

SCOMM

#9:148

COMMITTEE REPORT

3/9/77

HOUSE

FINANCE

w/fiscal note and memo
from Judiciary attached

_____ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON THE
ALASKA PERMANENT FUND has had HB 4

under consideration. A majority of the members of the Committee

- recommends it do pass
- recommends it do not pass
- recommends it do pass with attached amendment(s)
- recommends it be replaced with CS for _____ and that
CS for _____ do pass
- (and) recommends it be referred to the _____
committee
- reports it back without recommendation
- AND attaches a report of its intent
- (other) _____

MEMBERS SIGNING THE MAJORITY REPORT:

MEMBERS NOT CONCURRING IN THE MAJORITY REPORT:

_____ recommends: _____
_____ recommends: _____
_____ recommends: _____

Chairman

STATE OF ALASKA

DEPARTMENT OF REVENUE

STATE OFFICE BUILDING

POUCH SA - JUNEAU 99811

February 17, 1977

The Honorable Terry Gardiner
Chairman
House Judiciary Committee
Alaska State Legislature
Room 122 - State Capitol Building
Juneau, Alaska

Re: House Bill No. 4

Dear Mr. Gardiner:

House Bill No. 4, an Act relating to the Alaska permanent fund, was introduced in the House on January 12, 1977 and was referred to the House Judiciary and Finance Committees.

For the consideration of the House Judiciary Committee, I am enclosing a Fiscal Note prepared by Mr. Jim Edenso, Deputy Commissioner, Department of Revenue concerning the proposed legislation.

Very truly yours,



R. D. Stevenson
Special Assistant

Enclosure

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

Jim Edenso, Deputy Commissioner
Department of Revenue

Keep with #B4

JAY S. HAMMOND, GOVERNOR

THE LEGISLATURE OF THE STATE OF ALASKA
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 4
 Title An Act relating to the Alaska Permanent Fund
 Requested by Swanson Date _____

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected General Government
 Budget Request Unit(s) Affected Treasury Management

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES	83.5	294.7	357.2	357.2	357.2	357.2
200 TRAVEL	5.8	25.1	31.2	31.2	31.2	31.2
300 CONTRACTUAL	73.2	162.7	168.2	148.2	153.2	208.2
400 COMMODITIES	1.2	4.0	4.5	5.0	5.5	6.0
500 EQUIPMENT	5.7	1.0	1.5			
600 LAND & STRUCTURES	8.0	25.0	25.0	25.0	25.0	25.0
700 GRANTS, CLAIMS, ETC.						
TOTAL	177.4	512.5	587.6	566.6	572.1	627.6

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND	177.4	512.5	587.6	566.6	572.1	627.6
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME	6	7	9	9	9	9
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This fiscal note enumerates expenses for management of the Alaska Permanent Fund. Personal services cover salary and benefits for 5 trustees, one secretary, a State Investment Officer III (FY 78), an Investment Accountant (FY 80), and a State Investment Officer II (FY 81). Contractual services include charges for safekeeping agency assuming cost inflation of 10% per year, and consultive services.

IV. DATE February 16, 1977 PREPARED BY *John Elsenso*
 AGENCY Department of Revenue

Original: Legislative Finance PHONE 465-2350
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

1 IN THE HOUSE

BY SWANSON

2 HOUSE BILL NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

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

9 CHAPTER 12. ALASKA PERMANENT FUND.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 votes of the trustees shall be recorded. Effective action to carry out
2 the powers granted under this chapter requires the affirmative vote of
3 a majority of the trustees. No trustee may, with respect to a matter
4 before the board, vote for or on behalf of another trustee.

5 (b) No trustee may act upon a matter in which his relationship
6 with any person creates a conflict of interest. No trustee may have an
7 official connection with or hold stock or securities in, or have a
8 pecuniary interest in, a corporation, company or association in whose
9 securities any funds under this chapter are invested or is the recipient
10 of or has applied for any loan or grant under this chapter.

11 Sec. 37.12.090. POWERS. The board has the power to

12 (1) direct the investment of the principal of the fund and
13 require reports relating to the investment as it prescribes;

14 (2) prepare and submit to the governor plans for expenditures
15 of fund income;

16 (3) hire and determine the compensation of an executive
17 director, consultants expert in investments, finance, economics, re-
18 newable resources and other relevant technical professions, and other
19 persons as necessary to assist the board in the exercise of its powers;

20 (4) take whatever other actions are reasonably necessary in
21 furtherance of the purposes of this chapter.

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

23 (21) members of the Board of Trustees of the Alaska Permanent
24 Fund.

2956
Bevier

Introduced: 1/12/77
Referred: (Judiciary) and
Finance (waited 3/9)
3/9 Spec Common Alaska
Permanent Fund

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8956
Barnes

ALASKA STATE LEGISLATURE

TENTH... Legislature FIRST.. Session

HOUSE BILL..... NO. 4.....

By SWANSON

"An Act relating to the Alaska permanent fund."

Permanent Fund

Introduced in the House 1-12, 1977

HISTORY IN THE HOUSE

19 77

Jan. 12
Mar 9

Read first time and referred to Committee on

~~Judiciary and Finance~~

(ord wait) Spec Com on Alk Permanent Fund - Finance
Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by Speaker
Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reconsideration

PASS	Effective Date
Yeas	Yeas
Nays	Nays
Absent	Absent
Excused	Excused

Reported correctly engrossed
Signed by President
Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting:

Failed to concur in Senate amendment; asked Sen. to recede

Senate receded from amendment

Senate failed to recede from amendment

FCC appointed by House

FCC appointed by Senate

FCC adopted

To enrolling

Reported correctly enrolled

Sent to Governor

..... Governor

Filed with Lt. Governor

Chapter No.