

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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

(b) to hold these agencies accountable to <sup>statutory</sup> legislative intent in their performance by recommending where appropriate changes in policy to the agencies or where appropriate changes in legislation to the legislature.

(c) to annually review the extent of capitalization of the investment funds of the state and alternative uses of the general fund surplus and recommend needed legislation.

24.20.670 (b)

(6) In conjunction with the finance committee of each house recommend annually to the legislature the use of the general fund surplus and the income from the Permanent Fund.

(5) Present to the legislature within 30 days after the convening of each regular session a review of the report of the governor under AS 37.09.020(b) with recommendations for any needed legislation.

## A BILL

For an act entitled: An Act providing for guarantees payable from certain income derived from the Alaska Permanent Fund of indebtedness issued by governmental agencies of the State for power projects.

Section 1. Subject to the approval by the legislature as provided in Section 4 hereof, the board of trustees of the Alaska Permanent Fund is hereby authorized to enter into agreements with any public authority of this State or any borough or other governmental agencies of this State, providing for a guarantee, payable solely from the income derived from the Alaska Permanent Fund established by AS \_\_\_\_\_ (other than income derived from the Alaska Enterprise Development Fund established by AS \_\_\_\_\_) of the payment when due, whether at maturity or by sinking fund redemption but not by acceleration of maturity, of the principal of and interest on bonds, notes or other indebtedness of such governmental agencies issued to finance a project or projects for construction of electric generating and related transmission facilities. Such agreements shall contain such terms, provisions and covenants in furtherance of the purposes of this act as said board of trustees shall determine.

Section 2. No bonds, notes or other indebtedness shall be guaranteed pursuant to this act unless said board of trustees shall determine that the debt service for any year with respect to all such bonds, notes and other indebtedness will not exceed the amount of annual income estimated by such board of trustees to be derived during such year from said Alaska Permanent Fund (other than income from said Alaska Enterprise Development Fund). Such determination shall be made by resolution of said board of trustees prior to the execution of any guarantee agreement pursuant to this act.

Section 3. Any bonds, notes or other indebtedness guaranteed pursuant to the act shall have on the face thereof an endorsement of such guarantee by the chairman of said board of trustees or any designee of such officer.

Section 4. No bonds, notes or other indebtedness shall be guaranteed by said board of trustees pursuant to the act until the facilities to be financed with the proceeds of such bonds, notes or other indebtedness have been approved by a joint resolution of the legislature.

Section 5. If any term or provision of this act shall be declared unconstitutional or ineffective in whole or in part by a court of competent jurisdiction, then to the extent that it is not unconstitutional or ineffective such term or provision shall be enforced and effectuated, nor shall such determination be deemed to invalidate the remaining terms or provisions hereof.

Section 6. This act shall take effect immediately.

Sec. 37.13.130. Powers And Duties

- (a) The board should discharge its duty solely in the interest of the Permanent Fund for the exclusive purpose of providing them with benefits and defraying the reasonable expenses of administering the Fund. The board and its delegates must exercise the care, skill, prudence, and diligence under the prevailing circumstances that a prudent man acting in a like capacity and familiar with such matters would use in conducting a similar enterprise.
- ✓ (b) The board would seek diversification of Fund investments so as to minimize the risk of large losses unless under the circumstances, it is clearly prudent not to do so. Investments shall be selected in accordance with (f) of this section.
- (c) The board shall submit long-range and quarterly investment reports to the State Investment Oversight Committee.
- (d) The Fund may be used as collateral for approved programs.
- (e) The board shall employ an Executive Director to provide duties provided by law, and may employ or engage such expert consultants and technical or other assistants as it deems necessary.
- (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.

It means what it sez <sup>7</sup> 0

But does it say what it means?

Dona - Means a "woman of rank"

TO: Clark Gruening, Chairman  
House Permanent Fund Committee

FROM: Mike Doogan, A.A. *TD*

SUBJECT: 12/5 draft

After reading the draft, I want to draw your attention, and possibly that of the committee, to several points. These points do not include unresolved matters such as the structure of the board of trustees, the investment fund investment committee or the commitment of permanent fund earnings.

The points are as follows:

1. Page 3, lines 16-20 - I wish to reiterate my arguments against using the staff of the division of legislative audit as the professional staff for the oversight committee. In the draft the problem of crossed lines of authority continues to exist. I might suggest here that you consider using the staff of the division of legislative finance, while retaining the staff of the division of legislative audit to do audits. This, I think, eliminated the crossed lines and adds another checkpoint.

2. Page 3, line 29 and Page 4, lines 1-7 - To be consistent with the duties of the oversight committee, should this language be changed to include other activities (the loan funds, investment of pension and retirement funds) over which the oversight committee is given purview?

3. Page 5, lines 11-15 - To be consistent with the committee's finding that the permanent fund is indeed permanent, shouldn't this be eliminated?

4. Page 8, line 6 - It was my understanding that the term "prudent person" was to be changed to "prudent investor" or something of that nature, following Terry Magrath's advice.

5. Page 10, lines 22-23 - The Speaker had some objection to the term "post audits" which he mentioned to me at the last meeting and never explained.

6. Page 11, line 26 and following - There is no confirmation over the governor's executive appointment or a term of office for that appointment. I don't believe there was any specific committee direction on this point.

12/5 draft

2-2-2-2

7. Page 14, lines 2-5 - This language seems to be inconsistent with the authority of the oversight committee. Why would the investment fund report to the commissioner of revenue?

8. There is no stated language in the entire section on the investment committee as to who can remove members and how.

9. Page 15, lines 8-10 and 14-17 - The placement of commas and wording makes it appear that community development projects do not have to be income producing or financially sound. The same seems to be true on Page 17, lines 11-17.

10. Page 16, lines 16-18 (beginning "unless...") - This language gives broad discretion for pulling out investments that go sour. Is the granting of this discretion advisable?

11. Page 18, line 6 - Shouldn't "which in the opinion of the investment fund..." read "which in the opinion of the legislature..."? This change would leave the question of subsidy to the legislature, which I believe is where the committee wants it.

12. Page 18, lines 28-29 and Page 19, line 1 - Shouldn't there be language requiring these reports be passed on to the governor, legislature and public?

# 'The Dutch Disease'

## Holland's Gas Money Has Brought Affluence And Economic Woes

Spending on Social Programs  
At Expense of Industry  
Hurts Profits and Jobs

### Why Guilder Slows Exports

12/5/77 p1  
By PHILIP REVZIN

Staff Reporter of THE WALL STREET JOURNAL

AMSTERDAM—The British call it "the Dutch disease," and are determined not to catch it themselves. The Norwegians are increasingly wary of the ailment. And the Dutch are only now realizing the extent of their illness.

At first glance the Dutch disease doesn't appear to be a malady at all, because its symptoms are high incomes, advanced living standards and generous social benefits. Much of this is the result of the discovery in 1959 of huge reserves of natural gas in the province of Groningen in northern Holland. By the time these reserves were on their way to market in the late 1960s, a growing world energy demand provided Holland with a rich source of revenue.

Holland's problems arise from the fact that these revenues were used to make the Dutch social-security system one of the best in the world and to build roads, subsidize schools and hospitals and to improve the nationalized rail system. They weren't used for job-creating capital investments. Businessmen say that because they haven't shared in the gas bonanza and because of the taxes and contributions they have had to pay to finance the social benefits, their profits have been sorely squeezed.

#### "A Curse in Disguise"

As a result, unemployment is rising, and industry says it won't be able to provide enough jobs in the future. Capital investment is no longer growing, and the Dutch are facing a leveling off of living standards. Compounding the problem, the gas money has made the Dutch guilder one of the world's strongest currencies. This means that Dutch products often are too expensive to compete in the export market. "Natural gas is a curse in disguise," Jelle Zylstra, head of the Dutch Central Bank, said recently.

Economists in Britain and Norway, both of which have substantial North Sea reserves of oil and natural gas, are warning their countries not to make the same mistakes. They urge that plans be made to invest much of the energy revenues in capital projects. In Britain, a committee composed of business, labor and government leaders is meeting to discuss uses for the oil money.

The Dutch began signing contracts for their natural gas in the 1950s because they were fearful that nuclear power would make gas obsolete as a fuel source. Some of these export contracts won't run out until the end of the century.

Last year, gas revenues amounted to about \$3 billion, or 11% of general government revenues, and the percentage is expected to be about the same this year. Revenues have been boosted both by the government's raising of gas prices, to stay in line with world oil prices, and by renegotiation of oil-company contracts. Royal Dutch/Shell and Exxon's Esso subsidiary, which are under contract to develop the gas reserves, originally took 30% of the profits. Now they are taking only 5%, with the balance going to the government.

#### A \$2.5 Billion Surplus

All of this gas money, from exports as well as from the substitution of domestic gas for imported oil, kept the Dutch international balance of payments on current account solidly in the black between 1972 and early this year. The excess of monetary inflow over outflow gave Holland a surplus of about \$2.5 billion last year and inspired such confidence in international money markets that the guilder has risen in value by more than 30% against the dollar since 1971.

The balance of payments showed a small deficit in the first quarter this year, probably due to decreased export demand, but economists say it swung back into the surplus at mid-year, and it will end the year in the black.

Yet many economists are sounding a warning note amid this prosperity. "Everything has been going so good for so long that I'm afraid it will take a real catastrophe before people think about our genuine problems," says Victor Halberstadt, professor of public finance at the University of Leiden.

Already the signs are evident. Profits, as a percentage of return on investment, have slipped by an estimated 50% to 75% since 1970 for most companies. The 6% unemployment rate is moderate by U.S. standards, but much higher than the Dutch are used to. A prominent Dutch banker recently estimated that the government's use of gas revenues for social benefits has cost 300,000 jobs since 1970.

#### Weathering the Recession

This spending has risen by more than 13% since the early 1960s and now is the highest of any industrialized non-Communist nation. The central government's budget this year will be about \$33 billion, up about 8.5% from \$28.6 billion in 1976. Together with transfer payments, such as social security benefits, government spending now represents more than 50% of the volume of the goods and services produced in Holland.

Certainly, this public spending saw 11 million Dutch people through the worst of the recession with still-rising living standards. But it also allowed them and their government to ignore the serious economic problems that were developing under the gas bubble.

"The politicians mortgaged our future by using the gas money for the simplest, most popular social programs," says a prominent

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# 'The Dutch Disease': Gas Revenues Cause Economic Woes for Holland

*Continued From First Page*

Dutch banker. "If only a bit more of the money had been given to private industry, we would have much fewer problems."

Businessmen say that some of the gas revenues should have been earmarked for direct grants to big manufacturers in key industries and for tax incentives and concessions to help small business expand.

Instead, Dutch firms have been asked to contribute more and more of the cost of public programs, through the higher taxes and social-security contributions. This so-called collective burden rose by an average of 1.9% a year from 1970 to 1975 (total tax revenues are 52.1% of the national income, among the highest levels in the industrialized world). Last year the government purposely held the increase to 1% of national income. Because of wage increases and increased employer contributions for benefits, labor costs will rise by 8% this year, more than in most countries competing against Dutch products in the export market. Offsetting these costs somewhat is the productivity rate, which rose by 10% last year.

Dutch exports also are being badly hurt by the strength of the guilder. Holland traditionally has imported most of its raw materials and has exported more than 40% of its manufactured goods. The appreciation of the guilder has made imports cheaper and has helped keep inflation down to its present level of about 6.5%. But it also has made exports much more expensive. "We can't sell our products abroad," complains R. C. Spinosa Cattella, a member of the management board of N.V. Philips, the multinational electronics giant. "We've priced ourselves right out of the market."

The government recently said it expects no growth in Dutch exports this year, a revision of its earlier forecast of a 6% gain over last year. VNO, a Dutch business group, believes that exports will grow by only 3% next year.

All this has made Dutch businessmen fit-

ttery about new investment in the country. Although the volume of business investment probably will rise about 5% this year, Amro Bank, one of Holland's largest financial institutions, projects no growth for next year. Many companies, including Philips, are making few capital investments. "We are maintaining our overall investment level, but spending it on improvements of our existing facilities," says Philips's Mr. Spinosa Cattella. Smaller companies say they simply don't have the cash to invest.

Government and industry are now casting around for ways of dealing with this malaise. Businessmen have proposed a program of tax cuts, a cut in the increase in public spending beginning next year and a slight loosening of price controls to improve profits.

Government ministers say they are planning to steer the structure of the Dutch economy away from traditional industries, such as textiles and shipbuilding, which, in addition to being big energy users, require heavy capital investment. Finance minister Willem Duisenberg says the emphasis will now be on high-technology industries, such as environmental design and electronics, through selective grants and government encouragement.

## Seeking a Government

But none of these measures can be implemented until a solid government is formed. Holland has been without a government for nearly eight months. The government of Socialist Premier Joop den Uyl fell last March. After an inconclusive election, attempts to form a workable coalition from among 25 political parties failed. In recent days, however, two right-of-center parties, the Christian Democrats and the Liberals, apparently have reached agreement to form a new government.

The new government's major priority will be to deal with the worsening unemployment problem. Most estimates put unem-

ployment next year at 250,000, up from 210,000 at present. But economists say that the true unemployment figure is hidden because it would include many of the 350,000 workers receiving disability benefits under Holland's liberal system.

Unemployment benefits also are generous. Workers receive benefits equal to 80% of their salary for the first year of unemployment and 70% for the next two years.

Economists and politicians are fearful that Holland is facing a future of rising unemployment and little or no economic growth. The growth of the gross national product has slowed to under 3% this year, compared with last year's growth of 5%. The Amro Bank forecasts a growth rate of 2.5% for next year.

## The Main Hope: Gas

"No politician can say publicly that public spending, and therefore living standards and benefits, will actually be cut in the next few years," says a Dutch politician. The most that can be conceded, says a minister, is that "there will be no real increase in disposable income for the next five years." This will go down poorly with Dutch workers who over the past few years have seen average per-capita disposable income rise by more than 2% a year.

Ironically, Holland's main hope for the future lies in the commodity that caused all this economic trouble in the first place: natural gas. Total revenues for natural gas will peak this year, the first year that Holland's North Sea gas discoveries won't equal consumption, and the year-to-year increase in gas revenues will decrease from here on. But there is still plenty of gas around.

Government estimates put Holland's total reserves of natural gas at more than 2.3 trillion cubic meters, or 80.5 trillion cubic feet, enough to last well into the 21st Century. Rudolf Lubbers, the minister of economic affairs, says that Groningen production is being slowed to make sure that the fields aren't rapidly depleted.

The government is committed to the long-term foreign contracts that it signed in the early 1960s. But some of this gas will be provided through the 1 billion cubic meters, or 140 billion cubic feet, of gas that Holland

## Annual Oil Price Boost Of 5% Approved by U.S.

*By a WALL STREET JOURNAL Staff Reporter*

WASHINGTON — The government will allow domestic oil prices to rise during the next three months at an annual rate of 5%.

Under the oil price control program, the Economic Regulatory Administration in the Energy Department adjusts prices every three months to allow prices to rise at the rate of inflation.

Prices for "old" oil will be \$5.28 a barrel in December, \$5.30 in January and \$5.32 in February. "New" oil prices for those months will be \$11.80 a barrel, \$11.85 and \$11.90, respectively. "Old" oil is production from wells drilled before December 1972. "New" oil is production that exceeds 1972 levels or oil from wells drilled after December 1972.

will be buying from Algeria and Norway over the next 20 years.

The government also is hoping to conserve its gas by raising its domestic price. Dutch users have been paying about 30% less for domestic gas than for other energy sources. This difference will be phased out over several years.

~~SECOND FINDINGS~~

Sec. 37.11.010. Alaska Renewable Resources Development Fund. There is established as a separate fund the Alaska renewable resources development fund. Funds apportioned for deposit into the development fund by sec. 20 of this chapter are intended to guarantee the enhancement and development of the state's renewable resources.

~~STATE OF ALASKA~~  
Sec. 37.11.020. Development fund authorization level. Not less than five per cent of the receipts paid to the state from mineral lease bonuses and rentals for state land and royalties derived from minerals produced on state land shall be deposited in the development fund. These deposits shall be invested on an interim basis in accordance with AS 37.10.070 (investment of surplus state funds) and the resulting interest shall accrue to the development fund.

~~STATE OF ALASKA~~  
Sec. 37.11.025. Declaration of policy. It is the policy of the state to

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

(b) utilize the fund to further the (1) development of renewable resource industries that will contribute to a stable self-sustaining state economy, employment opportunities, and life-style alternatives for its citizens, and (2) commercial traditional, and common uses of the state's renewable resources.

Sec. 37.11.026. Findings. (a) The legislature finds that Alaska has vast quantities of renewable resources that are not being utilized to their full potential and that great opportunities for expanding the wealth of the state lie in the expanded use of these resources. Many problems which confront the state, including lack of full employment and self-sustaining, renewable resource-based industries, could be mitigated by the expanded use and development of its renewable resources.

(b) It is further found that the Alaska economy has historically depended upon sporadic and non-stable development, most often relating to non-renewable resource exploitation.

(c) It is further found that several key factors have contributed to the slow development of renewable resource-dependent industries, including: (1) recent sharp reductions in research and development financing and venture capital financing; (2) a general lack of knowledge within the business and financial communities about conditions and factors affecting renewable resource industrial development, especially in the state; and (3) resource management uncertainties which have discouraged investment and the development of appropriate technologies.

(d) It is further found that the state's policy of assisting the development of viable industries is best accomplished by providing public assistance to private industry in ways necessary and feasible to most efficiently identify and develop new industries which will use the state's renewable resources to bring maximum benefits to the state and its citizens.

(e) It is further found that some of the state's renewable resources will be most appropriately utilized by reserving their use to non-commercial activities for the purposes of sustaining traditional lifestyles, providing recreational opportunities, and protecting the natural environment, all of which are culturally and historically important to the citizens of the state.

~~1 - ALASKA TECHNOLOGY~~  
Sec. 37.11.030. Development fund utilization. Appropriations from the development fund shall provide for the rehabilitation, enhancement, and development of renewable resources. [Plans for expenditures from the development fund shall be submitted by the corporation to the legislature through the governor as provided for state agencies by the Executive Budget Act (AS 37.07) as part of his annual budget presentation.] ask Beemer if this should be retained to protect co. sustainability (possibly covered by sec. 270)

~~1 - ALASKA TECHNOLOGY~~  
Sec. 37.11.040. Development fund balances. Unappropriated or otherwise unencumbered balances remaining in the development fund at the close of each fiscal year shall be transferred to the permanent fund.

Sec. 37.11.050. Alaska Renewable Resources Permanent Fund. There is established as a separate fund the Alaska renewable resources permanent fund. Funds appropriated by sec. 40 of this chapter for deposit into the permanent fund are to be held perpetually in trust for the benefit of both present and future generations of Alaskans.

Sec. 37.11.060. Permanent fund principal. Transfers to the permanent fund made in accordance with sec. 40 of this chapter shall be considered as the principal of the permanent fund and shall be invested in perpetuity in accordance with AS 37.10.070 (investment of surplus state funds).

Sec. 37.11.070. Utilization of permanent fund income. Income derived from the permanent funds shall be transferred to the development fund, and shall be included in the annual budget for the development fund.

Sec. 37.11.080. Protection of permanent fund principal. A transaction involving permanent fund principal which results in an actual decrease of the principal shall be reimbursed in full from fund income before such income is otherwise expended.

Sec. 37.11.100 [omitted; no change]

Sec. 37.11.110. Alaska Renewable Resources Corporation created. There is created the Alaska Renewable Resources Corporation to carry out the purposes of this chapter. The corporation is a public corporation of the state and an instrumentality of the state within the ~~Department of Natural Resources~~ <sup>Department of Revenue</sup>, but has a legal existence independent of and separate from the state and has continuing succession until its existence is terminated by law. The exercise by the corporation of the powers conferred by this chapter is considered an essential function of the state.

Sec. 37.11.120. Purposes. The purposes of the corporation are to

(1) facilitate the rehabilitation, enhancement, and development of the state's renewable resources so as to foster a self-sustaining state economy;

(2) <sup>research,</sup> develop and demonstrate technologies and innovations for the rehabilitation and enhancement of the state's renewable resources to achieve their most appropriate use;

(3) identify products, markets, and technologies for renewable resource-based industries in the state, ~~and~~ stimulate the research and development of these products, markets, and technologies; *assist in the demonstration of their technical and economic feasibility, and assist in their introduction into commercial markets*

Sec. 37.11.130. Allocation. There shall be allocated from the receipts described in sec. 20 of this chapter <sup>at least</sup> five percent of the receipts paid the state from mineral lease bonuses and rentals for state land and royalties derived from minerals produced on state land to the corporation.

Sec. 37.11.140. Board of Trustees. A board of trustees of the corporation is established as its governing body.

Sec. 37.11.150. Composition of the board of trustees. The board of trustees consists of three members appointed by the governor and confirmed by a majority of the members of the legislature in joint session. The board shall annually elect a chairman from among its members. A chairman may not succeed himself.

Sec. 37.11.160. Term of office. The members of the board of trustees shall be appointed for terms of four years, and they may be reappointed. Terms shall be staggered. The initial terms shall be one member serving two years, one members serving three years, and one member serving four years.

Sec. 37.11.170. Removal and vacancies. (a) The governor may remove a board member from office by and with the consent of a majority of the members of the legislature in joint session. A removal by the governor shall be in writing and state the reason for removal. If the legislature is not in session, the governor may suspend a member of the board. Upon suspension, a board member may not participate in board business and may not be counted for the purpose of establishing a quorum. A suspended member shall continue to receive his salary as a board member until the legislature in joint session consents to his removal. The joint session shall be held within 30 days from the date of removal if the removal occurs while the legislature is in session or within 30 days of convening of the legislature if the legislature is not in session. If the legislature refuses to consent to his removal the board member shall be reinstated to his position.

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

(c) A vacancy on the 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. 37.11.180. Qualifications of board members. (a) No person may be appointed to the board who has not been a resident of the state for at least three years.

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

Sec. 37.11.190. Quorum. Two members of the board constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.

Sec. 37.11.200. Compensation of board members. Board members are in the exempt service under AS 39.25 and receive an annual salary within Range 30 of the salary schedule for state employees established by AS 39.27.011.

Section 37.11.210. Employment of personnel. The board may employ and determine the salary of an executive director. *Pres* The executive director may, with the approval of the board, select and employ additional staff as necessary. The executive director and all employees of the board are in the exempt service under AS 39.25.

Sec. 37.11.220. Conflicts of interest. (a) Members of the board of trustees are subject to the provisions of AS 39.50.

(b) No member of employee of the board shall acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such 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. 37.11.230. Powers. In carrying out the corporate powers of the corporation, the board may

- (1) adopt, alter, and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;
- (4) enter into any agreements necessary to the exercise of its powers and functions;
- (5) accept grants from and contract with the federal government, the state or its political subdivisions and to that end comply with the provisions of federal, state, or local programs where necessary except that it may not enter into any agreements whereby any permanent state or local government position is funded or partially funded in connection with a project;
- (6) accept grants and loans from other sources than those in (5) of this section to be held and used ~~for~~ <sup>for</sup> the purposes of the corporation;
- (7) appear in behalf of the corporation before boards, commissions, departments or other agencies of municipal, state, or federal government;
- (8) acquire, hold, use, lease, sell, or otherwise dispose of property of any kind, real, personal, or mixed, or any interest in ~~it~~ <sup>it</sup>;
- (9) hold patents, copyrights, trademarks, royalties, or any other evidences of protection or exclusivity as to any products or technology issued under the laws of the United States or any state or nation; ~~and which shall be held in trust for the~~
- (10) Prepare, publish, and distribute technical studies, reports, bulletins and other materials it considers appropriate;
- (11) contract or otherwise provide for technical assistance for applicants and recipients drawing on local resources whenever possible;

(12) do all acts and things necessary or desirable to carry out the purposes of the corporation;

(13) make financial assistance available in the form of grants, loans, loan guarantees or other forms of assistance to local and regional research and development groups in order to facilitate investment by those groups in specific enterprises or projects which, ~~in the opinion of the board~~, do not warrant its direct supervision;

(14) invest, in such forms as it considers appropriate, <sup>only</sup> in projects for the ~~introduction into commercial markets,~~ research, development, ~~and~~ demonstration of new products, markets, innovations, ~~the rehabilitation, enhancement and development of~~ and technologies beneficial to renewable resources ~~development~~ and which have income producing potential.

(15) Provide grants only to projects for the research, development ~~and~~ demonstration of new products, markets, innovations and technologies beneficial to rehabilitation, enhancement and development of renewable resources which do not yet have income producing potential, but are commercially promising or have potentially broad application to the public.

(16) adopt regulations to implement this chapter.

Sec. 37.11.240. Duties. <sup>(a)</sup> ~~In carrying out the purposes of this chapter,~~ the board shall

(1) use the financial mechanism most appropriate to the conditions of an applicant ~~and which provides the maximum incentive to the applicant to succeed~~ and which most effectively utilizes the fund available.

<sup>Seek to maintain and expand the productivity</sup>  
(2) ~~foster the growth and expansion~~ of renewable resources and contribute to the improvement of sound resource management;

<sup>existing and</sup>  
(3) identify potential resource use conflicts and make ~~its~~ investments <sup>which</sup> ~~to use all reasonable means to~~ mitigate <sup>or resolve</sup> such conflicts and, ~~to the greatest extent possible,~~ preserve ~~for~~ the future options for the use of the state's renewable resources;

(4) Seek to distribute equitably the benefits of fund investments among areas of the state <sup>different</sup> renewable resources and citizens of the state.

(5) seek to maximize return ~~on its investments~~ to the state and local governments and its citizens in such forms as tax revenues and resident employment and income.

(6) seek to promote the utilization of the state's resources for use within the state and the development of import substitution as well as export markets;

(7) consider regional and local preferences and priorities in making fund allocation;

~~and prioritize areas~~

(9) consider the investment proposals of qualified applicants only after the applicant for investment has submitted a detailed proposal in the form prescribed by the board. No investment shall be made unless the board finds, in writing, that

(A) the proposed product, market, <sup>or technological development</sup>, if ~~innovation~~ successful, will further the purposes specified in this chapter;

(B) the proposed product, market, or technological development is likely <sup>to be</sup> technologically and economically feasible;

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

(D) the applicant has entered into an agreement that new renewable resource industry activity shall be established and remain in the state for a minimum period of time as determined by the board;

(E) the renewable resource development encouraged by the financial assistant does not significantly deteriorate the opportunity for the present and future use of other renewable resources affected by the development; and

(F) the applicant demonstrates sufficient technical and business experience to accomplish the objectives of the proposal, except that the board may provide technical and managerial assistance.

(10) provide for operational and performance evaluations (post-audits) of its financial allocations.

*Good*  
*MP*  
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*Good*  
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and an overall assessment of the degree to which the purposes and goal of this act (see \_\_\_\_\_ and Sec. \_\_\_\_\_) have been achieved, expressed in qualitative and quantitative terms

(b) The board may <sup>(not)</sup> (1) invest more than five per cent of the resources of the corporation or \$1,500,000, whichever is less, in a single project unless the legislature has approved the investment by concurrent resolution;

(2) make a loan for a period in excess of 20 years unless the legislature has approved the loan by concurrent resolution; or

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

(c) Nothing in this section shall prevent the board from taking such action and exercising such rights as it considers necessary for the protection of its interests in the event of

(1) actual or threatened default on any of the board's investments;

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

(3) any other circumstance, event, or sequence of circumstances or events which, in the opinion of the board, jeopardizes an investment made by the board.

NO  
Sec. 37.11.250. Eligibility for financial assistance. The board may grant financial assistance if it finds that (1) the applicant has submitted a proposal in accordance with sec. 240(a)(8) of this chapter which has been approved by the board;

(2) the applicant is a resident of the state, or if the applicant is a partnership, corporation, or other association, is owned by a majority who are residents of the state; and

(3) projects which have previously received <sup>corporation</sup> ~~BBF~~ funding <sup>and</sup> have conformed to all conditions precedent or subsequent to such funding and have performed with sufficient success or promise of success to warrant further aid.

Sec. 37.11.260. Reports and publications. (a) The board shall prepare <sup>and distribute</sup> in non-technical language <sup>materials</sup> ~~a pamphlet~~ describing the purposes and activities of the fund, and distribute <sup>the information</sup> ~~the pamphlet~~ to the widest extent feasible among prospective users of the fund.

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(b) The board shall publish an annual report for the governor, the legislature,, and the public at the time of submitting its annual budget request. Each annual report shall include financial statements audited by independent outside auditors, a statement detailing the sources from which the corporation received money, a statement detailing the investments made by the corporation, <sup>a summary and</sup> ~~a projection~~ evaluation of the requirements specified under section 240(a)8 and section ~~of the status of renewable resource activity and an analysis and projection of the~~ 240(a)10, ~~corporation's participation in such activity,~~ and any other information that the board of trustees believes would be of interest to the governor, the legislature, and the public.

(c) ~~The board may publish such other reports as it considers necessary to carry out its purpose.~~

Sec. 37.11.270. Budget. The corporation is subject to the provisions of the Executive Budget Act (AS 37.07) for all funds whether received through allocations by this chapter or otherwise. <sup>of the corporation</sup> ~~The~~ <sup>administrative</sup> ~~operational~~ budget shall be a separate budget category, ~~from the remainder of the budget.~~

UP FRONT

Sec. 37.11.280. Definitions. In this chapter, unless the context otherwise requires,

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

(b) "rehabilitation, enhancement and development" means any activity or program which improves the health and well-being of a renewable resource or renewable resource population leading to an increase in the quality and/or productivity of this resource and to an increase in the benefits derivable from this resource accruing to the residents and the state of Alaska.

(c) "development fund" means the A R R D F

(d) "permanent fund" means the A R R D F

(e) "corporation" means the A R R C

(f) "board" means the board of trustees of the A R R C

(g) "appropriate use" means

(h) "applicant" means

OTHERS

Hypothetical Case Based On Worse Bond Market  
(1967-1971) And Stock Market (1972-1976) In Past 50 Years

Based on past ten years Fund 100% bonds through year 5 then 25% stocks through year 10. Equal amounts each year.

|             |    | A            |               |              | B                          | Assets of Fund at Market |                         |              |
|-------------|----|--------------|---------------|--------------|----------------------------|--------------------------|-------------------------|--------------|
|             |    | (1)          | (2)           |              | 5 Yr.<br>Moving<br>Average |                          |                         |              |
| <u>Year</u> |    | <u>Bonds</u> | <u>Stocks</u> | <u>Total</u> |                            | <u>Bonds</u>             | <u>Stocks<br/>Index</u> | <u>Total</u> |
| 1967        | 1  | 5.51%        | -             | 5.51%        | 5.51%                      | 100                      | -                       | 100          |
| 1968        | 2  | 6.18         | -             | 6.18         | 5.85                       | 89                       | -                       | 89           |
| 1969        | 3  | 7.03         | -             | 7.03         | 6.24                       | 86                       | -                       | 86           |
| 1970        | 4  | 8.04         | -             | 8.04         | 6.69                       | 84                       | -                       | 84           |
| 1971        | 5  | 7.39         | -             | 7.39         | 6.83                       | 93                       | -                       | 93           |
| 1972        | 6  | 7.21         | 2.84%         | 6.12         | 6.95                       | 109                      | 100                     | 107          |
| 1973        | 7  | 7.44         | 3.06          | 6.34         | 6.98                       | 105                      | 98                      | 103          |
| 1974        | 8  | 8.57         | 4.47          | 7.50         | 7.06                       | 97                       | 86                      | 94           |
| 1975        | 9  | 8.83         | 4.31          | 7.70         | 6.99                       | 94                       | 90                      | 93           |
| 1976        | 10 | 8.84         | 3.77          | 7.26         | 6.96                       | 99                       | 107                     | 101          |

(1) AAA Moody Bond Yield

(2) Standard & Poor 500 Stock Dividend Yield

- A) Actual Return based on interest and dividend received in that year to market value.
- B) Return based on 5 years averaging of interest and dividends received to market value.

B is used to provide a steadier flow of income, less volatility than taking in current income.

Language from Montana Session Laws 1975 S.B. 86

"An act creating a fund for research, development and demonstration of alternative energy sources and allocating certain revenue from coal taxes to the fund; directing the department of natural resources and conservation to make grants from the fund in support of alternative energy research; providing for an alternative energy advisory committee; making appropriations; and amending section 84-1309.1, R.C.M. 1947."

Sec. 7. Criteria for grant awards. The department may award grants to applicants under section 84-7411 in accordance with the following criteria:

(1) A grant may cover a period exceeding one year, and the department may not commit itself to spending funds anticipated to be available more than one year after the grant period begins. The department may give an applicant a statement of intent to renew its support of his work, subject to the availability of funds and such other conditions as the department may express.

(2) The department may give preference to projects which are also supported by grants from the federal government or other persons provided the grants are consistent with the other objectives of the department. The purpose of this preference is to use the alternative energy research development and demonstration account for matching moneys in order to support more substantial research.

(3) The department may give preference to research centers unattached to existing educational institutions where several

24.20.670 (b)

(6) In conjunction with the finance committee of each house recommend annually to the legislature the use of the general fund surplus and the income from the Permanent Fund.

(5) Present to the legislature within 30 days after the convening of each regular session a review of the report of the governor under AS 37.09.020(b) with recommendations for any needed legislation.

Sec. 2 AS 37.07.020 is amended by adding a new paragraph to read:

(b) The governor shall annually report to the legislature through the investment oversight committee the long range fiscal and economic consequences of: (1) alternate levels of capitalization of the investment funds of the state, and (2) alternative uses of the general fund surplus.

Findings: The legislature finds that there is a substantial need for oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions since these functions do not receive the detailed review that other expenditures of public money are subject to and therefore the knowledge necessary for sound legislation in this area is not readily available. There is a need for legislative oversight which will provide information on the policy and performance of these agencies, the extent to which the agencies conform to legislative intent, and the impact of the performance on the economy and treasury of the state and the public good in their policy and performances so that the need for new legislation is recognized when appropriate and the factual basis for legislative change is present.

Purposes: The purposes of the investment oversight committee are: (a) to monitor and report: (1) the performance of the agencies of the state which perform lending, borrowing or investment functions, (2) the extent of which the performance of these agencies has contributed to the fiscal, financial, economic and social improvement of the state and its citizens, (3) the extent to which these agencies and the executive have prepared and coordinated short and long term economic, fiscal investment and financial planning.

(b) to hold these agencies accountable to legislative intent in their performance by recommending where appropriate changes in policy to the agencies or where appropriate changes in legislation to the legislature.

(c) to annually review the extent of capitalization of the investment funds of the state and alternative uses of the general fund surplus and recommend needed legislation.

12/7/77

Re: State of Alaska

Sec. 37.13.020 Findings

- The legislature finds that
- (1) the permanent fund should provide a means of conserving a portion of the state's revenues from mineral resources to the ultimate benefit of future generations of Alaskans;
  - (2) The primary goal is to provide maximum investment return consistent with the maintainence of the Fund as perpeptual and inviolate forever;
  - (3) The Permanent Fund investments shall be made with such prudence, discretion and intelligence as will protect the safety of principal of such funds as well as the income to be derived therefrom. Securities shall be sold when the overall investment portfolio of the Fund will be improved through such action. This does not prevent sale of securities at less than cost to the fund. However, all losses not offset by gains shall be repaid to the fund from income earned thereafter. The profit from all securities held in the Fund that are sold above the purchase price shall be added back to the principal of the Fund.
  - (4) The minimum income available after the first five years of investment operations of the Fund shall be the annual average current return at cost. Subsequently there will be a moving average current return, whereby the latest fiscal year return will replace the oldest year. The income available for disbursement shall be equal to the average annual current income for the past five fiscal years of the Fund.

w.o. 4350  
12/9/77

1 IN THE HOUSE

2 HOUSE BILL NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

10 ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

11 Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 Sec. 24.20.670. DUTIES. The committee shall

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

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

functions;

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

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

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

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

#### CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT FUND.

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

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

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

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

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

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

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

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

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

1 the member shall be reinstated to his position.

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

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

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

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

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

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

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

1 (5) review, consider and approve policies;

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

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

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

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

23 Sec. 44.55.060. DUTIES OF THE INVESTMENT COMMITTEE. The invest-  
24 ment committee has sole responsibility to approve all investment pro-  
25 posals.

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

29 Sec. 44.55.080. PERSONNEL OF INVESTMENT FUND. Policy board

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

Sec. 44.55.090. FINDINGS. The legislature finds

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

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

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

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

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

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

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

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

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

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

(6) enter into agreements necessary or convenient in the

1 exercise of its powers and functions;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 (j) The committee shall seek to maintain a reasonable diversifi-  
12 cation in its investments.

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

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

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

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

1 report the results to the policy board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sec. 44.55.180. TAX EXEMPTION. The investment fund is exempt from 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 established 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 established 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).

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\* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.070(c).

investigators can share supporting services. However, this shall not be interpreted to prohibit the department from awarding grants to existing educational institutions.

(4) The department may give preference to research centers which make information available to individuals, small businesses, and small communities seeking the use of renewable energy sources in their homes, plants, places of business, and small communities.

(5) All information resulting from such research shall be made available to the public and shall not become the private property of or under the exclusive control of any one company or person.

*PAGE 10, LINE 19 New Section (e)*  
*board*  
(6) The ~~department~~ is under no requirement to expend or commit available ~~alternative energy research, development and demonstration~~ funds when in its judgement such expenditures or commitments would be unproductive.

The following language is from administrative regulations adopted by the Department of Natural Resources and Conservation to implement this act:

(1) It is the objective of the Department to orient the funding program toward the small scale, individual, single unit dwelling type of application. Large scale, capital intensive project applications will be accepted, but the program emphasis will be directed toward the aforementioned type of applications.

(3)(b) The application shall contain a statement agreeing that all materials submitted by the applicant to the Department is subject to public scrutiny.

*Nothing at it income  
If want no special interest, 500.1*

w.o. 4434

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 the Alaska Renewable Resources  
7 Corporation."

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

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

10 CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

11 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the  
12 state to13 (1) rehabilitate, enhance, and develop its renewable re-  
14 sources and, insofar as is consistent with sound resource management  
15 policies, develop its human resources by providing maximum opportunities  
16 for employment and a higher standard of living for its citizens; and17 (2) utilize the funds created by ch. 11 of this title to  
18 further the (A) development of renewable resource industries that will  
19 contribute to a stable self-sustaining state economy, employment oppor-  
20 tunities, and lifestyle alternatives for its citizens, and (B) com-  
21 mercial, traditional, and common uses of the state's renewable resources22 Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska  
23 has vast quantities of renewable resources that are not being utilized  
24 to their full potential and that great opportunities for increasing the  
25 wealth of the state lie in the expanded use of these resources. Many  
26 problems which confront the state, including lack of full employment and  
27 self-sustaining, renewable resource industries, could be mitigated by  
28 the expanded use and development of its renewable resources.

(b) It is further found that Alaska's economy has historically

1 depended upon sporadic and non-stable development, most often relating  
2 to nonrenewable resource exploitation.

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

5 (1) reductions in research and development financing and  
6 venture capital financing;

7 (2) a lack of knowledge within the business and financial  
8 communities about conditions affecting renewable resource industrial  
9 development in the state; and

10 (3) resource management uncertainties which have discouraged  
11 investment and technological development.

12 (d) It is further found that the state's policy of assisting the  
13 development of viable industries is best accomplished by providing  
14 public assistance to the private sector in ways necessary and feasible  
15 to identify and promote new industries which will use the state's renew-  
16 able resources to bring maximum benefits to the state and its citizens.

17 (e) It is further found that some of the state's renewable re-  
18 sources will be most appropriately utilized by reserving their use to  
19 noncommercial activities for the purposes of sustaining traditional  
20 lifestyles, providing recreational opportunities, and protecting the  
21 natural environment, all of which are culturally and historically impor-  
22 tant to the citizens of the state.

23 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.  
24 There is created the Alaska Renewable Resources Corporation to carry out  
25 the purposes of this chapter. The corporation is a public corporation  
26 of the state and an instrumentality of the state within the Department  
27 of Revenue, but has a legal existence independent of and separate from  
28 the state and has continuing succession until its existence is termi-  
29 nated by law. The exercise by the corporation of the powers conferred

1 by this chapter is considered an essential function of the state.

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

3 (1) facilitate the rehabilitation, enhancement, and develop-  
4 ment of the state's renewable resources so as to foster a self-sus-  
5 taining state economy;

6 (2) sponsor research, development, and demonstration of tech-  
7 nologies and innovations for the rehabilitation and enhancement of the  
8 state's renewable resources to achieve their most appropriate use;

9 (3) identify new products, markets, and technologies for  
10 renewable resource industries in the state; stimulate the research and  
11 development of these products, markets, and technologies; assist in the  
12 demonstration of their technical and economic feasibility; and assist in  
13 their introduction into commercial markets.

14 Sec. 37.12.050. ALLOCATION. There shall be allocated to the cor-  
15 poration from the receipts described in AS 37.11.020 at least five per  
16 cent of the receipts paid the state from mineral lease bonuses and  
17 rentals for state land and royalties derived from minerals produced on  
18 state land.

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

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

26 Sec. 37.12.080. TERM OF OFFICE. The members of the board of  
27 trustees shall be appointed for terms of four years, and they may be  
28 reappointed. Terms shall be staggered. The initial terms shall be one  
29 member serving for two years, one member serving for three years,

1 and one member serving for four years.

2 Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may  
3 remove a board member from office by and with the consent of a majority  
4 of the members of the legislature in joint session. A removal by the  
5 governor shall be in writing and state the reason for removal. If the  
6 legislature is not in session, the governor may suspend a member of the  
7 board. Upon suspension, a board member may not participate in board  
8 business and may not be counted for the purpose of establishing a quorum.  
9 A suspended member shall continue to receive his salary as a board mem-  
10 ber until the legislature in joint session consents to his removal. The  
11 joint session shall be held within 30 days from the date of removal if  
12 the removal occurs while the legislature is in session or within 30 day  
13 of convening of the legislature if the legislature is not in session.  
14 If the legislature refuses to consent to his removal, the board member  
15 shall be reinstated to his position.

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

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

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

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

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

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

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

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

(b) No member or employee of the board may acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such 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. 37.12.150. POWERS. In carrying out the corporate powers of the corporation, the board may

- (1) adopt, alter, and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;
- (4) enter into any agreements necessary to the exercise of

1 its powers and functions;

2 (5) accept grants from and contract with the federal govern-  
3 ment and the state or its political subdivisions and to that end comply  
4 with the provisions of federal, state, or local programs where neces-  
5 sary, except that it may not enter into any agreements whereby any  
6 permanent state or local government position is funded or partially  
7 funded in connection with a project;

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

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

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

16 (9) hold patents, copyrights, trademarks, royalties, or any  
17 other evidences of protection or exclusivity as to any products or  
18 technology issued under the laws of the United States or any state or  
19 nation;

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

22 (11) contract or otherwise provide for technical assistance  
23 for applicants and recipients drawing on local resources whenever  
24 possible;

25 (12) make financial assistance available in the form of grants  
26 loans, loan guarantees, or other appropriate forms to public research  
27 and development groups in the state in order to facilitate investment  
28 by the board in specific projects which do not warrant direct super-  
29 vision by the corporation;

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

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

(15) adopt regulations to implement this chapter;

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

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

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

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

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

(4) seek to distribute the benefits of financial assistance equitably among the areas of the state, different renewable resources, and the citizens of the state;

(5) annually evaluate and prioritize areas for potential financial assistance;

(6) monitor approved projects for compliance with this chapter and provide operational and performance evaluations (post-audits) of projects receiving financial assistance and an overall assessment, expressed in qualitative and quantitative terms, of the degree to which

1 the purposes of the corporation, as set out in sec. 40 of this chapter,  
2 have been achieved; and

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

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

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

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

15 (B) the proposed project is likely to be technologically  
16 or economically feasible;

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

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

24 (E) the applicant demonstrates sufficient technical and  
25 business expertise to accomplish the objectives of the proposed  
26 project; where that expertise is found to be lacking, the board  
27 may provide technical or managerial assistance;

28 (F) the applicant has provided sufficient life cycle  
29 cost data; such data shall include analysis of design and facility  
costs for project implementation; cost of project support  
personnel; maintenance and operating costs; and project support  
costs.

*All issues for review*  
*(i) the proposal contains an adequate plan for*  
*project financing including a*  
*complete budget and for handling plan for*  
*commercial activities.*

(G) potential resource use conflicts that may result from the proposed project are identified, and plans to mitigate or resolve those conflicts and to preserve for the future options for the use of the state's renewable resources are included in the application; if there are conflicts that cannot practically be resolved without substantially affecting the project, the board may approve the project notwithstanding the conflicts and shall make a finding to that effect which shall include an analysis of the conflicts, methods of mitigating or resolving them, and the resulting effect on the project;

(H) if the proposed project involves the use of a renewable resource, that use constitutes an appropriate use of that resource;

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

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not

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

(2) invest in more than 49 per cent of the outstanding corporate stock or other corporate obligations issued by an applicant unless the legislature has approved the investment by concurrent

1 resolution;

2 (3) make a loan for a period in excess of 20 years unless the  
3 legislature has approved the loan by concurrent resolution; or

4 (4) assume the responsibility for management of any project  
5 in which it has invested and may not exercise voting rights for that  
6 purpose or for any other purpose which is within the scope of managerial  
7 control.

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

11 (1) actual or threatened default on any of the board's  
12 investments;

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

15 (3) any other circumstance or event which jeopardizes an  
16 investment made by the board.

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

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

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

24 (2) he is a resident of the state or, if the applicant is a  
25 partnership, corporation, or other association, it is owned by a  
26 majority who are residents of the state; and

27 (3) his projects which have previously received financial  
28 assistance from the corporation, if any, have complied with all require-  
29 ments of that assistance and have performed with sufficient success or

1 promise to warrant further aid.

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

5 (b) The board shall publish an annual report for the governor, the  
6 legislature, and the public at the time of submitting its annual budget  
7 request. Each annual report shall include financial statements and  
8 audit reports, a statement detailing the sources from which the corpora-  
9 tion received money, a statement detailing the investments made by the  
10 corporation, a summary and evaluation of the data required by sec.  
11 160(5) and (6) of this chapter, and any other information that the board  
12 of trustees believes would be of interest to the recipients of the  
13 report.

14 Sec. 37.12.200. BUDGET AND APPROPRIATIONS. The corporation shall  
15 submit its annual budget to the legislature through the governor as pro-  
16 vided for state agencies by the Executive Budget Act (AS 37.07). The  
17 budget shall include all funds received by the corporation whether  
18 through allocations made by this chapter, appropriation, or otherwise.  
19 The corporation may expend money directly appropriated by the legislature  
20 only as authorized by the legislature. The total amount of the corpora-  
21 tion's operating budget shall be specified as a separate item of its  
22 budget and be appropriated from the general fund.

23 Sec. 37.12.210. ANNUAL AUDIT. The corporation shall have its  
24 financial record audited annually by a certified public accountant. The  
25 legislative auditor may prescribe the form and content of the financial  
26 record of the corporation and shall have access to these records at any  
27 time.

28 Sec. 37.12.220. DEFINITIONS. In this chapter, unless the context  
29 otherwise requires,

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

3 (2) "appropriate use" means (definition to be supplied by  
4 other source);

5 (3) "board" means the Board of Trustees of the Alaska  
6 Renewable Resources Corporation;

7 (4) "corporation" means the Alaska Renewable Resources  
8 Corporation;

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

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

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

21 \* Sec. 2. AS 44.66.010(a) is amended by adding a new paragraph to read:

22 (6) Alaska Renewable Resources Corporation (AS 37.12.030) --  
23 June 30, 1982.  
24  
25  
26  
27  
28  
29

*Nothing at it income  
If not no special treatment, 5 m. 1*

v.o. 4434

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 the Alaska Renewable Resources  
7 Corporation."

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

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

10 CHAPTER 12. ALASKA RENEWABLE RESOURCES CORPORATION.

11 Sec. 37.12.010. DECLARATION OF POLICY. It is the policy of the  
12 state to13 (1) rehabilitate, enhance, and develop its renewable re-  
14 sources and, insofar as is consistent with sound resource management  
15 policies, develop its human resources by providing maximum opportunities  
16 for employment and a higher standard of living for its citizens; and17 (2) utilize the funds created by ch. 11 of this title to  
18 further the (A) development of renewable resource industries that will  
19 contribute to a stable self-sustaining state economy, employment oppor-  
20 tunities, and lifestyle alternatives for its citizens, and (B) com-  
21 mercial, traditional, and common uses of the state's renewable resources22 Sec. 37.12.020. FINDINGS. (a) The legislature finds that Alaska  
23 has vast quantities of renewable resources that are not being utilized  
24 to their full potential and that great opportunities for increasing the  
25 wealth of the state lie in the expanded use of these resources. Many  
26 problems which confront the state, including lack of full employment and  
27 self-sustaining, renewable resource industries, could be mitigated by  
28 the expanded use and development of its renewable resources.

29 (b) It is further found that Alaska's economy has historically

1 depended upon sporadic and non-stable development, most often relating  
2 to nonrenewable resource exploitation.

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

5 (1) reductions in research and development financing and  
6 venture capital financing;

7 (2) a lack of knowledge within the business and financial  
8 communities about conditions affecting renewable resource industrial  
9 development in the state; and

10 (3) resource management uncertainties which have discouraged  
11 investment and technological development.

12 (d) It is further found that the state's policy of assisting the  
13 development of viable industries is best accomplished by providing  
14 public assistance to the private sector in ways necessary and feasible  
15 to identify and promote new industries which will use the state's renew-  
16 able resources to bring maximum benefits to the state and its citizens.

17 (e) It is further found that some of the state's renewable re-  
18 sources will be most appropriately utilized by reserving their use to  
19 noncommercial activities for the purposes of sustaining traditional  
20 lifestyles, providing recreational opportunities, and protecting the  
21 natural environment, all of which are culturally and historically impor-  
22 tant to the citizens of the state.

23 Sec. 37.12.030. ALASKA RENEWABLE RESOURCES CORPORATION CREATED.  
24 There is created the Alaska Renewable Resources Corporation to carry on  
25 the purposes of this chapter. The corporation is a public corporation  
26 of the state and an instrumentality of the state within the Department  
27 of Revenue, but has a legal existence independent of and separate from  
28 the state and has continuing succession until its existence is termi-  
29 nated by law. The exercise by the corporation of the powers conferred

1 by this chapter is considered an essential function of the state.

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

3 (1) facilitate the rehabilitation, enhancement, and develop-  
4 ment of the state's renewable resources so as to foster a self-sus-  
5 taining state economy;

6 (2) sponsor research, development, and demonstration of tech-  
7 nologies and innovations for the rehabilitation and enhancement of the  
8 state's renewable resources to achieve their most appropriate use;

9 (3) identify new products, markets, and technologies for  
10 renewable resource industries in the state; stimulate the research and  
11 development of these products, markets, and technologies; assist in the  
12 demonstration of their technical and economic feasibility; and assist in  
13 their introduction into commercial markets.

14 Sec. 37.12.050. ALLOCATION. There shall be allocated to the cor-  
15 poration from the receipts described in AS 37.11.020 at least five per  
16 cent of the receipts paid the state from mineral lease bonuses and  
17 rentals for state land and royalties derived from minerals produced on  
18 state land.

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

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

26 Sec. 37.12.080. TERM OF OFFICE. The members of the board of  
27 trustees shall be appointed for terms of four years, and they may be  
28 reappointed. Terms shall be staggered. The initial terms shall be one  
29 member serving for two years, one member serving for three years,

1 and one member serving for four years.

2       Sec. 37.12.090. REMOVAL AND VACANCIES. (a) The governor may  
3 remove a board member from office by and with the consent of a majority  
4 of the members of the legislature in joint session. A removal by the  
5 governor shall be in writing and state the reason for removal. If the  
6 legislature is not in session, the governor may suspend a member of the  
7 board. Upon suspension, a board member may not participate in board  
8 business and may not be counted for the purpose of establishing a quorum.  
9 A suspended member shall continue to receive his salary as a board mem-  
10 ber until the legislature in joint session consents to his removal. The  
11 joint session shall be held within 30 days from the date of removal if  
12 the removal occurs while the legislature is in session or within 30 day  
13 of convening of the legislature if the legislature is not in session.  
14 If the legislature refuses to consent to his removal, the board member  
15 shall be reinstated to his position.

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

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

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

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

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

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

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

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

(b) No member or employee of the board may acquire an interest, direct or indirect, in a corporation, company, association, or project owned, controlled, or invested in by the corporation. If a member or employee owns or controls such 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. 37.12.150. POWERS. In carrying out the corporate powers of the corporation, the board may

- (1) adopt, alter, and use a corporate seal;
- (2) prescribe, adopt, amend, and repeal bylaws;
- (3) sue and be sued in the name of the corporation;
- (4) enter into any agreements necessary to the exercise of

its powers and functions;

(5) accept grants from and contract with the federal government and the state or its political subdivisions and to that end comply with the provisions of federal, state, or local programs where necessary, except that it may not enter into any agreements whereby any permanent state or local government position is funded or partially funded in connection with a project;

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

(7) appear in behalf of the corporation before boards, commissions, departments, or other agencies of municipal, state, or federal government;

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

(9) hold patents, copyrights, trademarks, royalties, or any other evidences of protection or exclusivity as to any products or technology issued under the laws of the United States or any state or nation;

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

(11) contract or otherwise provide for technical assistance for applicants and recipients drawing on local resources whenever possible;

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

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

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

(15) adopt regulations to implement this chapter;

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

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

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

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

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

(4) seek to distribute the benefits of financial assistance equitably among the areas of the state, different renewable resources, and the citizens of the state;

(5) annually evaluate and prioritize areas for potential financial assistance;

(6) monitor approved projects for compliance with this chapter and provide operational and performance evaluations (post-audits) of projects receiving financial assistance and an overall assessment, expressed in qualitative and quantitative terms, of the degree to which

the purposes of the corporation, as set out in sec. 40 of this chapter, have been achieved; and

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

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

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

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

(B) the proposed project is likely to be technologically or economically feasible;

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

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

(E) the applicant demonstrates sufficient technical and business expertise to accomplish the objectives of the proposed project; where that expertise is found to be lacking, the board may provide technical or managerial assistance;

(F) the applicant has provided sufficient life cycle cost data; such data shall include analysis of design and facility

costs for project implementation; cost estimate for project implementation; and operating costs; and project revenue.

*All within the same document*  
*(i) the proposal contains an adequate plan for*  
*project, including a preliminary*  
*complete financial and engineering plan for*  
*commercial activities.*

(G) potential resource use conflicts that may result from the proposed project are identified, and plans to mitigate or resolve those conflicts and to preserve for the future options for the use of the state's renewable resources are included in the application; if there are conflicts that cannot practically be resolved without substantially affecting the project, the board may approve the project notwithstanding the conflicts and shall make a finding to that effect which shall include an analysis of the conflicts, methods of mitigating or resolving them, and the resulting effect on the project;

(H) if the proposed project involves the use of a renewable resource, that use constitutes an appropriate use of that resource;

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

(3) consider regional preferences and priorities in evaluating projects.

(b) The board may not:

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

(2) invest in more than 49 per cent of the outstanding corporate stock or other corporate obligations issued by an applicant unless the legislature has approved the investment by concurrent

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2 (3) make a loan for a period in excess of 20 years unless the  
3 legislature has approved the loan by concurrent resolution; or

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5 in which it has invested and may not exercise voting rights for that  
6 purpose or for any other purpose which is within the scope of managerial  
7 control.

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

11 (1) actual or threatened default on any of the board's  
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22 (1) he has submitted a proposal to the board in accordance  
23 with sec. 170(a)(1) of this chapter;

24 (2) he is a resident of the state or, if the applicant is a  
25 partnership, corporation, or other association, it is owned by a  
26 majority who are residents of the state; and

27 (3) his projects which have previously received financial  
28 assistance from the corporation, if any, have complied with all require-  
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9 tion received money, a statement detailing the investments made by the  
10 corporation, a summary and evaluation of the data required by sec.  
11 160(5) and (6) of this chapter, and any other information that the board  
12 of trustees believes would be of interest to the recipients of the  
13 report.

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22 budget and be appropriated from the general fund.

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

(3) "board" means the Board of Trustees of the Alaska Renewable Resources Corporation;

(4) "corporation" means the Alaska Renewable Resources Corporation;

(5) "project" means products, markets, innovation, or technological developments for the rehabilitation, enhancement, or development of renewable resources and includes applied research for those products, markets, or technological developments;

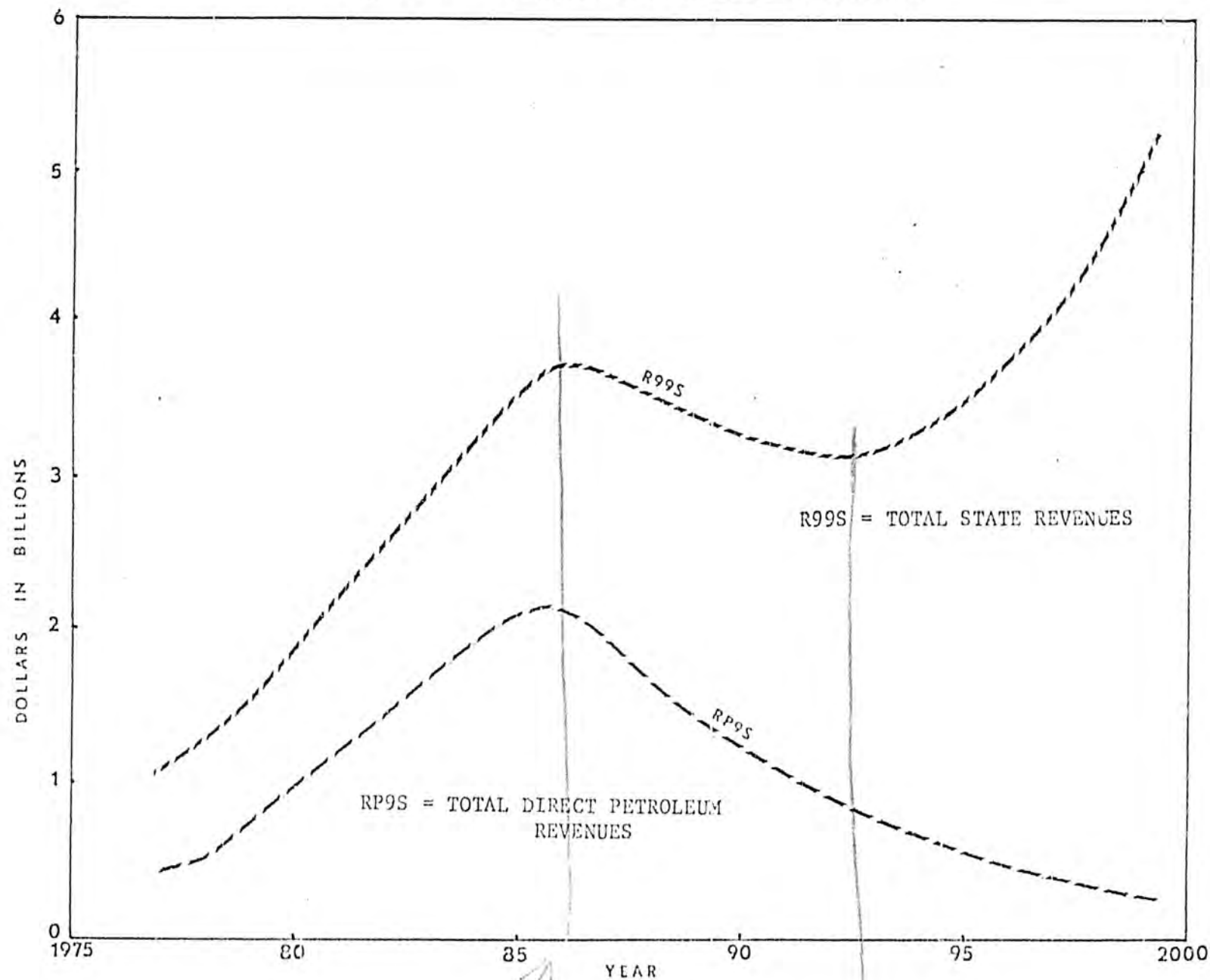
(6) "rehabilitation, enhancement, and development" means any activity or program which improves the health and well-being of a renewable resource or renewable resource population leading to an increase in the quality or productivity of the resource and to an increase in the benefits derived from the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

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

\* Sec. 2. AS 44.66.010(a) is amended by adding a new paragraph to read:

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

Figure 1 - PROJECTED STATE REVENUES



# OPERATING EXPENDITURE ANALYSIS

| Year                           | Total<br>Operating<br>Expenditures 1<br>(Million \$) | Population 2<br>(Thousand) | Expendi.<br>per<br>Capita 3<br>(\$) | Anchorage<br>Consumer<br>Price<br>Index 4<br>(1967=100) | Real<br>Expendi.<br>per<br>Capita 5<br>(1967 \$) | Real<br>Personal<br>Income<br>(Million \$)<br>1967 \$) | Real<br>Personal<br>Income<br>Per Capita 7<br>(\$) | Ex/Income<br>Real<br>Per Capita 8<br>(%) |
|--------------------------------|------------------------------------------------------|----------------------------|-------------------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------|----------------------------------------------------|------------------------------------------|
| 1960                           | 36.6                                                 | 226.2                      | 162                                 | -                                                       | -                                                | -                                                      | -                                                  | -                                        |
| 1961                           | 51.4                                                 | 236.7                      | 217                                 | 92.3                                                    | 235                                              | 705.6                                                  | 2981                                               | 8                                        |
| 1962                           | 63.2                                                 | 242.8                      | 260                                 | 92.5                                                    | 281                                              | 734.2                                                  | 3024                                               | 9                                        |
| 1963                           | 80.3                                                 | 249.9                      | 321                                 | 93.1                                                    | 345                                              | 762.9                                                  | 3053                                               | 11                                       |
| 1964                           | 82.1                                                 | 253.2                      | 324                                 | 93.4                                                    | 347                                              | 853.8                                                  | 3372                                               | 10                                       |
| 1965                           | 88.4                                                 | 265.2                      | 333                                 | 94.2                                                    | 354                                              | 917.3                                                  | 3459                                               | 10                                       |
| 1966                           | 100.5                                                | 271.5                      | 370                                 | 97.9                                                    | 378                                              | 954.3                                                  | 3515                                               | 11                                       |
| 1967                           | 113.6                                                | 277.9                      | 409                                 | 100.0                                                   | 409                                              | 1042.2                                                 | 3750                                               | 11                                       |
| 1968                           | 129.3                                                | 284.9                      | 454                                 | 102.6                                                   | 443                                              | 1097.8                                                 | 3853                                               | 11                                       |
| 1969                           | 152.1                                                | 294.6                      | 516                                 | 105.9                                                   | 487                                              | 1195.4                                                 | 4058                                               | 12                                       |
| 1970                           | 199                                                  | 302.4                      | 658                                 | 109.6                                                   | 600                                              | 1316.3                                                 | 4353                                               | 14                                       |
| 1971                           | 315.8                                                | 312.9                      | 1009                                | 112.9                                                   | 894                                              | 1395.2                                                 | 4459                                               | 20                                       |
| 1972                           | 366.5                                                | 324.8                      | 1128                                | 115.9                                                   | 973                                              | 1500.5                                                 | 4620                                               | 21                                       |
| 1973                           | 421.8                                                | 330.6                      | 1276                                | 120.0                                                   | 1063                                             | 1670.0                                                 | 5051                                               | 21                                       |
| 1974                           | 482.3                                                | 351.2                      | 1373                                | 133.9                                                   | 1025                                             | 1793.9                                                 | 5108                                               | 20                                       |
| 1975                           | 597.6                                                | 404.6                      | 1477                                | 152.3                                                   | 970                                              | 2182.5                                                 | 5394                                               | 18                                       |
| 1976                           | 778.9                                                | 413.3                      | 1885                                | 164.1                                                   | 1149                                             | 2321.8                                                 | 5618                                               | 20                                       |
| 1977 est.                      | 892.6                                                | -                          | -                                   | -                                                       | -                                                | -                                                      | -                                                  | -                                        |
| Rate of<br>Increase<br>1961-76 | 19.87                                                | 3.79                       | 15.5                                | 3.91                                                    | 11.16                                            | 8.26                                                   | 4.32                                               | -                                        |

1. Table A.2

2. MAP model thru 1974 then State of Alaska estimates 1960 from U. S. Census.

3. Column 2/Column 1

4. U. S. Dept. of Labor, Bureau of Labor Statistics.

5. Column 3/Column 4

6. Personal income taken from U. S. Department of Commerce, Bureau of Economic Analysis, deflated by Anchorage consumer price index

7. MAP model.

8. Column 5/Column 7.

9. U. S. Dept. of Commerce, Bureau of Economic Analysis.

Figure 2 PROJECTED STATE EXPENDITURES

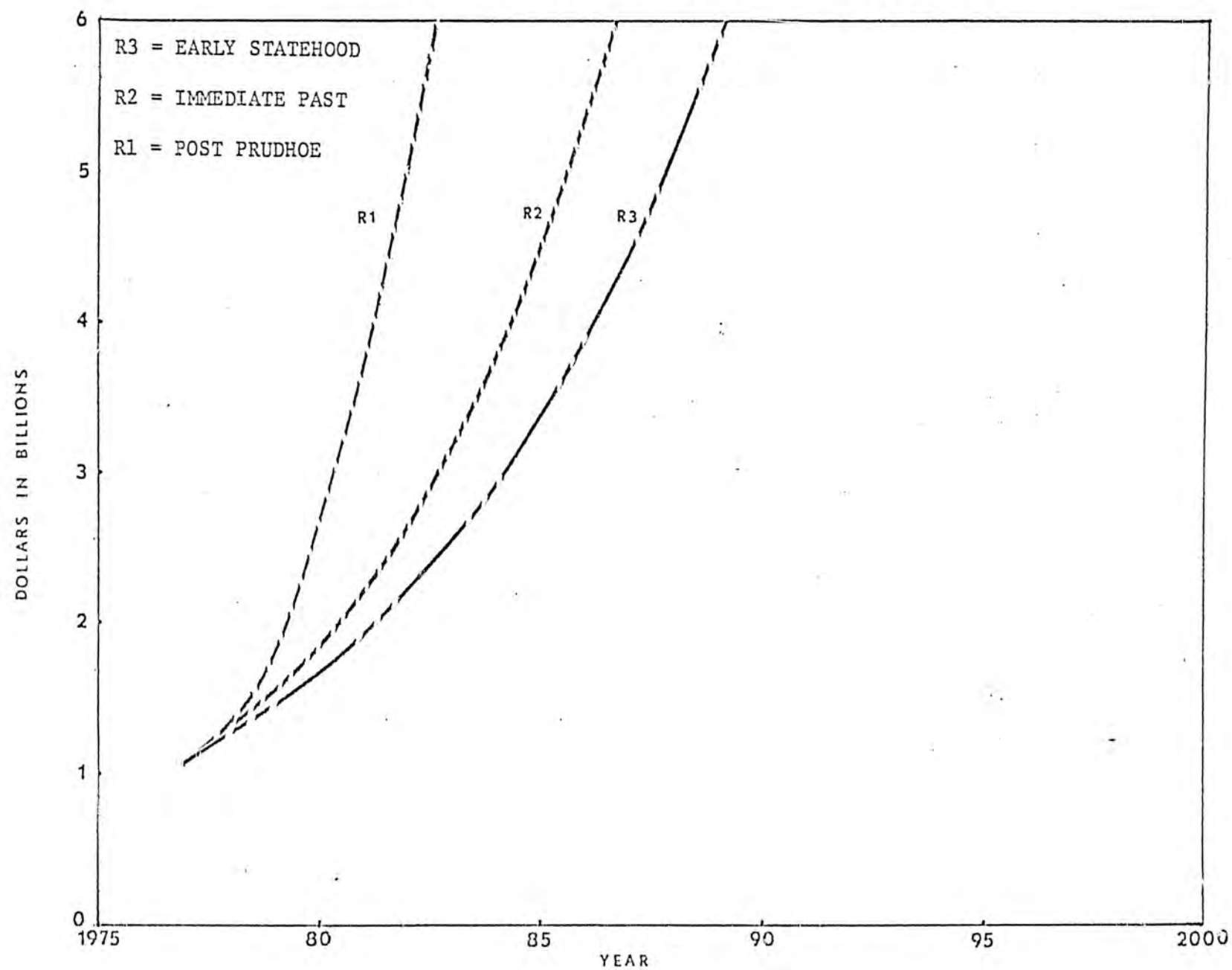
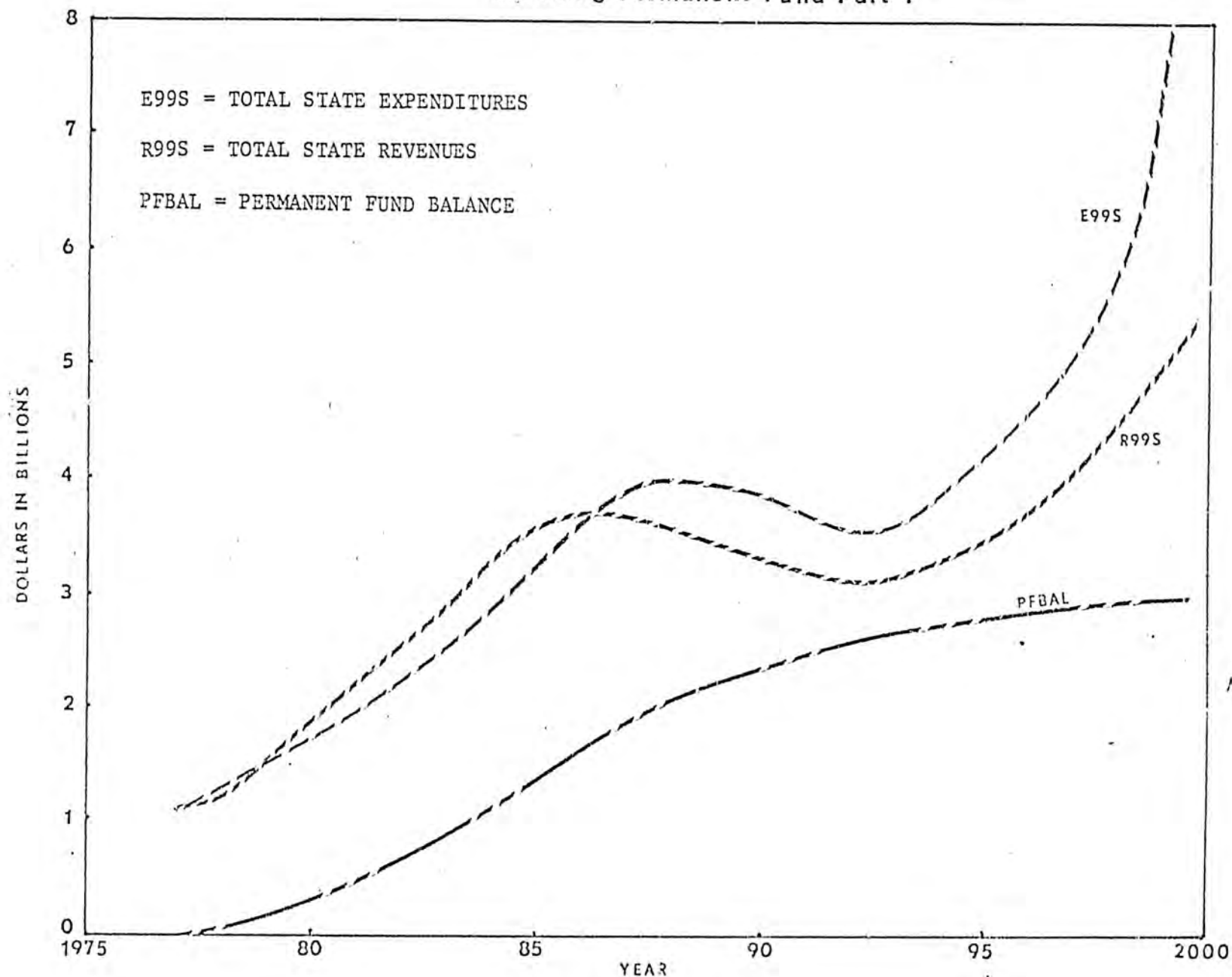


Figure 3 - SIMULATED STATE FISCAL POSITION  
including Permanent Fund Part I



No. 1000000  
2000000

Figure 4 - SIMULATED STATE FISCAL POSITION  
Including Permanent Fund Part II

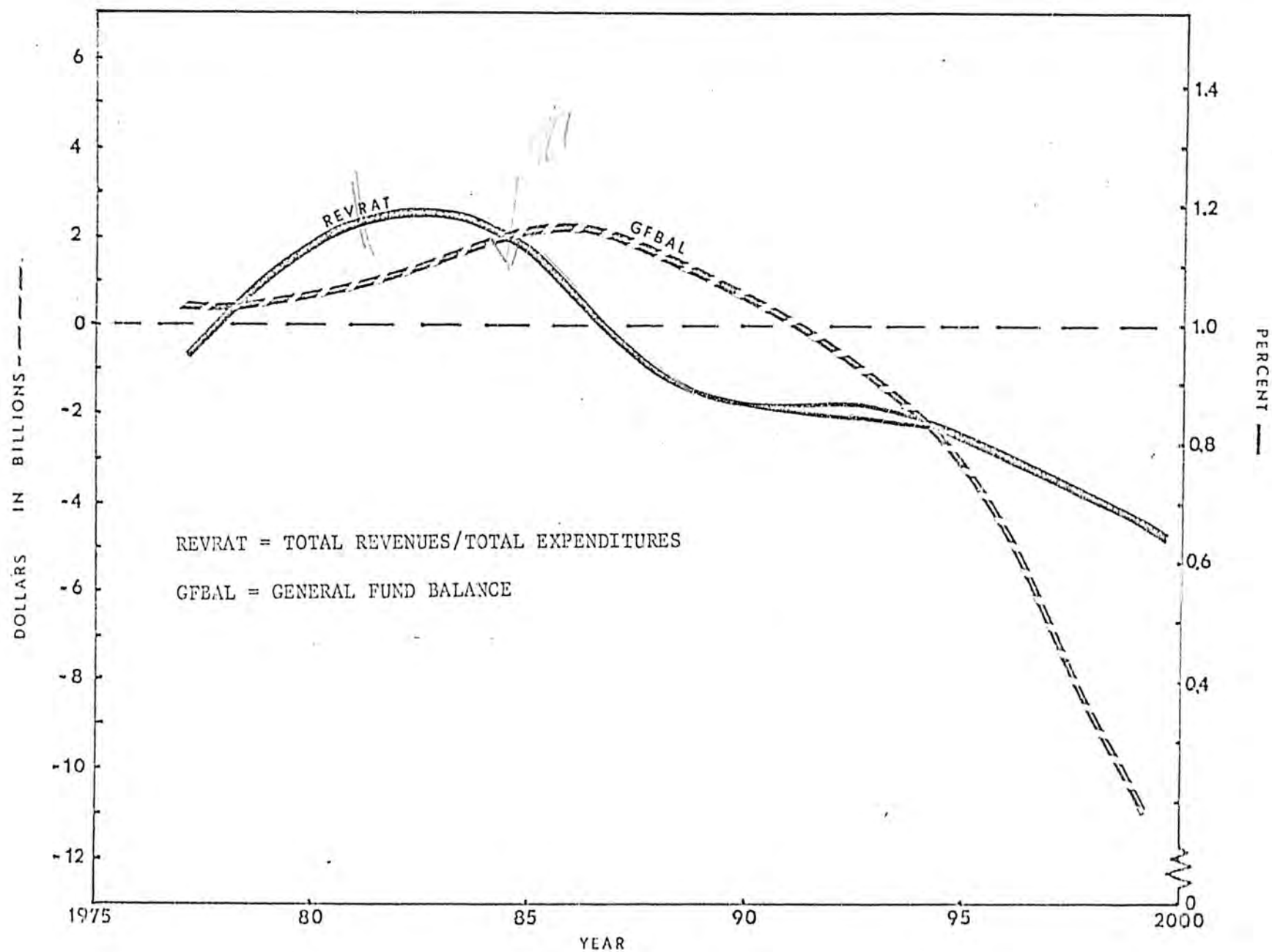


Figure 5 - SELECTED MEASURES OF THE PERMANENT FUND

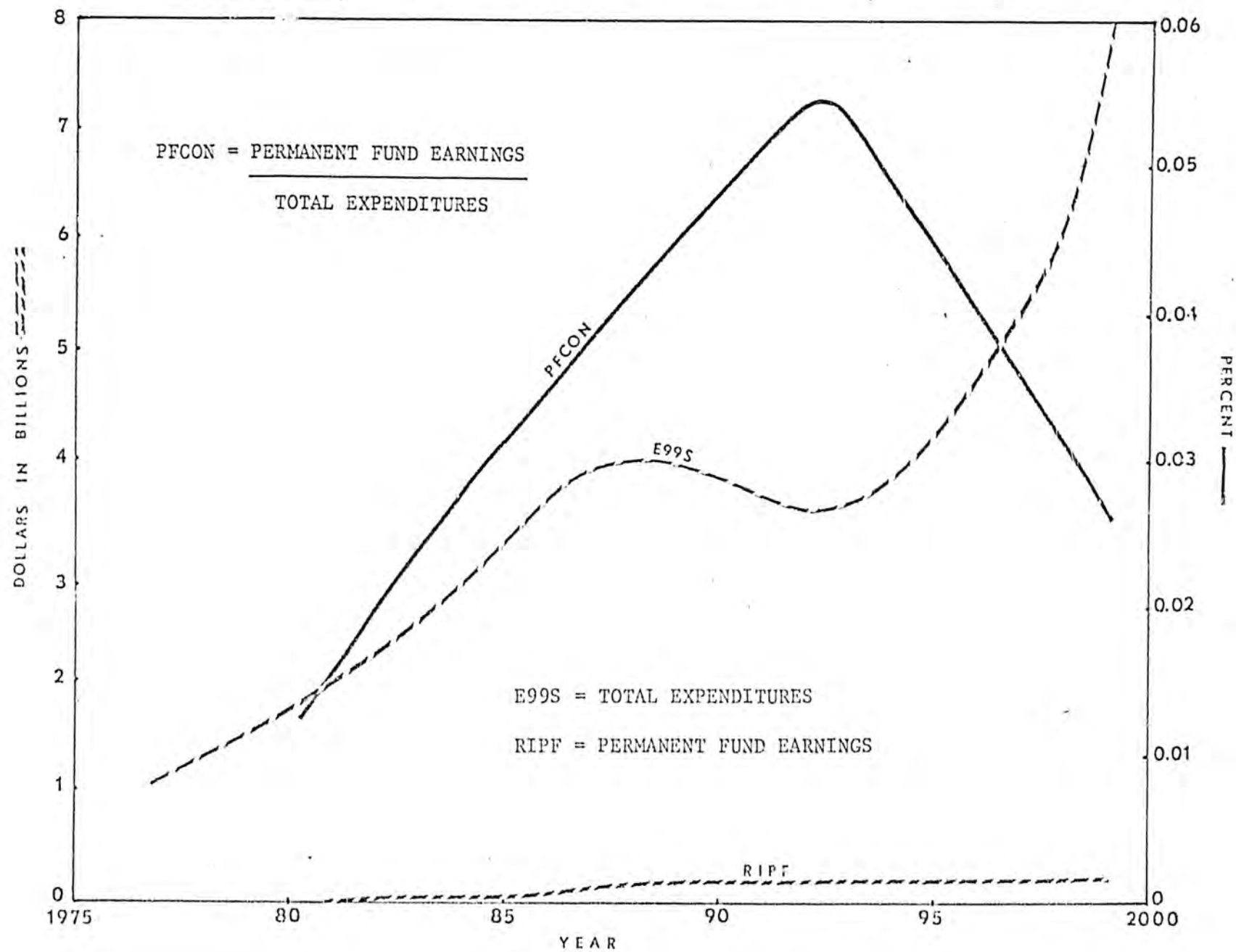


Figure 6 - SELECTED MEASURES OF THE PERMANENT FUND  
PART II

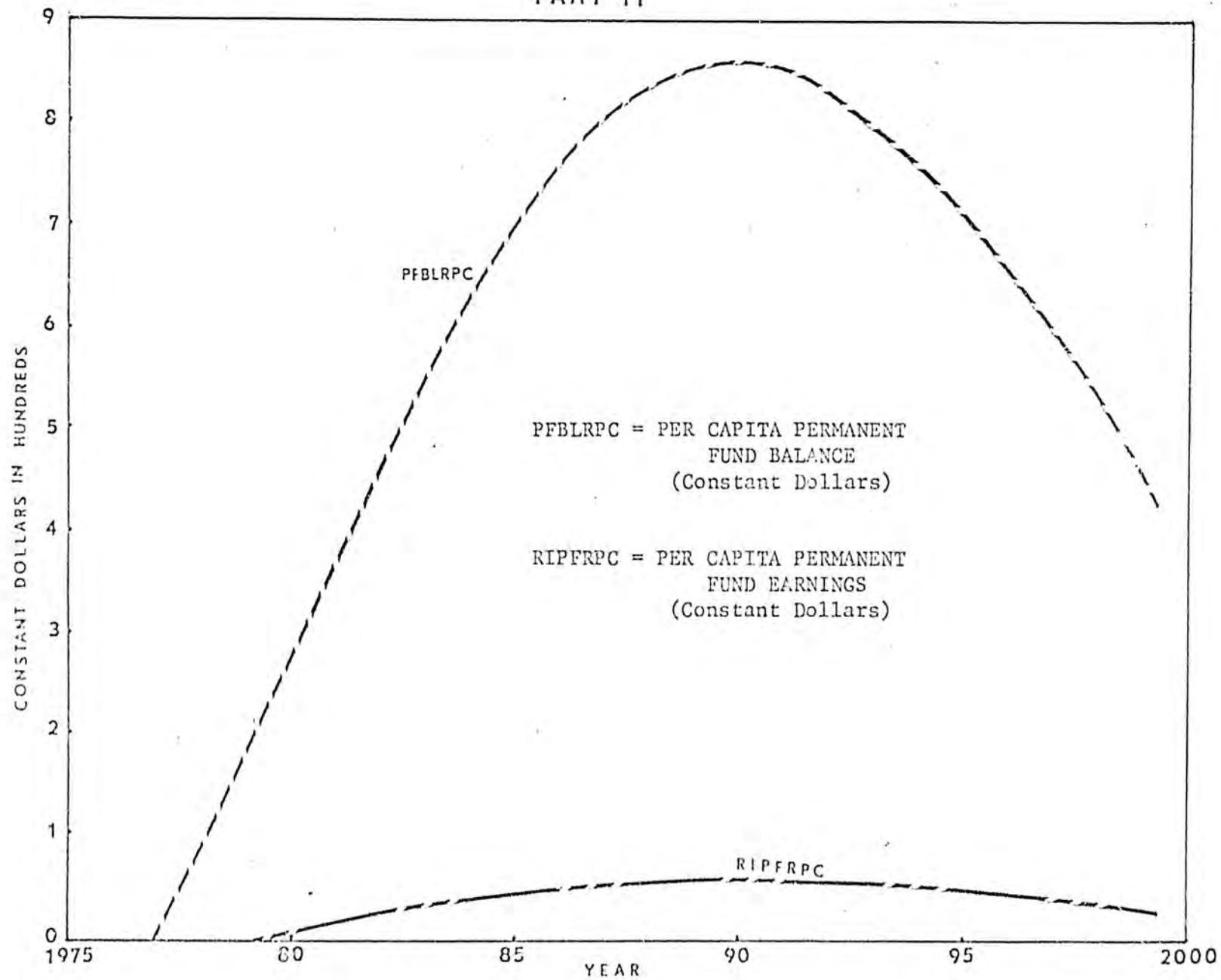


Figure 7 - SELECTED MEASURES OF THE PERMANENT FUND  
PART III

