

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECTS 86 / 2

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

Most in-state, investment and distribution plans for the permanent fund tend to encourage even greater separatism, one group from another in our society.

One such proposal might have a regional basis. Just as the Settlement Act recognizes and encourages differences among twelve regions, the permanent fund could be carved into regionally oriented, benefit pots.

The annual argument over the state budget, the division of revenue among subject matter and regional beneficiaries, is a well-seasoned ritual. Societal understandings of decades, most recognized in law, leave the legislature with only a small margin of real choices among beneficiaries.

The permanent fund holds far more really disposable dollars than the state budget. Like an unallocated inheritance, it could set off an avaricious family squabble capable of tearing the state apart.

(This is the second of two articles comparing the settlement act and the permanent fund.)

The purpose of the symposium was to raise pertinent questions about goals of the Alaska Permanent Fund. Please evaluate the symposium's effectiveness in this regard. You may add any other comments you have.

The contribution of the two outside guest economists would have been of greater value if time had permitted some briefing of the special nature of the Alaska economy and some review of future projections that have been made. In the future, some staff work should be done to provide any invited outside participants with these guides, *and background.*

The panel members should have been given more specific directions as to what they were to comment on. As I recall, only John Havelock and I attempted to direct our opening comments to the statements by the two guest economists. I recognize, of course, that there is no way to assure that the panel members will not get off on pet themes, projects or make speeches having only minor relevance to the subject.

I hope in your future public appearances the public participation will be fuller and more relevant and that there will be focus on goals.

Having said all this, I do consider the symposium as having been a valuable undertaking and well worth the cost and effort ~~involved~~ involved.

George Rogers

September 12, 1977

Tim Bradner
Coral Drive
SRA Box 1463-G
Anchorage, AK

Dear Tim:

I just wanted to thank you more or less formally for taking the time to participate in Saturday's symposium. Your assistance to the Committee in drawing out pertinent perspectives on the Permanent Fund is greatly appreciated.

Enclosed is an evaluation sheet requested by the Alaska Humanities Forum. It would be most helpful if you could jot down your comments and return the sheet to the Committee as soon as may be convenient. Again, thanks for your help.

Sincerely,
Mike

Mike Doogan
Administrative Assistant

Enclosure

September 12, 1977

John Havelock
1417 F Street
Anchorage, AK 99501

Dear John:

I just wanted to thank you more or less formally for taking the time to participate in Saturday's symposium. Your assistance to the Committee in drawing out pertinent perspectives on the Permanent Fund is greatly appreciated.

Enclosed is an evaluation sheet requested by the Alaska Humanities Forum. It would be most helpful if you could jot down your comments and return the sheet to the Committee as soon as may be convenient. Again, thanks for your help.

Sincerely,



Mike Doogan
Administrative Assistant

Enclosure

September 12, 1977

Dr. George W. Rogers
1970 Evergreen Avenue
Juneau, AK 99801

Dear George:

I just wanted to thank you more or less formally for taking the time to participate in Saturday's symposium. Your assistance to the Committee in drawing out pertinent perspectives on the Permanent Fund is greatly appreciated.

Enclosed is an evaluation sheet requested by the Alaska Humanities Forum. It would be most helpful if you could jot down your comments and return the sheet to the Committee as soon as may be convenient. Again, thanks for your help.

Sincerely,



Mike Doogan
Administrative Assistant

Enclosure

September 12, 1977

John Lindauer, Chancellor
University of Alaska
2651 Providence Drive
Anchorage, AK 99504

Dear John:

I just wanted to thank you more or less formally for taking the time to participate in Saturday's symposium. Your assistance to the Committee in drawing out pertinent perspectives on the Permanent Fund is greatly appreciated.

Enclosed is an evaluation sheet requested by the Alaska Humanities Forum. It would be most helpful if you could jot down your comments and return the sheet to the Committee as soon as may be convenient. Again, thanks for your help.

Sincerely,



Mike Doogan
Administrative Assistant

Enclosure

September 12, 1977

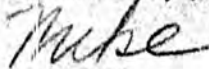
Jamie Love, Director
Alaska Public Interest Research Group
P.O. Box 10093
Anchorage, AK 99501

Dear Jamie:

I just wanted to thank you more or less formally for taking the time to participate in Saturday's symposium. Your assistance to the Committee in drawing out pertinent perspectives on the Permanent Fund is greatly appreciated.

Enclosed is an evaluation sheet requested by the Alaska Humanities Forum. It would be most helpful if you could jot down your comments and return the sheet to the Committee as soon as may be convenient. Again, thanks for your help.

Sincerely,



Mike Doogan
Administrative Assistant

Enclosure

SCOMM

#9:184

PRESENT: Clark Gruening, Chairman; Terry Gardiner, Vice Chairman; Ernie Haugen, Bill Miles, Leo Schaeffer, members; Hugh Malone, Speaker of the House; Alvin Osterbach.

The meeting convened at 9:00 a.m.

The committee agreed to adopt the bill which was presented as a working draft. The bill creates the permanent fund as a separate trust investment whose sole function is a

high grade investment money-making vehicle. *It also creates an Alaska Enterprise Investment Fund to invest in financially sound medium & small scale enterprises.*

A note was made of the Alaska Enterprise Investment Fund inadvertently called the Alaska Development Bank in several sections of the draft. The changes will be made.

made by the committee:
The following changes in the draft were agreed upon:

To drop the words "in the Department of Revenue" in Sec. 37.13.010. *pg 4*

To delete Finding 3: "the permanent fund should be used as a savings device until the future time when disposable income from the fund will be needed to replace depleting mineral resource revenues." *pg 5*

To change Finding 2 to read: "the primary goal of the fund should be to maximize total return while maintaining safety of principal;" *pg 5*

Rep. Gruening suggested that something be drafted for use of the income of the fund. His suggestion was to re-inject 50% of earnings back into the permanent fund; and use the *-insert 1*

remaining 50% to finance alternate energy development--hydro and other non-fossil--to be used to secure a lever of private financing with capital gains returned to principal. It was agreed that the committee members would consider this suggestion.

After a break for lunch, the following changes were made in the draft:

Section 44.55.010(b) will be changed to be consistent with permanent fund heading (Sec. 37.13.010). p 10

Finding 3 under Alaska Enterprise Investment Fund be re-written so that it is not limited from working with federal agencies.

Finding 2 under Alaska Enterprise Investment Fund be written to modify enterprises, small and medium scale, productive, private and community development enterprises. (The same language will be used each time "enterprises" appears.) p 13

The Finding and Purpose sections will be broadened from the limitation of private sector and will allow the community development sector in both. p. 14

~~The commissioners will remain on the Alaska Enterprise Investment Fund Policy Board.~~ *are removed from that*
and one member from the executive branch is added
Also in that section the language will be changed to "six public members appointed by the governor with due regard to geographic location within the state--two of which have broad investment financial background and two have broad experience in community and regional development."

There will be one governor's appointee (a voting member) who

will be responsible for coordination with other funds ^{as} ~~described in~~ In total the board will have 7 voting members ^{and} ~~3 ex officio members (the commissioners).~~ The terms will be four-year staggered terms.

"The chairman of the governing body of the renewable resources development fund serves as chairman of the policy board but is not a voting member" is deleted and that section will state that the board elect a chairman. 11

In the section dealing with the quorum of the board, the sentence "decisions of the board shall be taken by a majority vote, including not less than a majority of the appointed members" the sentence will now end after "vote."

The monetary amount board members receive will be blank.

The section on the investment committee is to remain the same until the next meeting.
~~The president of the Alaska Enterprise Investment Fund Investment Committee shall appoint an investment committee consisting of himself and four members of the staff of the enterprise fund. The sections dealing with quorum requirements and pay range will be deleted.~~ 13

Under duties of the investment committee, the word "sole" will be left out to read, "The investment committee has the responsibility to approve all investment proposals."

Operating budget will be specified in the section pertaining to the investment fund's budget.

The investment fund has the power to borrow up to 150% of its paid-in capital--changed from 50%. 14

investment
The fund may not undertake any new investments till its paid-in capital reaches \$50 ^m billion.

The permanent ^{trust} fund will invest the idle cash balances of the investment fund as a separate account ~~of the development fund--that will be left discretionary.~~ That ~~the investment of idle cash balances will be done by the permanent fund but it will be done~~ in such a manner that it will meet the cash needs projections of the investment fund.

"Purchase currently sound evidence of indebtedness from the tourism fund, the agricultural revolving loan fund and the small business development loan fund if the loan was made after the effective date of this Act and if the loan meets the criteria of sec. 120 of this chapter" will be eliminated. 15

The membership of the State Investment Oversight Committee be changed to the president of the senate, speaker of the house, and six other legislators, two of whom must be minority. 1

The meeting adjourned at 4:45 p.m.

additions to 11/19 minutes

insert 1: It was decided to define capital gains as return to capital and not as earnings and to add language allowing the trust fund managers to spread gains and losses over a five-year period.

Finding (4) was deleted.

For the next meeting, the three-man board of trustees is retained. Staff to draft language putting operation into effect when a total of \$50 million accumulates in trust fund.

Page 8, line 19 to be amended to general language to chose persons to perform services.

Language to be added to 37.13.160 to show performance based on goals and objectives.

Section (f) on page 8 to be rewritten by staff and advisors to allow broad manager discretion.

Operating budget on page 9, lines 13 and 14 to come from general fund.

Language to be added to page 8, lines 5 and on to compare trust fund performance to institutions of similar size.

Office of the Executive Secretary
State Board of Investment
Room 125, Mt. A Building
65 Exchange Avenue
Saint Paul, Minnesota 55155
July 1, 1976

MINNESOTA STATE BOARD
OF INVESTMENT
EXECUTIVE SECRETARY
OF THE

TO THE SECRETARY



*3 copies
active
report sent*

Chairman's Report

1. Committee budget
2. Contract narratives
3. Questionnaire results
4. Public Forum interim results
5. Final report outline
6. Change of meeting date.

Contract Narratives

1. Belden Daniels

Dr. Daniels has completed two reports to the Committee and is continuing to consult on matters pertaining to the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

2. Douglas Pope

Mr. Pope is doing legal research and consulting on legal implications of the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

3. Brian Rogers

Mr. Rogers is doing research on the potential of small and medium scale business development (cottage industry) and Alaska specific appropriate technology at the direction of the Committee Chairman.

4. Alephe Morris

Ms. Morris is doing final editing and typing on transcripts of the Committee's public hearings at the direction of the Committee Chairman.

5. Price Waterhouse and White, Weld & Co. (through the Division of Legislative Finance)

Price Waterhouse and White, Weld & Co. are offering management and financial consulting, respectively, on the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

6. Institute of Social and Economic Research (through the Department of Revenue)

The Institute is doing computer modeling on the impacts of potential uses of Permanent Fund principal and interest at the direction of the Committee Chairman.

Information to be Included
In Final Report

1. Statement of Committee activities
2. Synopsis of work completed
3. Best revenue projections with explanation of pipeline tariff impact
4. Recommendations for planned state assistance to energy development and communities
5. Overview of consultant work
6. Explanation of Committee legislative proposals
7. Conclusion
8. Appendix list. Appendices will include complete consultant reports, transcripts of public hearings, minutes of Committee meetings, Committee bills and copies of press coverage.

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

BUDGET

Category	Spent 10/31	Projected 12/31
PERSONAL SERVICES		
Brian Rogers, AA (terminated 7/31)	1,874.06	1,874.06
Mike Doogan, AA (hired 8/1)	8,104.26	13,590.05
Katherine Brown, Sec. (term. 7/31)	1,536.07	1,536.07
LouAnn Diamond, Sec. (hired 8/1)	4,933.05	8,870.40
Sherida Hughes, Media Consultant	2,697.95	5,000.00
Alephe Morris, Typist (term. 7/31)	148.50	148.50
	<u>19,293.89</u>	<u>31,019.08</u>
 TRAVEL/PER DIEM	 3,666.75	 10,249.58
 CONTRACTUAL SERVICES		
Douglas Pope	7,565.69	16,100.00
Belden Daniels	10,453.96	19,500.00
Brian Rogers	-0-	1,750.00
Judy Brogan (terminated 10/31)	465.00	465.00
Alephe Morris	-0-	500.00
Charlotte Woline (term. 8/15)	228.75	228.75
 <u>Brochure</u>		
Van Cleve Printing	1,093.50	1,093.50
Computer Composition	165.00	165.00
Postage	750.00	750.00
Pitney Bowes	93.85	93.85
 <u>TV Advertisements</u>		
UA Media Services	478.00	478.00
Communications Market	50.00	50.00
Northern Video	278.08	278.08
 <u>Symposium</u>		
Barbara Bergman		
Fees/Expenses	1,091.00	1,091.00
Travel	516.19	516.19
Donald Gordon		
Fees/Expenses	-0-	1,100.00
Travel	276.40	276.40
George Rogers		
Travel/Expenses	186.07	186.07
Anchorage Westward	444.69	444.69
Electronics Company	852.50	852.50
KYAK	-0-	81.00
KHAR	-0-	74.50
KKLV	-0-	47.00
KFQD	-0-	96.00

Category	Spent 10/31	Projected 12/31
Times Publishing	-0-	109.08
Humanities Forum Regrant	(3,000.00)	(3,869.00)
<u>Office</u>		
Rent	-0-	6,000.00
Telephone	836.22	2,000.00
<u>Meeting/Hearing Ads</u>		
Times Publishing	-0-	350.00
KFQD	-0-	311.00
KYAK	-0-	180.00
KHAR	-0-	135.00
KKLV	-0-	94.00
News-Miner	-0-	106.40
Southeast Empire	-0-	140.70
KJNO	-0-	60.60
<u>Miscellaneous</u>		
Freight	105.31	500.00
News Subscriptions	159.00	159.00
Clipping Service	<u>15.00</u>	<u>75.00</u>
TOTAL	23,104.21	52,569.31
 COMMODITIES		
Office Supplies	128.99	200.00
Petty Cash	<u>331.77</u>	<u>500.00</u>
TOTAL	460.76	700.00
 COMMITTEE SUBTOTAL	46,525.61	94,537.97

Category	Spent 10/31	Projected 12/31
SUBCOMMITTEE BUDGET	30,000.00 (encumbered)	30,000.00
<u>Ketchikan Office</u>		
Peggy Thompson, Sec.	2,407.92	2,970.00
Rent	212.16	636.48
Telephone	104.70	104.70
Supplies	54.04	54.04
Subcommittee Subtotal	<u>32,778.82</u>	<u>33,765.22</u>
Committee Subtotal	<u>46,525.61</u>	<u>94,537.97</u>
COMMITTEE TOTAL	79,304.43	128,303.19
Committee Budget	188,869.00	188,869.00
Less Committee Total	<u>79,304.43</u>	<u>128,303.19</u>
COMMITTEE BALANCE	109,564.57	60,565.81

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

November 18 and 19, 1977

AGENDA

November 18

- 1:30 p.m. Presentation, Manufacturer's Hanover Trust
- 2:45 p.m. Presentation, Mr. Robert Blixt, Minnesota Investments
- 4:00 p.m. Presentation, Mr. Terry MaGrath, Fidelity Management

November 19

- 9:00 a.m. Report from Chairman
- 9:45 a.m. Discussion of Permanent Fund Draft Legislation
- Noon Lunch
- 1:30 p.m. Discussion of Renewable Resources Development Fund Draft Legislation
- 4:00 p.m. Other Business

HOUSE SPECIAL COMMITTEE ON THE PERMANENT FUND

November 18 and 19, 1977

AGENDA

November 18

- 1:30 p.m. Presentation, Manufacturer's Hanover Trust
- 2:45 p.m. Presentation, Mr. Robert Blixt, Minnesota Investments
- 4:00 p.m. Presentation, Mr. Terry McGrath, Fidelity Management

November 19

- 9:00 a.m. Report from Chairman
- 9:45 a.m. Discussion of Permanent Fund Draft Legislation
- Noon Lunch
- 1:30 p.m. Discussion of Renewable Resources Development Fund Draft Legislation
- 4:00 p.m. Other Business

AND OMAR

DISCLOSURE

~~✗~~ ERISA - does it actually apply?

✓ Energy costs -

✓ ~~What if it doesn't?~~

✓ total return

why separate revenue & investment functions?

~~11/14/77~~

4350

Barrie/Vase

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

10 ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

11 Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED.

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

17 Sec. 24.20.610. MEMBERSHIP. The committee is composed of eight
18 members: the president of the senate, the speaker of the house, the
19 chairmen of the house and senate finance committees, the house and
20 senate minority leaders, and one member appointed from each house by the
21 respective presiding officer. The committee shall select its own
22 chairman.

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

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

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

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

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

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

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

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

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

(4) hold public hearings relating to the confirmation of members of the permanent fund board of trustees, renewable resources development fund commission, and the development bank;

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

(6) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending, borrowing or investment functions;

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

Sec. 24.20.660. STAFF. The legislative audit division shall provide staff reasonably necessary for the conduct of the committee duties.

Sec. 24.20.670. DUTIES. The committee shall

(1) report to the legislature its recommendations relating to the confirmation of suggested appointees to the permanent fund board of trustees, renewable resources development fund commission, and the development bank;

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

(3) review quarterly reports from the permanent fund board of trustees, renewable resources development fund commission, and development bank policy board;

(4) present a complete report of investment programs, plans, performance, and policies of the permanent fund board of trustees, renewable resources development fund commission, and development bank policy board to the legislature within 30 days after the convening of each regular session.

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

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

CHAPTER 13. ALASKA PERMANENT FUND.

Sec. 37.13.010. ALASKA PERMANENT FUND. Under art IX, sec. 15 of the state constitution, there is established as a separate fund ~~in~~ ~~the Department of Revenue~~ the Alaska Permanent Fund. The permanent fund consists of 100 per cent of mineral lease bonuses after deduction of any amounts allocated to the Alaska Native Fund under the Alaska Native Claims Settlement Act and implementing state legislation and any amounts allocated by law to the Alaska Renewable Resources Development Fund and 30 per cent of all mineral lease rentals, royalties, royalty sale proceeds and federal mineral revenue sharing payments received by the state and any other money allocated by law or appropriated to the principal of the fund. The permanent fund consists of (1) the fund established in this chapter to which five-sixths of the receipts from these sources is allocated and (2) the Alaska Development Bank established in AS 44.55 to which one-sixth of the receipts from these sources is allocated until the amount so allocated reaches the sum of \$100,000,000. Thereafter the total receipts from these sources is allocated to the fund established in this chapter.

Sec. 37.13.020. FINDINGS. The people of the State of Alaska, by constitutional amendment, have required the placement of at least 25 per

1 cent of all mineral lease rentals, royalties, royalty sale proceeds,
2 federal mineral revenue sharing payments and bonuses received by the
3 state into a permanent fund. The legislature finds that

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

7 ~~(2)~~ the primary goal of the fund should be to maximize income
8 while maintaining safety of principal;

9 (3) the permanent fund should be used as a savings device
10 until the future time when disposable income from the fund will be
11 needed to replace depleting mineral resource revenues;

12 (4) the permanent fund should be managed to maintain the
13 purchasing power of the fund to the extent compatible with preservation
14 of principal.

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

19 Sec. 37.13.040. ALASKA PERMANENT FUND BOARD OF TRUSTEES. There is
20 created within but not of the Department of Revenue the Alaska Permanent
21 Fund Board of Trustees. The purpose of the board is to manage and
22 invest the assets of the permanent fund in accordance with the guidelines
23 established in this chapter.

24 Sec. 37.13.050. COMPOSITION OF BOARD OF TRUSTEES. (a) The board
25 of trustees consists of three members appointed by the governor and
26 confirmed by a majority of the members of the legislature in joint
27 session.

28 (b) The board shall annually elect a chairman from among its
29 members.

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

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

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

29 (c) A vacancy on the board does not impair the authority of a

1 quorum of the board to exercise all the powers and perform all the
2 duties of the board.

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

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

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

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

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

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

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

28 (b) No member or employee of the board shall acquire an interest,
29 direct or indirect, in a corporation, company, association, or project

owned, controlled, or invested in by the permanent fund. If a member or employee owns or controls an interest, he shall immediately disclose the interest in writing to the board and refrain from participating in any manner in any board activity relating to that interest.

Sec. 37.13.130. POWERS AND DUTIES. (a) The prudent ^{Man} ~~person~~ rule is applicable to the board in its management and investment of permanent fund assets. In making investments, the board shall exercise the judgment and care under the circumstances then prevailing which a person of ordinary prudence, discretion, and intelligence exercises in the management of his own affairs not in regard to speculation but in regard to the permanent disposition of funds, considering the probable income from them as well as probable safety of capital.

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

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

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

(e) The permanent fund shall be used only for income-producing investments. The board may contract with the Department of Revenue or other persons to select investments for the permanent fund. Investments shall be selected in accordance with (f) of this section.

(f) Subject to (a) of this section the board may invest its assets in obligations of the United States or obligations for which the faith and credit of the United States are pledged for payment of principal and interest; loans secured by first liens on unencumbered realty or leasehold; and corporate stock and corporate obligations listed on a recognized stock exchange. No investment may be made in a security which is in default or in which default is imminent to principal or interest at

the time of investment. No portion of the assets of the fund may be used in the purchase of stocks of any mining company; nor in the purchase of stock of any private corporation which during the preceding five fiscal years has not paid dividends in cash of at least three and one-fourth per cent per year upon the par or stated value of the class of stock purchased or upon the par or stated value of a class of stock junior to the stock purchased; nor in the purchase of bonds of any private corporation, upon which any regular interest payment has been defaulted at any time within five years before purchase, except bonds never in default but which have been outstanding for less than five years. No more than 15 per cent of the assets of the fund may be invested in common stock.

Sec. 37.13.140. BOARD BUDGET. The board's budget is subject to the Executive Budget Act (AS 37.07).

Sec. 37.13.150. AUDITS. The Legislative Budget and Audit Committee shall conduct annual operational and performance evaluations (post-audits) of the board's investments and investment programs and report the results to the State Investment Oversight Committee.

Sec. 37.13.160. REPORTS AND PUBLICATIONS. No later than the 20th day of the legislative session, the board shall publish a report to the governor, legislature, and the public in easily understandable language. Each report must include financial statements audited by the Legislative Budget and Audit Committee, a statement of the amount of money received by the permanent fund from each investment during the period covered, a statement of permanent fund investments, a description of permanent fund investment activity during the period covered by the report, and any other information the board believes would be of interest to the governor, the legislature, and the public. The annual income statement and balance sheet of the permanent fund shall be published in at least one newspaper

1 in each judicial district. The board may also publish other reports it
2 considers desirable to carry out its purpose.

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

4 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT FUND.

5 Sec. 44.55.010. CREATION OF INVESTMENT FUND: FUNDING. (a) There
6 is created the Alaska Enterprise Investment Fund. The investment fund is
7 a public corporation and government instrument in the Department of
8 Revenue but has legal existence independent of and separate from the
9 state. The exercise by the investment fund of the powers conferred by
10 this chapter is considered an essential governmental function of the
11 state.

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

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

17 (a) There is established the Alaska Enterprise Investment Fund Policy
18 Board, consisting of the commissioner of revenue, the commissioner of
19 commerce and economic development, the commissioner of community and
20 regional affairs, or their designees, and six members to be appointed by
21 the governor and confirmed by a majority of the members of the legislature
22 in joint session. [Two members shall have broad experience in investment
23 finance, one member shall represent organized labor, and three members
24 shall represent local communities.]

25 (b) The six appointed members shall serve for ⁴~~six~~ year terms, and
26 they may be reappointed. Terms shall be staggered. Initial terms shall
27 be two members serving for two years, two members serving for four
28 years, and two members serving for six years. Members continue to serve
29 until their successors are appointed and confirmed.

1 (c) The chairman of the governing body of the renewable resources
2 development fund serves as chairman of the policy board but is not a
3 voting member.

4 (d) A majority of the policy board members constitutes a quorum
5 for the transaction of business by the board. Decisions of the board
6 shall be taken by a majority vote, including not less than a majority of
7 the appointed members. The board shall hold at least one public meeting
8 each year.

9 (e) Members of the policy board receive \$100 per meeting day if
10 they attend the meeting and are entitled to per diem and travel allow-
11 ances as are provided by law for members of state boards and commissions.

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

25 (b) A vacancy arising on the policy board shall be promptly filled
26 by appointment by the governor and confirmation by a majority of the
27 members of the legislature in joint session, and an appointee to fill a
28 vacancy shall hold office for the balance of the term for which his
29 predecessor on the board was appointed. If a vacancy arises on the

board while the legislature is not in session, the governor may appoint an interim board member who shall exercise all powers and receive the salary of a permanent board member until such time as the legislature in joint session fails to confirm the interim member's appointment.

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

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

(1) select and appoint the president and other members of the Alaska Development Bank Investment Committee established in sec. 50 of this chapter;

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

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

(4) review quarterly reports from the investment committee concerning investment decisions and investment supervision, but the board may not impose an investment decision upon, or override an investment decision of, the investment committee;

(5) review, consider and approve policies;

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

Sec. 44.55.050. ALASKA ENTERPRISE INVESTMENT FUND INVESTMENT

1 COMMITTEE. (a) There is established the Alaska Enterprise Investment
2 Fund Investment Committee, consisting of the president and four members
3 appointed by the policy board. No member of the policy board may be a
4 member of the investment committee. Members of the investment committee
5 shall be persons of recognized competence and wide experience in invest-
6 ments, finance, and other business management-related fields. Members
7 may be reappointed and continue to serve until their successors are
8 appointed. The president and members shall serve for four year terms.
9 Terms shall be staggered. Initial terms shall be one member serving for
10 one year, one member serving for two years, one member serving for three
11 years, and one member and the president serving for four years.

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

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

17 Sec. 44.55.060. DUTIES OF THE INVESTMENT COMMITTEE. The invest-
18 ment committee has sole responsibility to approve all investment pro-
19 posals.

20 Sec. 44.55.070. BUDGET. The investment fund is subject to the
21 provisions of the Executive Budget Act (AS 37.07).

22 Sec. 44.55.080. PERSONNEL OF INVESTMENT FUND. The policy board
23 and investment committee members and officers and staff of the investment
24 fund are in the exempt service under AS 39.25.

25 Sec. 44.55.090. FINDINGS.

26 (1) that investment in financially sound small and medium
27 scale enterprises in Alaska, particularly in rural areas of Alaska, is
28 of benefit to the citizens of Alaska;

29 (2) there is a shortage of investment capital for financially

1 sound small and medium scale enterprises, particularly in rural areas of
2 Alaska;

3 (3) that the Alaska Enterprise Investment Fund working with
4 private financial institutions can help to alleviate this shortage.

5 Sec. 44.55.100. PURPOSE. The purpose of the Alaska Enterprise
6 Investment Fund is to provide capital at market rates and terms for
7 small and medium scale enterprises, particularly in rural areas of
8 Alaska.

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

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

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

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

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

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

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

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

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

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

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

(1) invest, in such form as it considers appropriate, including without limitation, by purchase of the capital stock of, or the lending of money to, projects, except that any investment in the capital stock of or other ownership interest in such project may not exceed 49 per cent of the capital stock of, or other ownership interest in, the project, and no loan or other investment in the project by the investment fund may exceed 90 per cent of the cost of the project unless, in the judgment of the committee, additional amounts must be loaned to protect the interests of the investment fund;

(2) deposit funds, or invest funds in such obligations as it may determine;

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

(4) purchase currently sound evidence of indebtedness from the tourism fund, the agricultural revolving loan fund and the small business development loan fund if the loan was made after the effective date of this Act and if the loan meets the criteria of sec. 120 of this chapter;

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

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

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

(c) The investment committee may invest not more than 50 per cent

1 of the resources of the investment fund to provide a reasonable proportion
2 of longer-term investment capital for financing the establishment,
3 improvement, and expansion of productive private enterprises which will
4 benefit Alaskans, and for which sufficient capital is not available from
5 other sources on reasonable terms. These investments may take the form
6 of equity, debt, or debt guarantees.

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

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

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

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

25 (h) The committee shall only undertake its financing on terms and
26 conditions which it considers appropriate, taking into account the terms
27 and conditions normally obtained by private investors for similar fi-
28 nancing, the requirements of the enterprise or projects, the risks being
29 undertaken by the investment fund, and the participation of other

investors unless the legislature has appropriated funds for subsidizing investments which in the opinion of the investment fund are of such high priority that special terms and conditions are appropriate.

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

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

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

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

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

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

(o) Nothing in this section prevents the investment committee, in the event of actual or threatened default on any of its investments, actual or threatened insolvency of the enterprise in which the invest-

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

5 Sec. 44.55.130. INITIAL DETERMINATIONS. Before beginning its
6 financing operations, the policy board shall render a detailed report to
7 the legislature which shall

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

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

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

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

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

18 Sec. 44.55.140. REPORTS AND PUBLICATIONS. The policy board shall
19 publish an annual report to the governor, legislature and the public.
20 Each report shall include financial statements audited by independent
21 outside auditors, a statement of the amount of money received by the
22 investment fund from each source during the period covered, a statement
23 of investment fund investments, a description of investment fund invest-
24 ment activity during the period covered by the report, an analysis of
25 economic and other effects of investment decisions including, but not
26 limited to, the effects on employment, income distribution, environment,
27 health, social and other factors, and any other information the policy
28 board believes would be of interest to the governor, the legislature and
29 the public. The investment fund may also publish such other reports as

1 it considers desirable to carry out its purpose.

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

4 (b) Members of the investment committee shall disclose their
5 financial interest in an investment proposal and disqualify themselves
6 from voting on any investment proposal in which they have a financial
7 interest. The committee may not make an investment in any project or
8 enterprise in which officers of the bank have a financial interest.
9 Members of the policy board are prohibited from all attempts to influ-
10 ence the investment committee, its president or staff in the discharge
11 of their ordinary operating duties. All officers of the investment fund
12 in the discharge of their offices owe their duty entirely to the invest-
13 ment fund and no other authority.

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

19 Sec. 44.55.170. PUBLIC ACCESS TO INFORMATION. Information in the
20 possession of the investment fund is a public record, except that infor-
21 mation which discloses the particulars of the business or affairs of a
22 private enterprise or investor is confidential and is not a public
23 record. Confidential information may be disclosed only for the purposes
24 of an official law enforcement investigation or when its production is
25 required in a court proceeding. These restrictions do not prohibit the
26 publication of statistics presented in a manner that prevents the
27 identification of particular reports, items, persons, or enterprises.

28 Sec. 44.55.180. TAX EXEMPTION. The investment fund is exempt from
29 all taxes and assessments in the state. All security instruments issued

by the investment fund, their transfer and their income are exempt from all taxes and assessments in the state.

Sec. 44.55.190. DEFINITIONS. In this chapter

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

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

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

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

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

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

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

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

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

(OO) Alaska Permanent Fund Board of Trustees.

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

Contract Narratives

1. Belden Daniels

Dr. Daniels has completed two reports to the Committee and is continuing to consult on matters pertaining to the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

2. Douglas Pope

Mr. Pope is doing legal research and consulting on legal implications of the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

3. Brian Rogers

Mr. Rogers is doing research on the potential of small and medium scale business development (cottage industry) and Alaska specific appropriate technology at the direction of the Committee Chairman.

4. Alephe Morris

Ms. Morris is doing final editing and typing on transcripts of the Committee's public hearings at the direction of the Committee Chairman.

5. Price Waterhouse and White, Weld & Co. (through the Division of Legislative Finance)

Price Waterhouse and White, Weld & Co. are offering management and financial consulting, respectively, on the Permanent Fund and the Renewable Resources Development Fund at the direction of the Committee Chairman.

6. Institute of Social and Economic Research (through the Department of Revenue)

The Institute is doing computer modeling on the impacts of potential uses of Permanent Fund principal and interest at the direction of the Committee Chairman.

M E M O R A N D U M

To: Mike Doogan, A.A.
House Permanent Fund Committee

From: Kathy Brown *KB*
House Finance Committee

Date: November 18, 1977

Subject: Permanent Fund Questionnaire

Attached to this memo, you will find the results of the House Permanent Fund Survey. We received twenty-nine responses and, as you will see, they defy categorization. There appear to be as many different responses as there were questionnaires.

Since there were so few, I've simply listed the responses to each question. The order of the responses listed is consistent throughout the report to provide continuity in following "the plan" proposed in each questionnaire.

1. WHAT INVESTMENT PROPOSAL DO YOU SUGGEST AND HOW IS IT INCOME PRODUCING FOR THE PERMANENT FUND?

- * Real estate and business loans within Alaska. Financing for municipal improvements.
- * That the Fund be split, and the majority of it be used for research into other nonrenewable resources, and what's left be invested in the development of renewable resources such as fisheries, logging, etc. The profits of the discoveries would be placed directly back in the Permanent Fund.
- * Was impressed by the possibilities/ alternatives suggested in the booklet "The Role of the Permanent Fund in Alaska's Future." My top priority would be loans or bond guarantees for municipalities for capital improvements.
- * 60% - 75% to finance hydroelectric power (i.e. Wantana and Devil's Canyon) and promote agriculture in Susitna, Tanana and Yukon Valleys - Rest of fund in high-yield, low-risk, "money market" investments.
- * A broadly diversified investment program with up to 20% in small technological development firms -- particularly in the fields of energy, communications, aero-space and agriculture.
- * Funds should be banked to produce interest.
- * The Permanent Fund and its income should reflect flexibility both in how it is invested and how it is spent. Perhaps a percentage should be invested outside, but I would see Alaskans getting any advantage in the choice. Increased "in Alaska" activity producing something better than subdivisions - like encouraging agriculture where feasible. Training and education for meaningful employment in appropriate ways, development of renewable resources.
- * Diversified investments - i.e. 50% invested in securities (preferably in-state), 25% utilized for loans to develop renewable resources such as fisheries programs and agricultural programs, and 25% directly benefiting Alaskans for small business and home loans. Income earned by Permanent Fund investments should be designated by law as funding for community development projects.
- * Innovative investment to stimulate and develop agriculture - growing of crops and freezing and canning of same to feed Alaskans.
- * Principle: Solid, very low-risk bonds, securities, etc.
Interest: Investment within the state, loans, etc.
- * U.S. Treasury notes.
- * Permanent Fund means permanent. Invest in blue chip, AAA, stocks and bonds.
- * Loan guarantee program for all types of loan transactions. Fees from transaction (perhaps interest overrides) would produce income.

- * Securities with highest return yet with least risk, keeping in mind inflation, deflation, liquidity, etc.
- * Stocks and bonds handled by New York, San Francisco, Chicago or European investment houses.
- * Balanced portfolio of stocks, professionally managed for high income.
- * None of the above. Return should be optimized through the best interest of our best renewable resource - people. Projects employing people, which are locally built and ultimately paid for should be encouraged.
- * Low to moderate interest loans of moderate amounts for enterprise development in rural Alaska. Invest surplus (if any) in bonds or other secure instruments.
- * Invest in hydroelectric or other power from renewable sources. Invest in moving the capital. When completed, they will all be a part of the Permanent Fund.
- * Provide loans to Native Corporations or Native Cooperatives to build fish processing plants, fishing vessels, beam trawlers, factory ships.
- * Alaska is a natural resources state and the Permanent Fund should be invested in things that will assure economic development of these resources over the long-term. The State should invest in a railroad to the interior and loans to individual prospectors.
- * 1. High-yield, low-risk securities.
2. Loans for small businesses, homes and to municipalities for capital improvements.
- * a.) Invest in blue chip or other secure stock outside of Alaska.
b.) Invest in renewable resource industries in Alaska.
- * Makes available 7 1/2 % loans to the timber industry, mining, fishing and chemical-petroleum industries.
- * Profitable development projects of all kinds which will benefit the Alaskan economy within Alaska.
- * Use up to 25% of the Permanent Fund to finance or assist federal financing of basic community facilities such as - community meeting and convention centers. Public piers, etc., at low interest. (6%)
- * Invest part or all monies within the State of Alaska for growth of Alaska.

- * I suggest a guideline for fund manager for a minimum:
50% U.S. Government securities.
25% Alaska municipal bonds (with bonding limitations) and state bonds. Balance - blue chip and Alaska investments in resource development. Limit fund for agriculture development and exclude fish hatcheries.
- * Purchase bonds marketed by Alaska Power authority to build hydro- and geo-thermal electric generation facilities.

2. WHAT OBJECTIVES ARE ACHIEVED BY YOUR PROPOSAL?

- * Alternate source of financing for state residents.
- * With a discovery of more oil or other nonrenewable resources, it would provide more jobs for all Alaskans, not just the fishermen in Southeast Alaska. But not to exclude them, the other segment of the Fund could be used to support the fishing industry. Interest from the Fund could be available to all Alaskans as loans for any profit-making venture within reason. This being all Alaska's monies, it should be used as such, and not just to state subsidize fisheries.
- * Needed services provided, - facilities upgraded, expansion of community services. Example - hydroelectric project in Sitka.
- * Develop in areas of renewable resources for broader economic base - cheaper power in the future and less dependence on outside food sources. Rewards would be long-term.
- * Some of these companies might be brought to Alaska, providing some highly skilled jobs and taxes. The only things Alaska can export competitively are natural resources and brains. This would marry the two to some extent.
- * Fiscal responsibility.
- * People who live here can receive a bigger share of the efforts of the Government they help pay for. I don't like to see the long-term efforts of people go down for lack of interest and incentive by State government. These same businesses or industries could help when the oil supply diminishes.
- * Diversified investments maximize the income from at least half of the fund while still utilizing half for more direct benefits and opportunities to citizens and businessmen. The fund would be utilized to develop Alaskan economy and resources.
- * Jobs for Alaskans. (may even utilize prisoners) Wise use of resources - land, water. Less dependence on the lower '48 for food.
- * The Principle will never be touched and will be available for many generations; the interest will be a regular income to the State to encourage tax-producing industries and state growth.
- * Security of investment.
- * The Fund will be permanent. If it goes to loans, it will be lost. The earnings can they be used for more risky use.
- * Generate capital flow into Alaska from traditional institutions. Would create pyramid income effect as reserves could be invested to generate income. Provide capital for rural areas (outside Anchorage) where investors are difficult to find and needs greatest.

- * 1. Assurances that the Fund would be, in fact, permanent.
- * 2. Availability of capital for investment guarantees, public and private, that meet rigorous investment criteria. E at least the normal market rate of return for either short or long-run considerations.
- * Protection of the Fund thereby assuring it is permanent.
- * Maximum low-risk income. Income to be applied to tax reduction on all income taxes -- goal is zero income tax.
- * Self-help, motivation and pride plus a turn over of \$'s (in-state) which are ultimately returned to the Fund.
- * 1) a. Promote gradual development in rural Alaska over a long period of time.
- b. Increase the tax base in Rural Alaska thereby reducing the tax burden on the rest of the State
- c. Will promote local government autonomy by increasing local self-sufficiency.
- d. Will diversify the economy both in terms of sources of income and geographic location.
- * 2) a. Will maximize yeild on money not allocated to rural development compensation for the low yeild from rural development loans.
- * It will provide power for sale to homes, business and industrial users for many years after the gas and oil has been depleted. This will provide income so you could call it a part of the Permanent Fund.
- * Provide employment to Natives with emphasis on Alaskan control of fisheries out to the 200 mile limit. Do not loan money to fishing corporations with foreign capital in excess of 25%.
- * Perpetuation of mineral and energy exploration and assurance of an economic outlet if anything is found; continued return to the State in form of taxes, rents, etc.
- * High earnings to provide money for loans which will benefit individual Alaskans.
- * a.) Maximizes income from Fund without stimulating undesireable growth within the state.
- b.). Favors establishment of stable economic base for future.
- * Ongoing high standard of living, coupled with full employment for the year-round residents of our state.
- * Reasonable rate of return on the loans but with low risk.
- * Finance for community development of public facilities necessary to develop recreation and travel industry.

- * Keeping our money working for Alaskans, develop our natural resources, mining, fishing, oil, gas and electrical powers.
- *
 1. Fund security against the track record of the legislature "blowing" all current and future revenue.
 2. Assistance to communities in securing funding without bonding commissions and at fair interest rates.
 3. Avoid present panacea concept of fish hatcheries.
- * This is an investment in renewable resources as requested by majority of Alaskan Forum participants - the electric energy produced can be used to electrify Alaska Railroad and future mass transit systems as well as provide the type of cheap power that does not degrade the environment.

3. WHAT OBJECTIVES ARE AVOIDED BY THIS PROPOSAL?

- * Diversification to sources outside of Alaska would not be emphasized.
- * It avoids squandering of monies rightfully belonging to Alaskans, and "keeps it in the family." Unemployment rates would not increase, as jobs would be provided by the research and discovery of any non-renewable resources, and Alaska would flourish on the revenue of these.
- * Loans and bonding would be in areas of low interest and higher risk - less quick return on money.
- * None that are readily apparent.
- * Pork barrel projects. Small loans to private citizens. Special interest groups such as alcoholics.
- * We might not get all the "bucks" we could get. Quality of life is worth more than dollars in the bank. Anything we do to help people help themselves is useful.
- * May not immediately be profitable cash-wise.
- * No continual politics to face on principle; all the good expected from use of principal can be obtained by use of the interest but at a slower rate (and maybe with more forethought).
- * Waste and/or loss of funds resulting from legislative "pork barrelling."
- * The tax base and earnings from Fund will be adequate to fund the State's needs. More stimuli will be detrimental. Too much expansion does lower the unemployed figures.
- *
 1. Security of PF is provided for.
 2. Direct governmental competition with private sector.
 3. Excessive supply of money at the regional level.
- * Development of Alaska economy, giving politicians more "play money."
- * Frittering Fund away by uneconomic investments to achieve social, not economic objectives.
- * Not enough space.
- *
 - 1.)
 - a. No immediately realizable benefit to urban (majority) population.
 - b. Will not contribute to short-term development of Alaska, but will tie up potential short-term resources for long-term objectives.
 - 2.)
 - a. Sacrifices greater utilization of Permanent Fund dollars for immediate development purposes.

- * It will create employment. Then the employed people can pay for their homes and borrow money from the banks with good credit. It will prevent subsidizing a lot of projects that help to cause inflation.
- * The objective of this proposal is to avoid dominance of Alaskan fishery by foreign countries.
- * (None of significance.)
- * Little risk of big investment losses.
- * Does not directly affect Alaskan economy.
Does not maximize income to Fund.
- * Slow the growth of government, provide maximum employment, and orderly harvest of our resources.
- * None.
- * Source of income for the Permanent Fund would be less than provided for by pure commercial placement of investment.
- * Avoids the hazard of high risk actions by politicians, Arlon Tussing and fund managers. Avoids Alaska credit rating falling below New York City rating.
- * This proposal could satisfy those critics who are against too much development, because the excess energy could be sold outside by transferring it via microwave and satellite. This proposal is under consideration by Iceland - (selling their geothermal energy to another country.)

4. WHAT MAY LIMIT THE EFFECTIVENESS OF THIS PROPOSAL?

- * Might not have enough loan demand.
- * The intervention of environmentalists and those supporting non-growth.
- * The number of years needed to pay off loans.
- * Environment groups and federal government. Native Corporations and Administration (State Government) through land classification and short sightedness.
- * Objections that the high risk/high return investments in emerging technology firms are not in the best interest of the State -- witness previous outcry when the State lost a modest sum in the stock market.
- * Nothing.
- * Interests who think dollars are more important than people. Those who think they can get something for nothing. (There should be both incentives and responsibilities.)
- * Lack of imagination. One idea which should be considered is to use heat from the pipeline for greenhouses; establishment of a bakery near the wheat area large enough to ship Alaskan bread statewide.
- * Unless the federal government falters, there is nothing to limit the effectiveness of this proposal. Unless the boys dealing with the interest are politically motivated, nothing will stop the steady, consistent growth possible.
- * Cheap politicians whose primary goal is re-election.
- * The legislature!
- * A few large projects could tie up all necessary reserves. (Example - BIA program) Limitation such as inherent in federal SBA Program which limits usefulness. Lack of management which could cause inaction.
- * 1. Political pressure for non-revenue producing social goals and programs.
2. Public/political notions that the supply of money is inexhaustible.
- * Long-term international depression.
- * The portfolio must be well-managed and guidelines must be carefully set and monitored.
- * Politics.

- * 1. A lack of response or lack of opportunity to use such loans in rural Alaska.
- 2. Inflation and the accumulation of surplus income without adequate means of using the income as a hedge against inflation.
- * Running out of money from the non-renewable resources. All the rivers drying up.
- * The effectiveness of this proposal will be limited if the State Department continues to countenance heavy Japanese participation in fishing off Alaskan shores.
- * If no mineral resources are found.
- * Bad investments and poor re-pay on loans.
- * a.) None foreseen.
- b.) Availability of safe investments in renewable resource industries.
- * Preservationists, bureaucrats and fools.
- * Lack of good, independant feasibility studies. And too much red tape to obtain financing.
- * Do the projects half-way and/or lack of follow through of state-wide travel marketing.
- * Selfish politicians.
- * Unavailability of good municipal bonds and good Alaska investments.
- * The only limit to this proposal would be how much money and how many projects of this type we would be willing to finance.

5. WHICH GROUPS WOULD BENEFIT FROM THIS PROPOSAL?

- * Hopefully residents and fund itself.
- * All Alaskans.
- * Alaskans - public would benefit.
- * All Alaskans in interior and south central.
- * Stock brokers and presumably the taxpayers.
- * All Alaskans.
- * The people in Alaska who have and are working to make the State a better place in which to live - financiers as well as the fishermen and the farmer and the businessman.
- * Broad range of Alaskans could benefit from home loans as well as indirectly benefiting by the community improvements which would be financed by investment income.
- * All Alaskans who eat.
- * Principle: banks might be a place for some investment and let the private sector take the risk in providing loans (so many benefit -- but interest rate should be lower since there would be an excess of money on the market).
- * All Alaskans.
- * All Alaskans indirectly, - Directly brokers.
- * Business community, municipalities, financial institutions, labor, etc.
- * 1. In the long-run, all.
2. In the short-run, those who have the expertise and other capabilities to offer projects and proposals that meet the investment criteria - (rates of return, etc.) Managers and professionals.
- * Alaskan people, financial houses.
- * Whole population, particularly taxpayers.
- * Communities.
- * 1. a.) Fishermen, small time loggers, individual farmers, small entrepreneurs, local governments, transportation enterprises initially.
b.) Eventually -- majority of Alaska's population through the spin-off effects of balanced development through the State.

2. a.) Possibly individual taxpayers even initially if surplus income available for direct or indirect tax relief.

- * All the people. Note the western states. Washington and Oregon. are very dependent on hydroelectric power.
- * The Natives would benefit most. They are effectively frozen out of the off-shore fishing and remain as a result the largest group of Alaskans living below the poverty level.
- * All Americans.
- * Financiers, investors and individual Alaskans.
- * a.) Financiers and brokers outside of Alaska and all Alaskans.
b.) Those involved or proximal to renewable resources and all Alaskans.
- * All of the working class people.
- * All of Alaska.
- * General business community in each area where facilities are developed and labor because of the high degree of labor requirements in the service business involved in travel.
- * All Alaskans.
- * The future citizens after the exploitation of non-renewable resources. Current communities bonding problems and costs.
- * An investment in these types of energy would benefit all Alaskans. Not only would the Permanent Fund realize a return on the bonds purchased from the Alaska Power Authority, but the selling of excess energy would bring income into the State treasury. Also -- construction of these projects would cut unemployment as well as generate matching fund money from the federal government.

6. WHAT GROUPS ARE LIKELY TO OPPOSE THIS PROPOSAL?

- * Banks and other commercial lending institutions.
- * Sierra Club, Friends of the Earth and other assorted posy-sniffers.
- * Environmental, banking, economists, some legislators and the Alaskans who want a handout in reduced taxes or money.
- * Ultraconservatives and ultraliberals.
- * Unions, Do-gooders
Politicians
People who do not intend to live here permanently
- * Financiers - money people. People whose projects or ideas were rejected. Those who feel that outright grants should be given, rather than as investment activity.
- * Proponents of maximum yeild on 100% of fund investment.
- * Can't think of any. Even proponents of no-growth should be sympathetic.
- * Those that see the state getting involved more and more in the direct development of the state's businesses; those that would squander the income (principle) as was done with the 900 million.
- * Each greedy group, be it local government, educators, bush communities, native corporations, large and small businesses, etc., who can't get their hand in the cookie jar.
- * Most groups. They will want cheap home loans, social distribution, etc.
- * Conservationists, protectionists and anti-development groups.
- *
 1. Primary research organizations
 2. Those associated with non or low-revenue producing sectors or organizations.
 3. Those associated with churches, charities and labor groups.
- * Chamber of Commerce, elected officials.
- * People who want to expand funding of "social services" in the state.
- * Self-interest money groups.
- *
 1. a.) Large business enterprises
b.) Urban populations which may be more concerned about short-term benefits.
 2. a.) Large business enterprises who want more immediate use of fund income and principle for subsidy purposes.

- * Oil companies and environmentalists. Also stock brokers.
- * Japanese, Canadian and out of state fishermen.
- * Groups advocating preservation of all lands.
- * Resource speculators and developers.
- * a.) Alaskan financiers, brokers and businessmen.
b.) Those involved in nonrenewable resource industries.
- * Alaska Conservation Society, Friends of the Earth, Sierra Club, and any other group that wants a high standard of living, but are not realistic enough to be willing to pay for it.
- * Anti-developers, preservationists, environmentalists.
- * Environmentalists.
- * Legislators with their pork barrel projects. Arlon Tussing and other economists. Bonding houses.
- * This proposal would be opposed by private power people.

7. WHAT ARE YOUR SUGGESTIONS FOR MANAGEMENT OF THE PERMANENT FUND?

- * Emphasis on Alaska loans - provision for disaster loans (comparable to SBA disaster loan programs).
- * To use as little of the principle as possible, and utilize the interest in the way most beneficial for the betterment of all Alaskans.
- * Board of 7 with 2 appointed by Legislature, 2 appointed by Governor, and three elected (one every two years) for a 6 year term - the appointees to be reviewed every 2 years.
- * Establish a trust fund with say five trustees -- two named by the Governor, two by the Legislature and one by the Supreme Court. They would retain the necessary financial managers and consultants needed to carry out the management mandate of the voters as determined by statewide referendum.
- * Use of the interest only for renewable resources - fishing, logging, etc., and large projects for the benefit of all Alaskans such as power dams, air strips, transportation, etc., also tax reduction.
- * Appointment by Governor, confirmed by Legislature. Should include a range of interests; have periodic (like six month) reports to Governor, Legislature, people; have periodic opportunities for input for possible changes in direction, etc., It might be wise for a percentage of either Fund or income to use two management schemes. Goals should be widely known and how well those goals were reached should be the main criteria to how well the management scheme performed its task.
- * Policy board and investment committee should include representation from the public at large not just bankers, etc., and have available to them expertise from other than board members. Members should be confirmed by the legislature to avoid partisan appointments and legislation should provide for required reports to the public the legislature, the Governor, etc., regarding all phases of the operation.
- * I suggest that the principle be invested in government bonds, secure stocks, etc., Only the low risk items should even be considered. It would be appropriate to buy as many of these low risk items as possible within the state -- the general idea being to get cash into the state banks for them to loan out. The state banks, with an excess of cash, would take the greater risks on loans to people and firms but the interest should be lower than usual since there would be an excess of cash. The interest on the principle would be utilized in all the ways this booklet suggested -- but the changes to Alaska would be slower and the state would be kept out of the market to a greater degree.

- * Permanent Fund Managers appointed by Governor and confirmed by legislature, for staggered, long-terms (such as Federal Reserve Board), legislature to appropriate funds for specified purposes (if investments other than U.S. treasury notes are deemed advisable), but for two year period, not for one year.
- * Professional with a charge that investments be considered on a long-term basis. Not like the last go around. Politicians must not be able to influence the investment decisions because of pressure from people because there is a temporary downward adjustment in the market.
- * Greater use of citizens and business community rather than professional lobbyist, consultants and out of state experts.
- * 1. Hire a Board consisting of at least one member from
 - a.) each basic resource/industry sector.
 - b.) the national, international and regional financial community.
- 2. Have "the board" establish rate of return
- 3. Let State and local government be involved strictly as advisors to the board.
- * Should be done by one or several international finance houses.
- * Legislature should determine, but it should be professionally, not politically accomplished.
- * Board of Directors _____ establishes priorities and sets policy

|
 Manager _____ Implements
 | Policy & goals Board members should be elected
 | based on population ratio.
 Support
- * 1. The management should be under the control of a Commission of not less than five or more than seven people.
- 2. The Commission should be appointed by the Governor for a period of six years with consent of the legislature and provision for overlapping terms.
- 3. The Commission should select it's own Executive Director and hire its own staff.
- 4. Membership should include at least two (of five total) consumers or consumer advocates -- perhaps similar to the APUC.
- * Find and use good examples of management from other States. That is if you can find any good ones. Do not start a permanent bureaucracy.
- * Should be managed by a board of nine persons, each elected for a three year term; terms not to overlap; voters to elect a chairman, vice-chairman, and members; candidates to release their complete record of qualifications to voters. Management should NOT be by the Administration or the Legislature. Members should not be appointed.

- * Advisory committee appointed by the Governor, approved by the Senate, coming from all areas and fields of interest (bankers, social workers, housewives, businessmen, etc), serving for no more than one term of four years.
- * An appointed committee with staggered terms representing a broad diversity of public interests. (i.e. business people, environmentalists, educators, bush residents, subsistence livers, etc.)
- * 100% of the income from non-renewable resources be deposited in the fund and only the interest from the time deposits be used as outlined above.
- * An apolitical board of directors appointed by the Governor and confirmed by the Legislature. Permanent position not subject to changes in Administration or Legislature. Board to have financial legal, management, economists, etc. - non-political.
- * Get it out from the hands of politicians.
- * 1. Allow legislature annually to determine use of income from Permanent Fund.
2. Prepare legal guidelines for manager and allow him freedom within those guidelines.
- * 1. Establish our own bank, as has been done so successfully in North Dakota.
 - a.) Invest money by purchasing Alaskan municipal state bonds.
 - b.) By handling our own money we would not have to pay large commissions to the commercial banks for this service.
A projection should be made as to how much it will cost the State for commercial bank services.
 - c.) Less chance for private banks to direct these state funds into (in-house) loans.
 - d.) Alaskan municipal and State bonds purchased by the Permanent Fund could be used for low-cost housing, day care centers and nursing homes. Certainly our Alaskan Citizens qualify first in importance as a renewable resource.
- 2. Members of the Board handling fund shall serve not longer than four years with staggered terms and not to be served consecutively.
- 3. The Managers and board members of Permanent Fund and their relatives shall not have a financial interest in any loans made or bank handling fund money.
- 4. The managers and board members of Permanent Fund shall not own stock in or be paid by an Alaskan Bank, Savings and Loan, Finance Company or Credit Union.
- 5. The Manager of the Permanent Fund shall agree not to take a job with any state financial institution for five years after leaving the position of Manager.
- 6. The Permanent Fund should be audited at regular intervals by a national auditing firm on a bid basis with report to the Legislature.
- 7. The Permanent Fund meetings shall be open to the public as much as possible and services purchased by the Permanent Fund shall be on a bid basis. Managers and trustees shall not have a business interest in any corporation providing services to PF.

FOR THE SPECIAL HOUSE AND SENATE COMMITTEES ON THE PERMANENT FUND

Alaska Public Forum
Interim Report
(Oct. 1-Oct. 25)

Alaskans participating in the Public Forum this fall have strong opinions and recommendations concerning the future of the Permanent Fund. This report is designed to give you the color of their responses through (1) questionnaire results and (2) workshop discussions.

The cut-off date for coding and tabulating questionnaires for this report was October 25. At that time, the Public Forum had concluded workshops in Wainwright, Dillingham, Togiak, Kotzebue, Noorvik and Anchorage.

* The Questionnaires

Cautionary note: This is an informal tabulation of Public Forum results, i.e., as they say in the vernacular, "for your eyes alone". The primary reason is that responses from Anchorage heavily weighted the results of the interim count, as you will shortly see. Thus, it would be unfair to quote these responses as representative of the entire state, since at the end of October we had only held six out of 17 meetings, and several regions of Alaska are not included in the count.

This is not to say that the responses to date are not valid ones. Yet they represent predominantly the opinions of Anchorage and Southcentral Alaska.

** The Workshops

Please keep in mind that many of the participants attending the workshops did not fill in questionnaires. This is particularly

true for rural communities where the Public Forum newspaper was too overwhelming for many to digest easily, especially since English is not their first language. However, following a careful verbal presentation and interpretation into their own languages, workshop participants in the Bush often had strong opinions concerning the Permanent Fund. These will be discussed later in the section on workshop results.

Do weigh the workshop results and the questionnaire results individually and with equal importance.

* Circa 1200 questionnaires were tabulated.

** About 500 people participated in the first six forums.

Tabulation of Questionnaires
For the Interim Report

Demographics

More than 75% of the participants in the Alaska Public Forum questionnaire are male. About 45% of respondents were either manager-administrators or professional-technical people. The third largest occupation group (16%) were the unemployed.

Frequencies

We have broken out percentages of responses into three categories ---Statewide, Anchorage and Southcentral. You will note that the responses from Anchorage comprise nearly 65% of the total questionnaire responses received by October 25. The Southcentral results include about 80-85% of the total responses. As the boundaries are drawn, Southcentral includes the major populated areas of Anchorage, the Kenai Peninsula, and the Matanuska-Susitna Valley.

The Questions

A. Which use of the Permanent Fund do you feel is most important?

By far, the most important use of Permanent Fund monies is "to provide money for income-producing investments". In Anchorage, 75% of the responses favored this option. Statewide this choice drew 71% of the vote.

"To save money for the future" was the second choice with 15% of the total responses statewide. "To avoid using the money for state programs" was the third choice with 10% of the vote statewide.

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

Opinion was fairly evenly divided on this question. However, the scales tipped slightly in favor of putting more than 25% of

certain mineral revenues into the Permanent Fund.

About 55% of respondents statewide said "yes"; about 45% said "no".

C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important. (See attached sheets for complete listing of options.)

Statewide priorities for Permanent Fund investments, which are mirrored by Anchorage and Southcentral, are:

1. Assist in stabilizing the Alaskan economy (18%)
2. Create more jobs in Alaska (15%)
3. Maintain Environmental quality (14%)
 Make more money available for investing in the state (14%)
4. Make the safest possible investments (10%)

D. In last year's Public Forum, participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries. Do you agree with this?

More than 75% of the respondents agreed with the results from the Public Forum last year, placing highest priority on renewable resource industries for Permanent Fund investments.

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

An even greater majority (almost 80%) feel that their goals can best be met by investing in renewable resource industries.

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

More than 90% of the respondents answered "yes" to both Question 3D and to this question, i.e., they support renewable resource industries even if the return on investment is lower than the return from investing in other enterprises.

Last Year's Public Forum Results

The responses to these last three questions present a strong ratification of last year's Public Forum results on the Permanent Fund question.

Perhaps a brief review of those responses would be helpful. As stated above, renewable resource industries were ranked, by a wide margin, as the highest priority for all additional oil and gas money. The definition of those industries was colored by regional preferences, ranging from traditional industries such as timber, fishing, and farming to aquaculture and utilization of solar and tidal energy.

In addition, participants wanted to preserve the integrity of the Permanent Fund. Their second choice, "to save the money", reflected the desire for secure investments---those with guaranteed earnings and high returns. There was also considerable support for increasing the size of the Permanent Fund.

Last Year's Public Forum Results Statewide Analysis

1A. How should the Permanent Fund money be invested?

- 26% Save it
- 14% Loan it to communities
- 10% Loan it for industrial development
- 36% Loan it to develop renewable resource industries
- 9% Loan it to individuals

5% Other: Miscellaneous bonds and loans, or other methods of saving;
health, education, welfare issues.

Number of Responses: 3237

ALASKA PUBLIC FORUM

PERMANENT FUND QUESTIONS

Interim Count
(Oct. 1-Oct. 25)

A. Which use of the Permanent Fund do you feel is most important?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1059	675	851
1. To save money for the future	15%	13%	13%
2. To avoid using money for state programs	10%	8%	10%
3. To provide money for income-producing investments	71%	75%	73%
4. Other	$\frac{4\%}{100\%}$	$\frac{4\%}{100\%}$	$\frac{4\%}{100\%}$

*(64% of total # of responses from Anchorage)
(80% of total # of responses from Southcentral.)

B. Would you like to see more than 25% of the specified mineral revenues placed in the Permanent Fund?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1039	667	836
Yes	54%	52%	52%
No	45%	47%	47%
Don't Know	$\frac{1\%}{100\%}$	$\frac{1\%}{100\%}$	$\frac{1\%}{100\%}$

*(64% of total responses from Anchorage)
(80% of total responses from Southcentral.)

*C. Please rank the following possible goals for Permanent Fund investments according to which goals you think are most important.

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
**Number of Responses =	1175	750	944
1. Create more jobs in Alaska	15%	15%	14%
2. Not encourage more people to come to Alaska	9%	9%	9%
3. Maintain environmental quality	14%	13%	13%
4. Make maximum amount of money	6%	6%	7%
5. Make more money available for investing in state	14%	14%	14%
6. Make safest possible investments	10%	10%	10%
7. Make more Alaskan products available	5%	4%	5%
8. Assist in stabilizing Alaska's economy	18%	19%	18%
9. Other	<u>9%</u> 100%	<u>10%</u> 100%	<u>10%</u> 100%

*Question C was tabulated on the basis of first choice answers only.

**64% of total responses from Anchorage

85% of total responses from Southcentral

D. In last year's Public Forum, the participants indicated that the highest priority for using the Permanent Fund was to promote renewable resource industries, such as fisheries, timber and farming. Do you agree with this?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1058	680	857
Yes	76%	76%	76%
No	23%	24%	24%
Don't Know	<u>1%</u>	<u>--</u>	<u>--</u>
	100%	100%	100%

*64% of total responses from Anchorage
81% of total responses from Southcentral

E. Do you feel that the goals you have identified as most important can be met by investing in renewable resource industries?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	1023	662	834
Yes	78%	79%	79%
No	21%	20%	20%
Don't Know	<u>1%</u>	<u>1%</u>	<u>1%</u>
	100%	100%	100%

*65% of total responses from Anchorage
82% of total responses from Southcentral

F. If you said "yes" in question "D", would you still vote to invest in renewable resource industries even if the money earned was less than the money that could be earned from other investments?

	<u>Statewide</u>	<u>Anchorage</u>	<u>Southcentral</u>
*Number of Responses =	767	471	603
Yes	90%	93%	93%
No	9%	6%	6%
Don't Know	<u>1%</u>	<u>1%</u>	<u>1%</u>
	100%	100%	100%

*61% of total responses from Anchorage
 79% of total responses from Southcentral.

Workshop Results

Our approach to the Permanent Fund in the workshop presentation and discussion questions was considerably different than the information and questions posed in the tabloid. There were several major reasons for this divergence.

Since decisions affecting the future of the Permanent Fund are imminent, our effort was to relay specific and current information relating to Permanent Fund bills already introduced in the legislature and ideas which will shape bills in the future session.

In rural areas, it was unrealistic to structure discussions around some of the more philosophical concepts posed in the questionnaire (Here I speak particularly about the third question which deals with investment goals.) For instance, to ask someone who lives in the small community of Wainwright near the Arctic Ocean, whether his investment goals for the Permanent Fund are "to stabilize the Alaskan economy" or "maintain environmental quality" are basically irrelevant to his daily life. And yet, in the Bush communities, participants had some very real and immediate concerns for the investment of the Permanent Fund. But they had difficulty grappling with the more "cosmic" options presented in the questionnaire.

In the urban areas, we found that people were ready to go beyond the philosophical or "value" statements and straight to the heart of legislation. They wanted to have some direct influence on the bills which will be presented and debated on the House and Senate floors this winter.

Briefly, our presentation on the Permanent Fund included:

1. The history and creation of the Fund
2. What decisions must be made in the near future, concerning

management, size, structure, etc.

3. The two bills introduced in the last legislative session, HB 298 and HB 300
4. And more recently, how the House Permanent Fund Committee proposes to treat the Permanent Fund.

Understandably, as more information became available, the presentation and subsequent workshop questions changed accordingly. As the Forums progressed, there evolved three slightly different sets of workshop discussion questions which I will briefly outline.

I. Wainwright, Dillingham and Kotzebue

We outlined the investment strategy of the S.I.A.C. bill and asked participants to consider how they would compare their investment strategy for the Permanent Fund with that currently proposed.

We asked participants to assign percentages to the different investment avenues specified in HB 298 according to which they felt was most important. We listed these simply as (1) economic development (2) community development and (3) save it. However, we did break down economic development into two parts, (a) economic development in renewable resources (since the emphasis in this kind of development was so strong last year in the Public Forum) and (b) other economic development.

Participants collectively assigned percentages to each category, defined what each category meant to them and explained the reasons behind their choices. (You will find that information, specific to each community on the following pages.)

II. Anchorage

In this urban center, the format was structured slightly different. Basically, we asked the same question which had been

posed in the three previous workshops and two additional questions for discussion. Participants here got into discussions of desired size, management and accountability.

These were the three workshop questions:

1. What is it that you want to accomplish as you recommend that oil revenues be invested in each of the categories (i.e., save it, economic development in renewable resources, etc.)?

2. From your point of view, is that better accomplished through allocation of the general fund or through investment of the permanent fund?

3. From your point of view, what should be the relative size of the permanent fund and why?

III. Fairbanks and Kenai

Following our discussions with Russ Meekins, Mike Doogan and Tom Singer, we were able to include in our presentation the draft proposal for the House Permanent Fund Committee's final bill, which will be presented to the Legislature in January.

We asked Fairbanks and Kenai participants to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to treat the Permanent Fund, considering these four elements:

1. the size of the fund
2. the investment strategy
3. how the earnings or income are used
4. management of the Fund.

Then we asked them--What is it that you like about the proposals?
What is it that you dislike about the proposals?
What would you suggest be changed to make them more desirable?

(Note: You will notice that Fairbanks and Kenai are not included in the questionnaire tabulation. The cut-off date for coding the questionnaire responses fell before the workshops in Fairbanks and Kenai took place.) However, particularly in Fairbanks, participants had some very specific and interesting comments concerning the House's draft proposal, which is important that you know.)

On the following pages are recommendations on the Permanent Fund from each community in which a workshop was conducted.

** For those of you who read carefully, and may be wondering what happened to Togiak/^{and Noorvik,} let me reassure you that we did go there. However, "fly-in headhunters" and subsistence issues monopolized the entire meeting, so there was no discussion of the Permanent Fund.

#

Wainwright

(71 participants)

Permanent Fund Investment Strategy

Percentages

1. Economic Development in	
Renewable Resource Industries	29%
Other Industries	9%
2. Community Development	34%
3. Save It	21%
4. Other	7%
	<u>100%</u>

Definition of Choices

1. Economic Development In

Renewable Resource Industries

- a. Reindeer Herding. "It's very important because there are not many caribou around Wainwright anymore."
- b. Fox farms, chicken hatcheries, musk ox farm.
- c. Hydroponic greenhouse. "It could run on solar power and supply villages on the North Slope."
- d. "Let's focus on the renewable part of industries so we do not abuse our land and animals."

Other Industries

- a. Small assembly factory "like putting together radio parts".
- b. Development of cottage industries.

2. Community Development

Loans for community recreation center
restaurant/motel
airport terminal
movie theater
auditorium for dancing and the performing arts
skill center (for plumbing, mechanics, carpentry)
hospital
pavement of roads
utilities - telephones, water, sewer
gymnasium

3. Save it

"To increase the Fund"
"For future use"
Trust Funds
"For young kids when they grow up."

4. Other

Increase other loan programs. Stimulate the performing arts, especially dancing. To encourage touring art groups.

Dillingham

(125 participants)

Permanent Fund Investment Strategy

Percentages

1. Economic Development in

Renewable Resource Industries 34%

Other Industries 8%

2. Community Development 22%

3. Save It 36%

Definition of Choices

1. Economic Development In

Renewable Resource Industries

a. Development of bottom fish and herring fisheries

b. Fish by-product use

c. Hatcheries, boat loans

d. "This is an economic base for our area...a key to future growth." "Renewable resources are important because there will always be something for the future."

Other Industries

a. Transportation--ferries, air taxis, scows and boats

b. Small businesses

c. Saw mills

d. Tourism

e. Mining

2. Community Development

Hospital

Housing

Alcohol treatment center

Music hall/theater

Recreation center/parks

Road maintenance

Community College

3. Save It

"We want safe investments and guaranteed return for investments."

Kotzebue

(26 participants)

Permanent Fund Investment Strategy

Percentages

1. Economic Development in

Renewable Resource Industries 35%

Other Industries 8%

2. Save It 20%

3. Community Development 27%

4. Other 10%

Definition of Choices

1. Economic Development in Renewable Resources

a. Fishing - loans, research, fish farming. "There's tons of herring and sheefish here, but no market."

b. Reindeer Herding - "as local meat supply rather than bring in beef"

c. Musk Ox farms - for the meat and wool

d. Down birds - for down products, making down parkas

- e. Alternative power sources - - especially wind and solar.
- f. Cottage Industries - "Older people and mothers who must stay at home with their children, can make money by doing skin sewing, parkas, carving, sled and boat building. With the right organization, these people could make a living from such industries."

Other Industries

- a. Tourism
- b. More major air service
- c. Jade and mineral development
- d. Mining/refineries..."heavily controlled, no new roads"

2. Save It

- a. "Save money for a better idea"
- b. "Invest it outside of the State". . . .municipal bonds, insurance, treasury bonds, certificates of deposit.
- c. "The people of Alaska should have total control of how the money is invested."

3. Community Development ("Community development is not an immediate return, but a future return...to get people off welfare and improve the standard of living.")

Wholesale grocery store . . .cooperative
roads
barge services
storage facilities
movie theater/recreational facilities
housing/utilities
laundry mat
bakery/restaurants
garage/mechanics shop
schools - vocational and academic
community cultural center - with films, video, radio, swimming
pool, hot baths, sauna
recreational development - ski-lifts, ski jumps

4. Other

Low interest revolving loan funds

Educational loans . . . on the job training

One group's recommendations for the use of Permanent Fund earnings:

1. Human development projects for rural Alaskans
2. Community cultural centers
3. Research on education - - investing in individual young people who are interested in careers in government and education in Alaska
4. Development of more local community colleges in rural Alaska.

"We would like to see a built-in review and revision process in whatever plan of management and monetary division is originated. The ideas of people within the state may change as we learn what to do and how it feels to manage so much money."

Anchorage

(105 participants)

1. What is it that you want accomplished as you recommend that oil revenues be invested in each of the categories?

Only one out of the three small discussion groups actually assigned percentages to the different categories.

Economic Development in	
Renewable Resources	25%
Other Industries	20%
Save It	25%
Community Development	20%
Other	10%

However, two other groups spoke specifically about the importance of developing renewable resource industries, which for them included farming, fish hatcheries, aquaculture, timber and alternative sources of energy. One group was very concerned that community development "be tied to renewable resource industries. Whatever development is encouraged should be done in such a way that there is no damage done to the environment." Several participants agreed that the Permanent Fund should not be used for social programs..."perhaps we could use the interest for those."

2. From your point of view, is that better accomplished through allocation of the General Fund or through investment of the Permanent Fund?

One group spent most of their time talking about renewable resource industries and felt that "the General Fund should dwell on research into possible renewable resource industries and alternate energy sources." When these proved to be fairly safe investments, then to use money from the Permanent Fund to stimulate their growth.

The other two groups did not get into this question.

3. From your point of view, what should be the relative size of the Permanent Fund and why?

One group said that "we should invest a significant portion of the Permanent Fund (far greater than the 25% now provided) in blue chip investments Outside or municipal bonds in Alaska, possibly Federal Treasury Notes." Participants in this group felt that the size of the Fund should be between 50-75% "with an option on the part of the legislature to increase the contribution, but no option to decrease below the level set."

The second group concurred that the size of the fund should be substantially larger, around 40%. "Our prime concern was to protect the fund, to save it."

The third group did not agree on a size.

4. Management and Accountability

Several of the participants felt that the management of the Permanent Fund "should be run independently such as a separate corporation might be, although it must have certain definite ties back to the people." Management, they concluded, should be accountable to the administration, the legislature and most importantly, the people.

*Nearly one-half of Public Forum participants at the Anchorage workshop participated in Permanent Fund discussions.

Fairbanks

(157 participants)*

Fairbanks participants delved into the Permanent Fund discussions and emerged with some very specific recommendations. They were asked to compare HB 298 and HB 300 and how the House Permanent Fund Committee proposes to deal with the Permanent Fund, considering these four elements:

1. The size of the Fund
2. The investment strategy
3. How the earnings or income are used
4. Management of the Fund

We asked them what they liked about each proposal, what they disliked and any suggestions they had to make the proposals more desirable. Here is what they said:

1. The size of the Permanent Fund

There was strong consensus that the minimum contribution to the Permanent Fund should be at least 50%. Many said that the fund should be increased to 100% of the specified oil monies, minus the cost of operating expenses.

2. Investment Strategy

Almost all of the participants favored the concepts of a Trust Fund and Development Bank in structuring the investments of the Permanent Fund. They liked the idea of the Trust Fund because it was "security-oriented."

However, most people felt that the portion of the Permanent Fund (16%) which would be dedicated to the Development Bank under the House Committee's proposal was "too small." One Fairbanks banker was astounded by the House's proposal. "Oh my god, and they think bankers are conservative." He wanted to see the figures

reversed...i.e., that 84% of Permanent Fund should go into Development Bank and 16% should go into Trust Fund.

Many people were concerned about renewable resource industries development and did not feel that any one of the three proposals adequately addressed that concern. Some felt that renewable resource industries should be given low interest rates from the Development Bank, mentioning specifically agriculture and the development of alternative sources of energy.

One strong recommendation which surfaced in many of the groups was that "Local banks should handle the Development Bank money". Other comments speaking to that same concern were—"The Development Bank should happen through local banks. Utilize local banks in the loan business"; and "We trust local banks more than some policy board in Juneau."

3. How the earnings or income are used

Most people agreed that the cost of operating the Permanent Fund should come out of the income from Permanent Fund investments. Some thought that Permanent Fund earnings should be used to stimulate cultural development "it is one of our greatest needs in Alaska"; others recommended that the income return to the Development Bank; while still others specified that the earnings be used for baseline research, specifically environmental, to pave the way for renewable resource industry development.

4. Management of the Fund

For Fairbanks participants, it was very important that local people have some influence over management policies concerning the Permanent Fund. They felt that all the regions of the state should be represented on whatever policy board is structured. There were several groups who favored the idea of regional policy boards "if