

ALASKA LEGAL SERVICES / SUBJ: ELLIS / 86/2
SOCOM 9: HOUSE SPEC. CON. PERMANENT 1977-78

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

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

11 Sec. 44.55.020. FINDINGS. The legislature finds

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

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

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

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

27 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
28 BOARD. (1) There is established the Alaska Enterprise Investment
29 Corporation Policy Board consisting of a person employed in the execu-

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

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

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

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

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

1 board member may not participate in policy board business and may not be
2 counted for purposes of establishing a quorum. If the legislature
3 refuses to consent to his removal, the member shall be reinstated to his
4 position.

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

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

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

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

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

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

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

1 board may not impose an investment decision upon, or override an invest-
2 ment decision of, the Investment Committee;

3 (5) review, consider and approve policies;

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

6 Sec. 44.55.070. PRESIDENT. The president of the corporation is
7 appointed by the policy board for a term of four years, may be reap-
8 pointed, and serves at the pleasure of the policy board. The salary of
9 the president is set at the discretion of the policy board; but may not
10 be set below that of the highest paid member of the Investment Commit-
11 tee. The president shall

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

14 (2) be responsible for the ordinary business of the corpo-
15 ration and the organization, appointment, dismissal, and remuneration of
16 the officers and staff;

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

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

21 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
22 the Investment Committee, consisting of the president and four members
23 appointed by the policy board. No member of the policy board may be a
24 member of the committee. Members of the committee shall be persons of
25 recognized competence and wide experience in investments, finance, and
26 other business management-related fields. No member may be appointed to
27 the committee who has not been a resident of the state for at least
28 three years. A member may be reappointed and continue to serve until
29 his successor is appointed. The president and members shall serve for

1 four-year terms. Terms shall be staggered. Initial terms shall be one
2 member serving for one year, one member serving for two years, one
3 member serving for three years, and one member and the president serving
4 for four years.

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

7 (c) Members of the committee other than the president receive an
8 annual salary in the amount set by the policy board.

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

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

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

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

- 21 (1) adopt, alter and use a corporate seal;
- 22 (2) prescribe, adopt, amend, and repeal bylaws;
- 23 (3) sue and be sued in the name of the corporation;
- 24 (4) borrow funds, and in that connection furnish such collat-
25 eral or other security as it determines, except that corporation borrow-
26 ing may not exceed its paid-in capital;
- 27 (5) guarantee obligations of another corporation or legal
28 entity in order to facilitate their sale;
- 29 (6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

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

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

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

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

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

18 (2) deposit or invest surplus funds through the Alaska Perma-
19 nent Fund Corporation in such obligations as the committee may deter-
20 mine;

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

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

25 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
26 committee and staff shall exercise the judgment and care under the
27 circumstances then prevailing which a person of ordinary prudence,
28 discretion, and intelligence exercises in the management of his own
29 affairs taking into consideration the probable income from the invest-

1 ments as well as probable safety of principal.

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

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

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

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

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

29 (g) The committee shall only undertake its financing on terms and

1 conditions which it considers appropriate, taking into account the terms
2 and conditions normally obtained by private investors for similar fi-
3 nancing, the requirements of the enterprise or project, the risks being
4 undertaken by the corporation, and the participation of other investors
5 unless the legislature has appropriated funds for subsidizing invest-
6 ments which in the opinion of the corporation are of such high priority
7 that special terms and conditions are appropriate.

8 (h) The committee may seek to revolve the corporation's money by
9 selling its investments to other investors whenever it can appropriately
10 do so on satisfactory terms.

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

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

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

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

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

27 (n) Nothing in this section prevents the committee, in the event
28 of actual or threatened default on any of its investments, actual or
29 threatened insolvency of the enterprise in which the investment has been

1 made, or other situations which, in the opinion of the committee,
2 threaten to jeopardize the investment, from taking such action and
3 exercising such rights as it may consider necessary for the protection
4 of its interests.

5 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
6 financing operations, the policy board shall render a detailed report to
7 the legislature which shall

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

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

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

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

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

18 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
19 publish an annual report in easily understandable language to the gover-
20 nor, legislature and the public. Each report shall include financial
21 statements audited by independent outside auditors, a statement of the
22 amount of money received by the corporation from each source during the
23 period covered, a statement of corporation investments, a description of
24 corporation investment activity during the period covered by the report,
25 an analysis of economic and other effects of investment decisions in-
26 cluding, but not limited to, the effects on employment, income distri-
27 bution, environment, health, social and other factors, and any other
28 information the policy board believes would be of interest to the gover-
29 nor, the legislature and the public. The corporation may also publish

1 such other reports as it considers desirable to carry out its purpose.

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

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

8 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy
9 board and the committee and officers and staff of the corporation may
10 not engage in partisan political activities. The resources of the
11 corporation may not be used to finance any partisan political activi-
12 ties.

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

22 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
23 taxes and assessments in the state. All security instruments issued by
24 the corporation, their transfer, and their income are exempt from all
25 taxes and assessments in the state.

26 Sec. 44.55.200. DEFINITIONS. In this chapter

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

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

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

5 (4) "corporation" means the Alaska Enterprise Investment
6 Corporation.

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

8 (21) members of the policy board and Investment Committee, and
9 the president, officers, and staff of the Alaska Enterprise Investment
10 Corporation;

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

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

14 (NN) Alaska Enterprise Investment Corporation Policy
15 Board and Investment Committee;

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

17 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
18 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
19 tion established by this Act after request for transfer is made by the cor-
20 poration board of trustees.

21 (b) The Alaska Enterprise Investment Corporation may not expend funds
22 for any purpose other than normal operating expenses of the corporation until
23 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
24 the corporation including the funds received under AS 44.55.010 in sec. 4 of
25 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
26 4 of this Act until the paid-in capital reaches \$50,000,000.

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

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

29 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds

1 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
2 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
3 immediately in accordance with AS 01.10.070(c).
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Original sponsor: Special Committee on the
Alaska Permanent Fund

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 material ;

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 departments 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 rent 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).

w.o. 4350
12/9/77

1 IN THE HOUSE

2 HOUSE BILL NO.

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. STATE INVESTMENT OVERSIGHT COMMITTEE.

11 Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED.

12 The State Investment Oversight Committee is established as a permanent
13 interim committee of the legislature. The establishment of the com-
14 mittee recognizes the need of the legislature for technical review and
15 oversight of the performance of all agencies of the state which perform
16 lending, borrowing or investment functions.

17 Sec. 24.20.610. MEMBERSHIP. The committee is composed of eight
18 members: the president of the senate, the speaker of the house, and
19 three members appointed from each house by the respective presiding
20 officer. The membership from each house shall include at least one
21 member from each of the two major political parties. The committee
22 shall select its own chairman.

23 Sec. 24.20.620. TERM OF MEMBERSHIP. (a) The committee shall be
24 organized within 15 days after the organization of each legislature.
25 Members serve for the duration of the legislature during which they are
26 appointed. If a member is reelected or his term of office extends into
27 the next succeeding legislature, he continues to serve until reappointed
28 or the appointment of his successor.

29 (b) When a member of the committee files a declaration of candi-

1 dacy for an elective office other than that of member of either house of
2 the legislature, and he has not resigned from membership on the commit-
3 tee, his committee membership terminates on the date of filing.

4 Sec. 24.20.630. VACANCIES. When a vacancy occurs in the statutory
5 or appointive membership of the committee, the presiding officer of the
6 house incurring the vacancy shall choose a successor. If the office of
7 the president of the senate or speaker of the house of representatives
8 becomes vacant and a vacancy from the affected house occurs among the
9 membership of the committee, the remaining committee members from the
10 house incurring the vacancy shall appoint a new member.

11 Sec. 24.20.640. MEETINGS. The committee may meet during sessions
12 of the legislature and during the interim between sessions at such times
13 and places in the state as the chairman may determine. Members may
14 receive, for the minimum time required to get to and from meetings and
15 for the period while attending meetings, the same travel and per diem
16 allowances provided by law for members of the legislature when attending
17 sessions, except that members of the committee receive no per diem
18 during legislative sessions other than the per diem allowance paid to
19 other members of the legislature.

20 Sec. 24.20.650. POWERS. The committee has the power to

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

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

1 (3) require all state officials and agencies of state govern-
2 ment to give full cooperation to the committee or its staff in assembling
3 and furnishing requested information;

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

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

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

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

17 Sec. 24.20.660. STAFF. The legislative audit division shall
18 provide staff reasonably necessary for the conduct of the committee
19 duties. The committee may hire and determine the salary of the adminis-
20 trative support staff it considers necessary within the limit of the
21 budget approved by the legislature.

22 Sec. 24.20.670. DUTIES. The committee shall

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

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

functions;

(3) review quarterly reports from the Alaska Permanent Fund Board of Trustees, the Board of Trustees of the Alaska Renewable Resources Corporation, and the Alaska Enterprise Investment Fund Policy Board;

(4) present a complete report of investment programs, plans, performance, and policies of the Alaska Permanent Fund Board of Trustees, the Board of Trustees of the Alaska Renewable Resources Corporation, and the Alaska Enterprise Investment Fund Policy Board to the legislature within 30 days after the convening of each regular session.

Sec. 24.20.680. RECORDS. The committee shall keep a complete file of all reports presented to it and all reports presented by it to the legislature or any legislative committee.

* Sec. 2. AS 37 is amended by adding a new chapter to read:

CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of 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. The permanent fund consists of (1) the fund established in this chapter to which five-sixths of the receipts from these sources is allocated and (2) the Alaska Enterprise Investment Fund established in AS 44.55 to which one-sixth of the receipts from these sources is allocated until

1 the amount so allocated reaches the sum of \$100,000,000. Thereafter the
2 total receipts from these sources is allocated to the fund established
3 in this chapter.

4 Sec. 37.13.020. FINDINGS. The people of the state, by constitu-
5 tional amendment, have required the placement of at least 25 per cent of
6 all mineral lease rentals, royalties, royalty sale proceeds, and federal
7 mineral revenue sharing payments and bonuses received by the state into
8 a permanent fund. The legislature finds that

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

12 (2) the primary goal of the fund should be to maximize total
13 return while maintaining safety of principal;

14 (3) the permanent fund should be used as a savings device
15 until the future time when disposable income from the fund will be
16 needed to replace depleting mineral resource revenues.

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

21 Sec. 37.13.040. ALASKA PERMANENT FUND BOARD OF TRUSTEES. There is
22 established the Alaska Permanent Fund Board of Trustees. The permanent
23 fund board of trustees is a public corporation and government instru-
24 mentality in the Department of Revenue but has a legal existence inde-
25 pendent of and separate from the state. The purpose of the board is to
26 manage and invest the assets of the permanent fund in accordance with
27 the guidelines established in this chapter.

28 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
29 of trustees consists of three members appointed by the governor and con-

1 firmed by a majority of the members of the legislature in joint session.

2 (b) The board shall annually elect a chairman from among its members

3 Sec. 37.13.060. TERM OF OFFICE. The members of the board shall be
4 appointed for terms of three years, and they may be reappointed. Terms
5 shall be staggered. Initial terms shall be one member serving for one
6 year, one member serving for two years, and one member serving for three
7 years.

8 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
9 remove a trustee from office by and with the consent of a majority of
10 the members of the legislature in joint session. A removal by the
11 governor shall be in writing and state the reason for removal. If the
12 legislature is not in session, the governor may suspend a member of the
13 board. Upon suspension, a trustee may not participate in board business
14 and may not be counted for purposes of establishing a quorum. A sus-
15 pended member shall continue to receive his salary as a trustee until
16 the legislature in joint session consents to his removal. The joint
17 session shall be held within 30 days from the date of removal if the
18 removal occurs while the legislature is in session or within 30 days of
19 convening of the legislature if the legislature is not in session. If
20 the legislature refuses to consent to his removal, the trustee shall be
21 reinstated to his position.

22 (b) A vacancy on the board shall be promptly filled by appointment
23 by the governor and confirmation by a majority of the members of the
24 legislature in joint session, and an appointee to fill a vacancy shall
25 hold office for the balance of the term for which his predecessor on the
26 board was appointed. If a vacancy arises on the board while the legis-
27 lature is not in session, the governor may appoint an interim trustee
28 who shall exercise all powers and receive the salary of a permanent
29 trustee until such time as the legislature in joint session fails to
30 confirm the interim trustee's appointment.

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

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

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

10 (c) At least one member of the board shall be knowledgeable and
11 experienced in finance, investments, or other business management-
12 related field. No two members may be appointed to the board who share
13 substantially similar professional or occupational backgrounds.

14 Sec. 37.13.090. QUORUM. Two members of the board constitute a
15 quorum for the transaction of business and the exercise of the powers
16 and duties of the board.

17 Sec. 37.13.100. COMPENSATION OF TRUSTEES. Trustees serve without
18 compensation except that each member may be reimbursed by the fund for
19 travel and per diem expenses at the rate set by law for members of
20 boards and commissions.

21 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
22 determine the salary of an executive director. The executive director
23 may, with the approval of the board, select and employ additional staff
24 as necessary. The executive director may not be a trustee. The execu-
25 tive director and all employees of the board are in the exempt service
26 under AS 39.25.

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

29 (b) No member or employee of the board shall acquire an interest,

1 direct or indirect, in a corporation, company, association, or project
2 owned, controlled, or invested in by the permanent fund. If a member or
3 employee owns or controls an interest, he shall immediately disclose the
4 interest in writing to the board and refrain from participating in any
5 manner in any board activity relating to that interest.

6 Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent-person rule
7 is applicable to the board in its management and investment of permanent
8 fund assets. In making investments, the board shall exercise the judg-
9 ment and care under the circumstances then prevailing which an insti-
10 tutional investor of ordinary prudence, discretion, and intelligence
11 exercises in the management of large investments entrusted to it not in
12 regard to speculation but in regard to the permanent disposition of
13 funds, considering the probable income from them as well as probable
14 safety of capital.

15 (b) The board shall seek to maintain a reasonable diversification
16 of type and maturity of investments in its investments.

17 (c) The board shall submit long-range and quarterly investment
18 reports to the State Investment Oversight Committee.

19 (d) The board may not borrow funds or guarantee loans made by any
20 other program or association.

21 (e) The board may, except as provided by (f) of this section enter
22 into and enforce all contracts necessary, convenient or desirable for
23 purposes of the fund.

24 (f) The permanent fund shall be used only for income-producing
25 investments. The board may contract only with private persons or
26 organizations to recommend or select investments for the permanent fund.
27 Investments shall be selected in accordance with (g) of this section.

28 (g) Subject to (a) of this section the board may invest its assets
29 in obligations of the United States or obligations for which the faith

1 and credit of the United States are pledged for payment of principal and
2 interest; loans secured by first liens on unencumbered realty or lease-
3 hold; and corporate stock and corporate obligations which under the
4 Securities Act of 1933 are freely tradeable.

5 (1) No portion of the assets of the fund may be used in the
6 purchase of stocks of any company whose primary business is the explo-
7 ration or development of oil or gas; nor in the purchase of stock of any
8 corporation which is not paying dividends on that stock in cash at the
9 time of purchase; nor in the purchase of bonds of any corporation, upon
10 which any regular interest payment has been defaulted at any time within
11 five years before purchase, except bonds never in default but which have
12 been outstanding for less than five years.

13 (2) No portion of the assets of the fund may be used in the
14 purchase of stocks of an issuer if immediately following the purchase

15 (A) the proportionate market value of all stocks of the
16 issuer held by the fund would exceed the greater of 2 per cent of
17 the fund's equity assets or 125 per cent of the proportionate value
18 which the securities of the issuer represent in the Standard &
19 Poors 550 stock index;

20 (B) the aggregate market value of all stock of the
21 issuer held by the fund would exceed 3 per cent of the aggregate
22 market value of the issuer's outstanding equity security; or

23 (C) the proportionate market value of all stocks then
24 held by the fund in the issuer's industry would exceed the greater
25 of 6 per cent of the fund's equity assets or 250 per cent of the
26 proportionate value which the securities of that industry represent
27 to the Standard & Poors 550 Stock Index.

28 (3) No portion of the assets of the fund may be used in the
29 purchase of corporate obligations of an issuer if immediately following

1 the purchase the aggregate value of all obligations of that issuer would
2 exceed the lesser of 2 per cent of the total corporate obligations held
3 by the fund or 3 per cent of the aggregate market value of the issuer's
4 outstanding obligations.

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

18 Sec. 37.13.150. BOARD BUDGET. The board's operating budget is
19 from the general fund and is subject to the Executive Budget Act (AS
20 37.07).

21 Sec. 37.13.160. AUDITS. The Legislative Budget and Audit Commit-
22 tee shall conduct annual operational and performance evaluations (post-
23 audits) of the board's investments and investment programs and report
24 the results to the State Investment Oversight Committee.

25 Sec. 37.13.170. REPORTS AND PUBLICATIONS. No later than the 20th
26 day of the legislative session, the board shall publish a report to the
27 governor, legislature, and the public in easily understandable language.
28 Each report must include financial statements audited by the Legislative
29 Budget and Audit Committee, a statement of the amount of money received

1 by the permanent fund from each investment during the period covered, a
2 statement of permanent fund investments, a description of permanent fund
3 investment activity during the period covered by the report, a com-
4 parison of the fund performance with the intended goals contained in
5 sec. 20 of this chapter, an examination of the impact of the investment
6 criteria of this chapter on the fund portfolio with recommendations of
7 any needed changes and any other information the board believes would be
8 of interest to the governor, the legislature, and the public. The
9 annual income statement and balance sheet of the permanent fund shall be
10 published in at least one newspaper in each judicial district. The
11 board may also publish other reports it considers desirable to carry out
12 its purpose.

13 * Sec. 3. AS 44 is amended by adding a new chapter to read:

14 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT FUND.

15 Sec. 44.55.010. CREATION OF INVESTMENT FUND: FUNDING. (a) There
16 is created the Alaska Enterprise Investment Fund. The investment fund
17 is a public corporation and government instrumentality in the Department
18 of Revenue but has legal existence independent of and separate from the
19 state. The exercise by the investment fund of the powers conferred by
20 this chapter is considered an essential governmental function of the
21 state.

22 (b) One-sixth of the receipts of all mineral lease rentals, roy-
23 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
24 ments and bonuses allocated to the permanent fund shall be paid directly
25 into the investment fund until a total of \$100,000,000 has been paid in.

26 Sec. 44.55.020. ALASKA ENTERPRISE INVESTMENT FUND POLICY BOARD.

27 (a) There is established the Alaska Enterprise Fund Policy Board con-
28 sisting of a person employed in the executive branch of state government
29 appointed by the governor and six public members appointed by the

1 governor with due regard for geographical representation and confirmed
2 by a majority of the members of the legislature in joint session. At
3 least two of the public members shall have broad experience in invest-
4 ment finance. The board shall elect one of the public members as
5 chairman and other officers they determine desirable.

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

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

15 (d) Members of the policy board receive \$_____ per meeting day if
16 they attend the meeting and are entitled to per diem and travel allow-
17 ances as are provided by law for members of state boards and commissions.

18 Sec. 44.55.030. REMOVAL AND VACANCIES ON BOARD. (a) The governor
19 may remove a policy board member from office by and with the consent of
20 a majority of the members of the legislature in joint session. The joint
21 session shall be held within 10 days from the date of removal if the
22 removal occurs while the legislature is in session or within 30 days of
23 convening of the legislature if the member was suspended. If the
24 legislature is not in session, the governor may suspend a member of the
25 policy board for cause. Upon suspension, a board member may not par-
26 ticipate in policy board business and may not be counted for purposes of
27 establishing a quorum. A suspended member shall continue to receive his
28 salary as a board member until the legislature in joint session consents
29 to his removal. If the legislature refuses to consent to his removal,

1 the member shall be reinstated to his position.

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

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

14 Sec. 44.55.040. DUTIES OF THE POLICY BOARD. The policy board
15 shall

16 (1) select and appoint the president and other members of the
17 Alaska Enterprise Investment Fund Investment Committee established in
18 sec. 50 of this chapter;

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

22 (3) have responsibility on behalf of the bank for relations
23 with the general public, legislature, executive branch, local communi-
24 ties, and interest groups concerning all things excepting only those
25 matters that are the responsibility of the investment committee;

26 (4) review quarterly reports from the investment committee
27 concerning investment decisions and investment supervision, but the
28 board may not impose an investment decision upon, or override an invest-
29 ment decision of, the investment committee;

*Letty of Pol. Bd. is audit comm.
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(5) review, consider and approve policies;

(6) establish an audit committee, consisting of the commissioner of revenue and other members of the policy board to be designated by the commissioner, which shall select independent outside auditors, and receive all audit reports,

Sec. 44.55.050. ALASKA ENTERPRISE INVESTMENT FUND INVESTMENT COMMITTEE. (a) There is established the Alaska Enterprise Investment Fund Investment Committee, consisting of a president and four members appointed by the policy board. No member of the policy board may be a member of the investment committee. Members of the investment committee shall be persons of recognized competence and wide experience in investments, finance, and other business management-related fields. A member may be reappointed and continue to serve until his successor is appointed. The president and members shall serve for four-year terms. Terms shall be staggered. Initial terms shall be one member serving for one year, one member serving for two years, one member serving for three years, and one member and the president serving for four years.

(b) Four members of the investment committee constitute a quorum. Decisions of the committee shall be taken by majority vote.

(c) Members of the investment committee are in the exempt service under AS 39.25 and receive an annual salary within Range 30 in the salary schedule for state employees established by AS 39.27.011.

Sec. 44.55.060. DUTIES OF THE INVESTMENT COMMITTEE. The investment committee has sole responsibility to approve all investment proposals.

Sec. 44.55.070. BUDGET. The investment fund operating budget is from the general fund and is subject to the provisions of the Executive Budget Act (AS 37.07).

Sec. 44.55.080. PERSONNEL OF INVESTMENT FUND. Policy board

1 members, investment committee members, and officers and staff of the
2 investment fund are in the exempt service under AS 39.25.

3 Sec. 44.55.090. FINDINGS. The legislature finds

4 (1) that investment in financially sound small and medium
5 scale productive private enterprises and community development projects
6 in the state, particularly in rural areas, is of benefit to the citizens
7 of the state;

8 (2) there is a shortage of investment capital for financially
9 sound small and medium scale productive private enterprises, and com-
10 munity development projects particularly in rural areas of the state;

11 (3) that the investment fund working with private financial
12 institutions to supplement but not supplant their services can help to
13 alleviate this shortage.

14 Sec. 44.55.100. PURPOSE. The purpose of the investment fund is
15 to provide capital at market rates and terms for small and medium scale
16 productive private enterprises, and community development projects
17 particularly in rural areas of the state.

18 Sec. 44.55.110. POWERS OF THE INVESTMENT FUND. (a) In carrying
19 out the corporate purposes of the investment fund, the policy board has
20 power to

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

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

23 (3) sue and be sued in the name of the investment fund;

24 (4) borrow funds, and in that connection furnish such collat-
25 eral or other security as it determines, except that investment fund
26 borrowing may not exceed one-half of its paid-in capital;

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

29 (6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

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

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

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

8 (b) In carrying out the corporate purposes of the investment fund,
9 the investment committee has the power to

10 (1) invest, in such form and such amounts as it considers
11 appropriate, by purchasing the capital stock of, or lending money to,
12 projects, except that any investment in the capital stock of or other
13 ownership interest in a project may not exceed 49 per cent of the
14 capital stock of, or other ownership interest in, the project, and no
15 loan or other investment in the project by the investment fund may
16 exceed 90 per cent of the cost of the project unless, in the judgment of
17 the committee, additional amounts must be loaned to protect the inter-
18 ests of the investment fund;

19 (2) deposit funds, or invest funds through the permanent fund
20 in such obligations as it may determine;

21 (3) buy and sell securities the investment fund has issued or
22 guaranteed or in which it has invested;

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

25 Sec. 44.55.120. INVESTMENTS. (a) In making investments, the
26 investment committee and staff shall exercise the judgment and care
27 under the circumstances then prevailing which a person of ordinary
28 prudence, discretion, and intelligence exercises in the management of
29 his own affairs taking into consideration the probable income from the

1 investments as well as probable safety of principal.

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

4 (c) The investment committee may invest not more than 50 per cent
5 of the resources of the investment fund to provide a reasonable pro-
6 portion of longer-term investment capital for financing the establish-
7 ment, improvement, and expansion of productive private enterprises which
8 will benefit Alaskans, and for which sufficient capital is not available
9 from other sources on reasonable terms. These investments may take the
10 form of equity, debt, or debt guarantees.

11 (d) The committee may invest no more than 50 per cent of the
12 resources of the investment fund in financing a reasonable proportion of
13 the longer-term investment capital needs for community development
14 projects of municipalities and public corporate entities and private
15 dwellings in the state for which sufficient financing is not available
16 from other sources on reasonable terms. These investments may take the
17 form of debt or debt guarantees.

18 (e) The committee may not invest or guarantee obligations totaling
19 more than five per cent of the resources of the bank of \$1,500,000,
20 whichever is less, in a single project unless the legislature has
21 approved the investment by concurrent resolution.

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

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

29 (h) The committee shall only undertake its financing on terms and

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conditions which it considers appropriate, taking into account the terms and conditions normally obtained by private investors for similar financing, the requirements of the enterprise or project, the risks being undertaken by the investment fund, and the participation of other investors unless the legislature has appropriated funds for subsidizing investments which in the opinion of the investment fund are of such high priority that special terms and conditions are appropriate.

(i) The committee may seek to revolve the investment fund's money by selling its investments to other investors whenever it can appropriately do so on satisfactory terms.

(j) The committee shall seek to maintain a reasonable diversification in its investments.

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

(l) The committee shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The committee shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments.

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

(n) The committee shall provide for operational and performance evaluations (post-audits) of its investments and investment programs and

1 report the results to the policy board.

2 (o) Nothing in this section prevents the investment committee, in
3 the event of actual or threatened default on any of its investments,
4 actual or threatened insolvency of the enterprise in which the invest-
5 ment has been made, or other situations which, in the opinion of the
6 investment committee, threaten to jeopardize the investment, from taking
7 such action and exercising such rights as it may consider necessary for
8 the protection of its interests.

9 Sec. 44.55.130. INITIAL DETERMINATIONS. Before beginning its
10 financing operations, the policy board shall render a detailed report to
11 the legislature which shall

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

14 (2) define the size and nature of projects which are feasible
15 for investment fund financing;

16 (3) determine specific projects which are feasible for invest-
17 ment fund and private financing;

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

20 (5) forecast the capital requirements of the investment fund
21 for the first three years of its operations.

22 Sec. 44.55.140. REPORTS AND PUBLICATIONS. The policy board shall
23 publish an annual report to the governor, legislature and the public.
24 Each report shall include financial statements audited by independent
25 outside auditors, a statement of the amount of money received by the
26 investment fund from each source during the period covered, a statement
27 of investment fund investments, a description of investment fund invest-
28 ment activity during the period covered by the report, an analysis of
29 economic and other effects of investment decisions including, but not

1 limited to, the effects on employment, income distribution, environment,
2 health, social and other factors, and any other information the policy
3 board believes would be of interest to the governor, the legislature and
4 the public. The investment fund may also publish such other reports as
5 it considers desirable to carry out its purpose.

6 Sec. 44.55.150. CONFLICT OF INTEREST. (a) Members of the policy
7 board and investment committee are subject to the provisions of AS 39.50.

8 (b) Members of the investment committee shall disclose their
9 financial interest in an investment proposal and disqualify themselves
10 from voting on any investment proposal in which they have a financial
11 interest. The committee may not make an investment in any project or
12 enterprise in which officers of the bank have a financial interest.

13 Members of the policy board are prohibited from all attempts to influ-
14 ence the investment committee, its president or staff in the discharge
15 of their ordinary operating duties. All officers of the investment fund
16 in the discharge of their offices owe their duty entirely to the invest-
17 ment fund and no other authority.

18 Sec. 44.55.160. POLITICAL ACTIVITIES. The members of the policy
19 board, members of the investment committee, and officers and staff of
20 the investment fund may not engage in partisan political activities.
21 The resources of the investment fund may not be used to finance any
22 partisan political activities.

23 Sec. 44.55.170. PUBLIC ACCESS TO INFORMATION. Information in the
24 possession of the investment fund is a public record, except that infor-
25 mation which discloses the particulars of the business or affairs of a
26 private enterprise or investor is confidential and is not a public
27 record. Confidential information may be disclosed only for the purposes
28 of an official law enforcement investigation or when its production is
29 required in a court proceeding. These restrictions do not prohibit the

1 publication of statistics presented in a manner that prevents the
2 identification of particular reports, items, persons, or enterprises.

3 Sec. 44.55.180. TAX EXEMPTION. The investment fund is exempt from
4 all taxes and assessments in the state. All security instruments issued
5 by the investment fund, their transfer, and their income are exempt from
6 all taxes and assessments in the state.

7 Sec. 44.55.190. DEFINITIONS. In this chapter

8 (1) "board" or "policy board" means the Alaska Enterprise
9 Investment Policy Board established by sec. 20 of this chapter;

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

12 (3) "committee" or "investment committee" means the Alaska
13 Enterprise Investment Fund Investment Committee established by sec. 50
14 of this chapter;

15 (4) "fund" or "investment fund" means the Alaska Enterprise
16 Investment Fund.

17 * Sec. 4. AS 39.25.110 is amended by adding new paragraphs to read:

18 (21) members of the policy board and investment committee, and
19 the president, officers, and staff of the Alaska Enterprise Investment
20 Fund;

21 (22) members of the board of trustees, the executive director,
22 and staff of the Alaska Permanent Fund Board of Trustees.

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

24 (NN) Alaska Enterprise Investment Fund Policy Board and
25 Alaska Enterprise Investment Fund Investment Committee;

26 (OO) Alaska Permanent Fund Board of Trustees.

27 * Sec. 6. This Act takes effect immediately in accordance with AS 01.10.-
28 070(c).

PF 6511

MEMO

DATE: January 27, 1977

TO: Hugh Malone
Sterling Gallagher

From: James Love

SUBJECT: SIAC Permanent Fund Proposed Legislation

NOTES ON THE PERMANENT FUND BILL

page 2. Section 37.13.017 (5) limits the permanent fund from making investments in areas where private capital is available. Naturally, those areas which attract private capital are the best, offering the highest rates of returns at the lowest risks. The effect of this limitation is to force the fund into soft loan areas. The fund should be able to compete in these areas.

page 3. In Sec. 37.13.030 (b), the president of the fund, who is really its executive director, is made the chairman of the policy board. In my opinion, this makes the staff person too powerful, and diminishes the power of the board itself. I feel very strongly that the chairman of the policy board should be chosen by members of the board, from their own ranks, if they are meant to be a strong group.

page 5. Sec. 37.13.070 states that the president shall have the sole responsibility for bringing investment proposals to the investment committee for a vote. I feel strongly that any individual or business should have the right to demand that their proposal is taken before the committee. The president should not totally control the flow of proposals to the committee, although she should have the ability to recommend against proposals sent to the committee against her recommendation.

page 5. Sec. 37.13.080. There is no reason to exempt the permanent fund from the Executive Budget Act, except to remove it from normal review of government programs. If there is a concern that the Budget Act does not allow for sensible budgeting of reserves, then it should be amended.

page 5. Sec. 37.13.080. Only top officers should be in the exempt service. One of the problems with ASHA was that it was exempt from normal civil service guidelines. It became a haven for patronage jobs. On a federal level, agencies such as the SEC give employees civil service protections. Yet, they are fully able to attract qualified and motivated staff. The permanent fund needs this protection to keep from being subject to political manipulations.

page 6. Sec. 37.13.090. This should read: "The Permanent Fund shall..."

page 6. Sec. 37.13.100. (2). This is another example of language to keep the fund from making loans attractive to the private sector. It should be stricken.

page 6. Sec 37.13.100. (3) I don't feel that this paragraph should be in the bill. Perhaps there could be a statement that the fund should not manage projects, but I feel that it should reserve the right to exercise its stock voting rights.

page 7. 37.13.100. (8). The last sentence in this paragraph. "The permanent Fund shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments.", is a step in the right direction, but it should be worked on more. First of all, consideration should be given to giving local government units actual veto power over proposals of a certain size, which primarily affected their community. This was an area of much dispute in the SIAC, since many of the committee members felt the fund should be able to finance projects in communities regardless of the local feelings toward the project. These committee members felt that development projects would be hamstrung if local communities were given a chance to approve or disapprove projects. Frankly, this line of thinking bothers me, and I am sure that it does not fit in with the thinking of the Governor. You could easily have another Kachemak Bay on your hands. A section should be written which requires that local communities be deeply involved in large development proposals which significantly affect their areas. At a minimum, such projects should require the endorsement of local government units. If the projects have any merit at all, this should present no problem.

Also, the bill should require the managers of the permanent fund to work with the local governments to evaluate the permanent fund programs, and to set priorities. Perhaps wording like: "The Permanent Fund shall consult on a regular basis with local government units to determine the funds' goals and priorities." I believe that provisions like this should be built into the bill. It really lacks accountability to the public. Nine people are just given the entire responsibility to make too many important decisions.

page 7. 37.13.100. (9). It seems that there should be a limit on this paragraph. What is a financial intermediary, and how large of loans can they manage without the approval by the permanent fund loan committee.

page 7. 37.13.110. There has been much talk about using the permanent fund as security for loan guarantees and other type of leveraging. The legislation might consider some initial limits on this. Say, to only a portion of the fund or its earnings. Also, the legislation might consider some limitations on the risk of projects that it extends guarantees on.

page 8. 37.13.150. We are working on other, more detailed conflict of interest and bribery measures, which I will forward later. One small point, during the ASHA investigation, Attorney General Gross, determined that the State's bribery statutes did not extend to anyone but Executive Officials of state government. Obviously, key people working with the Permanent Fund should be covered.

page 9. 37.13.170. This section is much too vague. In the process of protecting confidential financial information, public access to records involving loans of public funds, are limited to: "Publication of statistics presented in a manner that prevents the identification of particular reports, items, persons or enterprises...", Much broader disclosure of loan records should be available. For example, recommendations by the staff to approve or disapprove loans. Interest rates, security for loans, repayment schedules, and other terms. Delinquency should also probably be subject to disclosure. Confidentiality should be limited as much as possible, and maximum public scrutiny should be the policy. The language in this paragraph definitely needs work.

The bill does not state whether or not it is bound to adopt its operating policies by regulation, via the administrative procedures act. The SIAC rejected this. Surely this should be required by the bill. It requires the agency to go through a public process when adopting its regulations. The regulations then have the force of law. The entire experience with ASHA should teach us something. There, the agency was totally unaccountable because it had no regulations which had legal standing. Also, under the administrative procedures act, citizens may propose regulations for the agency. This will help, by preserving the public's right to formally petition the Permanent Fund to adopt certain policies or procedures. Again, it builds more accountability into the system.

These suggestions are addressed at the bill in its present form. I will have more comments later. Specifically, a code of ethics, and some work to require sophisticated economic planning, including a proposal that the fund adhere to state policies for growth of the Alaskan Economy. I will be studying alternative structures, and point out areas which I feel have not yet received enough study and which need to be addressed before the state decides on the funds' structure and goals.

JAMES LOVE:nj

278/77
Loring
Rohde
Room 413

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

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

CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. ALASKA PERMANENT FUND. Under art. IX, sec. 15, of the Alaska Constitution, there is established as a separate fund, in the Department of Revenue, the Alaska Permanent Fund.

Sec. 37.13.015. There is created the Alaska Permanent Fund, a Public corporation of the state. The corporation is an instrumentality of the state within the Department of Revenue but has a legal existence independent of and separate from the state and has continuing succession until its existence is terminated by law. The exercise by the corporation of the powers conferred by this chapter is considered an essential governmental function of the state. The corporation shall manage and invest the principal of the Alaska Permanent Fund and will distribute the income earned from the Alaska Permanent Fund in accordance with the provisions of this chapter.

Sec. 37.13.017. PURPOSE OF THE PERMANENT FUND. The purpose of the Alaska Permanent Fund is to provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of present and future generations of Alaskans. The revenues so conserved shall be invested in income-producing investments which will provide further benefits to present and future generations of Alaskans.

Further benefits may be derived through use of the Permanent Fund to:

- (1) assist the diversification of the economy of Alaska by making sound investments in Alaska's renewable and non-renewable resources,
- (2) seek to smooth the cyclical pattern of growth of the Alaska economy.
- (3) encourage and assist the participation of private capital, from both within and without Alaska, in private enterprises of benefit to Alaskans.

(4) promote the investment of public and private capital for community development purposes.

(5) supplement private investment when sufficient private capital is not available on reasonable terms and conditions.

(6) also seek to preserve the Permanent Fund capital for future generations through sound investments in investment grade securities.

The Permanent Fund shall be guided in all its decisions by the purpose set forth above.

Sec. 37.13.020. COMPOSITION OF THE PERMANENT FUND. The Alaska Permanent Fund consists of fifty per cent (50%) of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and one hundred per cent (100%) of all bonuses received by the state. The commissioner of revenue shall deposit in the Permanent Fund fifty per cent (50%) of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and one hundred per cent (100%) of all bonuses at least once each month. Income from investment of the Permanent Fund does not become a part of the Permanent Fund and shall be deposited in the general fund annually, except that income in the following amounts shall be retained in the Alaska Permanent Fund:

(1) the amount needed to pay the operating and administrative expenses of the Alaska Permanent Fund;

(2) any amount allocated to a reserve account established under Sec. 37.13.090 of this chapter.

Sec. 37.13.025. INVESTMENT OF THE PERMANENT FUND. The Permanent Fund shall be used only for income-producing investments.

(a) At least forty per cent (40%) of the resources of the Permanent Fund shall be invested in investment grade securities.

(b) The Permanent Fund may invest not more than thirty per cent (30%) of its resources to provide a reasonable proportion of longer-term investment capital for financing the establishment, improvement, and expansion of productive private enterprises which will benefit Alaskans, and for which sufficient capital is not available from other sources on reasonable terms. These investments may take the form of equity, debt or debt guarantees.

(c) The Permanent Fund may invest not more than thirty per cent (30%) of its resources in financing a reasonable proportion of the longer-term investment capital needs for community development projects of municipalities and public corporate entities and private dwellings in Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantees.

Sec. 37.13.030. PERMANENT FUND POLICY BOARD. (a) There is established the Alaska Permanent Fund Policy Board, consisting of the Commissioner of Commerce and Economic Development, the Commissioner of Revenue, and seven members to be appointed by the Governor. The seven appointed members must have been residents of Alaska for at least 3 years and may not be employees of the state. Their term of office is four years, and they may be reappointed. Terms shall be staggered. Initial terms shall be one member serving one year, two members two years, two members three years, and two members four years. Members may be removed for cause. Members will continue to serve until their successors are appointed.

(b) The president of the Alaska Permanent Fund shall serve as the chairman of the Policy Board, but shall not be a voting member.

(c) A quorum for the transaction of Board business shall consist of at least two-thirds of the members. Decisions of the Board shall be taken by a majority vote, including not less than a majority of the appointed members. The Board shall hold at least one public meeting each year.

(d) Members of the Policy Board shall receive \$250 per meeting day and are entitled to per diem and travel allowances as provided by law for members of state boards and commissions.

Sec. 37.13.040. DUTIES OF THE POLICY BOARD.

The Policy Board shall:

(1) select and appoint the President and other members of the Investment Committee (as established in Sec. 37.13.050).

(2) annually review and approve long-range operating plans, to include an investment program based on sectoral analysis of the Alaska economy; the budget for the forthcoming year; and the financial plan for the following years.

(3) have sole responsibility for relations with the general public, legislature, executive branch, local communities, and interest groups concerning all matters other than specific investments of the Permanent Fund.

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

(5) review, consider and approve policies.

(6) review and publish an annual report including financial statements audited by independent outside auditors.

(7) establish an Audit Committee, consisting of the Commissioner of Revenue and other members of the Policy Board to be designated, which shall select the independent outside auditors, and receive all audit reports.

(8) decide appeals from interpretations of this chapter.

(9) determine the remuneration and terms of service of the President and other members of the Investment Committee (as established in Sec. 37.13.050).

(10) present a complete report of investment programs, plans, performance and policies to a joint meeting of the Senate and House Finance Committees of the Alaska Legislature within thirty (30) days after the beginning of each session.

Sec. 37.13.050. PERMANENT FUND INVESTMENT COMMITTEE. (a) There is established the Alaska Permanent Fund Investment Committee, consisting of the President of the Permanent Fund, who shall serve as chairman, and four members appointed by the Policy Board. No member of the Policy Board may be a member of the Investment Committee. All members must have been residents of Alaska for at least 3 years, may not be state employees and shall be persons of recognized competence and wide experience in investments, finance, and other business management related fields. Members may be reappointed or will continue to serve until their successors are appointed.

(b) A quorum shall consist of four (4) members of the Investment Committee. All decisions will be taken by majority vote.

Sec. 37.13.060. DUTIES OF THE INVESTMENT COMMITTEE.

The Investment Committee shall have sole responsibility to approve all investment proposals, and review all investments in investment grade securities.

Sec. 37.13.070. PERMANENT FUND PRESIDENT. The President of the Permanent Fund shall be appointed by the Policy Board for a term of five years, may be reappointed and shall serve at the pleasure of the Policy Board.

The President shall:

- (1) have sole responsibility for presenting investment proposals to the Investment Committee.
- (2) be responsible for the ordinary business of the Permanent Fund and the organization, appointment, dismissal, and remuneration of the officers and staff.
- (3) be responsible for making investments in investment grade securities, subject to review by the Investment Committee.
- (4) establish and maintain adequate and appropriate organizational, operating and financial controls.

Sec. 37.13.080. STATUS OF THE PERMANENT FUND. The Permanent Fund shall be excluded from the provisions of the Executive Budget Act. The President, officers, and staff of the Permanent Fund are in the exempt service.

The Alaska Permanent Fund has all powers necessary to carry out the purposes of this chapter including but not limited to the following:

- (1) sue and be sued;
- (2) adopt a seal;
- (3) have perpetual succession;
- (4) adopt and amend policies and operational procedures when not inconsistent with this chapter;
- (5) make and execute contracts and other instruments;
- (6) in its own name, own, exchange, transfer, lease, rent, convey, acquire or dispose by other means real and personal property.

Sec. 37.13.090. RESERVES. The Permanent Fund shall establish, from income derived from its investments, reserve accounts to preserve the principal of the Permanent Fund, consistent with sound financial practices.

Sec. 37.13.100. OPERATIONAL PRINCIPLES. The operations of the Permanent Fund shall be conducted in accordance with the following principles:

(1) prudent person rule of investments; in making investments, the investment committee and staff shall exercise the judgment and care under the circumstances then prevailing which a person of ordinary prudence, discretion, and intelligence exercises in the management of his or her own affairs not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income from them as well as probable safety of principal.

(2) the Permanent Fund shall not undertake any financing for which, in its opinion, sufficient private capital could be obtained on reasonable terms.

(3) the Permanent Fund shall not assume responsibility for managing any enterprise or project in which it has invested and shall not exercise voting rights for such purpose or for any other purpose which, in its opinion, properly is within the scope of managerial control.

(4) the Permanent Fund shall only undertake its financing on terms and conditions which it considers appropriate, taking into account the terms and conditions normally obtained by private investors for similar financing, the requirements of the enterprise or projects, the risks being undertaken by the Permanent Fund, and the participation of other investors; unless the legislature has appropriated funds for subsidizing investments which, in the opinion of the Permanent Fund, are of such high priority that special terms and conditions are appropriate.

(5) the Permanent Fund may seek to revolve its funds by selling its investments to other investors whenever it can appropriately do so on satisfactory terms.

(6) the Permanent Fund shall seek to maintain a reasonable diversification in its investments.

(7) the Permanent Fund shall only consider investment proposals after the applicant for an investment shall have submitted a detailed proposal to the Permanent Fund staff and the staff of the Permanent Fund shall have prepared a written report recommending the investment after a study of its merits.

(8) the Permanent Fund shall analyze the economic and other effects of an investment decision, including the effects on employment, income distribution, environment, health, social and other factors. The Permanent Fund shall be sensitive to the views of affected local communities and shall include an analysis of those views in proposals for large investments.

(9) the Permanent Fund may make investments in financial intermediaries in order to facilitate investment by the intermediaries in specific enterprises or projects whose individual financing requirements are not, in the opinion of the Permanent Fund, large enough to warrant its direct supervision.

(10) the Permanent Fund shall provide for operational and performance evaluations (post-audits) of its investments and investment programs and report the results to the Policy Board Audit Committee.

(11) nothing in this Section shall prevent the Permanent Fund, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which such investment shall have been made, or other situations which, in the opinion of the Permanent Fund, threaten to jeopardize such investment, from taking such action and exercising such rights as it may deem necessary for the protection of its interests.

Sec. 37.13.110. BORROWING POWERS. The Permanent Fund shall have the power to borrow funds, and in that connection to furnish such collateral or other security therefor as it shall determine necessary.

Sec. 37.13.120. REPORTS AND PUBLICATIONS. The Policy Board shall publish an annual report to the Governor, Legislature and the public. Each report shall include financial statements audited by independent outside auditors, a statement of the amount of money received by the Permanent Fund from each source during the period covered, a statement of Permanent Fund investments, a description of Permanent Fund investment activity during the period covered by the report, and any other information the Policy Board believes would be of interest to the Governor, the Legislature and the public. The annual income statement and balance sheet of the Permanent Fund shall be published in at least one newspaper in each judicial district. The Policy Board of the Permanent Fund is prohibited from any campaign or general advertising expenditures to either promote or defend its policies and operations.

The Permanent Fund may also publish such other reports as it deems desirable to carry out its purpose.

Sec. 37.13.140. TECHNICAL ASSISTANCE. The Permanent Fund may provide financing for pre-investment activities including feasibility studies, when, in the opinion of the Permanent Fund, the proposed investment is of high priority and the financing is not available from other sources on reasonable terms and conditions. Amounts so advanced may form a part of a later investment, if the enterprise or project is financed by the Permanent Fund.

The Permanent Fund may provide for technical and management advice and assistance to proposed and actual investments as it considers necessary in the circumstances.

Sec. 37.13.150. CONFLICT OF INTEREST POLICIES. Members of the Investment Committee shall disclose their financial interest in an investment proposal and disqualify themselves from voting on any investment proposal in which they have a financial interest. The Permanent Fund shall not make an investment in any project or enterprise in which the President or officers of the Permanent Fund have a financial interest. Members of the Policy Board are prohibited from all attempts to influence the Investment Committee, President, officers and staff in the discharge of their ordinary operating duties. The President, officers and staff of the Permanent Fund, in the discharge of their offices, owe their duty entirely to the Permanent Fund and no other authority.

Sec. 37.13.160. POLITICAL ACTIVITY. The members of the Policy Board, members of the Investment Committee, and officers and staff of the Permanent Fund shall not engage in partisan political activities which involve the Permanent Fund, and resources of the Permanent Fund shall not be used to finance any partisan political activities.

Sec. 37.13.170. PUBLIC ACCESS INFORMATION. Information in the possession of the Permanent Fund is a public record except information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is required in a court proceeding. These restrictions do not prohibit the publication of statistics presented in a manner that prevents the identification of particular reports, items, persons, or enterprises.

Sec. 37.13.180. TAX EXEMPTION. The Alaska Permanent Fund is a public corporation and is exempt from all taxes and assessments in the state. All security instruments issued by the Permanent Fund, their transfer and their income are exempt from all taxes and assessments in the state.

Sec. 37.13.200. DEFINITIONS. In this chapter, unless the context indicates otherwise

(1) "board" means the Alaska Permanent Fund policy board created by sec. 37.13.030 of this chapter;

(2) "committee" means the Alaska Permanent Fund investment committee created by sec. 37.13.050 of this chapter;

(3) "investments" includes equity, debt and debt guarantees.

* Sec. 2. AS 39.25.110 is amended by adding a new paragraph to read:

(21) The Policy Board, Investment Committee, President, officers and staff of the Alaska Permanent Fund.

* Sec. 3. AS 39.50.200(9) is amended by adding a new subparagraph to read:

(MM) Alaska Permanent Fund Policy Board and Investment Committee.

* Sec. 4. Investments outstanding as of the effective date of this Act, made from money in the Alaska Permanent Fund, shall be transferred to the corporation established in sec. 37.13.015 of this Act.

* Sec. 5. This Act takes effect immediately in accordance with AS 01.10.070(c).

HOUSE JOURNAL

ALASKA STATE LEGISLATURE TENTH LEGISLATURE - SECOND SESSION

JUNEAU, ALASKA

Thursday

March 23, 1978

Seventy-fourth Day

Pursuant to adjournment, the House was called to order by Speaker Malone at 10:13 a.m.

Roll call showed all members present.

The prayer was offered by the Chaplain, Lt. Floyd Bacon of the Salvation Army Church.

Mr. Miller moved and asked unanimous consent that the journal for the 73rd day be approved as certified. There being no objection, it was so ordered.

MESSAGES FROM THE SENATE

A message dated March 22, 1978 was read stating the Senate has approved the following citation and it is transmitted for consideration:

Honoring Senator John Butrovich,
by all members of the Senate.

The Citation was referred to the Rules Committee.

A message dated March 22, 1978 was read stating the Senate has passed COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 440 and it is transmitted for consideration:

FIRST READING AND REFERENCE OF SENATE BILLS

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 440 by the Finance Committee, entitled:

"An Act making a special appropriation to the University of Alaska, Arctic Environmental Information and Data Center, for disbursement to the Alaska Eskimo Whaling Commission to assist voluntary efforts to ensure whale stock viability; and providing for an effective date."

CSSB
440

CSSB was read the first time and referred to the Finance
440 Committee.

COMMUNICATIONS

Quarterly update of Revenue Sources for fiscal year 1977-79 was received and distributed to all members.

REPORTS OF STANDING COMMITTEES

HB 644 The Finance Committee has had HOUSE BILL NO. 644 (making supplemental appropriations to the Department of Health and Social Services, Medicaid miscellaneous, general relief medical, and handicapped children; effective date) under consideration and a majority of the committee recommends it be replaced with COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 644 (same title) and that it do pass. Concurring: Cowper (Chairman), Freeman, Haugen, Guy, Schaeffer, Swanson and Buchholdt.

HB 644 was referred to the Rules Committee for placement on the calendar.

HB 785 The Health, Education and Social Services Committee has had HOUSE BILL NO. 785 (making a special appropriation to the Department of Community and Regional Affairs for capital improvements to the Kenai Care Center; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Parr (Chairman), Bennett, Nakak, Chatterton, Ose, Cotten, Phillips, Buchholdt and Beirne.

HB 785 was referred to the Finance Committee.

HB 805 The Health, Education and Social Services Committee has had HOUSE BILL NO. 805 (making a special appropriation to the Department of Health and Social Services for the prevention and treatment of otitis media; effective date) under consideration and a majority of the committee recommends it do pass. Concurring: Parr (Chairman), Bennett, Chatterton, Cotten, Phillips and Buchholdt.

HB 805 was referred to the Finance Committee.

CITATIONS

Legislative Citation Commending Dick Mackey, by all members of the House, was read and referred to the Rules Committee for placement on the calendar.

INTRODUCTION, FIRST READING AND REFERENCE
OF HOUSE RESOLUTIONS

HOUSE CONCURRENT RESOLUTION NO. 116 by the Commerce Committee:

HCR
116

Relating to air traffic safety and service.

was introduced, read the first time and referred to the Commerce Committee.

CONSIDERATION OF THE DAILY CALENDAR

SECOND READING OF HOUSE BILLS

HOUSE BILL NO. 596 (nonrenewable resource revenues; effective date) was read the second time with the Special Committee on the Alaska Permanent Fund's report (page 393 of the journal) and the Finance Committee report (page 617 of the journal).

HB
596

Mr. Miller moved and asked unanimous consent that COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 596 (Finance) (nonrenewable resource revenues; to legislative oversight; effective date) be adopted in lieu of HB 596. There being no objection, it was so ordered.

CSHB
596
(Fin)

Amendment No. 1 by Dankworth, Carpenter and Lethin:

Page 4, line 3: Following "Corporation," insert "and"

Page 4, lines 4 and 5: Following "Corporation" delete ", and the Alaska Enterprise Investment Corporation Policy Board;"

Page 4, line 24: Following "Trustees," insert "and"

Page 4, lines 25 and 26: Following "Corporation," delete "and the Alaska Enterprise Investment Corporation Policy Board;"

Page 6, line 10: Delete "(1)"

Page 6, lines 11 through 17: Following "chapter" insert a period and delete the remainder of the material.

Page 13, line 26 through page 24, line 5: Delete all material

Page 24, line 6: Change "*Sec. 5." to "*Sec. 4."

CSHB
596
(Fin)

Delete "new paragraphs" and
insert "a new paragraph"

Page 24, lines 7 through 9: Delete all material.

Page 24, line 10: Delete "(22)" and insert "(21)"

Page 24, line 12: Change "*Sec. 6." to "*Sec. 5."
Delete "new subparagraphs" and
insert "a new subparagraph"

Page 24, lines 13 and 14: Delete all material.

Page 24, line 15: Delete "(00)" and insert "(NN)"

Page 24, line 16: Change "*Sec. 7." to "*Sec. 6."
delete "(a)"

Page 24, lines 20 through 25: Delete all material.

Page 24, line 26: Change "*Sec. 8." to "*Sec. 7."

Page 24, line 27: Change "*Sec. 9." to "*Sec. 8."

Page 24, line 28: Change "*Sec. 10." to "*Sec. 9."
following the word "Section"
delete "9" and insert "8"

Page 25, line 1: Delete "7(a)" and insert "6"

Mr. Dankworth moved and asked unanimous consent that
amendment No. 1 be adopted.

Mr. Gruening objected.

The question being: "Shall amendment No. 1 be adopted?"
The roll was taken with the following result:

Yeas: 8 Beirne, Bennett, Carpenter, Dankworth,
Hayes, Kelly, Lethin, Rhode.

Nays: 32 Akers, Anderson, Bradley, Brown,
Buchholdt, Chatterton, Cotten, Cowper,
Duncan, Eliason, Freeman, Gardiner,
Gruening, Guy, Haugen, Lovseth,
McKinnon, Malone, Meekins, Miles,
Miller, Nakak, Ose, Osterback, Parr,
Phillips, Rudd, Schaeffer, Smith,
Snider, Swanson, Urion.

And so, amendment No. 1 was not adopted.

Amendment No. 2 by Lethin:

Page 6, line 5: Delete "30" and insert "50".

Mr. Lethin moved and asked unanimous consent that amendment No. 2 be adopted.

CSHB
596
(Fin)

Mr. Gruening objected.

The question being: "Shall amendment No. 2 be adopted?"
The roll was taken with the following result:

Yeas:	9	Beirne, Bennett, Dankworth, Hayes, Kelly, Lethin, Phillips, Rhode, Urion.
Nays:	31	Akers, Anderson, Bradley, Brown, Buchholdt, Carpenter, Chatterton, Cotten, Cowper, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, Haugen, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr, Rudd, Schaeffer, Smith, Snider, Swanson.

And so, amendment No. 2 was not adopted.

Mr. Miller moved and asked unanimous consent that CSHB 596 (Finance) be considered engrossed, advanced to third reading and placed on final passage. There being no objection, it was so ordered.

CSHB 596 (Finance) was read the third time.

The question being: "Shall CSHB 596 (Finance) pass the House?" The roll was taken with the following result:

Yeas:	34	Akers, Anderson, Beirne, Bradley, Brown, Buchholdt, Chatterton, Cotten, Cowper, Duncan, Eliason, Freeman, Gardiner, Gruening, Guy, Haugen, Kelly, Lovseth, McKinnon, Malone, Meekins, Miles, Miller, Nakak, Ose, Osterback, Parr, Phillips, Rudd, Schaeffer, Smith, Snider, Swanson, Urion.
Nays:	6	Bennett, Carpenter, Dankworth, Hayes, Lethin, Rhode.

And so, CSHB 596 (Finance) passed the House.

Mr. Miller moved and asked unanimous consent that the roll call on the passage of CSHB 596 (Finance) be considered the roll call on the effective date clause. There being no objection, it was so ordered.

CSHB 596 (Finance) was referred to the Chief Clerk for engrossment.

Mr. Miller moved and asked unanimous consent that the House recess for five minutes. There being no objection, the House recessed at 11:45 a.m.

AFTER RECESS

The House was called to order at 11:59 a.m.

SECOND READING OF HOUSE RESOLUTIONS

HJR HOUSE JOINT RESOLUTION NO. 31 (Proposing an amendment
31 to the Constitution of the State of Alaska relating to legislative confirmation authority) was read the second time with the Special Committee on the Alaska Permanent Fund's report (page 521 of the journal) and the Judiciary Committee report (page 627 of the journal).

Mr. Miller moved and asked unanimous consent that
COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION NO. 31
(same title) be adopted in lieu of HJR 31. There being
CSHJR no objection, it was so ordered.
31

Mr. Miller moved and asked unanimous consent that
CSHJR 31 be considered engrossed, advanced to third
reading and placed on final passage. There being no
objection, it was so ordered.

CSHJR 31 was read the third time.

The question being: "Shall CSHJR 31 pass the House?"
The roll was taken with the following result:

Yeas: 39 Akers, Anderson, Beirne, Bennett,
Bradley, Brown, Buchholdt, Carpenter,
Chatterton, Cotten, Cowper, Dankworth,
Duncan, Eliason, Freeman, Gardiner,
Gruening, Guy, Haugen, Hayes, Kelly,
Lethin, Lovseth, McKinnon, Malone,
Meekins, Miles, Miller, Nakak, Ose,
Osterback, Parr, Phillips, Rhode,
Rudd, Schaeffer, Smith, Snider, Urion.

Nays: 0

Excused: 1 Swanson.

And so, CSHJR 31 passed the House and was referred to the Chief Clerk for engrossment.

CITATIONS

Legislative Citation Commending Senator Henry Jackson, by Representative Bradley, which had been held over until today's calendar (page 631 of the journal) was before the House at this time.

Mr. Bradley moved and asked unanimous consent that the Citation be returned to the Rules Committee. There being no objection, it was so ordered.

Mr. Freeman moved and asked unanimous consent that Legislative Citation Commending Governor Jay Hammond, by Senator Ziegler, be approved.

Mr. Union objected and moved that the Citation be returned to the Rules Committee.

Mr. Freeman objected and withdrew his objection.

There being no further objection, it was so ordered.

UNFINISHED BUSINESS

Mr. Cowper stated that the Finance Committee has finished the operating budget and the caucuses on the budget will begin on Monday, March 27.

Mr. Miller moved and asked unanimous consent that HOUSE BILL NO. 99 (liability for expense of hospitalization of mentally ill individuals; effective date) be taken from the Rules Committee and returned to the Health, Education and Social Services Committee. There being no objection, it was so ordered.

HB
99

Fiscal notes on HOUSE BILLS 904 (Alaska land policy) and 905 (disposal of state land; effective date) appear in House Supplement No. 24.

HB
904,
905

ENGROSSMENT

The following were engrossed, signed by the Speaker and Chief Clerk and transmitted to the Senate for consideration:

CSHJR 31
CSHB 596 (Finance)

CSHJR
31
CSHB
596
(Fin)

ANNOUNCEMENTS

Finance			
HB 783,884	Capitol 411		1:30 p.m., 3/23
HB 682			8:30 a.m., 3/24
Resources			
HB 054,878, SSHB 830	Capitol 118		1:30 p.m., 3/23
State Affairs			
Joint w/Senate			
Review of legisla- tion by Berkowitz (of Ely, Guess & Rudd)	Governor's Confer- ence Room		1:30 p.m., 3/23
HESS			
w/Regent Kito on U of A organization bills; HB 472	Capitol 110		3:00 p.m., 2/23
Judiciary			
HB 392,803	Capitol 124		3:00 p.m., 3/23
Criminal Code is completed -- Being typed & will be available next week along with section commentary			
Special Committee on Subsistence			
HJR 48, HB 772,718, HCR 93, Barter definition; Briefing on d-2 subsistence language; Briefing on teleconference hearing in April	Assembly 207		3:00 p.m., 3/23
FCC on HB 611	S.Finance Room		4:30 p.m., 3/23
Special Committee on Sale of Royalty Oil and Gas			
ALPETCO contract w/Dept. of Natural Resources	Capitol 124		7:30 p.m., 3/23
Commerce			
HB 729,732,827	Court 628		8:00 a.m., 3/24
C&RA			
HB 202,677,707, SSHB 760, HJR 58, CSSB 388	Court 647		9:00 a.m., 3/24

Select Committee on
Telecommunications
Proposed CSHB 545,
& other draft
legislation

Assembly 207

7:00 p.m., 3/27

Republican Luncheon
Commissioner Allen,
Speaker

Sally's
Kitchen

Noon, 3/23

Capital Site Planning
Commission No Host
Reception -- Viewing
of Detailed Develop-
ment Plan

Gold Room

5:00 p.m., 3/23

ADJOURNMENT

Mr. Miller moved and asked unanimous consent that the House adjourn until 10:00 a.m., March 24, 1978. There being no objection, the House adjourned at 12:24 p.m.

Irene Cashen
Chief Clerk

#160
WHITE. WELD & CO.
INCORPORATED

ONE LIBERTY PLAZA
91 LIBERTY STREET, NEW YORK, N.Y. 10006

TELEPHONE 212/225-2000

Feb. 27, 1978

CABLE ADDRESS - "WHITEWELD"

Mr. James B. Rhode
Special Committee on the
Alaska Permanent Fund
Pouch V
Juneau, Alaska 99811

Dear Jim:

I asked Henry Zeigler of Shearman and Sterling New York and Eric Worhlforth of Worhlforth and Flint, Anchorage, Alaska for help on the question that you asked.

The question that I posed to them was "Does the Alaska Permanent Fund have a different prudent man consideration because it calls itself a trust fund and its trustees will be divorced from day to day activities of the State government?"

The answer they gave was that the prudent man rule would be the same for a state fund or a permanent trust fund. Either fund would be subject to the laws of the State of Alaska and general practice engaged by similar funds acting in an unencumbered manner involving free and willing purchases or sellers. The legislation establishing the Permanent Fund procedures would supercede the prudent man rule of the state.

If you have additional questions, please do not hesitate to call.

Respectfully yours,

But

cc: Michael Muldoon
Theodore P. Swick

Robert E. Greeley
First Vice President

House Bill 596 contains the contribution rate (30% of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and 100% of bonuses received by the State) and the management structure for the Alaska Permanent Fund. Together with House Bills 595 (use of earnings) and 682 (renewable resources development fund). House Bill 596 is part of an overall concept for handling a portion of the state's non-renewable resource revenues.

House Bill 596 creates three things: a legislative Investment Oversight Committee (AS 24), the Alaska Permanent Fund Corporation (AS 37) and the Alaska Enterprise Investment Corporation (AS 44).

INVESTMENT OVERSIGHT COMMITTEE

The Investment Oversight Committee (IOC) is a legislative committee established to monitor but not to manage the activities of the Alaska Permanent Fund Corporation (APFC), the Alaska Enterprise Investment Corporation (AEIC) and all other state agencies which perform lending or investment functions (this includes the Renewable Resources Development Fund and the existing state loan programs among others).

ALASKA PERMANENT FUND CORPORATION

The Alaska Permanent Fund Corporation (APFC) is established to manage the permanent fund as a trust fund. It receives five-sixths of the permanent fund money until the second corporation (the Alaska Enterprise Investment Corporation) receives its \$100 million; then APFC receives all permanent fund money.

The APFC is managed by a Board of Trustees: three persons appointed by the governor and confirmed by the legislature for four-year terms. They receive no salary, but do get expenses, per diem and \$250 for each meeting day. The trustees are empowered to manage and invest the corporation's assets within the limitations imposed by the bill.

The trustees' powers include hiring an executive director and approving staff, as well as contracting for services with private firms.

Limitations on the trustees are: they must manage and invest prudently and maintain a reasonable diversification of investments; they may not borrow money or provide loan guarantees from the corporation's principal; their investments must be income producing and are limited to government insured or guaranteed bonds, first mortgages, corporate stocks and bonds or obligations, certificates of deposit and secure, short-term money market instruments; and no more than

30% of the corporation's money can be invested in stocks. The corporation is subject to public reporting requirements and external audit.

THE ALASKA ENTERPRISE INVESTMENT CORPORATION (AEIC)

The Alaska Enterprise Investment Corporation (AEIC) is essentially a development bank. It receives one-sixth of the permanent fund money up to \$100 million.

The AEIC is an independent, non-taxable public corporation managed by a seven-member policy board. One member of the board is appointed by the governor from the executive branch. The other six are appointed by the governor and confirmed by the legislature from the general public. The public members are unsalaried, part-time and serve four-year terms.

The Policy Board is empowered to appoint a corporation president and members of the Investment Committee, set policy for the AEIC within the limitations of the bill and monitor the corporation's plans and performance.

The President is empowered to hire and fire staff and serve as a member of the Investment Committee. He is responsible to the Policy Board for the corporation's performance.

The other four members of the Investment Committee are full time, salaried and serve four-year terms. The Investment Committee has sole authority to approve investment proposals.

The corporation's purpose is to provide money to financially sound small and medium scale productive private enterprises and community development projects (any project over \$5 million requires legislative approval). In doing so, it may borrow up to \$100 million, provide various types of financial assistance, including guarantees, loans and purchase of up to 25 percent of a project. Up to 50% of its money may be used for private enterprises; up to 50% may be used for community development projects.

The Corporation is subject to public reporting requirements and external audit.

The House Special Committee's bill establishes the permanent fund as a trust to preserve the fund's principal and produce earnings from secure investments. One hundred million dollars plus additional leveraged money is specified to fill capital gaps on an income producing basis.

Both corporations are insulated from politics in their day-to-day operations but are subject to long-range policy decisions made by the public through the legislative and executive branches of state government.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

JAY S. HAMMOND, GOVERNOR

February 25, 1978

The Honorable Clark Gruening
Chairman
House Special Committee on the
Alaska Permanent Fund
Alaska State Legislature
State Capitol Building - Room 121
Juneau, Alaska

Re: House Bill No. 596

Dear Mr. Gruening:

House Bill No. 596, an Act relating to nonrenewable resource revenues, was introduced in the House on January 11, 1978 and was referred to the House Special Committee on the Alaska Permanent Fund and the House Finance Committee.

For the consideration of the House Special Committee on the Alaska Permanent Fund, I am enclosing a copy of a Fiscal Note prepared by Mr. Jim Edenso, Deputy Commissioner, Department of Revenue concerning the proposed legislation.

This office today received a copy of CS for House Bill No. 596, an Act relating to nonrenewable resource revenues and to legislative oversight. A new Fiscal Note on the Committee Substitute will be prepared by Mr. Edenso and will be transmitted in the near future.

Very truly yours,



R. D. Stevenson
Special Assistant

Enclosure

cc: The Honorable Steve Cowper
Chairman
House Finance Committee
Alaska State Legislature
State Capitol Building
Juneau, Alaska

Jim Edenso, Deputy Commissioner
Department of Revenue

John Messenger, Deputy Commissioner
Department of Revenue

Answer 2-27
cc: Clark - Mike
file 596

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND
(907) 276-3433

528 W. 5TH, SUITE 270
ANCHORAGE, AK. 99501

[POUCH V, JUNEAU, AK. 99811]

(907) ~~XXX XXXX~~

465-4955



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. RICK DOWDY~~
Rep. Joe Hayes

House of Representatives

February 28, 1978

Mr. R. D. Stevenson
Special Assistant
Office of the Commissioner
Department of Revenue
Pouch S
Juneau, Alaska 99811

Dear Mr. Stevenson:

Thank you for the Fiscal Notes on HB 595, HB 596 and HB 682 prepared by Deputy Commissioner Edenso and recently received by the Committee.

CSHB 596 will be before the Finance Committee March 6, 1978 at 1:15 PM and it would be helpful to note the differences, if any, in your calculations for the Committee Substitute at that time.

It would also be helpful if you would provide a more detailed back up on the calculations for CSHB 596 so that it will be possible to see what assumptions were made and how the figures were arrived at.

I will also be forwarding a Committee Substitute for HB 682 for your review and subsequent Fiscal Note in the near future.

Again, thank you for your time and effort and feel free to contact me if I can be of further assistance.

Cordially,

Representative Clark Gruening

cc: Deputy Commissioner Edenso

CG/jl



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 22, 1978

The Honorable Clark Gruening
Chairman
House Permanent Fund Committee
Alaska State Legislature
Juneau, Alaska 99811

Dear Representative Gruening:

Enclosed are the amendments to HB 596 that Governor Hammond recommends be incorporated in the bill.

Governor Hammond has expressed appreciation for the cooperative method in which you have approached the development of this legislation. Members of the executive branch will be available to testify in behalf of the amendments.

Sincerely,

A handwritten signature in cursive script that reads "Keith W. Specking".

Keith W. Specking
Legislative Assistant
to the Governor

enclosure

Suggested Amendments to House Bill 596

The following amendments should be considered:

1. page 6, line 7
Following the words "Alaska Permanent Fund Corporation" insert
"and the Alaska Enterprise Investment Corporation".
2. page 6, line 10
Substitute "50 percent" for "five-sixths".
3. page 6, line 12
Substitute "50 percent" for "one-sixth"; place a period after
"allocated"; and delete the remainder of this section.
4. page 6, line 23-4
delete "of future generations".
5. page 7, line 15
Following "session." insert the following: "The commissioner
of revenue is a non-voting member of the board of trustees."
6. page 8, line 28
Substitute "Three" for "Two".
7. page 9, line 6
Delete Sec. 37.13.110 and replace it with the following:
"Sec. 37.13.110. PERSONNEL. The commissioner of revenue
or designee shall serve as the executive director of the
corporation and staff will be provided by the department
of revenue. All staff members responsible for corporation
investments are in the partially exempt service as under
AS 39.25."
8. page 9, line 21
Substitute "in the" for "to the board in its".
9. page 10, line 4
Put a period after "investments" and delete the remainder
of the sentence.

10.

page 10, line 11

Put a period after "fund" and delete the remainder of the sentence.

11.

page 11, line 6

Delete Sec. 37.13.140 and replace with the following:
"Sec. 37.13.140. RESERVES. The corporation may establish, from income derived from its investments a loss reserve account to preserve the principal of the permanent fund, consistent with sound financial practices."

12

page 11, line 19

Delete Sec. 37.13.150.

13.

page 12, line 25

Delete Sec. 37.13.190.

14.

page 13, line 5

Following "trustees" delete "and officers and staff of the corporation may not engage in partisan political activities" and substitute "are subject to AS 39.25.160."

15.

page 13, line 26

Substitute "Fifty percent" for "One-sixth".

16.

page 13, line 28

Following "paid" delete "by the Alaska Permanent Fund Corporation directly".

17.

page 14, line 1

Following "Corporation" insert "as specified in Sec. 37.13.010." and delete the remainder of the sentence.

18.

page 14, line 24

Substitute "the commissioners of the departments of revenue and commerce and economic development" in place of "a person employed in the executive branch of state government appointed by the governor".

19. page 14, line 25
Substitute "five" in place of "six".
20. page 14, line 29
Following the period, insert the following sentence: "The President of the Alaska Enterprise Investment Corporation, appointed under Sec. 44.55.070 of this chapter, shall serve as the chairman of the Policy Board, but is not a voting member."
21. page 15, line 1
Delete the following words: "one of the public members as chairman and".
22. page 15, line 3
Substitute "five" in place of "six".
23. page 15, line 5
Substitute "one member serving for two years," in place of "two members serving for two years".
24. page 15, line 10
Following the word "vote" and before the period, insert:
", including not less than a majority of appointed members."
25. page 18, line 3
Delete this section and replace it with the following: "Sec. 44.55.100 BUDGET. The corporation may retain income in the amount needed to pay the operating and administrative expenses of the corporation. The corporation is exempt from the provision of the Executive Budget Act (AS 37.07), except if these operating and administrative expenses shall exceed one-half of one percent of the corporation's paid-in capital, that budget of the corporation is subject to the Executive Budget Act."
26. page 18, line 29
Delete "not to exceed \$100,000,000, as it considers appropriate,".

27.

page 19, line 22

Delete section (b) and substitute the following: (b) All guarantees shall be presented to the Alaska State Legislature by the policy board for approval by law. A reserve for guarantees shall be established in accordance with Sec. 44.55.130(b) of this chapter."

28.

page 20, line 11

Substitute "one percent of the resources of the corporation" in place of "five percent of the resources of the bank or \$2,500,000, whichever is less,".

29.

page 21, line 27

Insert a new section as follows: "(p) the corporation may not make additional investments in participation with any other corporation or investment institution which is currently participating with the corporation in other investments if two percent of those investments are delinquent."

30.

page 21, line 28

Delete this section and substitute the following: "Sec. 44.55.130. RESERVES. (a) The corporation may establish from income derived from its investments, reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices.

(b) The corporation may establish from income from its investments, a reserve account for the purpose of paying loss on guaranteed debts. The amount credited to this reserve shall be a percentage of the total guaranteed debts as determined by the policy board, consistent with sound financial practices."

31.

page 22, line 16

Substitute "prepare a detailed report of Alaskan investments which shall" in place of "render a detailed report to the legislature which shall".

32.

page 23, line 13

Substitute "investment committee" in place of "board of trustees".