

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

254 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

1 provide a mechanism for the management and investment of permanent fund
2 assets in a manner consistent with the findings established in sec. 20
3 of this chapter.

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

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

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

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

22 Sec. 37.13.070. REMOVAL AND VACANCIES. (a) The governor may
23 remove a trustee from office by and with the consent of a majority of
24 the members of the legislature in joint session. A removal by the
25 governor shall be in writing and state the reason for removal. If the
26 legislature is not in session, the governor may suspend a member of the
27 board. Upon suspension, a trustee may not participate in board business
28 and may not be counted for purposes of establishing a quorum. The
29 joint session shall be held within 30 days from the date of removal if

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

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

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

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

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

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

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

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

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

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

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

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

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

A PFC
Board
similar to
UA Regents?
i.e. part-time
& no separation between
Board & executive

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

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

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

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

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

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

25 (2) No portion of the assets of the fund may be used in the
26 purchase of stocks if immediately following the purchase the proportion-
27 ate market value of all stocks held by the corporation would exceed
28 30 per cent of the corporation's assets.

29 (h) The board shall establish and from time to time as necessary

1 modify guidelines for the investment of the corporation's assets.
2 Before adoption of any guidelines the guidelines shall be reported to
3 the Investment Oversight Committee for review and comment.

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

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

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

1 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
2 provide for an annual ^(by independent outside auditors) ~~post~~ audit and annual operational and performance
3 evaluations of the board's investments and investment programs.

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

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

24 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

25 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
26 created the Alaska Enterprise Investment Corporation. The corporation
27 is a public corporation and government instrumentality in the Department
28 of Revenue but has legal existence independent of and separate from the
29 state. The exercise by the corporation of the powers conferred by this

chapter is considered an essential governmental function of the state.

(b) One-sixth of the receipts of all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue sharing payments and bonuses allocated to the permanent fund shall be paid directly into the corporation which is the paid-in capital of the corporation until a total of \$100,000,000 has been paid in.

Small? Sec. 44.55.020. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY BOARD. (a) There is established the Alaska Enterprise Investment Corporation Policy Board consisting of a person employed in the executive branch of state government appointed by the governor and six public members appointed by the governor with due regard for geographical representation and confirmed by a majority of the members of the legislature in joint session. At least two of the public members shall have recognized competency and wide experience in investment finance. The board shall elect one of the public members as chairman and other officers they determine desirable.

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

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

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

1 Sec. 44.55.030. REMOVAL AND VACANCIES ON BOARD. (a) The governor
2 may remove a policy board member from office by and with the consent of
3 a majority of the members of the legislature in joint session. The joint
4 session shall be held within 10 days from the date of removal if the
5 removal occurs while the legislature is in session or within 30 days of
6 convening of the legislature if the member was suspended. If the
7 legislature is not in session, the governor may suspend a member of the
8 policy board for cause. Upon suspension, a board member may not par-
9 ticipate in policy board business and may not be counted for purposes of
10 establishing a quorum. If the legislature refuses to consent to his
11 removal, the member shall be reinstated to his position.

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

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

24 Sec. 44.55.040. DUTIES OF THE POLICY BOARD. The policy board
25 shall

- 26 (1) select and appoint the president and other members of the
27 Investment Committee established in sec. 60 of this chapter ^{and}
28 ^{determining the remuneration of the president;}
29 (2) annually review and approve long-range operating plans,
30 the budget for the forthcoming year, and the financial plan for the

1 following years;

2 (3) have responsibility on behalf of the ^{Corporation} ~~bank~~ for relations
3 with the general public, legislature, executive branch, local communi-
4 ties, and interest groups concerning all things excepting only those
5 matters that are the responsibility of the Investment Committee;

6 (4) review quarterly reports from the Investment Committee
7 concerning investment decisions and investment supervision, but the
8 board may not impose an investment decision upon, or override an invest-
9 ment decision of, the Investment Committee;

10 (5) review, consider and approve policies;

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

13 Sec. 44.55.050. PRESIDENT. The president of the corporation is
14 appointed by the policy board for a term of four years, may be reap-
15 pointed, and serves at the pleasure of the policy board. The president
16 shall

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

19 (2) be responsible for the ordinary business of the corpo-
20 ration and the organization, appointment, dismissal, and remuneration of
21 the officers and staff;

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

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

26 Sec. 44.55.060. INVESTMENT COMMITTEE. (a) There is established
27 the Investment Committee, consisting of the president and four members
28 appointed by the policy board. No member of the policy board may be a
29 member of the committee. Members of the committee shall be persons of

1 recognized competence and wide experience in investments, finance, and
2 other business management-related fields. A member may be reappointed
3 and continue to serve until his successor is appointed. ~~The president~~
4 ~~and members~~ shall serve for four-year terms. Terms shall be staggered.
5 Initial terms shall be one member serving for one year, one member
6 serving for two years, one member serving for three years, and one
7 member ~~and the president~~ serving for four years.

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

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

13 Sec. 44.55.070. DUTIES OF THE COMMITTEE. The committee has sole
14 responsibility to approve all investment proposals.

15 Sec. 44.55.080. BUDGET. The corporation operating budget is from
16 the general fund and is subject to the provisions of the Executive
17 Budget Act (AS 37.07).

18 Sec. 44.55.090. PERSONNEL OF CORPORATION. Policy board members,
19 ^{investment} committee members, and officers and staff of the corporation are in the
20 exempt service under AS 39.25.

21 Sec. 44.55.100. FINDINGS. The legislature finds

22 (1) that investment in financially sound small and medium
23 scale productive private enterprises and community development projects
24 in the state, particularly in rural areas, is of benefit to the citizens
25 of the state;

26 (2) there is a shortage of investment capital for financially
27 sound small and medium scale productive private enterprises and for
28 community development projects particularly in rural areas of the state;

29 (3) that the corporation working with private financial

institutions to supplement but not supplant their services can help to alleviate this shortage.

Sec. 44.55.110. ^{Medium and long-term} PURPOSE. The purpose of the corporation is to provide capital at market rates and terms for small and medium scale productive private enterprises, and community development projects particularly in rural areas of the state.

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

- (1) adopt, alter and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;
- (4) borrow funds, and in that connection furnish such collateral or other security as it determines ^{Necessary} except that corporation borrowing may not exceed its paid-in capital;

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

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

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

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

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

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

- (1) invest, in such form and such amounts not to exceed \$100,000,000, as it considers appropriate, by purchasing the capital stock of, or lending money to, projects, except that any investment in

total
capitalization
or does
it mean
per project?

the capital stock of or other ownership interest in a project may not exceed 25 per cent of the capital stock of, or other ownership interest in the project, and no loan or other investment in the project by the corporation may exceed 90 per cent of the cost of the project unless, in the judgment of the committee, additional amounts must be loaned to protect the interests of the ^{corporation} investment fund;

(2) deposit surplus funds, or invest surplus funds through the permanent fund ^{corporation} in such obligations as it may determine;

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

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

Sec. 44.55.120⁵. INVESTMENTS. (a) In making investments, the 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 own affairs taking into consideration the probable income from the investments as well as probable safety of principal.

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

(c) The committee may invest not more than 50 per cent of the resources of the corporation to provide a reasonable proportion of ^{medium and} 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.

(d) The committee may invest not more than 50 per cent of the resources of the corporation in financing a reasonable proportion of the

This is now provided for
in Sec. 37.13.120(9)

Medium and

longer-term investment capital needs for financially sound small and medium scale community development projects of municipalities and public corporate entities ~~and private dwellings~~ in the state for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of equity debt or debt guarantees.

(e) The committee may not invest ^{IN} or guarantee obligations totaling more than five per cent of the resources of the bank or \$2,500,000, whichever is less, in a single project unless the legislature has approved the investment by concurrent resolution.

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

(g) The ^{corporation} ~~committee~~ may not ^{in ordinary circumstances} assume responsibility for managing any enterprise or project in which it has invested and may not exercise voting rights for that purpose or for any other purpose which, in its opinion, properly is within the scope of managerial control.

(h) The committee 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 project, the risks being undertaken by the corporation, and the participation of other investors unless the legislature has appropriated funds for subsidizing investments which in the opinion of the corporation are of such high priority that special terms and conditions are appropriate.

(i) The committee may seek to revolve the corporation'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 ~~corporation~~ ^{corporation} committee's staff and the staff has prepared a written report recommending the investment after a study of its merits.

(l) The ~~committee~~ ^{corporation} 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.

(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 report the results to the policy board.

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

7 Sec. 44.55.130. CAPITAL RESERVE ACCOUNT. For the purpose of securing its obligations, the corporation shall establish a special account called the capital reserve account. The corporation shall pay into that account the income of the corporation until the amount in the capital reserve account is equal to 25 per cent of the outstanding obligations

of the corporation. Subsequently, at the beginning of each fiscal year the corporation shall withdraw from the capital reserve account any amount in the account in excess of 25 per cent of the obligations secured or, if the amount in the account is less than 25 per cent of the obligations secured, pay into the account from income the amount necessary to bring the reserve to ⁵20 per cent. All money held in the capital reserve account may be used as required solely for (1) the payment of the principal of obligations, (2) the purchase or redemption of obligations, (3) the payment of interest on obligations, or (4) the payment of any redemption premium required to be paid when those obligations are redeemed before maturity.

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

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

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

(3) determine specific projects which are feasible for corporation and private financing;

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

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

Sec. 44.55.150. 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 corporation from each source during the period covered, a statement of

1 corporation investments, a description of corporation investment acti-
2 vity during the period covered by the report, an analysis of economic
3 and other effects of investment decisions including, but not limited to,
4 the effects on employment, income distribution, environment, health,
5 social and other factors, and any other information the policy board
6 believes would be of interest to the governor, the legislature and the
7 public. The corporation may also publish such other reports as it
8 considers desirable to carry out its purpose.

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

11 (b) Members of the committee shall disclose their financial inter-
12 est in an investment proposal and disqualify themselves from voting on
13 any investment proposal in which they have a financial interest. The
14 committee may not make an investment in any project or enterprise in
15 which officers of the corporation have a financial interest. Members of
16 the policy board are prohibited from all attempts to influence the
17 committee, its president or staff in the discharge of their ordinary
18 operating duties. All officers of the corporation in the discharge of
19 their offices owe their duty entirely to the corporation and no
20 other authority.

21 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy
22 board, members of the committee, and officers and staff of the corpo-
23 ration may not engage in partisan political activities. The resources
24 of the corporation may not be used to finance any partisan political
25 activities.

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

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

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

10 Sec. 44.55.200. DEFINITIONS. In this chapter

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

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

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

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

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

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

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

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

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

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

29 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer

1 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
2 tion established by this Act within 10 days after request for transfer is
3 made by the corporation board of trustees.

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

10 * Sec. 8. AS 37.10.065 is repealed.

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

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PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

SCOMM

9:162

COMMITTEE REPORT

HOUSE

1/17/78

FURTHER: FINANCE

Date: _____

Mr. Speaker:

SPECIAL COMMITTEE ON

The Committee on THE ALASKA PERMANENT FUND has had HB 649
"An Act making a special appropriation to the Alaska Permanent Fund; eff. date."

under consideration and (a majority of the committee) (the committee reports it back as follows)

☐ recommends it do pass ☐ recommends it do not pass

☐ recommends it do pass with attached amendment(s)

☐ recommends it be replaced with CS for _____

and _____ ☐ new title ☐ same title

☐ AND attaches a Letter of Intent ☐ New Fiscal Note

☐ reports it back without recommendation

☐ and recommends it be referred to the _____ Committee

MEMBERS SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Introduced: 1/17/78
Referred: The Special Committee
on the Alaska Permanent Fund
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 649

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Alaska
7 Permanent Fund; and providing for an effective
8 date."

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

10 * Section 1. The sum of \$10,000,000 is appropriated from the general
11 fund to the Alaska Permanent Fund.

12 * Sec. 2. This is not a one-year appropriation, and AS 37.25.010 does
13 not apply.

14 * Sec. 3. This Act takes effect July 1, 1978.
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14B 649

January 17, 1978

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

Dear Mr. Speaker:

Under the authority of art. III, sec 18, of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill making a special appropriation to the Alaska Permanent Fund. The purpose of this appropriation is to increase the permanent fund by approximately the amount of surplus expected to result from FY 79 revenues and expenditures.

Sincerely,

S/SSH

Jay S. Hammond
Governor

ALASKA STATE LEGISLATURE	
ZENTH Legislature	SECOND Session
HOUSE	BILL NO. 649
By THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR	
"An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."	
Spec. approp. to Ak. Perm. Fund	
Introduced in the House 1-17-78	

HISTORY IN THE HOUSE																													
19 78	Read first time and referred to Committee on Ak. Permanent Fund and Finance																												
Jan. 17	Reported back with recommendation that																												
	Read second time and																												
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HISTORY IN THE HOUSE	
19	Received from Senate
	Concurred in Senate amendment thus adopting:
	Failed to concur in Senate amendment; asked Sen. to recede
	Senate receded from amendment
	Senate failed to recede from amendment
	FCC appointed by House
	FCC appointed by Senate
	FCC adopted
	To enrolling
	Reported correctly enrolled
	Sent to Governor
	 by Governor
	Filed with Lt. Governor
	Chapter No.

SCOMM

#9:163

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

Original sponsor: The Special Committee
on the Alaska Permanent
Fund

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 682

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 the renewable resources funds."

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

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

9 CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

10 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the
11 state to

12 (1) rehabilitate, enhance, and develop its renewable re-
13 sources and, insofar as is consistent with sound resource management
14 policies, develop its human resources by providing maximum opportunities
15 for employment and a higher standard of living for its citizens; and

16 (2) utilize the funds set aside under ch. 11 of this title to
17 further the (A) development of renewable resources that will contribute
18 to a stable self-sustaining state economy, employment opportunities, and
19 lifestyle alternatives for its citizens, and (B) commercial, tradi-
20 tional, and common uses of the state's renewable resources.

21 Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska
22 has renewable resources that are not being utilized to their full pote-
23 tial. Many problems which confront the state, including high unem-
24 ployment and unstable economy, could be mitigated by the expanded us-
25 and development of its renewable resources.

26 (b) It is further found that Alaska's economy has historical
27 depended upon sporadic and non-stable development.

28 (c) It is further found that several key factors have con-
29 to the slow development of renewable resource industries, incl-

1 (1) insufficiency of research and development financing and
2 venture capital financing;

3 (2) a lack of knowledge within the business and financial
4 communities about conditions affecting renewable resource industrial
5 development in the state and a lack of scientific information concerning
6 many resources; and

7 (3) a lack of technology appropriate to Alaska.

8 (d) It is further found that the state's policy of assisting the
9 development of viable industries is best accomplished by providing
10 assistance to the private sector to identify and demonstrate new pro-
11 ducts, markets, and technologies.

12 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.
13 There is created the Alaska Renewable Resources Corporation to carry out
14 the purposes of this chapter. The corporation is a public corporation
15 of the state and an instrumentality of the state within the Department
16 of Revenue, but has a legal existence independent of and separate from
17 the state. The exercise by the corporation of the powers conferred by
18 this chapter is considered an essential function of the state.

19 Sec. 37.12.040. PURPOSES. The purposes of the corporation are to

20 (1) facilitate the rehabilitation, enhancement, and develop-
21 ment of the state's renewable resources so as to strengthen the self-
22 sustaining sectors of the state economy;

23 (2) sponsor research and development of technologies and
24 innovations for the rehabilitation and enhancement of the state's renew-
25 able resources to achieve an appropriate use of the resources;

26 (3) identify new products, markets, and technologies for
27 renewable resource industries in the state which will constitute an
28 appropriate use of the resources; stimulate the research and development
29 of these products, markets, and technologies; assist in the demonstra-

1 tion of their technical and economic feasibility; and assist in their
2 introduction into commercial markets.

3 Sec. 37.12.050. ALLOCATION. (a) There shall be allocated to the
4 corporation from the receipts described in AS 37.11.020 five per cent of
5 the total receipts paid the state from mineral lease bonuses and rentals
6 for state land and royalties derived from minerals produced on state
7 land. Payments of the amount allocated by this section shall be made to
8 the corporation by the Department of Revenue on a monthly basis.

9 (b) Fifty per cent of all actual receipts of the corporation, from
10 whatever source except receipts from the corporation's investments,
11 shall be deposited into the renewable resources investment fund (AS
12 37.11.050).

13 Sec. 37.12.060. BOARD OF TRUSTEES. A board of trustees of the
14 corporation is established as its governing body.

15 Sec. 37.12.070. COMPOSITION OF THE BOARD OF TRUSTEES. The board
16 of trustees consists of three members appointed by the governor and
17 confirmed by a majority of the members of the legislature in joint ses-
18 sion. The board shall annually elect a chairman from among its members.
19 A chairman may not succeed himself.

20 Sec. 37.12.080. TERM OF OFFICE. The members of the board of
21 trustees shall be appointed for terms of four years, and they may be
22 reappointed. Terms shall be staggered. The initial terms shall be one
23 member serving for two years, one member serving for three years, and
24 one member serving for four years.

25 Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may
26 remove a board member from office by and with the consent of a majority
27 of the members of the legislature in joint session. A removal by the
28 governor shall be in writing and state the reason for removal. If the
29 legislature is not in session, the governor may suspend a member of the

1 Sec. 37.12.120. COMPENSATION OF BOARD MEMBERS. Board members are
2 in the exempt service under AS 39.25 and receive an annual salary within
3 Range 30 of the salary schedule for state employees established by
4 AS 39.27.011.

5 Sec. 37.12.130. EMPLOYMENT OF PERSONNEL. The board may employ and
6 determine the salary of an executive director. The executive director
7 may, with the approval of the board, select and employ additional staff
8 as necessary. The executive director and all employees of the board are
9 in the exempt service under AS 39.25.

10 Sec. 37.12.140. CONFLICTS OF INTEREST. (a) Members of the board
11 of trustees are subject to the provisions of AS 39.50.

12 (b) No member or employee of the board may acquire an interest,
13 direct or indirect, in a corporation, company, association, or project
14 owned, controlled, or invested in by the corporation. If a member or
15 employee owns or controls such an interest, he shall immediately dis-
16 close the interest in writing to the board and refrain from participat-
17 ing in any manner in any activity relating to that interest.

18 Sec. 37.12.150. POWERS. In carrying out the corporate powers of
19 the corporation, the board may

- 20 (1) adopt, alter, and use a corporate seal;
- 21 (2) prescribe, adopt, amend, and repeal bylaws;
- 22 (3) sue and be sued in the name of the corporation;
- 23 (4) enter into any agreements necessary to the exercise of
24 its powers and functions;
- 25 (5) accept grants from and contract with the federal govern-
26 ment and the state or its political subdivisions and to that end comply
27 with the provisions of federal, state, or local programs where neces-
28 sary, except that it may not enter into any agreements whereby any
29 permanent state or local government position is funded or partially

1 board. Upon suspension, a board member may not participate in board
2 business and may not be counted for the purpose of establishing a quo-
3 rum. A suspended member shall continue to receive his salary as a board
4 member until the legislature in joint session consents to his removal.
5 The joint session shall be held within 30 days from the date of removal
6 if the removal occurs while the legislature is in session or within 30
7 days of convening of the legislature if the legislature is not in ses-
8 sion. If the legislature refuses to consent to his removal, the board
9 member shall be reinstated to his position.

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

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

21 Sec. 37.12.100. QUALIFICATIONS OF BOARD MEMBERS. (a) No person
22 may be appointed to the board who has not been a resident of the state
23 for at least three years.

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

27 Sec. 37.12.110. QUORUM. Two members of the board constitute a
28 quorum for the transaction of business and the exercise of the powers
29 and duties of the board.

1 funded in connection with a project;

2 (6) accept grants and loans from other sources than those in
3 (5) of this section to be held and used for the purposes of the corpora-
4 tion;

5 (7) appear in behalf of the corporation before boards, com-
6 missions, departments, or other agencies of municipal, state, or federal
7 government;

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

10 (9) hold, as a means of securing the providing of financial
11 assistance, patents, copyrights, trademarks, royalties, or any other
12 evidences of protection or exclusivity issued under the laws of the
13 United States or any state or nation;

14 (10) prepare, publish, and distribute technical studies,
15 reports, bulletins and other materials it considers appropriate;

16 (11) invest, in such form as it considers appropriate, in
17 projects which are economically viable and income-producing;

18 (12) provide grants for projects having broad public applica-
19 tion which do not have direct income-producing potential;

20 (13) adopt regulations governing the exercise of its corporate
21 powers;

22 (14) deposit funds, or invest surplus funds through the
23 Alaska Permanent Fund Corporation (AS 37.13) in such obligations as the
24 Board of Trustees of the Alaska Renewable Resources Corporation may
25 determine;

26 (15) do all acts and things necessary or desirable to carry
27 out the purposes of the corporation.

28 Sec. 37.12.160. DUTIES. In carrying out the purposes of this
29 chapter, the board shall

1 (1) seek to maintain the productivity of healthy renewable
2 resources and expand the productivity of depleted or underutilized
3 renewable resources;

4 (2) provide financial assistance for projects which the board
5 finds will accomplish the purposes of the corporation as set out in sec.
6 40 of this chapter;

7 (3) promote the utilization of the state's renewable re-
8 sources in the state and the development of import substitution and
9 export markets;

10 (4) annually prepare long-range operating and financial plans
11 and the budget for the forthcoming year;

12 (5) monitor approved projects for compliance with this chap-
13 ter and provide operational and performance evaluations (post-audits) of
14 projects receiving financial assistance and an overall assessment,
15 expressed in qualitative and quantitative terms, of the degree to which
16 the purposes of the corporation, as set out in sec. 40 of this chapter,
17 have been achieved; and

18 (6) attempt to fund activities which will tend to maximize
19 returns to the state and local governments and its citizens in such
20 forms as tax revenues and resident employment and income.

21 Sec. 37.12.170. FINANCIAL ASSISTANCE. (a) In providing financial
22 assistance, the board shall

23 (1) consider the proposals of qualified applicants only after
24 the applicant has submitted a detailed proposal in the form prescribed
25 by the board; no assistance may be approved by the board unless it
26 finds, in writing, that

27 (A) the proposed project, if successful, will further
28 the purposes of the corporation as set out in sec. 40 of this
29 chapter;

1 (B) the application contains an adequate plan for pro-
2 ject implementation, including, when applicable, a complete busi-
3 ness, financial and marketing plan for commercial activities;

4 (C) sufficient capital is not available from other
5 sources on reasonable terms;

6 (D) the applicant has agreed that if new renewable
7 resource industrial activity results from the proposed project, his
8 best efforts will be employed to keep that activity in the state
9 for a minimum period of time specified by the board;

10 (E) the applicant demonstrates sufficient technical and
11 business expertise to accomplish the objectives of the proposed
12 project;

13 (F) all costs, including additional governmental cost,
14 associated with and ancillary to the project and future obligations
15 generated by the project have been identified, including any neces-
16 sary operating, maintenance, or other support costs for the life of
17 the project;

18 (G) potential resource use conflicts that may result
19 from the proposed project are identified and evaluated, and when
20 necessary, plans to mitigate or resolve those conflicts and to
21 preserve for the future options for the use of the state's renew-
22 able resources are included in the application;

23 (2) use the financial mechanism most appropriate to the
24 conditions of the applicant and the proposed project and which will most
25 effectively utilize the funds available; grants may be made by the board
26 of up to 90 per cent of the total project costs for the following pur-
27 poses:

28 (A) projects for the applied research and development of
29 products, technologies, or innovations for the rehabilitation,

1 enhancement, or development of the state's renewable resources;

2 (B) projects for the demonstration, on a one-time basis,
3 of the economic or technical feasibility of a new product, market,
4 or technology involving a renewable resource; or

5 (C) projects for the rehabilitation, enhancement, or
6 development of a common-property resource where the benefits from
7 the project cannot be captured by any single economic unit.

8 (3) in evaluating projects, consider the preferences and
9 priorities of the residents of the region in which the project is to be
10 located;

11 (4) require investments made by the corporation to be secured
12 by means determined to be appropriate by the board.

13 (b) The board may not

14 (1) invest or otherwise provide assistance of more than five
15 per cent of the resources of the corporation or \$1,500,000, whichever is
16 less, in a single project or applicant unless the legislature has ap-
17 proved the investment by concurrent resolution;

18 (2) invest in more than 49 per cent of the outstanding cor-
19 porate stock or other corporate obligations issued by an applicant
20 unless the legislature has approved the investment by concurrent resolu-
21 tion;

22 (3) make a loan for a period in excess of 30 years unless the
23 legislature has approved the loan by concurrent resolution;

24 (4) assume the responsibility for management of any project
25 in which it has invested and may not exercise voting rights for that
26 purpose or for any other purpose which is within the scope of managerial
27 control; or

28 (5) provide funds to any state agency unless that expenditure
29 is included in the corporation's annual budget;

1 (6) allocate to grants more than 10 per cent of the annual
2 appropriation of the corporation.

3 (c) Nothing in this section prevents the board from taking such
4 action and exercising such rights as it considers necessary for the
5 protection of its financial interests in the event of

6 (1) actual or threatened default on any of the board's invest-
7 ments;

8 (2) actual or threatened insolvency of a project in which the
9 board has made an investment; or

10 (3) any other immediate or actual circumstance or event which
11 jeopardizes an investment made by the board.

12 (d) Projects for which financial assistance is granted shall
13 comply with all applicable provisions of law.

14 Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE. The board
15 may provide financial assistance if it finds that an applicant is quali-
16 fied to receive assistance. An applicant is qualified if

17 (1) he has submitted a proposal to the board in accordance
18 with sec. 170(a)(1) of this chapter;

19 (2) he is a resident of the state for three years or, if the
20 applicant is a partnership, corporation, or other association, the
21 majority interest is beneficially owned by residents of the state and a
22 majority of the owners are residents of the state; and

23 (3) his projects which have previously received financial
24 assistance from the corporation, if any, have complied with all require-
25 ments of that assistance and have performed with sufficient success or
26 promise to warrant further aid.

27 Sec. 37.12.190. REPORTS AND PUBLICATIONS. (a) The board shall
28 prepare and distribute in non-technical language materials describing
29 the purposes and activities of the corporation.

1 (b) The board shall publish an annual report for the governor, the
2 legislature, and the public at the time of submitting its annual budget
3 request. Each annual report shall include financial statements and
4 audit reports, a statement detailing the sources from which the corpora-
5 tion received money, a statement detailing the investments made by the
6 corporation, a summary and evaluation of the data required by sec.
7 160(5) and (6) of this chapter, a list of public facilities required by
8 or complementary to the corporation's investment activity, and any other
9 information that the board of trustees believes would be of interest to
10 the recipients of the report.

11 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. (a) The corporation
12 may expend money only as appropriated by the legislature. The corpora-
13 tion is subject to the Executive Budget Act (AS 37.07) except as
14 provided in (b) and (c) of this section.

15 (b) The budget of the corporation shall include the categories and
16 amounts of proposed financial assistance broken down by financing
17 mechanism and resource sector affected and all funds received by the
18 corporation whether through allocations made by this chapter, appropria-
19 tion, or otherwise. The total amount of the corporation's operating
20 budget shall be specified separately in its budget and be appropriated
21 from the general fund.

22 (c) The unexpended and unobligated portion of the appropriations,
23 other than appropriations for operating expenses, does not lapse into
24 the general fund at the end of a fiscal year, but remains available
25 for appropriation as provided in this section in subsequent fiscal
26 years.

27 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its
28 financial record audited annually by an independent outside auditor.
29 The legislative auditor may prescribe the form and content of the finan-

1 cial record of the corporation and shall have access to these records at
2 any time.

3 Sec. 37.12.220. COOPERATION WITH OTHER AGENCIES. All departments,
4 agencies, and public corporations of the state shall provide information
5 services and facilities to the corporation on its request. The corpora-
6 tion shall reimburse the department, agency, or corporation for expenses
7 reasonably incurred on the corporation's behalf.

8 Sec. 37.12.230. TAX EXEMPTION. The corporation is exempt from all
9 taxes and assessments in the state. All security instruments issued by
10 the corporation, their transfer, and their income are exempt from all
11 taxes and assessments in the state.

12 Sec. 37.12.240. TECHNICAL ASSISTANCE. (a) The corporation may
13 provide financing for pre-investment activities including feasibility
14 studies, when, in its opinion, the proposed project is of high priority
15 and the financing is not available from other sources on reasonable
16 terms and conditions. Amounts so advanced may form a part of a later
17 investment if the enterprise or project is financed by the corporation.

18 (b) The corporation may provide for technical and management
19 advice and assistance to qualified applicants as it considers necessary
20 in the circumstances.

21 Sec. 37.12.250. PUBLIC ACCESS TO INFORMATION. Information in the
22 possession of the corporation is a public record, except that informa-
23 tion which discloses the particulars of the business or affairs of a
24 private enterprise or investor is confidential and is not a public
25 record. Confidential information may be disclosed only for the purposes
26 of an official law enforcement investigation or when its production is
27 required in a court proceeding. These restrictions do not prohibit the
28 publication of statistics presented in a manner that prevents the iden-
29 tification of reports, items, persons, or enterprises.

1 Sec. 37.12.260. DEFINITIONS. In this chapter, unless the context
2 otherwise requires,

3 (1) "applicant" means a person making application to the
4 corporation for financial assistance;

5 (2) "board" means the Board of Trustees of the Alaska Renew-
6 able Resources Corporation;

7 (3) "corporation" means the Alaska Renewable Resources Corpo-
8 ration;

9 (4) "project" means products, markets, innovation, or tech-
10 nological developments for the rehabilitation, enhancement, or develop-
11 ment of renewable resources and includes applied research for those
12 products, markets, or technological developments;

13 (5) "rehabilitation, enhancement, and development" means any
14 activity or program which improves the health and well-being of a renew-
15 able resource or renewable resource population leading to an increase in
16 the quality or productivity of the resource and to an increase in the
17 benefits derived from the resource to the citizens of the state;

18 (6) "renewable resource" means non-human living organisms;
19 natural components of the environment, including the air, land, and
20 water; and energy systems which are naturally recurring or replenished.

21 * Sec. 2. AS 37.11.040 is amended to read:

22 Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unen-
23 cumbered balances remaining in the Alaska renewable resources development
24 fund at the close of each fiscal year shall be transferred to the Alaska
25 renewable resources investment [PERMANENT] fund.

26 * Sec. 3. AS 37.11.050 is amended to read:

27 Sec. 37.11.050. ALASKA RENEWABLE RESOURCES INVESTMENT [PERMANENT]
28 FUND. There is established as a separate fund the Alaska renewable re-
29 sources investment [PERMANENT] fund. Funds apportioned by sec. 60 of

1 this chapter for deposit in the investment [PERMANENT] fund are to be
2 held perpetually in trust for the benefit of both present and future
3 generations of Alaskans.

4 * Sec. 4. AS 37.11.060 is amended to read:

5 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-
6 encumbered balances remaining in the Alaska renewable resources develop-
7 ment fund at the close of each fiscal year shall be deposited in the
8 investment [PERMANENT] fund. These deposits shall be considered fund
9 principal and shall be invested in perpetuity by the Alaska Permanent
10 Fund Corporation [IN ACCORDANCE WITH AS 37.10.070 (INVESTMENT OF SURPLUS
11 STATE FUNDS)].

12 * Sec. 5. AS 37.11.070 is amended to read:

13 Sec. 37.11.070. UTILIZATION OF FUND INCOME. Income received from
14 investment of investment [PERMANENT] fund principal shall not be held in
15 trust, but shall be used to provide funding for capital and operating
16 appropriations for the rehabilitation, enhancement and development of
17 renewable resources programs. Plans for expenditures from fund income
18 shall be prepared in detail by the appropriate state department or
19 agency and shall be submitted by the governor in accordance with the
20 Executive Budget Act (AS 37.07) as part of his annual budget presenta-
21 tion to the legislature.

22 * Sec. 6. AS 37.11.080 is amended to read:

23 Sec. 37.11.080. PROTECTION OF PRINCIPAL. A transaction involving
24 investment [PERMANENT] fund principal which results in an actual dollar
25 loss of principal shall be reimbursed in full from fund income before
26 any additional income is expended.

27 * Sec. 7. AS 37.11 is amended by adding a new section to read:

28 Sec. 37.11.090. INVESTMENTS. Investment responsibility for the
29 Alaska renewable resources investment fund shall reside with the

1 treasury division of the Department of Revenue. The treasury division
2 may invest the Alaska renewable resources investment fund in any in-
3 vestments authorized in AS 39.35.110 so long as its investment policy is
4 consistent with the prudent-man rule.

5 * Sec. 8. AS 44.66.010(a) is amended by adding a new paragraph to read:

6 (6) Alaska Renewable Resources Corporation (AS 37.12.030) --
7 June 30, 1982.

Introduced: 1/25/78
Referred: The Special Committee
on the Permanent Fund and
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 682

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."

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

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

9 CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

10 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the
11 state to

12 (1) rehabilitate, enhance, and develop its renewable re-
13 sources and, insofar as is consistent with sound resource management
14 policies, develop its human resources by providing maximum opportunities
15 for employment and a higher standard of living for its citizens; and

16 (2) utilize the funds set aside under ch. 11 of this title to
17 further the (A) development of renewable resources that will contribute
18 to a stable self-sustaining state economy, employment opportunities, and
19 lifestyle alternatives for its citizens, and (B) commercial, tradi-
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10 ducts, markets, and technologies.

11 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.
12 There is created the Alaska Renewable Resources Corporation to carry out
13 the purposes of this chapter. The corporation is a public corporation
14 of the state and an instrumentality of the state within the Department
15 of Revenue, but has a legal existence independent of and separate from
16 the state. The exercise by the corporation of the powers conferred by
17 this chapter is considered an essential function of the state.

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19 (1) facilitate the rehabilitation, enhancement, and develop-
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25 (3) identify new products, markets, and technologies for
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28 business and may not be counted for the purpose of establishing a quo-
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1 member until the legislature in joint session consents to his removal.
2 The joint session shall be held within 30 days from the date of removal
3 if the removal occurs while the legislature is in session or within 30
4 days of convening of the legislature if the legislature is not in ses-
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- 19 (3) sue and be sued in the name of the corporation;
- 20 (4) enter into any agreements necessary to the exercise of
21 its powers and functions;
- 22 (5) accept grants from and contract with the federal govern-
23 ment and the state or its political subdivisions and to that end comply
24 with the provisions of federal, state, or local programs where neces-
25 sary, except that it may not enter into any agreements whereby any
26 permanent state or local government position is funded or partially
27 funded in connection with a project;

- 28 (6) accept grants and loans from other sources than those
29 in (5) of this section to be held and used for the purposes of the

1 corporation;

2 (7) appear in behalf of the corporation before boards, com-
3 missions, departments, or other agencies of municipal, state, or federal
4 government;

5 (8) acquire, hold, use, lease, sell, or otherwise dispose of
6 property of any kind, real, personal, or mixed, or any interest in it;

7 (9) hold, as a means of securing the providing of financial
8 assistance, patents, copyrights, trademarks, royalties, or any other
9 evidences of protection or exclusivity issued under the laws of the
10 United States or any state or nation;

11 (10) prepare, publish, and distribute technical studies,
12 reports, bulletins and other materials it considers appropriate;

13 (11) make financial assistance available in the form of grants,
14 loans, loan guarantees, or other appropriate forms to public research
15 and development groups in the state in order to facilitate investment by
16 the board in specific projects which do not warrant direct supervision
17 by the corporation;

18 (12) invest, in such form as it considers appropriate, in
19 projects which have income-producing potential;

20 (13) provide grants only for projects or demonstration of
21 projects which do not yet have income-producing potential but which are
22 commercially promising or have potentially broad application to the
23 public;

24 (14) adopt regulations to implement this chapter;

25 (15) deposit funds, or invest funds through the permanent fund
26 (AS 37.13) in such obligations as it may determine;

27 (16) do all acts and things necessary or desirable to carry
28 out the purposes of the corporation.

29 Sec. 37.12.160. DUTIES. In carrying out the purposes of this

1 chapter, the board shall

2 (1) seek to maintain the productivity of healthy renewable
3 resources and expand the productivity of depleted or underutilized
4 renewable resources;

5 (2) provide financial assistance for projects which the board
6 finds will accomplish the purposes of the corporation as set out in sec.
7 40 of this chapter;

8 (3) promote the utilization of the state's renewable re-
9 sources in the state and the development of import substitution and
10 export markets;

11 (4) annually prepare long-range operating and financial plans
12 and the budget for the forthcoming year;

13 (5) monitor approved projects for compliance with this chap-
14 ter and provide operational and performance evaluations (post-audits) of
15 projects receiving financial assistance and an overall assessment,
16 expressed in qualitative and quantitative terms, of the degree to which
17 the purposes of the corporation, as set out in sec. 40 of this chapter,
18 have been achieved; and

19 (6) attempt to fund activities which will tend to maximize
20 returns to the state and local governments and its citizens in such
21 forms as tax revenues and resident employment and income.

22 Sec. 37.12.170. FINANCIAL ASSISTANCE. (a) In providing financial
23 assistance, the board shall

24 (1) consider the proposals of qualified applicants only after
25 the applicant has submitted a detailed proposal in the form prescribed
26 by the board; no assistance may be approved by the board unless it
27 finds, in writing, that

28 (A) the proposed project, if successful, will further
29 the purposes of the corporation as set out in sec. 40 of this

1 chapter;

2 (B) the application contains an adequate plan for pro-
3 ject implementation, including, when applicable, a complete busi-
4 ness, financial and marketing plan for commercial activities;

5 (C) private financing cannot reasonably be undertaken
6 without aid or that financial participation is not otherwise avail-
7 able;

8 (D) the applicant has agreed that if new renewable
9 resource industrial activity results from the proposed project, his
10 best efforts will be employed to keep that activity in the state
11 for a minimum period of time specified by the board;

12 (E) the applicant demonstrates sufficient technical and
13 business expertise to accomplish the objectives of the proposed
14 project;

15 (F) all costs associated with and ancillary to the pro-
16 ject and future obligations generated by the project have been
17 identified, including any necessary operating, maintenance, or
18 other support costs for the life of the project;

19 (G) potential resource use conflicts that may result
20 from the proposed project are identified and evaluated, and when
21 necessary, plans to mitigate or resolve those conflicts and to
22 preserve for the future options for the use of the state's renew-
23 able resources are included in the application;

24 (H) a proposed project involving the use of a renewable
25 resource is an appropriate use of that resource;

26 (2) use the financial mechanism most appropriate to the
27 conditions of the applicant and the proposed project and which will most
28 effectively utilize the funds available; grants may be utilized when
29 other mechanisms are not feasible and when the benefits of the grant

1 will accrue to the general public;

2 (3) consider regional preferences and priorities in evaluat-
3 ing projects.

4 (b) The board may not

5 (1) invest more than five per cent of the resources of the
6 corporation or \$1,500,000, whichever is less, in a single project or
7 applicant unless the legislature has approved the investment by con-
8 current resolution;

9 (2) invest in more than 25 per cent of the outstanding cor-
10 porate stock or other corporate obligations issued by an applicant
11 unless the legislature has approved the investment by concurrent resolu-
12 tion;

13 (3) make a loan for a period in excess of 10 years unless the
14 legislature has approved the loan by concurrent resolution;

15 (4) assume the responsibility for management of any project
16 in which it has invested and may not exercise voting rights for that
17 purpose or for any other purpose which is within the scope of managerial
18 control; or

19 (5) provide funds to any state agency unless that expenditure
20 is included in the corporation's annual budget.

21 (c) Nothing in this section prevents the board from taking such
22 action and exercising such rights as it considers necessary for the
23 protection of its financial interests in the event of

24 (1) actual or threatened default on any of the board's invest-
25 ments;

26 (2) actual or threatened insolvency of a project in which the
27 board has made an investment; or

28 (3) any other immediate or actual circumstance or event which
29 jeopardizes an investment made by the board.

1 (d) Projects for which financial assistance is granted shall
2 comply with all applicable provisions of law.

3 Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE. The board
4 may grant financial assistance if it finds that an applicant is quali-
5 fied to receive assistance. An applicant is qualified if

6 (1) he has submitted a proposal to the board in accordance
7 with sec. 170(a)(1) of this chapter;

8 (2) he is a resident of the state or, if the applicant is a
9 partnership, corporation, or other association, it is owned by a major-
10 ity who are residents of the state; and

11 (3) his projects which have previously received financial
12 assistance from the corporation, if any, have complied with all require-
13 ments of that assistance and have performed with sufficient success or
14 promise to warrant further aid.

15 Sec. 37.12.190. REPORTS AND PUBLICATIONS. (a) The board shall
16 prepare and distribute in non-technical language materials describing
17 the purposes and activities of the corporation.

18 (b) The board shall publish an annual report for the governor, the
19 legislature, and the public at the time of submitting its annual budget
20 request. Each annual report shall include financial statements and
21 audit reports, a statement detailing the sources from which the corpora-
22 tion received money, a statement detailing the investments made by the
23 corporation, a summary and evaluation of the data required by sec.
24 160(5) and (6) of this chapter, and any other information that the board
25 of trustees believes would be of interest to the recipients of the
26 report.

27 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. The corporation shall
28 submit its annual budget to the legislature through the governor as pro-
29 vided for state agencies by the Executive Budget Act (AS 37.07). The

1 budget shall include the categories and amounts of proposed financial
2 assistance broken down by financing mechanism and resource sector af-
3 fected and all funds received by the corporation whether through alloca-
4 tions made by this chapter, appropriation, or otherwise. The corpora-
5 tion may expend money directly appropriated by the legislature only as
6 authorized by the legislature. The total amount of the corporation's
7 operating budget shall be specified as a separate item of its budget and
8 be appropriated from the general fund.

9 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its
10 financial record audited annually by a certified public accountant. The
11 legislative auditor may prescribe the form and content of the financial
12 record of the corporation and shall have access to these records at any
13 time.

14 Sec. 37.12.220. COOPERATION WITH OTHER AGENCIES. All departments,
15 agencies, and public corporations of the state shall provide information,
16 services and facilities to the corporation on its request. The corpora-
17 tion shall reimburse the department, agency, or corporation for expenses
18 reasonably incurred on the corporation's behalf.

19 Sec. 37.12.230. DEFINITIONS. In this chapter, unless the context
20 otherwise requires,

21 (1) "applicant" means a person making application to the
22 corporation for financial assistance;

23 (2) "appropriate use" means (definition to be supplied by
24 other source);

25 (3) "board" means the Board of Trustees of the Alaska Renew-
26 able Resources Corporation;

27 (4) "corporation" means the Alaska Renewable Resources Corpo-
28 ration;

29 (5) "project" means products, markets, innovation, or

1 technological developments for the rehabilitation, enhancement, or
2 development of renewable resources and includes applied research for
3 those products, markets, or technological developments;

4 (6) "rehabilitation, enhancement, and development" means any
5 activity or program which improves the health and well-being of a renew-
6 able resource or renewable resource population leading to an increase in
7 the quality or productivity of the resource and to an increase in the
8 benefits derived from the resource to the citizens of the state;

9 (7) "renewable resource" means non-human living organisms;
10 natural components of the environment, including the air, land, and
11 water; and energy systems which are naturally recurring or replenished.

12 * Sec. 2. AS 37.11.040 is amended to read:

13 Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unen-
14 cumbered balances remaining in the Alaska renewable resources development
15 fund at the close of each fiscal year shall be transferred to the Alaska
16 renewable resources investment [PERMANENT] fund.

17 * Sec. 3. AS 37.11.050 is amended to read:

18 Sec. 37.11.050. ALASKA RENEWABLE RESOURCES INVESTMENT [PERMANENT]
19 FUND. There is established as a separate fund the Alaska renewable re-
20 sources investment [PERMANENT] fund. Funds apportioned by sec. 60 of
21 this chapter for deposit in the investment [PERMANENT] fund are to be
22 held perpetually in trust for the benefit of both present and future
23 generations of Alaskans.

24 * Sec. 4. AS 37.11.060 is amended to read:

25 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-
26 encumbered balances remaining in the Alaska renewable resources develop-
27 ment fund at the close of each fiscal year shall be deposited in the
28 investment [PERMANENT] fund. These deposits shall be considered fund
29 principal and shall be invested in perpetuity in accordance with

1 AS 37.10.070 (investment of surplus state funds).

2 * Sec. 5. AS 37.11.070 is amended to read:

3 Sec. 37.11.070. UTILIZATION OF FUND INCOME. Income received from
4 investment of investment [PERMANENT] fund principal shall not be held
5 in trust, but shall be used to provide funding for capital and operating
6 appropriations for the rehabilitation, enhancement and development of
7 renewable resources programs. Plans for expenditures from fund income
8 shall be prepared in detail by the appropriate state department or agency
9 and shall be submitted by the governor in accordance with the Executive
10 Budget Act (AS 37.07) as part of his annual budget presentation to the
11 legislature.

12 * Sec. 6. AS 37.11.080 is amended to read:

13 Sec. 37.11.080. PROTECTION OF PRINCIPAL. A transaction involving
14 investment [PERMANENT] fund principal which results in an actual dollar
15 loss of principal shall be reimbursed in full from fund income before
16 any additional income is expended.

17 * Sec. 7. AS 44.66.010(a) is amended by adding a new paragraph to read:

18 (6) Alaska Renewable Resources Corporation (AS 37.12.030) --
19 June 30, 1982.

WO#4434

Rosenstein /Vassar

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19 projects which have income-producing potential;

20 (13) provide grants only for projects or demonstration of
21 projects which do not yet have income-producing potential but which are
22 commercially promising or have potentially broad application to the
23 public;

24 (14) adopt regulations to implement this chapter;

25 (15) deposit funds, or invest funds through the permanent fund
26 (AS 37.13) in such obligations as it may determine;

27 (16) do all acts and things necessary or desirable to carry
28 out the purposes of the corporation.

29 Sec. 37.12.160. DUTIES. In carrying out the purposes of this

1 chapter, the board shall

2 (1) seek to maintain the productivity of healthy renewable
3 resources and expand the productivity of depleted or underutilized
4 renewable resources;

5 (2) provide financial assistance for projects which the board
6 finds will accomplish the purposes of the corporation as set out in sec.
7 40 of this chapter;

8 (3) promote the utilization of the state's renewable re-
9 sources in the state and the development of import substitution and
10 export markets;

11 (4) annually prepare long-range operating and financial plans
12 and the budget for the forthcoming year;

13 (5) monitor approved projects for compliance with this chap-
14 ter and provide operational and performance evaluations (post-audits) of
15 projects receiving financial assistance and an overall assessment,
16 expressed in qualitative and quantitative terms, of the degree to which
17 the purposes of the corporation, as set out in sec. 40 of this chapter,
18 have been achieved; and

19 (6) attempt to fund activities which will tend to maximize
20 returns to the state and local governments and its citizens in such
21 forms as tax revenues and resident employment and income.

22 Sec. 37.12.170. FINANCIAL ASSISTANCE. (a) In providing financial
23 assistance, the board shall

24 (1) consider the proposals of qualified applicants only after
25 the applicant has submitted a detailed proposal in the form prescribed
26 by the board; no assistance may be approved by the board unless it
27 finds, in writing, that

28 (A) the proposed project, if successful, will further
29 the purposes of the corporation as set out in sec. 40 of this

1 chapter;

2 (B) the application contains an adequate plan for pro-
3 ject implementation, including, when applicable, a complete busi-
4 ness, financial and marketing plan for commercial activities;

5 (C) private financing cannot reasonably be undertaken
6 without aid or that financial participation is not otherwise avail-
7 able;

8 (D) the applicant has agreed that if new renewable
9 resource industrial activity results from the proposed project, his
10 best efforts will be employed to keep that activity in the state
11 for a minimum period of time specified by the board;

12 (E) the applicant demonstrates sufficient technical and
13 business expertise to accomplish the objectives of the proposed
14 project;

15 (F) all costs associated with and ancillary to the pro-
16 ject and future obligations generated by the project have been
17 identified, including any necessary operating, maintenance, or
18 other support costs for the life of the project;

19 (G) potential resource use conflicts that may result
20 from the proposed project are identified and evaluated, and when
21 necessary, plans to mitigate or resolve those conflicts and to
22 preserve for the future options for the use of the state's renew-
23 able resources are included in the application;

24 (H) a proposed project involving the use of a renewabl
25 resource is an appropriate use of that resource;

26 (2) use the financial mechanism most appropriate to the
27 conditions of the applicant and the proposed project and which will most
28 effectively utilize the funds available; grants may be utilized when
29 other mechanisms are not feasible and when the benefits of the grant

1 will accrue to the general public;

2 (3) consider regional preferences and priorities in evaluat-
3 ing projects.

4 (b) The board may not

5 (1) invest more than five per cent of the resources of the
6 corporation or \$1,500,000, whichever is less, in a single project or
7 applicant unless the legislature has approved the investment by con-
8 current resolution;

9 (2) invest in more than 25 per cent of the outstanding cor-
10 porate stock or other corporate obligations issued by an applicant
11 unless the legislature has approved the investment by concurrent resolu-
12 tion;

13 (3) make a loan for a period in excess of 10 years unless the
14 legislature has approved the loan by concurrent resolution;

15 (4) assume the responsibility for management of any project
16 in which it has invested and may not exercise voting rights for that
17 purpose or for any other purpose which is within the scope of managerial
18 control; or

19 (5) provide funds to any state agency unless that expenditure
20 is included in the corporation's annual budget.

21 (c) Nothing in this section prevents the board from taking such
22 action and exercising such rights as it considers necessary for the
23 protection of its financial interests in the event of

24 (1) actual or threatened default on any of the board's invest-
25 ments;

26 (2) actual or threatened insolvency of a project in which the
27 board has made an investment; or

28 (3) any other immediate or actual circumstance or event which
29 jeopardizes an investment made by the board.

1 (d) Projects for which financial assistance is granted shall
2 comply with all applicable provisions of law.

3 Sec. 37.12.180. ELIGIBILITY FOR FINANCIAL ASSISTANCE. The board
4 may grant financial assistance if it finds that an applicant is quali-
5 fied to receive assistance. An applicant is qualified if

6 (1) he has submitted a proposal to the board in accordance
7 with sec. 170(a)(1) of this chapter;

8 (2) he is a resident of the state or, if the applicant is a
9 partnership, corporation, or other association, it is owned by a major-
10 ity who are residents of the state; and

11 (3) his projects which have previously received financial
12 assistance from the corporation, if any, have complied with all require-
13 ments of that assistance and have performed with sufficient success or
14 promise to warrant further aid.

15 Sec. 37.12.190. REPORTS AND PUBLICATIONS. (a) The board shall
16 prepare and distribute in non-technical language materials describing
17 the purposes and activities of the corporation.

18 (b) The board shall publish an annual report for the governor, the
19 legislature, and the public at the time of submitting its annual budget
20 request. Each annual report shall include financial statements and
21 audit reports, a statement detailing the sources from which the corpora-
22 tion received money, a statement detailing the investments made by the
23 corporation, a summary and evaluation of the data required by sec.
24 160(5) and (6) of this chapter, and any other information that the board
25 of trustees believes would be of interest to the recipients of the
26 report.

27 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. The corporation shall
28 submit its annual budget to the legislature through the governor as pro-
29 vided for state agencies by the Executive Budget Act (AS 37.07). The

1 budget shall include the categories and amounts of proposed financial
2 assistance broken down by financing mechanism and resource sector af-
3 fected and all funds received by the corporation whether through alloca-
4 tions made by this chapter, appropriation, or otherwise. The corpora-
5 tion may expend money directly appropriated by the legislature only as
6 authorized by the legislature. The total amount of the corporation's
7 operating budget shall be specified as a separate item of its budget and
8 be appropriated from the general fund.

9 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its
10 financial record audited annually by a certified public accountant. The
11 legislative auditor may prescribe the form and content of the financial
12 record of the corporation and shall have access to these records at any
13 time.

14 Sec. 37.12.220. COOPERATION WITH OTHER AGENCIES. All departments,
15 agencies, and public corporations of the state shall provide information,
16 services and facilities to the corporation on its request. The corpora-
17 tion shall reimburse the department, agency, or corporation for expenses
18 reasonably incurred on the corporation's behalf.

19 Sec. 37.12.230. DEFINITIONS. In this chapter, unless the context
20 otherwise requires,

21 (1) "applicant" means a person making application to the
22 corporation for financial assistance;

23 (2) "appropriate use" means (definition to be supplied by
24 other source);

25 (3) "board" means the Board of Trustees of the Alaska Renew-
26 able Resources Corporation;

27 (4) "corporation" means the Alaska Renewable Resources Corpo-
28 ration;

29 (5) "project" means products, markets, innovation, or

1 technological developments for the rehabilitation, enhancement, or
2 development of renewable resources and includes applied research for
3 those products, markets, or technological developments;

4 (6) "rehabilitation, enhancement, and development" means any
5 activity or program which improves the health and well-being of a renew-
6 able resource or renewable resource population leading to an increase in
7 the quality or productivity of the resource and to an increase in the
8 benefits derived from the resource to the citizens of the state;

9 (7) "renewable resource" means non-human living organisms;
10 natural components of the environment, including the air, land, and
11 water; and energy systems which are naturally recurring or replenished.

12 * Sec. 2. AS 37.11.040 is amended to read:

13 Sec. 37.11.040. FUND BALANCES. Unappropriated or otherwise unen-
14 cumbered balances remaining in the Alaska renewable resources development
15 fund at the close of each fiscal year shall be transferred to the Alaska
16 renewable resources investment [PERMANENT] fund.

17 * Sec. 3. AS 37.11.050 is amended to read:

18 Sec. 37.11.050. ALASKA RENEWABLE RESOURCES INVESTMENT [PERMANENT]
19 FUND. There is established as a separate fund the Alaska renewable re-
20 sources investment [PERMANENT] fund. Funds apportioned by sec. 60 of
21 this chapter for deposit in the investment [PERMANENT] fund are to be
22 held perpetually in trust for the benefit of both present and future
23 generations of Alaskans.

24 * Sec. 4. AS 37.11.060 is amended to read:

25 Sec. 37.11.060. FUND PRINCIPAL. Unappropriated or otherwise un-
26 encumbered balances remaining in the Alaska renewable resources develop-
27 ment fund at the close of each fiscal year shall be deposited in the
28 investment [PERMANENT] fund. These deposits shall be considered fund
29 principal and shall be invested in perpetuity in accordance with

1 AS 37.10.070 (investment of surplus state funds).

2 * Sec. 5. AS 37.11.070 is amended to read:

3 Sec. 37.11.070. UTILIZATION OF FUND INCOME. Income received from
4 investment of investment [PERMANENT] fund principal shall not be held
5 in trust, but shall be used to provide funding for capital and operating
6 appropriations for the rehabilitation, enhancement and development of
7 renewable resources programs. Plans for expenditures from fund income
8 shall be prepared in detail by the appropriate state department or agency
9 and shall be submitted by the governor in accordance with the Executive
10 Budget Act (AS 37.07) as part of his annual budget presentation to the
11 legislature.

12 * Sec. 6. AS 37.11.080 is amended to read:

13 Sec. 37.11.080. PROTECTION OF PRINCIPAL. A transaction involving
14 investment [PERMANENT] fund principal which results in an actual dollar
15 loss of principal shall be reimbursed in full from fund income before
16 any additional income is expended.

17 * Sec. 7. AS 44.66.010(a) is amended by adding a new paragraph to read:

18 (6) Alaska Renewable Resources Corporation (AS 37.12.030) --
19 June 30, 1982.
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THE ALASKA RENEWABLE RESOURCES CORPORATION

A PROPOSAL

OVERVIEW - RENEWABLE RESOURCES: PROMISE AND PROBLEMS

Alaskan economic history has been wrought with boom/bust cycles, resource exploitation, and seasonal and high unemployment. These conditions still exist in 1977. Alaskans realize that the present wealth of oil revenues will not last and, as reflected in many polls, believe that renewable resource development holds out the greatest promises for long range stability in Alaska.

Renewable resources, such as fish, timber, agriculture, and energy sources, are diffused throughout the State and thus offer possibilities for employment, long-term stability, and environmental compatibility State-wide, particularly in the most underdeveloped areas. While landings and value for most fishery harvests have increased over recent years, Alaskans are impatient to realize the potential three-fold increase in the fishery sector promised by the 200 Mile Limit. Only 17,000 of the 15 million acres of potentially arable lands are presently utilized for agriculture. In many areas of the State, renewable energy and timber resources are unutilized.

With such desires and promises surrounding the development of Alaska's renewable resources, what is holding us up? What is the problem?

There are several problems.

Page Two

Major uncertainties face individuals, businesses, and government seeking to expand the renewable resource sectors of our economy. Uncertainty over land ownership, and a myriad of regulatory actions, surround renewable resources development activity. Lack of knowledge or experience makes for unacceptably high risks in areas of even immediate potential such as Alaska's bottom fishery. Government agencies lack sufficient information to back up resource development efforts. These risks and uncertainties result in a lack of available capital for both starting new businesses and for expanding existing ones.

Alaska's lack of a large supply of experienced entrepreneurs and managers further reduces investor interest or confidence. Necessary infrastructure, such as transportation facilities and service industries, are absent in many areas of Alaska. Also, the widespread reduction in research and development spending by both the private and public sectors since the early 1970's threatens expansion into Alaska's economic frontiers.

There are many actions the State performs or will perform to accelerate the development of our renewable resources. General Fund expenditures continue to fund capital projects creating infrastructure, such as transportation and energy systems, which are necessary to economic activity. Government expenditures at several levels fund many agencies increasing knowledge about our resources and improving resource management techniques. Existing State loan programs and new programs

Page Three

to be debated in the upcoming legislative session expand the availability of capital for Alaska businesses. Permanent Fund monies will be available, but because of the Constitutional requirement, the funds may only be invested in financially sound, proven business ventures.

None of these aids are capable of resolving the uncertainties that presently inhibit renewable resource developments. The Renewable Resources Development Fund (RRDF) created by the Legislature in 1973 for the "rehabilitation, enhancement, and development of Alaska's renewable resources" can fill this gap. Unlike the Permanent Fund, the RRDF does not have to be invested in a safe, income producing manner. With this flexibility, the Subcommittee on the RRDF proposes to apply the RRDF to the earliest and riskiest and neediest stage in the development of renewable resources. Fund dollars* allocated by the Alaska Renewable Resources Corporation (ARRC) will be used to assist the development and demonstration of techniques and innovations for the rehabilitation, enhancement, or maintenance of renewable resources systems and the identification, development, demonstration, and introduction of new products, markets, or technologies for renewable resources industries in Alaska.

This proposal seeks to match individual Alaskans, their ideas and energies, with our vast opportunities for renewable resources development. By providing small demonstration grants and loans tailored to existing and potential renewable resources users and

* see Appendix III for projections.

Page Four

government agencies, the ARRC will provide a presently missing link between new ideas, innovations, and business ventures and the existing Alaskan economy. ARRC funding will be the leading edge in the State's efforts to manage renewable resources systems and to stimulate renewable resources development by providing Alaskans with an ability to prove that their ideas and efforts can mature into viable, self-sustaining economic pursuits. In filling this gap, the ARRC will facilitate the long range rehabilitation, enhancement, and development of Alaska's renewable resources and assist Alaskan private enterprise to create a self-sustaining Alaskan economy benefitting both present and future generations of Alaska.

The charts in Appendix I are offered to familiarize the reader with the processes of innovation and business formation.

THE LEADING EDGE CONCEPT

As anyone who tries to obtain financing in Alaska knows, capital is not very easy to come by. This is especially true for high risk or new, unproven enterprises. The leading edge concept addresses this aspect of the problem by creating a linkage between the idea and the marketplace. Leading edge investments include both risk capital and technical assistance to people and organizations with innovative ideas to be tested and demonstrated, so that major uncertainties preventing private financing can be resolved. Such investment increases the supply of financing for new products, experiments, trial production, prototypes,

technologies, processes, etc., and also promotes entrepreneurship to implement risky opportunities by increasing the supply of competent managers and businessmen. It also generates new information to assist resource managers.

Leading edge investment can play three basic roles. First, it can play the part of a catalyst bringing opportunities and people together. In the development process, credible examples of success play a crucial role, as the proliferation of grocery stores in the bush demonstrates. Familiarity in the business world is self-reinforcing, especially in investment activity. Thus leading edge investments must identify and demonstrate viable examples of renewable resource ^{development} and disseminate information about them.

A second role involves the provision of risk capital for financing new and innovative projects. Leading edge investments provide pilot project and start-up capital which is so sorely lacking in Alaska. Large businessmen and proven entrepreneurs can sometimes obtain risk capital from private lending institutions. It new entrepreneurs and small firms traditionally must come up with their own resources. Thus large numbers of new, potential businesses and small firms seeking to expand are severely constrained by the lack of such sources in Alaska. Leading edge investment in Alaska would break open this narrow field of entry and opportunity.

A third role is the provision of adequate managerial and technical assistance (through outside contract, see Appendix II), to individuals, firms, or agencies attempting to implement new ideas. Leading edge investments include both inexperienced individuals making a first attempt at demonstrating an idea or launching a business venture, and experienced businessmen or researchers entering into a new or unfamiliar area. Both cases will require assistance from sources experienced in either the type of project or its various components. Provision of such assistance will result both in more successful projects and in a general increase in the technical and managerial competence of Alaskans who must compete with outside interests.

For a closer look at possible types of leading edge investments, the following table is offered: (see Appendix IV for abstracts of two actual proposals).

TYPES OF LEADING EDGE INVESTMENT

<u>Area of Investment</u>	<u>Activity</u>	<u>Outcome</u>
Applied Research and Development	Development, Verification, and Application	Refinement or use by public or private sectors
New Products	Development, Demonstration, Introduction for market test	New goods and services available for production and/or consumption by Alaskans
New Markets	Market research, Pilot projects	New areas of economic activity in Alaska for import substitution and export markets
New Technologies, Processes, or Techniques	Develop and Demonstrate	New resource management, harvesting, processing, or production techniques for the private or public sectors

Page Seven

All leading edge investments are intended to either expand resource populations, expand existing small firms, start new firms, or produce innovations or knowledge for use by the public and government agencies.

By focusing on the ideas, efforts and conditions of Alaskans and Alaskan firms, leading edge investment will promote self-reliance, diversity, and self-sustaining economic activities. The State can better aid its residents by directly increasing their opportunities instead of attracting outside developers. By focusing on innovation and information to aid the State and other governments in the rehabilitation and enhancement of Alaska's renewable resources, such investment will improve the ability of the public sector to manage our renewable resources and the conditions of our resource population.

Leading edge investment is only one aspect of the entire range of financial aid available to the private sector. There are approximately ten State loan programs loaning to Alaskan businesses. In addition, during the upcoming legislative session the Legislature will consider several proposals for management and use of the Permanent Fund. All of these proposals include programs to serve those capital needs of established Alaskan business still unmet by private financial institutions and existing State loan programs. Finally, the established Alaskan business sector does receive the bulk of its financing from the private sector. Seen in this context, the leading edge investments make good sense by providing the early missing link between new ideas and capital markets.

OTHER GOVERNMENT EXPERIENCE

The ideas of leading edge investment and the promotion of entrepreneurship are not new. Fifteen national governments, including Great Britain, France, and Japan have programs designed to give financial and management aid to firms during the early stages of business formation. The National Research Development Corporation of Great Britain has considered over 32,000 inventions since 1949, acquired patent rights in 20% of them, completed 1600 license agreements, and has entered into 340 joint venture projects. In FY 1974, it received \$22.5 million in license and joint venture income, \$8.7 in excess of project development and administration expenditures. The Nova Scotia Department of Development is presently engaged in a program to facilitate business formation and entrepreneurship. In Ohio, an Ohio Entrepreneurship Office was created as an experiment between 1972 and 1974 and resulted in the creation of several new companies, increased financing of Ohio firms by Ohio banks, the development of new products and services, new enterprise courses in twelve universities, and aided in the creation of 3000 new jobs at an approximate cost of \$15 per job. Another program, Project New Enterprise, of the Indianapolis Center for Advanced Research, facilitates the commercialization of ideas by fostering research, evaluating inventions and ideas, and providing managerial and financial assistance. They are presently assisting over ninety independent inventors.

THE ALASKA RENEWABLE RESOURCES CORPORATION

The Alaska Renewable Resources Corporation is the institution proposed by the Subcommittee to make leading edge investments. It will be a public corporation designed to allocate RRDF monies in a flexible, responsive, and efficient manner. The functions and organization of the Corporation were formulated to minimize administrative overhead and put Fund monies to their most productive uses. The ARRC will be managed by a three member Board of Directors assisted by a small staff. Much of the substantive work required by leading edge investments, such as identifying opportunities, evaluating highly technical proposals, and providing technical assistance will be performed under contract by other government agencies or by firms in the private sector.

There are a series of functions that the ARRC must perform to guarantee that investments are made wisely. At its inception, and then periodically throughout its operations, the ARRC must analyze the status of renewable resources industries in Alaska and the market for renewable resources-based products and innovations. Such analysis will yield an overview of the problems and opportunities in renewable resources sectors and provide information needed by the ARRC to concentrate investments in areas of high potential.

The ARRC must also have the capability to structure its investments, both grants and loans, to best meet the needs and conditions of its applicants. This capability must combine the foresight and creativity of a research and development foundation with the comprehensive and

and practical business skills of the venture capitalist. While meeting the needs of applicants, the ARRC must seek a maximum return on investment consistent with the goals of the program.

A third and critical function of the ARRC will be to evaluate the various projects and their proponents seeking ARRC assistance. Because leading edge investments target on promising but unproven ideas, funding will be based solely on the potential of the projects and the people behind them. Thus careful evaluation of the technical, financial, management, and market components of each projects is needed to minimize losses to both the ARRC and its applicants.

Because there are so many existing sources of technical assistance (see Appendix II), the ARRC need not have in-house capability to provide these services. However, ARRC managers must be able to perceive the technical and managerial weaknesses of applicants and determine the type of technical assistance needed. Private and other government sources can then be contracted with to provide the needed services to assist applicants in project formulation and implementation.

Since many areas of Alaska are remote and contain culturally diverse people, the ARRC must be active in informing all Alaskans about the opportunities it offers. Such activities could include simple

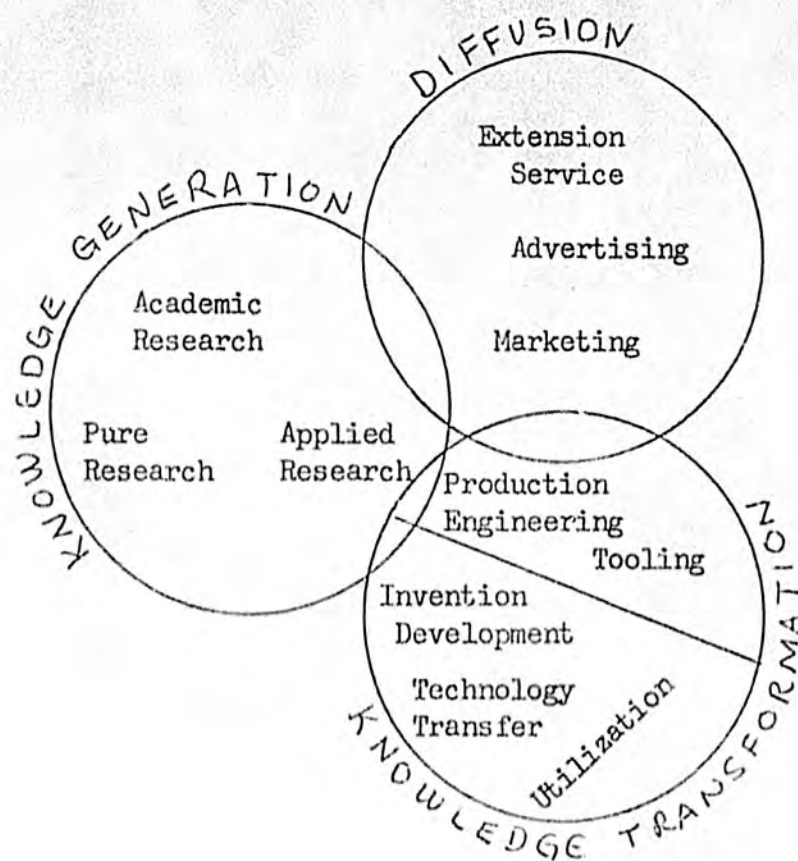
pamphlets, periodic boondoggles, and posters or notices in places of public gathering.

The use of public monies for investments is to accomplish more than economic development of our renewable resources. In the required evaluation process the ARRC must also analyze proposals for their effect on other goals prescribed by the Legislature. The ARRC must evaluate proposals in terms of the distribution of benefits flowing from the ARRC investments, the promotion of Alaska resources in in-State use, the inclusion of local and regional preferences in funding decisions, and the mitigation of resource use conflicts imbedded in development activities.

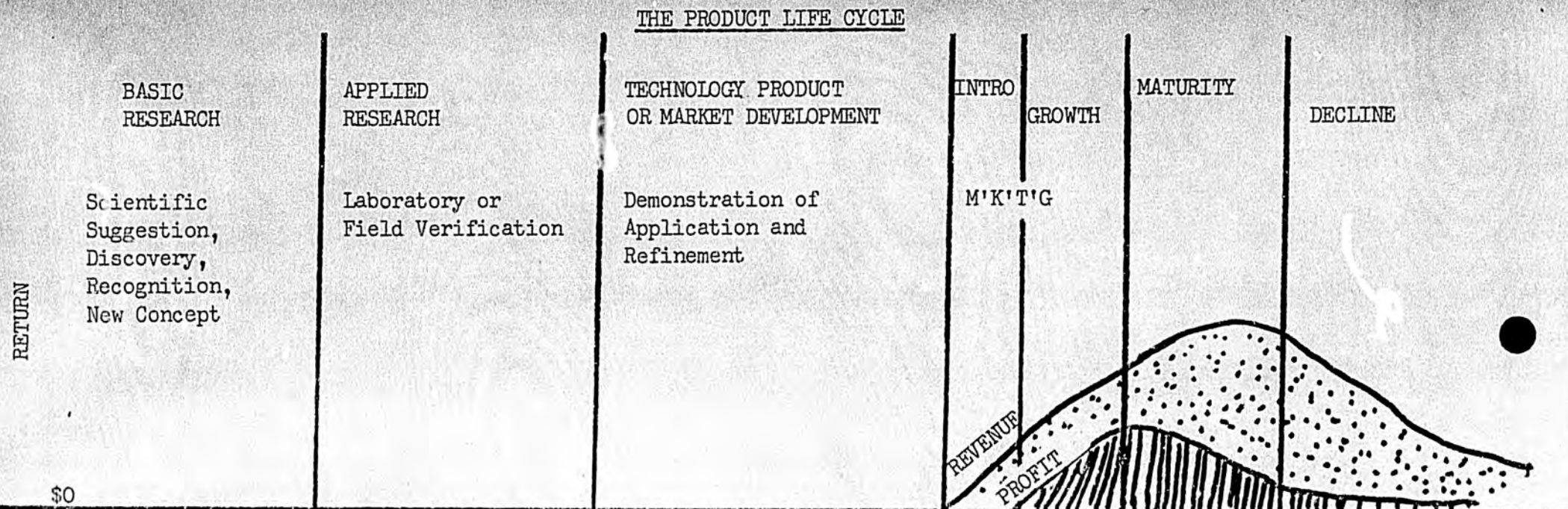
A final function of the ARRC will be to record its progress towards achieving its purposes. Establishing measurement criteria for success and failure, monitoring each project to insure proper implementation, and reporting investment activities and final results will all contribute to the accountability of the ARRC to the Governor, the Legislature, and the people of Alaska. The ultimate accountability of the ARRC will be the fact that its budgets, both operating and investment, will be subject to the Executive Budget Act. The Administration and Legislature by means of the reporting procedures and budget analysis will be able to judge whether the ARRC is meeting the goals established in the enabling legislation and whether it is operating efficiently.

APPENDIX I

FIGURE 1: THE INNOVATION PROCESS



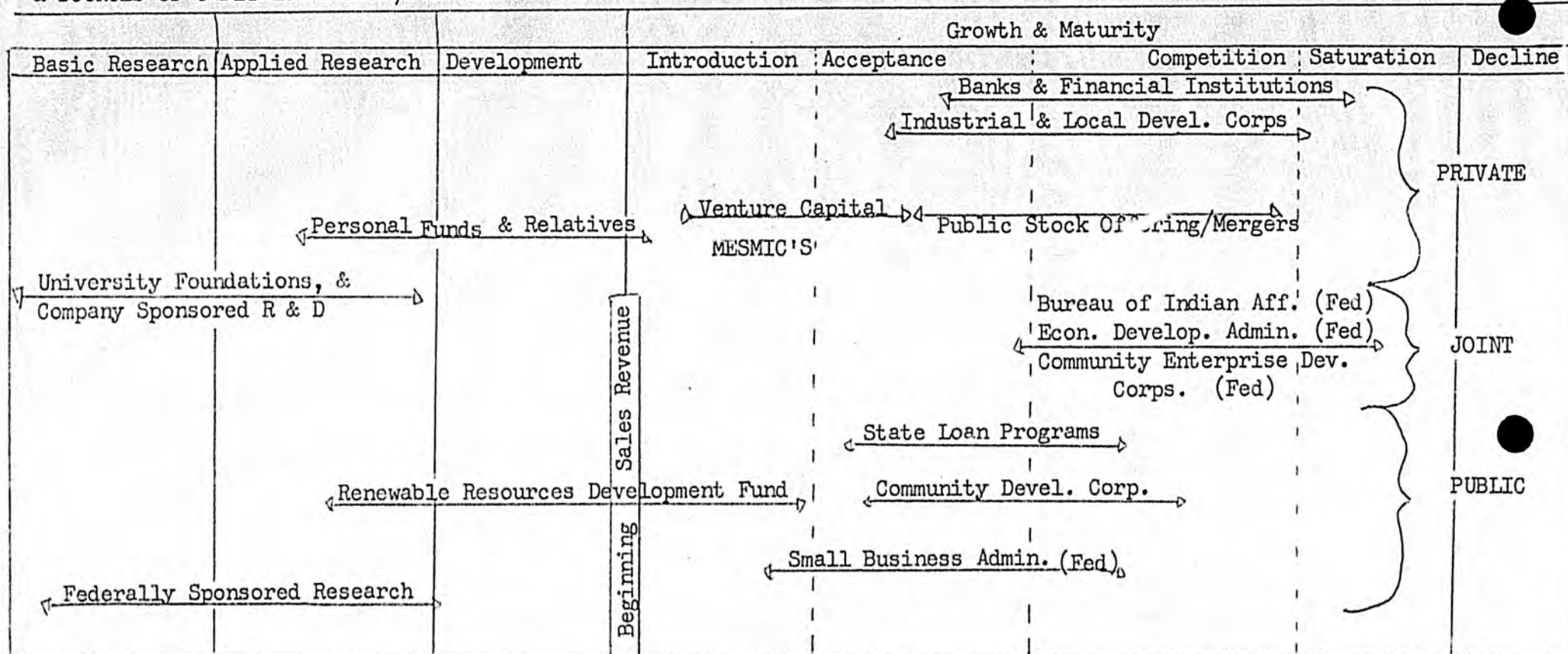
APPENDIX I (Cont'd)



Source: 1969 World Outlook Report
 William McLoughlin, Corporate Plans Office LTV, INC.

APPENDIX I (Cont'd)

PROCESS OF BUSINESS FORMATION
& SOURCES OF CAPITAL: PUBLIC/PRIVATE



APPENDIX II

TECHNICAL ASSISTENCE PROGRAMS AVAILABLE IN ALASKA

State: Department of Commerce and Economic Development
Division of Economic Enterprise
Development Specialists in: Transportation
Internal trade
Minerals
Fisheries
Agriculture
Small Business

Private: Alaska and outside management consulting firms
ANSCA Corps. and the Alaska Native Foundation
Community Enterprise Development Corporation

Federal: 4.9 Catalog of Federal Domestic Assistance. The "Catalog of Federal Domestic Assistance" provides a comprehensive listing and description of Federal programs, activities, and funding which relate to management and technical assistance. For ready reference following are pertinent Agency program titles and section numbers as shown in the catalog:

- 10.500 - Department of Agriculture - Cooperative Extension Service
- 11.104 - Department of Commerce - Domestic and International Business Administration (Business Assistance Services and Information)
- 11.303 - Economic Development Administration - U. S. Department of Commerce (Technical Assistance)
- 11.411 - National Oceanic and Atmospheric Administration - Department of Commerce (Fishery Cooperative Service)
- 11.800 - OMBE - Office of Minority Business Enterprise
- 39.001 - General Services Administration - (Business Services)
- 59.005 - SBA - Management Assistance to Small Business
- 59.006 - SBA - Minority Business Development - Procurement Assistance
- 59.007 - SBA - Management and Technical Assistance for Disadvantaged Businessmen
- 59.019 - SBA - Minority Vendors Program
- 72.006 - Action - (Score and ACE)

APPENDIX III

POSSIBLE CONTRIBUTIONS TO THE RENEWABLE RESOURCES DEVELOPMENT FUND*

Three Cases** (Figures in millions of dollars)

F/Y	Case I (Low Income, High Expenditure Model)		Case II (Medium Income, Medium Expenditure Model)		Case III (High Income, Low Expenditure Model)	
	<u>RRDF Contribution</u>	<u>RRDF Balance</u>	<u>RRDF Contribution</u>	<u>RRDF Balance</u>	<u>RRDF Contribution</u>	<u>RRDF Balance</u>
1978	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
1979	16.7	16.7	20.9	20.9	23.2	23.2
1980	19.4	36.0	24.6	45.4	29.4	52.6
1981	19.8	55.8	25.4	70.8	30.8	83.4
1982	20.1	75.9	26.2	97.1	34.1	117.5
1983	20.8	96.7	27.3	124.4	37.9	155.5
1984	21.3	118.1	28.4	152.8	42.0	197.4
1985	<u>21.8</u>	<u>139.9</u>	<u>29.3</u>	<u>182.1</u>	<u>43.9</u>	<u>241.4</u>
TOTAL	N/A	\$139.9	N/A	\$182.1	N/A	\$241.4

* Derived from November 17, 1977 memo from Dick Haggart to Clark Gruening.

** The amounts projected here are significantly lower than those projected in the Interim Report of 9/17/1977 using 7/7/1977 projections.