds that there is a
19 substantial need for oversight of the performance of all agencies of the
20 state which perform lending or investment functions since these functions
21 do not receive the detailed review to which other expenditures of public
22 money are subject, and therefore the knowledge necessary for sound
23 legislation in this area is not readily available. There is a need for
24 legislative oversight which will provide information on the policy and
25 performance of these agencies, the extent to which the agencies conform
26 to statutory intent, and the impact of their performance on the economy
27 and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the committee are to

29 (1) monitor and report

1 (A) the performance of the agencies of the state which
2 perform lending or investment functions,

3 (B) the extent to which the performance of these agen-
4 cies has contributed to the fiscal, financial, economic and social
5 improvement of the state and its citizens,

6 (C) the extent to which these agencies and the executive
7 have prepared and coordinated short and long term economic, fiscal,
8 investment and financial planning;

9 (2) hold these agencies accountable to statutory intent in
10 their performance by recommending, where appropriate, changes in policy
11 to the agencies or changes in legislation to the legislature;

12 (3) annually review the extent of capitalization of the
13 investment funds of the state and alternative investment policy for the
14 general fund surplus and recommend needed legislation.

15 Sec. 24.20.630. MEMBERSHIP. The committee is composed of eight
16 members: the president of the senate, the speaker of the house, and
17 three members appointed from each house by the respective presiding
18 officer. The membership from each house shall include at least one
19 member from each of the two major political parties. The committee
20 shall select its own chairman.

21 Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be
22 organized within 15 days after the organization of each legislature.
23 Members serve for the duration of the legislature during which they are
24 appointed. If a member is reelected or his term of office extends into
25 the next succeeding legislature, he continues to serve until reappointed
26 or the appointment of his successor.

27 (b) When a member of the committee files a declaration of candi-
28 dacy for an elective office other than that of member of either house of
29 the legislature, and he has not resigned from membership on the com-

mittee, his committee membership terminates on the date of filing.

Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

Sec. 24.20.660. MEETINGS. The committee may meet during sessions of the legislature and during the interim between sessions at such times and places in the state as the chairman may determine. Members may receive, for the minimum time required to get to and from meetings and for the period while attending meetings, the same travel and per diem allowances provided by law for members of the legislature when attending sessions, except that members of the committee receive no per diem during legislative sessions other than the per diem allowance paid to other members of the legislature.

Sec. 24.20.670. POWERS. The committee has the power to

(1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions of those agencies of the state which perform lending or investment functions;

(2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;

(3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assem-

1 bling and furnishing requested information;

2 (4) hold public hearings relating to the confirmation of the
3 Board of Trustees of the Alaska Permanent Fund Corporation, the Board of
4 Trustees of the Alaska Renewable Resources Corporation, and the Alaska
5 Enterprise Investment Corporation Policy Board;

6 (5) prepare and distribute reports, memoranda, or other
7 necessary materials;

8 (6) make recommendations concerning the structure and operat-
9 ing practices of all agencies of the state which perform lending or
10 investment functions;

11 (7) receive and review reports and post-audit analyses con-
12 ducted by the Legislative Budget and Audit Committee relating to all
13 agencies of the state which perform lending or investment functions;

14 (8) enter into and enforce all contracts necessary or desira-
15 ble for the functions of the committee.

16 Sec. 24.20.680. STAFF. The legislative audit division and the
17 legislative finance division shall provide audits, reports and analyses
18 requested by the committee. The committee may hire and determine the
19 salary of the staff it considers necessary within the limit of the
20 budget approved by the legislature.

21 Sec. 24.20.690. DUTIES. The committee shall

22 (1) report to the legislature its recommendations relating to
23 the confirmation of suggested appointees to the Alaska Permanent Fund
24 Corporation Board of Trustees, the Board of Trustees of the Alaska
25 Renewable Resources Corporation, and the Alaska Enterprise Investment
26 Corporation Policy Board;

27 (2) annually review the long-range operating plans of all
28 agencies of the state which perform lending or investment functions;

29 (3) review periodic reports from all agencies of the state

1 which perform lending or investment functions;

2 (4) present a complete report of investment programs, plans,
3 performance, and policies of all agencies of the state which perform
4 lending or investment functions to the legislature within 30 days after
5 the convening of each regular session;

6 (5) present to the legislature within 30 days after the con-
7 vening of each regular session a review of the report of the governor
8 under AS 37.09.020(b) with recommendations for any needed legislation;

9 (6) in conjunction with the finance committee of each house
10 recommend annually to the legislature the investment policy for the
11 general fund surplus and the income from the permanent fund.

12 Sec. 24.20.700. RECORDS. The committee shall keep a complete file
13 of all reports presented to it and all reports presented by it to the
14 legislature or any legislative committee.

15 * Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

16 (b) The governor shall annually, before the convening of the
17 legislature, report to the legislature through the Investment Oversight
18 Committee the long-range fiscal and economic consequences of

19 (1) alternate levels of capitalization of the investment
20 funds of the state; and

21 (2) alternative investment policy for the general fund sur-
22 plus.

23 * Sec. 3. AS 37 is amended by adding a new chapter to read:

24 CHAPTER 13. ALASKA PERMANENT FUND.

25 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of
26 the state constitution, there is established as a separate fund the
27 Alaska permanent fund. The permanent fund consists of 100 per cent of
28 mineral lease bonuses after deduction of any amounts allocated to the
29 Alaska Native Fund under the Alaska Native Claims Settlement Act and

1 implementing state legislation and any amounts allocated by law to the
2 Alaska renewable resources development fund and 30 per cent of all
3 mineral lease rentals, royalties, royalty sale proceeds, and federal
4 mineral revenue sharing payments received by the state and any other
5 money allocated by law or appropriated to the principal of the fund
6 which shall be paid to the Alaska Permanent Fund Corporation at least
7 once each month. Management of the permanent fund is performed by (1)
8 the Alaska Permanent Fund Corporation established in this chapter to
9 which five-sixths of the receipts from these sources is allocated and
10 (2) the Alaska Enterprise Investment Corporation established in AS 44.55
11 to which one-sixth of the receipts from these sources is allocated until
12 the amount so allocated reaches the sum of \$100,000,000. Thereafter the
13 total receipts from these sources is allocated to the Alaska Permanent
14 Fund Corporation.

15 Sec. 37.13.020. FINDINGS. The people of the state, by constitu-
16 tional amendment, have required the placement of at least 25 per cent of
17 all mineral lease rentals, royalties, royalty sale proceeds, and federal
18 mineral revenue sharing payments and bonuses received by the state into
19 a permanent fund. The legislature finds with respect to the Alaska
20 Permanent Fund Corporation that

21 (1) the corporation should provide a means of conserving a
22 portion of the state's revenues from mineral resources to the ultimate
23 benefit of future generations of Alaskans;

24 (2) the corporation's primary goal should be to maximize
25 total return while maintaining safety of principal;

26 (3) the corporation should be used as a savings device
27 managed to allow the maximum use of disposable income from the corpora-
28 tion as needed for purposes designated by law.

29 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to

1 provide a mechanism for the management and investment of those permanent
2 fund assets allocated to the Alaska Permanent Fund Corporation in a
3 manner consistent with the findings established in sec. 20 of this
4 chapter.

5 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
6 established the Alaska Permanent Fund Corporation. The corporation is a
7 public corporation and government instrumentality in the Department of
8 Revenue managed by a board of trustees but has a legal existence inde-
9 pendent of and separate from the state. The purpose of the board is to
10 manage and invest the assets of the corporation in accordance with this
11 chapter.

12 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
13 of trustees consists of three members appointed by the governor and
14 confirmed by a majority of the members of the legislature in joint
15 session.

16 (b) The board shall annually elect a chairman from among its
17 members.

18 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
19 appointed for terms of four years, and they may be reappointed. Terms
20 shall be staggered. Initial terms shall be one member serving for two
21 years, one member serving for three years, and one member serving for
22 four years.

23 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
24 remove a trustee from office by and with the consent of a majority of
25 the members of the legislature in joint session. A removal by the
26 governor shall be in writing and state the reason for removal. If the
27 legislature is not in session, the governor may suspend a member of the
28 board. Upon suspension, a vacancy is not created but the trustee may
29 not participate in board business and may not be counted for purposes

1 of establishing a quorum. The joint session shall be held within
2 30 days from the date of removal if the removal occurs while the
3 legislature is in session or within 30 days of convening of the legis-
4 lature if the legislature is not in session. If the legislature refuses
5 to consent to his removal, the trustee shall be reinstated to his
6 position.

7 (b) A vacancy on the board shall be promptly filled by appointment
8 by the governor and confirmation by a majority of the members of the
9 legislature in joint session, and an appointee to fill a vacancy shall
10 hold office for the balance of the term for which his predecessor on the
11 board was appointed. If a vacancy arises on the board while the legis-
12 lature is not in session, the governor may appoint an interim trustee
13 who shall exercise all powers of a permanent trustee until such time as
14 the legislature in joint session fails to confirm the interim trustee's
15 appointment.

16 (c) A vacancy on the board does not impair the authority of a
17 quorum of the board to exercise all the powers and perform all the
18 duties of the board.

19 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
20 be appointed to the board who has not been a resident of the state for
21 at least three years.

22 (b) No member of the board may hold any other state or federal
23 office, position or employment, either elective or appointive, except as
24 a member of the armed forces of the United States or of this state.

25 (c) At least one member of the board shall have recognized
26 competence and wide experience in finance, investments, or other busi-
27 ness management-related field. No two members may be appointed to the
28 board who share substantially similar professional or occupational
29 backgrounds.

1 Sec. 37.13.090. QUORUM. Two members of the board constitute a
2 quorum for the transaction of business and the exercise of the powers
3 and duties of the board.

4 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
5 honorarium of \$250 for each meeting day if they attend the meeting and
6 are entitled to per diem and travel allowances as provided by law for
7 members of state boards and commissions.

8 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
9 determine the salary of an executive director. The executive director
10 may, with the approval of the board, select and employ additional staff
11 as necessary. No employee of the corporation, including the executive
12 director, may be a trustee. The executive director and all other
13 employees of the board are in the exempt service under AS 39.25.

14 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
15 to the provisions of AS 39.50.

16 (b) If a member or employee acquires, owns or controls an in-
17 terest, direct or indirect, in an entity or project in which corporation
18 assets are invested, he shall immediately disclose the interest to the
19 board. The disclosure is a matter of public record and shall be in-
20 cluded in the minutes of the board meeting next following the disclo-
21 sure.

22 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
23 applicable to the board in its management and investment of permanent
24 fund assets. The prudent-man rule as applied to investments of the
25 corporation means that in making investments the board shall exercise
26 the judgment and care under the circumstances then prevailing which an
27 institutional investor of ordinary prudence, discretion, and intel-
28 ligence exercises in the management of large investments entrusted to it
29 not in regard to speculation but in regard to the permanent disposition

1 of funds, considering the probable income from them as well as probable
2 safety of capital.

3 (b) The corporation assets may only be used for income-producing
4 investments.

5 (c) The board shall seek to maintain a reasonable diversification
6 among corporation investments unless under the circumstances it is
7 clearly prudent not to do so.

8 (d) The board shall submit long-range and quarterly investment
9 reports to the Investment Oversight Committee.

10 (e) The corporation may not borrow funds or guarantee from princi-
11 pal of the fund the obligations of others.

12 (f) The board may enter into and enforce all contracts necessary,
13 convenient or desirable for purposes of the corporation except it may
14 not contract with agencies or department of the state to recommend or
15 select investments.

16 (g) Subject to (a) and (b) of this section the board may invest
17 corporation assets in obligations of the United States or obligations
18 for which the full faith and credit of the United States are pledged for
19 payment of principal and interest; loans secured by first liens on
20 unencumbered realty or leaseholds; and corporate securities which under
21 the Securities Act of 1933 are freely marketable.

22 (1) No portion of the assets of the fund may be used in the
23 purchase of stock of any corporation which is not paying dividends on
24 that stock in cash at the time of purchase; nor in the purchase of bonds
25 of any corporation, upon which any regular interest payment has been
26 defaulted at any time within five years before purchase, except bonds
27 never in default but which have been outstanding for less than five
28 years.

29 (2) No portion of the assets of the corporation may be used

1 in the purchase of stock if immediately following the purchase the
2 proportionate market value of all stocks held by the corporation would
3 exceed 30 per cent of the corporation's assets.

4 (h) The board shall establish and from time to time as necessary
5 modify guidelines for the investment of the corporation's assets.
6 Before adoption of any guidelines the guidelines shall be reported to
7 the Investment Oversight Committee for review and comment.

8 (i) Nothing in this section may be interpreted to preclude in-
9 state investments that have a risk level and expected yield comparable
10 to alternative investment opportunities.

11 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
12 the total amount of losses on the sales of securities, not offset by
13 gains on the sales of securities during that year, shall be computed,
14 with a portion of these losses to be deducted each fiscal year from the
15 interest and dividend income and the resulting amount of interest and
16 dividend income added to the principal of the fund. Losses taken on the
17 sales of bonds shall be accumulated over a period equal to the average
18 remaining life of the bonds sold, and losses taken on the sales of
19 stocks shall be accumulated within a period of five years, unless these
20 losses are offset by gains on future sales of securities. In any fiscal
21 year in which the gains on the sales of securities exceed the losses on
22 the sales of securities, the excess shall be added to the principal of
23 the fund.

24 Sec. 37.13.150. INCOME. The interest and dividends received in a
25 year are the income of the corporation for that year. The income avail-
26 able for disbursement shall be determined on an averaging basis. For
27 the first five years, income will be the simple averaging of the annual
28 current return at cost. Subsequently, there will be a moving average
29 current return, in which the latest fiscal year will replace the oldest

1 year. The income available for disbursement will be the lesser of the
2 latest fiscal year's income, or the average annual current income for
3 the past five fiscal years of the fund at cost, and after adjustment for
4 capital losses charged to that fiscal year.

5 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
6 from the general fund and is subject to the Executive Budget Act (AS
7 37.07).

8 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
9 provide for an annual post audit and annual operational and performance
10 evaluations of the corporation's investments and investment programs.

11 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
12 ber 30 of each year, the board shall publish a report to the governor,
13 legislature, and the public in easily understandable language. Each
14 report must include financial statements audited by independent outside
15 auditors, a statement of the amount of money received by the permanent
16 fund from each investment during the period covered, a statement of
17 corporation investments, a description of corporation investment
18 activity during the period covered by the report, a comparison of the
19 corporation performance with the intended goals contained in sec. 20 of
20 this chapter, an examination of the impact of the investment criteria of
21 this chapter on the corporation portfolio with recommendations of any
22 needed changes and any other information the board believes would be of
23 interest to the governor, the legislature, and the public. The annual
24 income statement and balance sheet of the corporation shall be published
25 in at least one newspaper in each judicial district. The income state-
26 ment and balance sheet for the two fiscal years preceding the publica-
27 tion of the election pamphlet under AS 15.57 shall be included in that
28 pamphlet. The board may also publish other reports it considers desir-
29 able to carry out its purpose.

1 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
2 taxes and assessments in the state. All security instruments issued by
3 the corporation, their transfer, and their income are exempt from all
4 taxes and assessments in the state.

5 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
6 trustees and employees of the corporation may not engage in partisan
7 political activities. The resources of the corporation may not be used
8 to finance any partisan political activities.

9 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
10 possession of the corporation is a public record, except that infor-
11 mation which discloses the particulars of the business or affairs of a
12 private enterprise or investor is confidential and is not a public
13 record. Confidential information may be disclosed only for the purposes
14 of an official law enforcement investigation or when its production is
15 required in a court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the iden-
17 tification of particular reports, items, persons, or enterprises.

18 * Sec. 4. AS 44 is amended by adding a new chapter to read:

19 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

20 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
21 created the Alaska Enterprise Investment Corporation. The corporation
22 is a public corporation and government instrumentality in the Department
23 of Revenue but has legal existence independent of and separate from the
24 state. The exercise by the corporation of the powers conferred by this
25 chapter is considered an essential governmental function of the state.

26 (b) One-sixth of the receipts of all mineral lease rentals, roy-
27 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
28 ments and bonuses allocated to the Alaska permanent fund shall be paid
29 by the Alaska Permanent Fund Corporation directly into the Alaska

1 Enterprise Investment Corporation until a total of \$100,000,000 has been
2 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
3 tion under this subsection is the paid-in capital of the corporation.

4 Sec. 44.55.020. FINDINGS. The legislature finds

5 (1) that investment in financially sound small and medium
6 scale (A) productive private enterprises and (B) community development
7 projects in the state, for which sufficient capital is not available
8 from other sources on reasonable terms, is of benefit to the citizens of
9 the state;

10 (2) there is a shortage of investment capital available from
11 other sources on reasonable terms for financially sound small and medium
12 scale productive private enterprise and community development projects;

13 (3) that the corporation working with private financial
14 institutions to supplement but not supplant their services can help to
15 alleviate this shortage.

16 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
17 provide capital at market rates and terms which are not available from
18 other sources on reasonable terms for small and medium scale productive
19 private enterprises and community development projects.

20 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
21 BOARD. (a) There is established the Alaska Enterprise Investment
22 Corporation Policy Board consisting of a person employed in the execu-
23 tive branch of state government appointed by the governor and six public
24 members appointed by the governor with due regard for geographical
25 representation and confirmed by a majority of the members of the legis-
26 lature in joint session. At least two of the public members shall have
27 recognized competency and wide experience in investment and finance. No
28 public member may be appointed to the board who has not been a resident
29 of the state for at least three years. The board shall elect one of the

1 public members as chairman and other officers they determine desirable.

2 (b) The six public members shall serve for four-year terms, and
3 they may be reappointed. Terms shall be staggered. Initial terms shall
4 be two members serving for two years, two members serving for three
5 years, and two members serving for four years. A member continues to
6 serve until his successor is appointed and confirmed.

7 (c) A majority of the policy board members constitutes a quorum
8 for the transaction of business by the board. Decisions of the board
9 shall be taken by a majority vote. The board shall hold at least one
10 public meeting each year.

11 (d) Public members of the policy board receive an honorarium of
12 \$250 for each meeting day if they attend the meeting and are entitled to
13 per diem and travel allowances as provided by law for members of state
14 boards and commissions.

15 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
16 may remove a policy board member from office by and with the consent of
17 a majority of the members of the legislature in joint session. The
18 joint session shall be held within 10 days from the date of removal if
19 the removal occurs while the legislature is in session or within 30 days
20 of convening of the legislature if the member was suspended. If the
21 legislature is not in session, the governor may suspend a member of the
22 policy board for cause. Upon suspension, a vacancy is not created but
23 a board member may not participate in policy board business and may not
24 be counted for purposes of establishing a quorum. If the legislature
25 refuses to consent to his removal, the member shall be reinstated to his
26 position.

27 (b) A vacancy arising on the policy board shall be promptly filled
28 by appointment by the governor and confirmation by a majority of the
29 members of the legislature in joint session, and an appointee to fill a

1 vacancy shall hold office for the balance of the term for which his
2 predecessor on the board was appointed. If a vacancy arises on the
3 board while the legislature is not in session, the governor may appoint
4 an interim board member who shall exercise all powers of a permanent
5 board member until such time as the legislature in joint session fails
6 to confirm the interim member's appointment.

7 (c) A vacancy on the policy board does not impair the authority of
8 a quorum of the board to exercise all the powers and perform all the
9 duties of the board.

10 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

11 (1) select and appoint the president and other members
12 of the Investment Committee established in sec. 80 of this chapter;

13 (2) annually review and approve long-range operating plans,
14 the budget for the forthcoming year, and the financial plan for the
15 following years;

16 (3) have responsibility on behalf of the corporation for
17 relations with the general public, legislature, executive branch, local
18 communities, and interest groups concerning all things excepting only
19 those matters that are the responsibility of the Investment Committee;

20 (4) review quarterly reports from the Investment Committee
21 concerning investment decisions and investment supervision, but the
22 board may not impose an investment decision upon, or override an invest-
23 ment decision of, the Investment Committee;

24 (5) review, consider and approve policies;

25 (6) establish an audit committee which shall select inde-
26 pendent outside auditors, and receive all audit reports.

27 Sec. 44.55.070. PRESIDENT. The president of the corporation is
28 appointed by the policy board for a term of four years, may be reap-
29 pointed, and serves at the pleasure of the policy board. The salary of

1 the president is set at the discretion of the policy board; but may not
2 be set below that of the highest paid member of the Investment Commit-
3 tee. The president shall

4 (1) have sole responsibility for presenting investment pro-
5 posals to the Investment Committee;

6 (2) be responsible for the ordinary business of the corpo-
7 ration and the organization, appointment, dismissal, and remuneration of
8 the officers and staff;

9 (3) be responsible for making investments in investment grade
10 securities, subject to review by the Investment Committee;

11 (4) establish and maintain adequate and appropriate organi-
12 zational, operating and financial controls.

13 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
14 the Investment Committee, consisting of the president and four members
15 appointed by the policy board. No member of the policy board may be a
16 member of the committee. Members of the committee shall be persons of
17 recognized competence and wide experience in investments, finance, and
18 other business management-related fields. No member may be appointed to
19 the committee who has not been a resident of the state for at least
20 three years. A member may be reappointed and continue to serve until
21 his successor is appointed. The president and members shall serve for
22 four-year terms. Terms shall be staggered. Initial terms shall be one
23 member serving for one year, one member serving for two years, one
24 member serving for three years, and one member and the president serving
25 for four years.

26 (b) Three members of the committee constitute a quorum. Decisions
27 of the committee shall be taken by majority vote.

28 (c) Members of the committee other than the president receive an
29 annual salary within Range 30 in the salary schedule for state employees

1 established by AS 39.27.011.

2 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
3 responsibility to approve all investment proposals regarding productive
4 private enterprises and community development projects in the state, and
5 review all investments in investment grade securities.

6 Sec. 44.55.100. BUDGET. The corporation operating budget is from
7 the general fund and is subject to the provisions of the Executive
8 Budget Act (AS 37.07).

9 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
10 committee members, and officers and staff of the corporation are in the
11 exempt service under AS 39.25.

12 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
13 the corporate purposes of the corporation, the policy board has power to

14 (1) adopt, alter and use a corporate seal;

15 (2) prescribe, adopt, amend, and repeal bylaws;

16 (3) sue and be sued in the name of the corporation;

17 (4) borrow funds, and in that connection furnish such collat-
18 eral or other security as it determines, except that corporation borrow-
19 ing may not exceed its paid-in capital;

20 (5) guarantee obligations of another corporation or legal
21 entity in order to facilitate their sale;

22 (6) enter into agreements necessary or convenient in the
23 exercise of its powers and functions;

24 (7) acquire, hold, use, lease, sell or otherwise dispose of
25 property of any kind, real, personal or mixed, or any interest in it;

26 (8) contract with state, federal and other agencies to
27 develop needed information and analyses;

28 (9) do all acts and things necessary, convenient or desirable
29 to carry out the powers granted or implied in this chapter.

1 (b) In carrying out the corporate purposes of the corporation, the
2 committee has the power to

3 (1) invest, as it considers appropriate, by purchasing the
4 capital stock of, or lending money to, projects, except that any invest-
5 ment in the capital stock of or other ownership interest in a project
6 may not exceed 25 per cent of the capital stock of, or other ownership
7 interest in, the project, and no loan or other investment in the project
8 by the corporation may exceed 90 per cent of the cost of the project
9 unless, in the judgment of the committee, additional amounts must be
10 loaned to protect the interests of the investment fund;

11 (2) deposit or invest surplus funds through the Alaska Perma-
12 nent Fund Corporation in such obligations as the committee may determine;

13 (3) buy and sell securities the corporation has issued or
14 guaranteed or in which it has invested;

15 (4) do all acts and things necessary, convenient or desirable
16 to carry out the powers granted or implied in this chapter.

17 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
18 committee and staff shall exercise the judgment and care under the
19 circumstances then prevailing which a person of ordinary prudence,
20 discretion, and intelligence exercises in the management of his own
21 affairs taking into consideration the probable income from the invest-
22 ments as well as probable safety of principal.

23 (b) The committee may invest not more than 50 per cent of the
24 resources of the corporation to provide a reasonable proportion of
25 longer-term investment capital for financing the establishment, improve-
26 ment, and expansion of financially sound small and medium scale produc-
27 tive private enterprises which will benefit Alaskans, and for which
28 sufficient capital is not available from other sources on reasonable
29 terms. These investments may take the form of equity, debt, or debt

1 guarantees.

2 (c) The committee may invest not more than 50 per cent of the
3 resources of the corporation in financing a reasonable proportion of the
4 longer-term investment capital needs for financially sound small and
5 medium scale community development projects of municipalities and public
6 corporate entities and private dwellings in the state for which suf-
7 ficient financing is not available from other sources on reasonable
8 terms. These investments may take the form of equity, debt, or debt
9 guarantees.

10 (d) The committee may not invest or guarantee obligations totaling
11 more than five per cent of the assets of the corporation or \$5,000,000,
12 whichever is less, in a single project unless the legislature has ap-
13 proved the investment by concurrent resolution.

14 (e) The committee may not undertake any financing for which, in
15 its opinion, sufficient private capital could be obtained on reasonable
16 terms.

17 (f) The committee may not assume responsibility for managing any
18 enterprise or project in which it has invested and may not exercise
19 voting rights for that purpose or for any other purpose which, in its
20 opinion, properly is within the scope of managerial control.

21 (g) The committee shall only undertake its financing on terms and
22 conditions which it considers appropriate, taking into account the terms
23 and conditions normally obtained by private investors for similar fi-
24 nancing, the requirements of the enterprise or project, the risks being
25 undertaken by the corporation, and the participation of other investors
26 unless the legislature has appropriated funds for subsidizing invest-
27 ments which in the opinion of the corporation are of such high priority
28 that special terms and conditions are appropriate.

29 (h) The committee may seek to revolve the corporation's money by

1 selling its investments to other investors whenever it can appropriately
2 do so on satisfactory terms.

3 (i) The committee shall seek to maintain a reasonable diversi-
4 fication in its investments.

5 (j) The committee shall only consider investment proposals after
6 the applicant for an investment has submitted a detailed proposal to the
7 committee's staff and the staff has prepared a written report recommend-
8 ing the investment after a study of its merits.

9 (k) The committee shall analyze the economic and other effects of
10 an investment decision, including the effects on employment, income
11 distribution, environment, health, social and other factors. The com-
12 mittee shall be sensitive to the views of affected local communities.

13 (l) The committee may guarantee qualifying loans made by financial
14 intermediaries in order to facilitate investment by the intermediaries
15 in specific enterprises or projects.

16 (m) The committee shall provide for operational and performance
17 evaluations (post-audits) of its investments and investment programs and
18 report the results to the policy board.

19 (n) Nothing in this section prevents the committee, in the event
20 of actual or threatened default on any of its investments, actual or
21 threatened insolvency of the enterprise in which the investment has been
22 made, or other situations which, in the opinion of the committee,
23 threaten to jeopardize the investment, from taking such action and
24 exercising such rights as it may consider necessary for the protection
25 of its interests.

26 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
27 financing operations, the policy board shall render a detailed report to
28 the legislature which shall

29 (1) define the sectors which need financing for expansion of

1 existing projects or the development of new projects;

2 (2) define the size and nature of projects which are feasible
3 for corporation financing;

4 (3) determine specific projects which are feasible for corpo-
5 ration and private financing;

6 (4) determine the availability of private investment capital
7 for the projects it determines are feasible;

8 (5) forecast the capital requirements of the corporation for
9 the first three years of its operations.

10 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
11 publish an annual report in easily understandable language to the gover-
12 nor, legislature and the public. Each report shall include financial
13 statements audited by independent outside auditors, a statement of the
14 amount of money received by the corporation from each source during the
15 period covered, a statement of corporation investments, a description of
16 corporation investment activity during the period covered by the report,
17 an analysis of economic and other effects of investment decisions in-
18 cluding, but not limited to, the effects on employment, income distri-
19 bution, environment, health, social and other factors, and any other
20 information the policy board believes would be of interest to the gover-
21 nor, the legislature and the public. The corporation may also publish
22 such other reports as it considers desirable to carry out its purpose.

23 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
24 board and the committee are subject to the provisions of AS 39.50.

25 (b) Members of the policy board and the committee shall disclose
26 their financial interest in an investment proposal and disqualify them-
27 selves from voting on any investment proposal in which they have a
28 financial interest.

29 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy

1 board and the committee and officers and staff of the corporation may
2 not engage in partisan political activities. The resources of the
3 corporation may not be used to finance any partisan political activi-
4 ties.

5 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
6 possession of the corporation is a public record, except that infor-
7 mation which discloses the particulars of the business or affairs of a
8 private enterprise or investor is confidential and is not a public
9 record. Confidential information may be disclosed only for the purposes
10 of an official law enforcement investigation or when its production is
11 required in a court proceeding. These restrictions do not prohibit the
12 publication of statistics presented in a manner that prevents the iden-
13 tification of particular reports, items, persons, or enterprises.

14 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
15 taxes and assessments in the state. All security instruments issued by
16 the corporation, their transfer, and their income are exempt from all
17 taxes and assessments in the state.

18 Sec. 44.55.200. DEFINITIONS. In this chapter

19 (1) "board" or "policy board" means the Alaska Enterprise In-
20 vestment Corporation Policy Board established by sec. 20 of this chap-
21 ter;

22 (2) "business enterprise" means a private corporation, firm,
23 partnership or sole proprietorship;

24 (3) "committee" means the Investment Committee established by
25 sec. 60 of this chapter;

26 (4) "corporation" means the Alaska Enterprise Investment
27 Corporation.

28 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

29 (21) members of the policy board and Investment Committee, and

1 the president, officers, and staff of the Alaska Enterprise Investment
2 Corporation;

3 (22) members of the board of trustees, the executive director,
4 and staff of the Alaska Permanent Fund Corporation.

5 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

6 (NN) Alaska Enterprise Investment Corporation Policy
7 Board and Investment Committee;

8 (OO) Alaska Permanent Fund Corporation Board of Trustees.

9 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
10 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
11 tion established by this Act within 10 days after request for transfer is
12 made by the corporation board of trustees.

13 (b) The Alaska Enterprise Investment Corporation may not expend funds
14 for any purpose other than normal operating expenses of the corporation until
15 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
16 the corporation including the funds received under AS 44.55.010 in sec. 4 of
17 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
18 4 of this Act until the paid-in capital reaches \$50,000,000.

19 * Sec. 8. AS 37.10.065(c) is repealed.

20 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

21 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
22 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
23 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
24 immediately in accordance with AS 01.10.070(c).

Original sponsor: Special Committee on the
Alaska Permanent Fund

Offered: 3/21/78
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 596 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to nonrenewable resource revenues; to
7 legislative oversight; and providing for an effective
8 date."

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

10 * Section 1. AS 24.20 is amended by adding new sections to read:

11 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

12 Sec. 24.20.600. INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The
13 Investment Oversight Committee is established as a permanent interim
14 committee of the legislature. The establishment of the committee recog-
15 nizes the need of the legislature for technical review and oversight of
16 the performance of all agencies of the state which perform lending or
17 investment functions.

18 Sec. 24.20.610. FINDINGS. The legislature finds that there is a
19 substantial need for oversight of the performance of all agencies of the
20 state which perform lending or investment functions since these functions
21 do not receive the detailed review to which other expenditures of public
22 money are subject, and therefore the knowledge necessary for sound
23 legislation in this area is not readily available. There is a need for
24 legislative oversight which will provide information on the policy and
25 performance of these agencies, the extent to which the agencies conform
26 to statutory intent, and the impact of their performance on the economy
27 and treasury.

28 Sec. 24.20.620. PURPOSES. The purposes of the committee are to

29 (1) monitor and report

1 (A) the performance of the agencies of the state which
2 perform lending or investment functions,

3 (B) the extent to which the performance of these agen-
4 cies has contributed to the fiscal, financial, economic and social
5 improvement of the state and its citizens,

6 (C) the extent to which these agencies and the executive
7 have prepared and coordinated short and long term economic, fiscal,
8 investment and financial planning;

9 (2) hold these agencies accountable to statutory intent in
10 their performance by recommending, where appropriate, changes in policy
11 to the agencies or changes in legislation to the legislature;

12 (3) annually review the extent of capitalization of the
13 investment funds of the state and alternative investment policy for the
14 general fund surplus and recommend needed legislation.

15 Sec. 21.20.630. MEMBERSHIP. The committee is composed of eight
16 members: the president of the senate, the speaker of the house, and
17 three members appointed from each house by the respective presiding
18 officer. The membership from each house shall include at least one
19 member from each of the two major political parties. The committee
20 shall select its own chairman.

21 Sec. 24.20.640. TERM OF MEMBERSHIP. (a) The committee shall be
22 organized within 15 days after the organization of each legislature.
23 Members serve for the duration of the legislature during which they are
24 appointed. If a member is reelected or his term of office extends into
25 the next succeeding legislature, he continues to serve until reappointed
26 or the appointment of his successor.

27 (b) When a member of the committee files a declaration of candi-
28 dacy for an elective office other than that of member of either house of
29 the legislature, and he has not resigned from membership on the com-

mittee, his committee membership terminates on the date of filing.

Sec. 24.20.650. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

Sec. 24.20.660. MEETINGS. The committee may meet during sessions of the legislature and during the interim between sessions at such times and places in the state as the chairman may determine. Members may receive, for the minimum time required to get to and from meetings and for the period while attending meetings, the same travel and per diem allowances provided by law for members of the legislature when attending sessions, except that members of the committee receive no per diem during legislative sessions other than the per diem allowance paid to other members of the legislature.

Sec. 24.20.670. POWERS. The committee has the power to

(1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions of those agencies of the state which perform lending or investment functions;

(2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;

(3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assem-

1 bling and furnishing requested information;

2 (4) hold public hearings relating to the confirmation of the
3 Board of Trustees of the Alaska Permanent Fund Corporation, the Board of
4 Trustees of the Alaska Renewable Resources Corporation, and the Alaska
5 Enterprise Investment Corporation Policy Board;

6 (5) prepare and distribute reports, memoranda, or other
7 necessary materials;

8 (6) make recommendations concerning the structure and operat-
9 ing practices of all agencies of the state which perform lending or
10 investment functions;

11 (7) receive and review reports and post-audit analyses con-
12 ducted by the Legislative Budget and Audit Committee relating to all
13 agencies of the state which perform lending or investment functions;

14 (8) enter into and enforce all contracts necessary or desira-
15 ble for the functions of the committee.

16 Sec. 24.20.680. STAFF. The legislative audit division and the
17 legislative finance division shall provide audits, reports and analyses
18 requested by the committee. The committee may hire and determine the
19 salary of the staff it considers necessary within the limit of the
20 budget approved by the legislature.

21 Sec. 24.20.690. DUTIES. The committee shall

22 (1) report to the legislature its recommendations relating to
23 the confirmation of suggested appointees to the Alaska Permanent Fund
24 Corporation Board of Trustees, the Board of Trustees of the Alaska
25 Renewable Resources Corporation, and the Alaska Enterprise Investment
26 Corporation Policy Board;

27 (2) annually review the long-range operating plans of all
28 agencies of the state which perform lending or investment functions;

29 (3) review periodic reports from all agencies of the state

1 which perform lending or investment functions;

2 (4) present a complete report of investment programs, plans,
3 performance, and policies of all agencies of the state which perform
4 lending or investment functions to the legislature within 30 days after
5 the convening of each regular session;

6 (5) present to the legislature within 30 days after the con-
7 vening of each regular session a review of the report of the governor
8 under AS 37.09.020(b) with recommendations for any needed legislation;

9 (6) in conjunction with the finance committee of each house
10 recommend annually to the legislature the investment policy for the
11 general fund surplus and the income from the permanent fund;

12 (7) provide for an annual post audit and annual operational
13 and performance evaluation of the Alaska Permanent Fund Corporation in-
14 vestments and investment programs.

15 Sec. 24.20.700. RECORDS. The committee shall keep a complete file
16 of all reports presented to it and all reports presented by it to the
17 legislature or any legislative committee.

18 * Sec. 2. AS 37.07.020 is amended by adding a new subsection to read:

19 (b) The governor shall annually, before the convening of the
20 legislature, report to the legislature through the Investment Oversight
21 Committee the long-range fiscal and economic consequences of

22 (1) alternate levels of capitalization of the investment
23 funds of the state; and

24 (2) alternative investment policy for the general fund sur-
25 plus.

26 * Sec. 3. AS 37 is amended by adding a new chapter to read:

27 CHAPTER 13. ALASKA PERMANENT FUND.

28 Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of
29 the state constitution, there is established as a separate fund the

Alaska permanent fund. The permanent fund consists of 100 per cent of mineral lease bonuses after deduction of any amounts allocated to the Alaska Native Fund under the Alaska Native Claims Settlement Act and implementing state legislation and any amounts allocated by law to the Alaska renewable resources development fund and 30 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments received by the state and any other money allocated by law or appropriated to the principal of the fund which shall be paid to the Alaska Permanent Fund Corporation at least once each month. Management of the permanent fund is performed by (1) the Alaska Permanent Fund Corporation established in this chapter to which five-sixths of the receipts from these sources is allocated and (2) the Alaska Enterprise Investment Corporation established in AS 44.55 to which one-sixth of the receipts from these sources is allocated until the amount so allocated reaches the sum of \$100,000,000. Thereafter the total receipts from these sources is allocated to the Alaska Permanent Fund Corporation.

Sec. 37.13.020. FINDINGS. The people of the state, by constitutional amendment, have required the placement of at least 25 per cent of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses received by the state into a permanent fund. The legislature finds with respect to the Alaska Permanent Fund Corporation that

(1) the corporation should provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of future generations of Alaskans;

(2) the corporation's primary goal should be to maximize total return while maintaining safety of principal;

(3) the corporation should be used as a savings device

1 managed to allow the maximum use of disposable income from the corpora-
2 tion as needed for purposes designated by law.

3 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to
4 provide a mechanism for the management and investment of those permanent
5 fund assets allocated to the Alaska Permanent Fund Corporation in a
6 manner consistent with the findings established in sec. 20 of this
7 chapter.

8 Sec. 37.13.040. ALASKA PERMANENT FUND CORPORATION. There is
9 established the Alaska Permanent Fund Corporation. The corporation is a
10 public corporation and government instrumentality in the Department of
11 Revenue managed by a board of trustees but has a legal existence inde-
12 pendent of and separate from the state. The purpose of the board is to
13 manage and invest the assets of the corporation in accordance with this
14 chapter.

15 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
16 of trustees consists of three members appointed by the governor and
17 confirmed by a majority of the members of the legislature in joint
18 session.

19 (b) The board shall annually elect a chairman from among its
20 members.

21 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
22 appointed for terms of four years, and they may be reappointed. Terms
23 shall be staggered. Initial terms shall be one member serving for two
24 years, one member serving for three years, and one member serving for
25 four years.

26 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
27 remove a trustee from office by and with the consent of a majority of
28 the members of the legislature in joint session. A removal by the
29 governor shall be in writing and state the reason for removal. If the

1 legislature is not in session, the governor may suspend a member of the
2 board. Upon suspension, a vacancy is not created but the trustee may
3 not participate in board business and may not be counted for purposes
4 of establishing a quorum. The joint session shall be held within
5 30 days from the date of removal if the removal occurs while the
6 legislature is in session or within 30 days of convening of the legis-
7 lature if the legislature is not in session. If the legislature refuses
8 to consent to his removal, the trustee shall be reinstated to his
9 position.

10 (b) A vacancy on the board shall be promptly filled by appointment
11 by the governor and confirmation by a majority of the members of the
12 legislature in joint session, and an appointee to fill a vacancy shall
13 hold office for the balance of the term for which his predecessor on the
14 board was appointed. If a vacancy arises on the board while the legis-
15 lature is not in session, the governor may appoint an interim trustee
16 who shall exercise all powers of a permanent trustee until such time as
17 the legislature in joint session fails to confirm the interim trustee's
18 appointment.

19 (c) A vacancy on the board does not impair the authority of a
20 quorum of the board to exercise all the powers and perform all the
21 duties of the board.

22 Sec. 37.13.080. QUALIFICATIONS OF TRUSTEES. (a) No trustee may
23 be appointed to the board who has not been a resident of the state for
24 at least three years.

25 (b) No member of the board may hold any other state or federal
26 office, position or employment, either elective or appointive, except as
27 a member of the armed forces of the United States or of this state.

28 (c) At least one member of the board shall have recognized
29 competence and wide experience in finance, investments, or other busi-

1 ness management-related field. No two members may be appointed to the
2 board who share substantially similar professional or occupational
3 backgrounds.

4 Sec. 37.13.090. QUORUM. Two members of the board constitute a
5 quorum for the transaction of business and the exercise of the powers
6 and duties of the board.

7 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees receive an
8 honorarium of \$250 for each meeting day if they attend the meeting and
9 are entitled to per diem and travel allowances as provided by law for
10 members of state boards and commissions.

11 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
12 determine the salary of an executive director. The executive director
13 may, with the approval of the board, select and employ additional staff
14 as necessary. No employee of the corporation, including the executive
15 director, may be a trustee. The executive director and all other
16 employees of the board are in the exempt service under AS 39.25.

17 Sec. 37.13.120. CONFLICTS OF INTEREST. (a) Trustees are subject
18 to the provisions of AS 39.50.

19 (b) If a member or employee acquires, owns or controls an in-
20 terest, direct or indirect, in an entity or project in which corporation
21 assets are invested, he shall immediately disclose the interest to the
22 board. The disclosure is a matter of public record and shall be in-
23 cluded in the minutes of the board meeting next following the disclo-
24 sure.

25 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-man rule is
26 applicable to the board in the management and investment of permanent
27 fund assets. The prudent-man rule as applied to investments of the
28 corporation means that in making investments the board shall exercise
29 the judgment and care under the circumstances then prevailing which an

1 institutional investor of ordinary prudence, discretion, and intel-
2 ligence exercises in the management of large investments entrusted to it
3 not in regard to speculation but in regard to the permanent disposition
4 of funds, considering the probable income from them as well as probable
5 safety of capital.

6 (b) The corporation assets may only be used for income-producing
7 investments.

8 (c) The board shall seek to maintain a reasonable diversification
9 among corporation investments unless under the circumstances it is
10 clearly prudent not to do so.

11 (d) The board shall submit long-range and quarterly investment
12 reports to the Investment Oversight Committee.

13 (e) The corporation may not borrow funds or guarantee from princi-
14 pal of the fund the obligations of others.

15 (f) The board may enter into and enforce all contracts necessary,
16 convenient or desirable for purposes of the corporation except it may
17 not contract with agencies or departments of the state to recommend or
18 select investments.

19 (g) Subject to (a) and (b) of this section, the board may invest
20 corporation assets in obligations of, or obligations insured or guaran-
21 teed by, the United States or agencies or instrumentalities of the
22 United States; loans secured by first liens on unencumbered realty or
23 leaseholds; corporate securities which under the Securities Act of 1933
24 are freely marketable; and short-term investments which meet the require-
25 ments of (a) and (b) of this section except for the term of the invest-
26 ments.

27 (1) No portion of the assets of the fund may be used in the
28 purchase of stock of any corporation which is not paying dividends on
29 that stock in cash at the time of purchase; nor in the purchase of bonds

1 of any corporation, upon which any regular interest payment has been
2 defaulted at any time within five years before purchase, except bonds
3 never in default but which have been outstanding for less than five
4 years.

5 (2) No portion of the assets of the corporation may be used
6 in the purchase of stock if immediately following the purchase the
7 proportionate market value of all stocks held by the corporation would
8 exceed 30 per cent of the corporation's assets.

9 (h) The board shall establish and from time to time as necessary
10 modify guidelines for the investment of the corporation's assets.
11 Before adoption of any guidelines the guidelines shall be reported to
12 the Investment Oversight Committee for review and comment.

13 (i) Nothing in this section may be interpreted to preclude in-
14 state investments that have a risk level and expected yield comparable
15 to alternative investment opportunities.

16 Sec. 37.13.140. GAINS AND LOSSES. At the end of each fiscal year,
17 the total amount of losses on the sales of securities, not offset by
18 gains on the sales of securities during that year, shall be computed,
19 with a portion of these losses to be deducted each fiscal year from the
20 interest and dividend income and the resulting amount of interest and
21 dividend income added to the principal of the fund. Losses taken on the
22 sales of bonds shall be accumulated over a period equal to the average
23 remaining life of the bonds sold, and losses taken on the sales of
24 stocks shall be accumulated within a period of five years, unless these
25 losses are offset by gains on future sales of securities. In any fiscal
26 year in which the gains on the sales of securities exceed the losses on
27 the sales of securities, the excess shall be added to the principal of
28 the fund.

29 Sec. 37.13.150. INCOME. The interest and dividends received in a

1 year are the income of the corporation for that year. The income avail-
2 able for disbursement shall be determined on an averaging basis. For
3 the first five years, income will be the simple averaging of the annual
4 current return at cost. Subsequently, there will be a moving average
5 current return, in which the latest fiscal year will replace the oldest
6 year. The income available for disbursement will be the lesser of the
7 latest fiscal year's income, or the average annual current income for
8 the past five fiscal years of the fund at cost, and after adjustment for
9 capital losses charged to that fiscal year.

10 Sec. 37.13.155. MORTGAGE LOSS RESERVE ACCOUNT. The board may
11 establish a mortgage loss reserve account for the purpose of protecting
12 the financial integrity of the fund.

13 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
14 from the general fund and is subject to the Executive Budget Act (AS
15 37.07).

16 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
17 provide for an annual post audit and annual operational and performance
18 evaluations of the corporation's investments and investment programs.

19 Sec. 37.13.180. REPORTS AND PUBLICATIONS. No later than Septem-
20 ber 30 of each year, the board shall publish a report to the governor,
21 legislature, and the public in easily understandable language. Each
22 report must include financial statements audited by independent outside
23 auditors, a statement of the amount of money received by the permanent
24 fund from each investment during the period covered, a statement of
25 corporation investments including an appraisal at market value, a de-
26 scription of corporation investment activity during the period covered
27 by the report, a comparison of the corporation performance with the
28 intended goals contained in sec. 20 of this chapter, an examination of
29 the impact of the investment criteria of this chapter on the corporation

1 portfolio with recommendations of any needed changes and any other
2 information the board believes would be of interest to the governor, the
3 legislature, and the public. The annual income statement and balance
4 sheet of the corporation shall be published in at least one newspaper in
5 each judicial district. The income statement and balance sheet for the
6 two fiscal years preceding the publication of the election pamphlet
7 under AS 15.57 shall be included in that pamphlet. The board may also
8 publish other reports it considers desirable to carry out its purpose.

9 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
10 taxes and assessments in the state. All security instruments issued by
11 the corporation, their transfer, and their income are exempt from all
12 taxes and assessments in the state.

13 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
14 trustees and employees of the corporation may not engage in partisan
15 political activities. The resources of the corporation may not be used
16 to finance any partisan political activities.

17 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
18 possession of the corporation is a public record, except that infor-
19 mation which discloses the particulars of the business or affairs of a
20 private enterprise or investor is confidential and is not a public
21 record. Confidential information may be disclosed only for the purposes
22 of an official law enforcement investigation or when its production is
23 required in a court proceeding. These restrictions do not prohibit the
24 publication of statistics presented in a manner that prevents the iden-
25 tification of particular reports, items, persons, or enterprises.

26 * Sec. 4. AS 44 is amended by adding a new chapter to read:

27 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

28 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
29 created the Alaska Enterprise Investment Corporation. The corporation

1 is a public corporation and government instrumentality in the Department
2 of Revenue but has legal existence independent of and separate from the
3 state. The exercise by the corporation of the powers conferred by this
4 chapter is considered an essential governmental function of the state.

5 (b) One-sixth of the receipts of all mineral lease rentals, roy-
6 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
7 ments and bonuses allocated to the Alaska permanent fund shall be paid
8 by the Alaska Permanent Fund Corporation directly into the Alaska
9 Enterprise Investment Corporation until a total of \$100,000,000 has been
10 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
11 tion under this subsection is the paid-in capital of the corporation.

12 Sec. 44.55.020. FINDINGS. The legislature finds

13 (1) that investment in financially sound small and medium
14 scale (A) productive private enterprises and (B) community development
15 projects in the state, for which sufficient capital is not available
16 from other sources on reasonable terms, is of benefit to the citizens of
17 the state;

18 (2) there is a shortage of investment capital available from
19 other sources on reasonable terms for financially sound small and medium
20 scale productive private enterprise and community development projects;

21 (3) that the corporation working with private financial
22 institutions to supplement but not supplant their services can help to
23 alleviate this shortage.

24 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
25 provide capital at market rates and terms which are not available from
26 other sources on reasonable terms for small and medium scale productive
27 private enterprises and community development projects.

28 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
29 BOARD. (a) There is established the Alaska Enterprise Investment

1 Corporation Policy Board consisting of a person employed in the execu-
2 tive branch of state government appointed by the governor and six public
3 members appointed by the governor with due regard for geographical
4 representation and confirmed by a majority of the members of the legis-
5 lature in joint session. At least two of the public members shall have
6 recognized competency and wide experience in investment and finance. No
7 public member may be appointed to the board who has not been a resident
8 of the state for at least three years. The board shall elect one of the
9 public members as chairman and other officers they determine desirable.

10 (b) The six public members shall serve for four-year terms, and
11 they may be reappointed. Terms shall be staggered. Initial terms shall
12 be two members serving for two years, two members serving for three
13 years, and two members serving for four years. A member continues to
14 serve until his successor is appointed and confirmed.

15 (c) A majority of the policy board members constitutes a quorum
16 for the transaction of business by the board. Decisions of the board
17 shall be taken by a majority vote. The board shall hold at least one
18 public meeting each year.

19 (d) Public members of the policy board receive an honorarium of
20 \$250 for each meeting day if they attend the meeting and are entitled to
21 per diem and travel allowances as provided by law for members of state
22 boards and commissions.

23 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
24 may remove a policy board member from office by and with the consent of
25 a majority of the members of the legislature in joint session. The
26 joint session shall be held within 10 days from the date of removal if
27 the removal occurs while the legislature is in session or within 30 days
28 of convening of the legislature if the member was suspended. If the
29 legislature is not in session, the governor may suspend a member of the

policy board for cause. Upon suspension, a vacancy is not created but a board member may not participate in policy board business and may not be counted for purposes of establishing a quorum. If the legislature refuses to consent to his removal, the member shall be reinstated to his position.

(b) A vacancy arising on the policy board shall be promptly filled by appointment by the governor and confirmation by a majority of the members of the legislature in joint session, and an appointee to fill a vacancy shall hold office for the balance of the term for which his predecessor on the board was appointed. If a vacancy arises on the board while the legislature is not in session, the governor may appoint an interim board member who shall exercise all powers of a permanent board member until such time as the legislature in joint session fails to confirm the interim member's appointment.

(c) A vacancy on the policy board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

(1) select and appoint the president and other members of the Investment Committee established in sec. 80 of this chapter;

(2) annually review and approve long-range operating plans, the budget for the forthcoming year, and the financial plan for the following years;

(3) have responsibility on behalf of the corporation for relations with the general public, legislature, executive branch, local communities, and interest groups concerning all things excepting only those matters that are the responsibility of the Investment Committee;

(4) review quarterly reports from the Investment Committee concerning investment decisions and investment supervision, but the