

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86/2

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

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

7 (b) Fifty per cent of all actual receipts of the corporation, from
8 whatever source, shall be deposited into the renewable resources invest-
9 ment fund (AS 37.11.050).

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

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

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

22 Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may
23 remove a board member from office by and with the consent of a majority
24 of 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 board member may not participate in board
28 business and may not be counted for the purpose of establishing a quo-
29 rum. A suspended member shall continue to receive his salary as a board

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-
5 sion. If the legislature refuses to consent to his removal, the board
6 member shall be reinstated to his position.

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

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

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

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

24 Sec. 37.12.110. QUORUM. Two members of the board constitute a
25 quorum for the transaction of business and the exercise of the powers
26 and duties of the board.

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

1 AS 39.27.011.

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

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

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

15 Sec. 37.12 150. POWERS. In carrying out the corporate powers of
16 the corporation, the board may

- 17 (1) adopt, alter, and use a corporate seal;
- 18 (2) prescribe, adopt, amend, and repeal bylaws;
- 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

chapter, the board shall

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

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

(3) promote the utilization of the state's renewable resources in the state and the development of import substitution and export markets;

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

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

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

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

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

(A) the proposed project, if successful, will further 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.
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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.

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

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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.

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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,

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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 development and demonstrate viable examples of renewable resource, 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. But 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

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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 analyse 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

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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 project 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

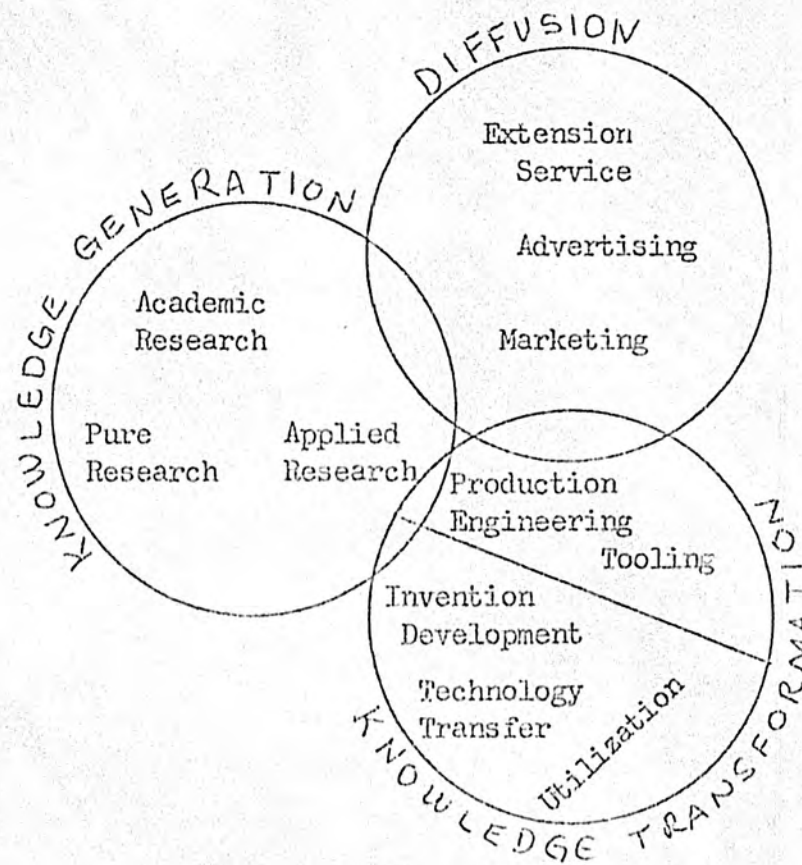
pamphlets, periodic boondoggles, and posters or notices in places of public gathering.

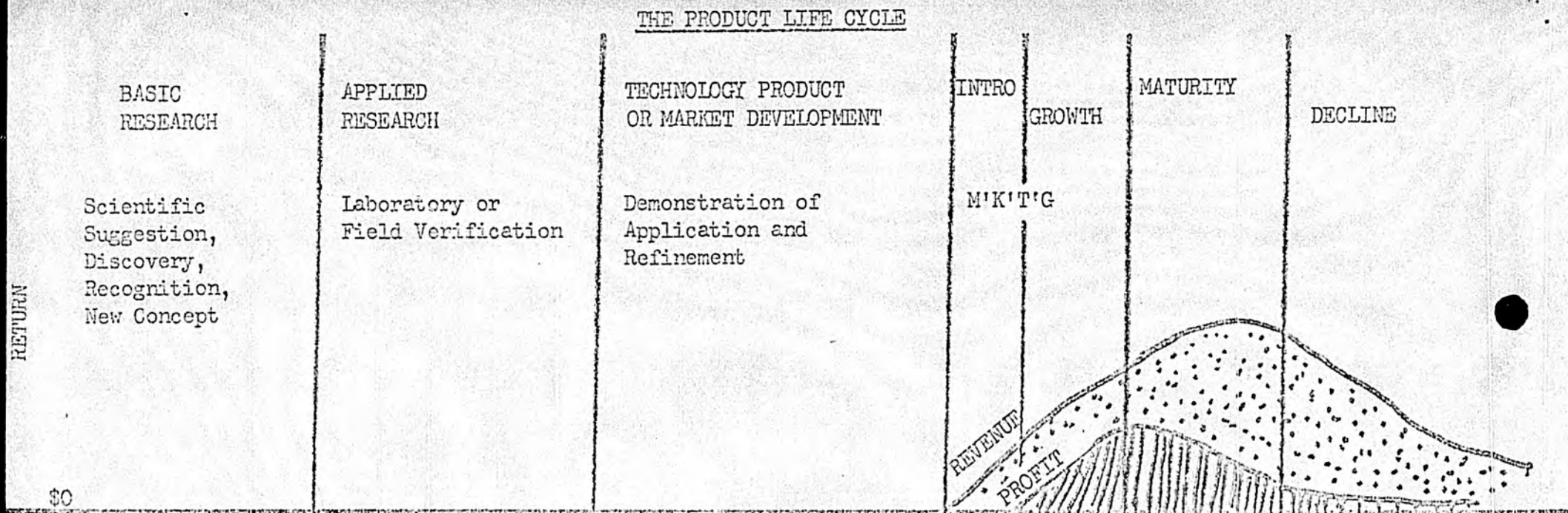
The use of public monies for investments is to accomplish more than economic development of our renewable resources. In the required evaluation process the ARRC must also analyze proposals for their effect on other goals prescribed by the Legislature. The ARRC must evaluate proposals in terms of the 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

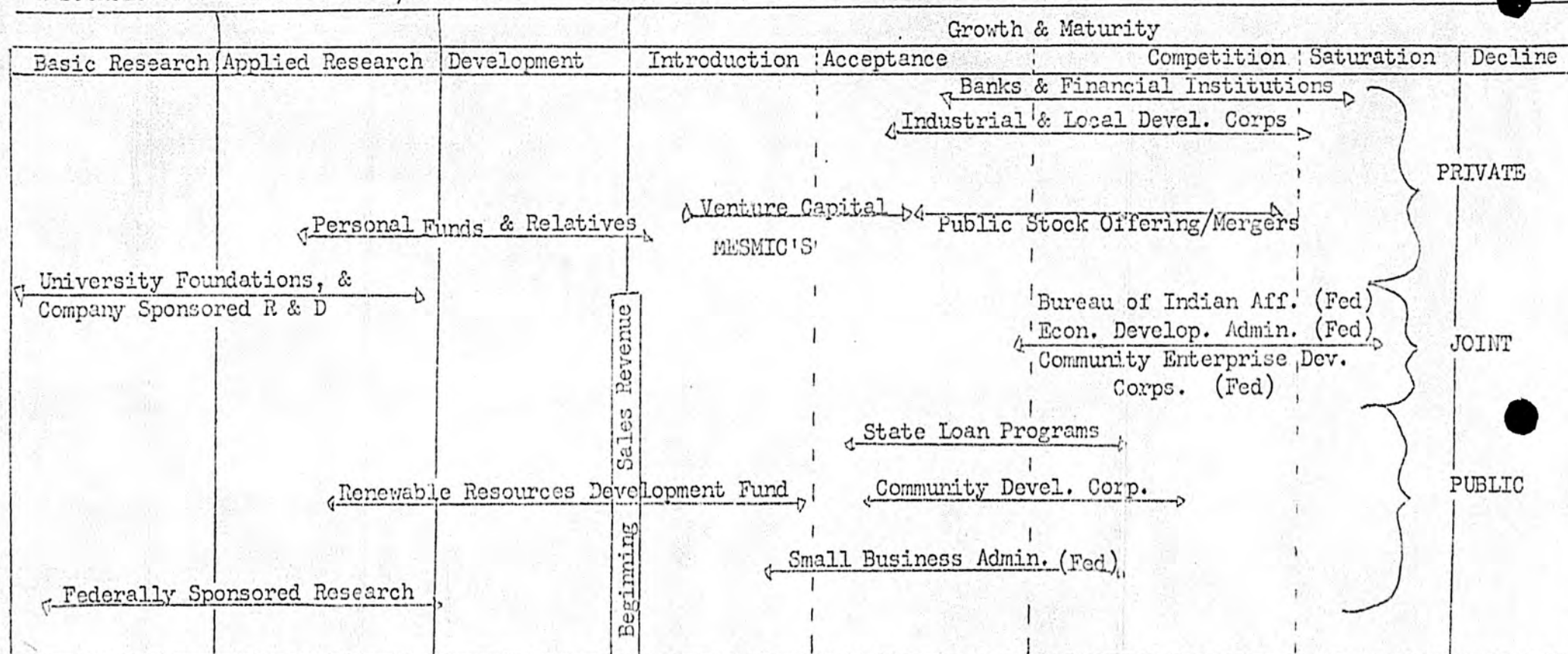




Source: 1969 World Outlook Report
 William McLoughlin, Corporate Plans Office LTV, INC.

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.

APPENDIX IV

A PROPOSAL TO PROMOTE MODERN COASTAL
TRAWL FISHING IN THE UNITED STATES
TWO - HUNDRED MILE ZONE OFF ALASKA

Program Objective: To demonstrate success in trawl fishing for bottomfish off Alaska to stimulate the flow of private capital into American coastal trawlers. A sub-objective is to demonstrate the current state of trawl fishing technology to Alaskan fishermen.

Program Activities: Five well-equipped trawlers with outstanding American skippers to fish for one year; two in the western Gulf of Alaska, three in the eastern Gulf and inside waters of Southeast Alaska. Vessels to deliver bottomfish to processors in region on contract basis. Scientific recording and observation conducted by observers from government. Five European trawler captains to serve as advisors on each vessel for two months.

Participants: Federal Government (NMFS), State Government (ADF&G), Private industry.

Management: Non-profit institute organized to run project; headed by manager loaned from industry and scientist loaned from NMFS or ADF&G.

Term: One year

Location: Eastern and western Gulf of Alaska

Program Components and Costs:		Gov't.	Industry
Equipment subsidy for trawlers -		\$1,200,000	\$1,200,000
Underwriting of gross stock guarantee -----		900,000	300,000
Program to bring skippers from Europe or eastern Canada -----		139,000	
General contingency -----		261,000	
Expenditures for fish -----			656,250
Total government contribution --		2,500,000	
Total industry contribution ----			2,156,000

Outcome: Markets and information (potential annual catch) for vessel owners for estimating return on capital investment in trawling capability. Management information for the North Pacific Fisheries Management Council.

Future Prospects: Similar demonstrations in other regions of Alaska such as the Bering Sea.

APPENDIX IV cont'd.SOLAR ENERGY APPLICATIONS TEST AND DEMON-
STRATION IN A FAR-NORTHERN REGION

Program Objective: To demonstrate the viability of solar hot water heating on a small commercial scale in a far-northern bush community and to stimulate the development of a solar industry within Alaska. Also to reduce the cost, and increase the supply, of energy - related services to rural Alaska and increase rural economic development potentials.

Program Activities: The design and construction of a modular shower and laundry facility using flat plate solar collectors on the University of Alaska Fairbanks campus for a test demonstration. Relocation of the facility to a rural village location for a field demonstration as a small commercial business providing employment and domestic hot water which is not presently available.

Participants: Institute of Water resources, School of Engineering, and Geophysical Institute - U of A Fairbanks, and the Tanana Chiefs Conference.

Management: Faculty and staff from the Institute of Water Resources, School of Engineering, and Geophysical Institute.

Term: Two years

Location: U of A Fairbanks campus; Dot Lake Village.

Project Components

and Costs:	Total overhead, salaries, and benefits ---	\$76,641
	Equipment -----	15,900
	Transportation and travel -----	5,900
	Publication costs -----	1,500
	Computer time -----	500
		TOTAL \$100,441

Outcome: Demonstration of the technical and economic feasibility of applying solar technology in rural Alaska; familiarization of the construction industry and rural governments with solar technology and its applicability; publication of results in industry and scientific journals.

Future Prospects: Further applications of solar technology in far-northern regions.

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-
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 poten-
23 tial. Many problems which confront the state, including high unem-
24 ployment and unstable economy, could be mitigated by the expanded use
25 and development of its renewable resources.

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

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

1 (1) reductions in 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

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

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

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

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

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

25 (3) identify new products, markets, and technologies for
26 renewable resource industries in the state; stimulate the research and
27 development of these products, markets, and technologies; assist in the
28 demonstration of their technical and economic feasibility; and assist in
29 their introduction into commercial markets.

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

7 (b) Fifty per cent of all actual receipts of the corporation, from
8 whatever source, shall be deposited into the renewable resources invest-
9 ment fund (AS 37.11.050).

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

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

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

22 Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may
23 remove a board member from office by and with the consent of a majority
24 of 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 board member may not participate in board
28 business and may not be counted for the purpose of establishing a quo-
29 rum. A suspended member shall continue to receive his salary as a board

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-
5 sion. If the legislature refuses to consent to his removal, the board
6 member shall be reinstated to his position.

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

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

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

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

24 Sec. 37.12.110. QUORUM. Two members of the board constitute a
25 quorum for the transaction of business and the exercise of the powers
26 and duties of the board.

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

1 AS 39.27.011.

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

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

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

15 Sec. 37.12.150. POWERS. In carrying out the corporate powers of
16 the corporation, the board may

- 17 (1) adopt, alter, and use a corporate seal;
- 18 (2) prescribe, adopt, amend, and repeal bylaws;
- 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

chapter;

(B) the application contains an adequate plan for project implementation, including, when applicable, a complete business, financial and marketing plan for commercial activities;

(C) private financing cannot reasonably be undertaken without aid or that financial participation is not otherwise available;

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

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

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

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

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

(2) use the financial mechanism most appropriate to the conditions of the applicant and the proposed project and which will most effectively utilize the funds available; grants may be utilized when 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.

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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.

Bills before the Special Committee on the
Alaska Permanent Fund

February 1, 1978

HJR No. 31 - Proposing an amendment to the Constitution of State of Alaska relating to legislative confirmation authority. (confirmation of Board members by a majority in joint session.)

HB No. 4 - "An Act relating to the Alaska permanent fund."

HB No. 298 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

HB No. 300 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

HB No. 515 - "An Act relating to the Alaska Permanent Fund." (Deposit in Alaska Permanent Fund.)

HB No. 525 - "An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure and providing for an effective date."

HB No. 579 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Income to Boroughs and Cities and Permanent Fund Income)

HB No. 595 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Guarantees of Indebtedness, Limitations of Indebtedness and Guarantee Endorsed.)

HB No. 596 - "An Act relating to nonrenewable resource revenues; and providing for an effective date."

HB No. 649 - "An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."

HB No. 682 - "An Act relating to nonrenewable resource revenues."

Bills before the Special Committee on the
Alaska Permanent Fund

January 24, 1978

Malone

HJR No. 31 - Proposing an amendment to the Constitution of State of Alaska relating to legislative confirmation authority. (confirmation of Board members by a majority in joint session.)

Swanson

HB No. 4 - "An Act relating to the Alaska permanent fund."

Rules by Gov.

HB No. 298 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

Comm.

HB No. 300 - "An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

Greening

HB No. 515 - "An Act relating to the Alaska Permanent Fund." (Deposit in Alaska Permanent Fund.)

Rules - Gov.

HB No. 525 - "An Act relating to the distribution of income from the Alaska Permanent Fund; amending rules of procedure and providing for an effective date."

Greening

HB No. 579 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Income to Boroughs and Cities and Permanent Fund Income)

Comm.

HB No. 595 - "An Act relating to income of the Alaska Permanent Fund; and providing for an effective date." (Guarantees of Indebtedness, Limitations of Indebtedness and Guarantee Endorsed.)

Comm.

HB No. 596 - "An Act relating to nonrenewable resource revenues; and providing for an effective date."

Rules - Gov.

HB No. 649 - "An Act making a special appropriation to the Alaska Permanent Fund; and providing for an effective date."

Comm.

HB No. 682 "An Act relating to non-renewable resource revenues."

Introduced: 3/14/77
Referred: Special Committee on
the Alaska Permanent Fund and
Judiciary

1 IN THE HOUSE

BY MALONE

2 HOUSE JOINT RESOLUTION NO. 31

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitution
6 of the State of Alaska relating to legis-
7 lative confirmation authority.

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

9 * Section 1. Article III, sec. 26, Constitution of the State of Alaska,
10 is amended to read:

11 Section 26. BOARDS AND COMMISSIONS. When a board or commission is
12 at the head of a principal department or a regulatory or quasi-judicial
13 agency, its members shall be appointed by the governor, subject to
14 confirmation by a majority of the members of the legislature in joint
15 session, and may be removed as provided by law. Members of a board,
16 commission or agency, established to administer the fund created under
17 Section 15 of Article IX, are subject to confirmation by a majority of
18 the members of the legislature in joint session. They shall be citizens
19 of the United States. The board or commission may appoint a principal
20 executive officer when authorized by law, but the appointment shall be
21 subject to the approval of the governor.

22 * Sec. 2. The amendment proposed by this resolution shall be placed
23 before the voters of the state at the next general election in conformity
24 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
25 laws of the state.

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1 IN THE HOUSE

BY SWANSON

2 HOUSE BILL NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska permanent fund."

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 PERMANENT FUND.

10 Sec. 37.12.010. FUND ESTABLISHED. There is established as a
11 separate account the Alaska permanent fund. At least 25 per cent of all
12 mineral lease rentals, royalties, royalty sale proceeds, federal mineral
13 revenue-sharing payments and bonuses received by the state shall be
14 placed in the fund. These funds and any other funds appropriated for
15 deposit in the permanent fund shall be held perpetually in trust for the
16 benefit of the present and future generations of Alaskans. The fund
17 shall be administered in accordance with the provisions of this chapter.

18 Sec. 37.12.020. FUND PRINCIPAL. Funds placed or deposited in the
19 permanent fund are fund principal which shall be invested in perpetuity
20 only in the income-producing investments specifically designated in this
21 chapter regardless of other provisions of law dealing with permissible
22 investments of state funds.

23 Sec. 37.12.030. INVESTMENTS ALLOWED. (a) The principal of the
24 fund may be invested only in

25 (1) obligations of, or obligations insured or guaranteed by,
26 the United States or agencies or instrumentalities of the United States;

27 (2) obligations of the State of Alaska or municipalities of
28 the State of Alaska;

29 (3) obligations secured by reserves paid in by the United

1 States or agencies or instrumentalities of the United States or corpora-
2 tions in which the United States is a shareholder or member;

3 (4) bank certificates of deposit which are secured as to the
4 payment of principal and interest in accordance with Alaska law;

5 (5) corporate obligations of prime or equivalent quality as
6 recognized by a nationally recognized rating organization.

7 (b) Investment policy shall be formulated by the board of trustees
8 with the assistance of the commissioners of revenue and commerce and
9 economic development. In formulating investment policy the board shall
10 consider maximum income consistent with safety governed by the prudent-
11 man rule.

12 Sec. 37.12.040. FUND INCOME. Income derived from investment of
13 permanent fund principal shall be used to provide funding for capital
14 and operating appropriations for the rehabilitation, enhancement and
15 development of renewable resource programs. Plans for expenditure from
16 fund income shall be prepared in detail by the board, with the cooper-
17 ation of appropriate state departments and agencies. The plans shall
18 be submitted to the governor who shall submit the requested appropria-
19 tions, as prepared by the board, in accordance with the Executive
20 Budget Act (AS 37.07) as part of his annual budget presentation to the
21 legislature. Unappropriated or unencumbered balances of income remain-
22 ing at the close of each fiscal year are transferred to fund principal.

23 Sec. 37.12.050. PROTECTION OF PRINCIPAL. If a transaction in-
24 volving permanent fund principal results in an actual dollar loss of
25 principal, the loss shall be reimbursed in full from fund income before
26 any additional income may be expended.

27 Sec. 37.12.060. TRUSTEES. (a) There is established in the
28 Department of Revenue, division of treasury, the Board of Trustees of
29 the Permanent Fund. The board is the governing body of the fund.

1 (b) The board consists of five trustees appointed by the governor
2 and confirmed by the legislature in joint session. Each trustee shall
3 have been at the time of his appointment a resident of the state for at
4 least 10 years and shall have adequate knowledge of and experience in
5 investments. The trustees shall be appointed from persons experienced
6 in each of the following fields: agriculture, fisheries, forest re-
7 sources, finance and tourism.

8 (c) The term of the trustees is three years except that of the
9 trustees first taking office one shall serve for a term of one year,
10 two shall serve for a term of two years, and two shall serve for a term
11 of three years. The governor shall designate the terms in his original
12 appointments. A vacancy on the board shall be filled in the same
13 manner as an original appointment. An appointee to fill a vacancy
14 holds office for the remainder of the term for which his predecessor
15 was appointed. A trustee may be removed by the governor for ineffi-
16 ciency, neglect of duty or malfeasance in office.

17 (d) The trustees shall elect one of their number as chairman.
18 The person elected serves as chairman for a term of one year but may be
19 reelected for successive terms. The board may have other officers as
20 it determines.

21 Sec. 37.12.070. COMPENSATION, PER DIEM AND TRAVEL. Trustees
22 receive an annual salary of \$37,500 and are in the exempt service under
23 AS 39.25.110. They receive per diem and travel allowance as provided
24 by law for other boards and commissions.

25 Sec. 37.12.080. MEETINGS, RULES, QUORUM, VOTES REQUIRED; CONFLICT
26 OF INTEREST. (a) The board shall prescribe its own rules of procedure.
27 It shall meet at a time and place determined by the chairman, and at
28 other times and places as the chairman, or a majority of the trustees
29 considers necessary. A quorum is a majority of the trustees. The

Introduced: 3/3/77
Referred: Special Committee on
the Alaska Permanent Fund and
Finance

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 300

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Permanent Fund; and
7 providing for an effective date."

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

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

10 CHAPTER 13. ALASKA PERMANENT FUND.

11 Sec. 37.13.010. PURPOSE OF THE PERMANENT FUND. The purpose of the
12 Alaska Permanent Fund is to provide a means of conserving a portion of
13 the state's revenues from mineral resources to the ultimate benefit of
14 present and future generations of Alaskans. The revenues so conserved
15 shall be invested in income-producing investments which will provide
16 further benefits to present and future generations of Alaskans. Further
17 benefits may be derived through use of the permanent fund to

18 (1) assist the diversification of the economy of Alaska by
19 making sound investments in Alaska's renewable and nonrenewable re-
20 sources;

21 (2) seek to smooth the cyclical pattern of growth of the
22 Alaska economy;

23 (3) encourage and assist the participation of private capi-
24 tal, from both inside and outside Alaska, in private enterprises of
25 benefit to Alaskans;

26 (4) promote the investment of public and private capital for
27 community development purposes;

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

1 (6) seek to preserve the permanent fund capital for future
2 generations through sound investments in investment grade securities.

3 Sec. 37.13.020. ALASKA PERMANENT FUND. Under art. IX, sec. 15 of
4 the Alaska Constitution, there is established as a separate fund the
5 Alaska Permanent Fund. The permanent fund is a public corporation of
6 the state and an instrumentality of the state within the Department of
7 Revenue but has a legal existence independent of and separate from the
8 state and has continuing succession until its existence is terminated by
9 law. The exercise by the corporation of the powers conferred by this
10 chapter is considered an essential governmental function of the state.
11 The corporation shall manage and invest the principal of the permanent
12 fund and will distribute the income earned from the permanent fund in
13 accordance with the provisions of this chapter.

14 Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent
15 fund consists of 50 per cent of all mineral lease rentals, royalties,
16 royalty sale proceeds, and federal mineral revenue-sharing payments and
17 100 per cent of all bonuses received by the state. The commissioner of
18 revenue shall deposit in the permanent fund 50 per cent of the receipts
19 from all mineral lease rentals, royalties, royalty sale proceeds, and
20 federal mineral revenue-sharing payments and 100 per cent of all bonuses
21 at least once each month. Income from investment of the permanent fund
22 does not become a part of the permanent fund and shall be deposited in
23 the general fund annually, except that income in the following amounts
24 shall be retained in the permanent fund:

25 (1) the amount needed to pay the operating and administrative
26 expenses of the permanent fund;

27 (2) any amount allocated to a reserve account established
28 under sec. 90 of this chapter.

29 Sec. 37.13.040. INVESTMENT OF THE PERMANENT FUND. The permanent

1 fund may be used only for income-producing investments, in accordance
2 with the following requirements:

3 (1) At least 40 per cent of the resources of the permanent
4 fund shall be invested in investment grade securities.

5 (2) The permanent fund may invest not more than 30 per cent
6 of its resources to provide a reasonable proportion of longer-term in-
7 vestment capital for financing the establishment, improvement, and
8 expansion of productive private enterprises which will benefit Alaskans,
9 and for which sufficient capital is not available from other sources on
10 reasonable terms. These investments may take the form of equity, debt
11 or debt guarantees.

12 (3) The permanent fund may invest not more than 30 per cent
13 of its resources in financing a reasonable proportion of the longer-term
14 investment capital needs for community development projects of munici-
15 palities and public corporate entities and private dwellings in Alaska
16 for which sufficient financing is not available from other sources on
17 reasonable terms. These investments may take the form of debt or debt
18 guarantees.

19 Sec. 37.13.050. PERMANENT FUND POLICY BOARD. (a) There is estab-
20 lished the Alaska Permanent Fund Policy Board, consisting of the commis-
21 sioner of commerce and economic development, the commissioner of revenue,
22 and seven members to be appointed by the governor and confirmed by the
23 legislature in joint session. The seven appointed members must have
24 been residents of Alaska for at least three years and may not be employ-
25 ees of the state. Their term of office is four years, and they may be
26 reappointed. Terms shall be staggered. Initial terms shall be one
27 member serving for one year, two members for two years, two members for
28 three years, and two members for four years. Members may be removed for
29 cause. Members continue to serve until their successors are appointed.

1 (b) The president of the Alaska Permanent Fund serves as the
2 chairman of the policy board, but is not a voting member.

3 (c) Two-thirds of the board members constitute a quorum for the
4 transaction of business by the board. Decisions of the board shall be
5 taken by a majority vote, including not less than a majority of the
6 appointed members. The board shall hold at least one public meeting
7 each year.

8 (d) Members of the policy board receive \$250 per meeting day and
9 are entitled to per diem and travel allowances as provided by law for
10 members of state boards and commissions.

11 Sec. 37.13.060. DUTIES OF THE POLICY BOARD. The policy board
12 shall

13 (1) select and appoint the president and other members of the
14 Alaska Permanent Fund Investment Committee established in sec. 70 of
15 this chapter;

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

20 (3) have sole responsibility for relations with the general
21 public, legislature, executive branch, local communities, and interest
22 groups concerning all matters other than specific investments of the
23 permanent fund;

24 (4) review quarterly reports from the investment committee
25 concerning investment decisions and investment supervision;

26 (5) review, consider and approve policies;

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

29 (7) establish an audit committee, consisting of the

1 commissioner of revenue and other members of the policy board to be
2 designated, which shall select the independent outside auditors, and
3 receive all audit reports;

4 (8) decide appeals from interpretations of this chapter;

5 (9) determine the remuneration and terms of service of the
6 president and other members of the investment committee;

7 (10) present a complete report of investment programs, plans,
8 performance and policies to a joint meeting of the senate and house
9 finance committees of the legislature within 30 days after the beginning
10 of each session.

11 Sec. 37.13.070. PERMANENT FUND INVESTMENT COMMITTEE. (a) There
12 is established the Alaska Permanent Fund Investment Committee, con-
13 sisting of the president of the permanent fund, who shall serve as
14 chairman, and four members appointed by the policy board. No member of
15 the policy board may be a member of the investment committee. All
16 members must have been residents of Alaska for at least three years, may
17 not be state employees and shall be persons of recognized competence and
18 wide experience in investments, finance, and other business management
19 related fields. Members may be reappointed and continue to serve until
20 their successors are appointed.

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

23 Sec. 37.13.080. DUTIES OF THE INVESTMENT COMMITTEE. The invest-
24 ment committee has sole responsibility to approve all investment pro-
25 posals, and review all investments in investment grade securities.

26 Sec. 37.13.090. PERMANENT FUND PRESIDENT. The president of the
27 permanent fund is appointed by the policy board for a term of five
28 years, may be reappointed, and serves at the pleasure of the policy
29 board. The president shall

1 (1) have sole responsibility for presenting investment pro-
2 posals to the investment committee;

3 (2) be responsible for the ordinary business of the permanent
4 fund and the organization, appointment, dismissal, and remuneration of
5 the officers and staff;

6 (3) be responsible for making investments in investment grade
7 securities, subject to review by the investment committee;

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

10 Sec. 37.13.090. EXEMPTION FROM EXECUTIVE BUDGET ACT. The perma-
11 nent fund is exempt from the provisions of the Executive Budget Act (AS
12 37.07).

13 Sec. 37.13.100. PERSONNEL OF PERMANENT FUND. The president,
14 officers, and staff of the permanent fund are in the exempt service.

15 Sec. 37.13.110. POWERS OF PERMANENT FUND. The permanent fund has
16 all powers necessary to carry out the purposes of this chapter including
17 but not limited to the following:

18 (1) sue and be sued;

19 (2) adopt a seal;

20 (3) have perpetual succession;

21 (4) adopt and amend policies and operational procedures when
22 not inconsistent with this chapter;

23 (5) make and execute contracts and other instruments;

24 (6) in its own name, own, exchange, transfer, lease, rent,
25 convey, acquire or dispose by other means real and personal property.

26 Sec. 37.13.120. RESERVES. The permanent fund shall establish,
27 from income derived from its investments, reserve accounts to preserve
28 the principal of the permanent fund, consistent with sound financial
29 practices.

1 Sec. 37.13.130. OPERATIONAL PRINCIPLES. (a) The operations of
2 the permanent fund shall be conducted in accordance with the following
3 principles:

4 (1) In making investments, the investment committee and staff
5 shall exercise the judgment and care under the circumstances then pre-
6 vailing which a person of ordinary prudence, discretion, and intelli-
7 gence exercises in the management of his own affairs not in regard to
8 speculation but in regard to the permanent disposition of funds, con-
9 sidering the probable income from them as well as probable safety of
10 principal.

11 (2) The permanent fund shall not undertake any financing for
12 which, in its opinion, sufficient private capital could be obtained on
13 reasonable terms.

14 (3) The permanent fund shall not assume responsibility for
15 managing any enterprise or project in which it has invested and shall
16 not exercise voting rights for that purpose or for any other purpose
17 which, in its opinion, properly is within the scope of managerial con-
18 trol.

19 (4) The permanent fund shall only undertake its financing on
20 terms and conditions which it considers appropriate, taking into account
21 the terms and conditions normally obtained by private investors for
22 similar financing, the requirements of the enterprise or projects, the
23 risks being undertaken by the permanent fund, and the participation of
24 other investors unless the legislature has appropriated funds for subsi-
25 dizing investments which, in the opinion of the permanent fund, are of
26 such high priority that special terms and conditions are appropriate.

27 (5) The permanent fund may seek to revolve its funds by
28 selling its investments to other investors whenever it can appropriately
29 do so on satisfactory terms.

1 (6) The permanent fund shall seek to maintain a reasonable
2 diversification in its investments.

3 (7) The permanent fund shall only consider investment pro-
4 posals after the applicant for an investment has submitted a detailed
5 proposal to the permanent fund staff and the staff of the permanent fund
6 has prepared a written report recommending the investment after a study
7 of its merits.

8 (8) The permanent fund shall analyze the economic and other
9 effects of an investment decision, including the effects on employment,
10 income distribution, environment, health, social and other factors. The
11 permanent fund shall be sensitive to the views of affected local com-
12 munities and shall include an analysis of those views in proposals for
13 large investments.

14 (9) The permanent fund may make investments in financial
15 intermediaries in order to facilitate investment by the intermediaries
16 in specific enterprises or projects whose individual financing require-
17 ments are not, in the opinion of the permanent fund, large enough to
18 warrant its direct supervision.

19 (10) The permanent fund shall provide for operational and
20 performance evaluations (post-audits) of its investments and investment
21 programs and report the results to the Policy Board Audit Committee.

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

29 Sec. 37.13.140. BORROWING POWERS. The permanent fund has the
HB 300

1 power to borrow funds, and in that connection to furnish the collateral
2 or other security as it determines necessary.

3 Sec. 37.13.150. REPORTS AND PUBLICATIONS. (a) The policy board
4 shall publish an annual report to the governor, legislature and the
5 public. Each report shall include financial statements audited by in-
6 dependent outside auditors, a statement of the amount of money received
7 by the permanent fund from each source during the period covered, a
8 statement of permanent fund investments, a description of permanent fund
9 investment activity during the period covered by the report, and any
10 other information the policy board believes would be of interest to the
11 governor, the legislature and the public. The annual income statement
12 and balance sheet of the permanent fund shall be published in at least
13 one newspaper in each judicial district. The permanent fund may also
14 publish such other reports as it considers desirable to carry out its
15 purpose.

16 (b) The policy board of the permanent fund is prohibited from any
17 campaign or general advertising expenditures to either promote or defend
18 its policies and operations.

19 Sec. 37.13.160. TECHNICAL ASSISTANCE. (a) The permanent fund may
20 provide financing for pre-investment activities including feasibility
21 studies, when, in the opinion of the permanent fund, the proposed in-
22 vestment is of high priority and the financing is not available from
23 other sources on reasonable terms and conditions. Amounts so advanced
24 may form a part of a later investment, if the enterprise or project is
25 financed by the permanent fund.

26 (b) The permanent fund may provide for technical and management
27 advice and assistance to proposed and actual investments as it considers
28 necessary in the circumstances.

29 Sec. 37.13.170. CONFLICT OF INTEREST POLICIES. Members of the

1 investment committee shall disclose their financial interest in an
2 investment proposal and disqualify themselves from voting on any invest-
3 ment proposal in which they have a financial interest. The permanent
4 fund may not make an investment in any project or enterprise in which
5 the president or officers of the permanent fund have a financial inter-
6 est. Members of the policy board are prohibited from all attempts to
7 influence the investment committee, president, officers and staff in the
8 discharge of their ordinary operating duties. The president, officers
9 and staff of the permanent fund, in the discharge of their offices, owe
10 their duty entirely to the permanent fund and no other authority.

11 Sec. 37.13.180. POLITICAL ACTIVITY. The members of the policy
12 board, members of the investment committee, and officers and staff of
13 the permanent fund may not engage in partisan political activities which
14 involve the permanent fund. The resources of the permanent fund may not
15 be used to finance any partisan political activities.

16 Sec. 37.13.190. PUBLIC ACCESS TO INFORMATION. Information in the
17 possession of the permanent fund is a public record, except information
18 which discloses the particulars of the business or affairs of a private
19 enterprise or investor is confidential and is not a public record. Con-
20 fidential information may be disclosed only for the purposes of an
21 official law enforcement investigation or when its production is re-
22 quired in a court proceeding. These restrictions do not prohibit the
23 publication of statistics presented in a manner that prevents the iden-
24 tification of particular reports, items, persons, or enterprises.

25 Sec. 37.13.200. TAX EXEMPTION. The permanent fund is exempt from
26 all taxes and assessments in the state. All security instruments issued
27 by the permanent fund, their transfer and their income are exempt from
28 all taxes and assessments in the state.

29 Sec. 37.13.210. DEFINITIONS. In this chapter, unless the context

1 indicates otherwise,

2 (1) "board" or "policy board" means the Alaska Permanent Fund
3 Policy Board created by sec. 50 of this chapter;

4 (2) "committee" or "investment committee" means the Alaska
5 Permanent Fund Investment Committee created by sec. 70 of this chapter;

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

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

8 (21) The policy board, investment committee, president,
9 officers and staff of the Alaska Permanent Fund.

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

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

14 * Sec. 4. Investments outstanding as of the effective date of this Act,
15 made from money in the Alaska Permanent Fund, shall be transferred to the
16 corporation established in AS 37.13.010 in sec. 1 of this Act.

17 * Sec. 5. This Act takes effect immediately in accordance with AS 01.10.-
18 070(c).

Introduced: 5/2/77
Referred: Special Committee on
the Alaska Permanent Fund and
Finance

1 IN THE HOUSE

BY GRUENING, GARDINER AND MEEKINS

2 HOUSE BILL NO. 515

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska Permanent Fund."

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

8 * Section 1. AS 37.10 is amended by adding a new section to read:

9 Sec. 37.10.055. DEPOSIT IN ALASKA PERMANENT FUND. The commis-
10 sioner of revenue shall deposit in the Alaska Permanent Fund at least
11 once each month 25 per cent of the receipts from all mineral lease
12 rentals, royalties, royalty sale proceeds, federal mineral revenue-
13 sharing payments and bonuses received by the state, except that, com-
14 mencing July 1, 1978 and terminating July 1, 1985, the amount deposited
15 by the commissioner in the Alaska Permanent Fund under this section
16 shall be (1) at least 37.4 per cent of the receipts from these sources
17 or (2) if the legislature determines by joint resolution that another
18 percentage would, because of revised revenue estimates, be more appro-
19 priate to insure that the total deposit will result in the sum of
20 \$900,600,000 being deposited by July 1, 1985, in addition to the sum
21 resulting from the 25 per cent deposit, then that percentage.

Introduced: 5/5/77
Referred: 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. 525

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (1) the reason for his ineligibility;

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

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

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

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

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

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

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

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

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

1 for a share under this chapter.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 IN THE HOUSE

BY GRUENING

2 HOUSE BILL NO. 579

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

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

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

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

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

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 595

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

9 * Section 1. AS 37 is amended by adding new sections to read:

10 Sec. 37.13.190. PERMANENT FUND INCOME. Income from investment of
11 the permanent fund becomes part of the permanent fund and shall be
12 deposited in the permanent fund annually. The income may be used to
13 provide for guarantees of indebtedness issued by governmental agencies
14 of the state for power projects.

15 Sec. 37.13.200. GUARANTEES OF INDEBTEDNESS. The Board of Trustees
16 of the Alaska Permanent Fund Corporation is authorized to enter into
17 agreements with any public authority of this state or any municipality
18 or other governmental agency of the state, providing for a guarantee of
19 the payment when due, whether at maturity or by sinking fund redemption
20 but not by acceleration of maturity, of the principal of and interest on
21 bonds, notes or other indebtedness issued to finance projects for con-
22 struction of electric generating and related transmission facilities,
23 this guarantee to be payable solely from the income derived from the
24 Alaska permanent fund established by sec. 10 of this chapter (other than
25 income derived from the Alaska enterprise development fund established
26 by AS 44.55.010). The agreements shall contain such terms, provisions,
27 and covenants in furtherance of the purposes of secs. 190 - 230 of this
28 chapter as the board of trustees determines.

29 Sec. 37.13.210. LIMITATION ON INDEBTEDNESS. No bonds, notes or

1 other indebtedness may be guaranteed under sec. 200 of this chapter
2 unless the board of trustees determines that the debt service for any
3 year with respect to all bonds, notes and other indebtedness guaranteed
4 will not exceed the amount of annual income estimated by the board of
5 trustees to be derived during that year from the Alaska permanent fund
6 (other than income from the Alaska enterprise development fund). The
7 determination shall be made by resolution of the board of trustees
8 before the execution of any guarantee agreement under sec. 200 of this
9 chapter.

10 Sec. 37.13.220. GUARANTEE ENDORSED. Any bonds, notes or other
11 indebtedness guaranteed under sec. 200 of this chapter shall have on
12 the face an endorsement of the guarantee by the chairman of the board of
13 trustees or his designee.

14 Sec. 37.13.230. LEGISLATIVE APPROVAL. No bonds, notes or other
15 indebtedness may be guaranteed by the board of trustees under sec. 200
16 of this chapter until the facilities to be financed with the proceeds
17 have been approved by the legislature by concurrent resolution.

18 * Sec. 2. This Act takes effect upon the effective date of an Act estab-
19 lishing the Alaska Permanent Fund Corporation.

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

1 IN THE HOUSE

BY THE SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

2 HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

10 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

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

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

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

28 (1) monitor and report

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

1 perform lending, borrowing or investment functions,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 Sec. 24.20.690. DUTIES. The committee shall

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

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

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

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

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

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

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

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

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

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

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

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

25 CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 and duties of the board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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