

SCOMM

#9:152

Sec. 37.13.040. (d) The corporation may invest not more than 30 per cent of the resources of the permanent 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 Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantees. The investment in this section shall take into consideration priorities as established by the Permanent Fund Policy Board after conducting a formal analysis of community capital needs for investment purposes.

Section. 37.13.040. (e) The investments in paragraphs (c) and (d) of this section shall be made in conjunction with existing State agencies where appropriate and ~~taking~~<sup>take</sup> into consideration the operational principles in Section 37.13.120 of this chapter, e.g., investments in power development shall be made in conjunction with the Alaska Power Authority.

Section 37.13.120. (12) All guarantees shall be approved by the Alaska State Legislature. <sup>by law</sup> A reserve for guarantees is established in accordance with Section 37.13.110 of this chapter. All guarantees count against the asset allocation of the appropriate investment category as defined in Section 37.13.040 paragraphs (b), (c), and (d) of this chapter.

Section 37.13.120. (6) The corporation shall seek to maintain a diversification in its investments which limits each investment defined in categories (c) and (d) of Section 37.13.040 of this chapter to not more than 1 per cent of the total principal of the permanent fund at the time of the investment to any single borrower except that the corporation may exceed the 1 per cent diversification rule with the approval of the Alaska State Legislature as provided for by law.

Section 37.13.120. (13) The corporation may not make additional investments in participation with any other corporation or investment institution which currently is participating with the corporation in other investments if said investments are 2 per cent delinquent.

Section 37.13.110. RESERVES. The corporation may establish, from income derived from its permanent fund reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices. The reserve accounts shall include but not be limited to reserves for guarantees made under Section 37.13.120 paragraph (12) of this chapter and shall be funded as required to honor the guarantee (guarantees).

Section 37.13.185. AS 24.20 is amended by adding new sections to read:  
ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The State Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions.

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

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

(b) When a member of the committee files a declaration of candidacy for an elective office other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

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

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

Sec. 24.20.650. POWERS. The Committee has the power to

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

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

*other  
concerning  
language  
5 members*

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

(4) hold public hearings relating to the confirmation of members of the Permanent Fund Policy Board;

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

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

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

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

Sec. 24.20.670. DUTIES. The committee shall

(1) report to the legislature its recommendations relating to the confirmation of recommended appointees to the Permanent Fund Policy Board;

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

(3) review quarterly reports received from the Permanent Fund Policy Board;

(4) present a complete report of investment programs, plans, performance, and policies of the Permanent 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.

AMENDMENTS TO HOUSE BILL 298

Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent fund consists of 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and 100 per cent of bonuses received by the state. The commissioner of revenue shall deposit in the permanent fund 50 per cent of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and 100 per cent of all bonuses at least once each month. Income from investment of the permanent fund does not become a part of the permanent fund and shall be deposited in the general fund annually, except that income in the following amount may be retained in the permanent fund and used as indicated:

Sec. 37.13.040. (b) At least 40 per cent of the resources of the permanent fund shall be invested in investment grade securities. The goal of this section is to obtain the highest yield on the investments taking into consideration the financial risk of the securities markets, the long-term rate of inflation, and the policies as established for investment management by the Permanent Fund Policy Board.

Sec. 37.13.040. (c) The corporation may invest not more than 30 per cent of the resources of the permanent 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 guarantee. The investments made in this section shall take into consideration priority as established by the Permanent Fund Policy Board from the economic analysis of each sector of the State's economy as provided for in Section 37.13.060(2) of this chapter.

Sec. 37.13.040. (d) The corporation may invest not more than 30 per cent of the resources of the permanent 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 Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantee. The investment in this section shall take into consideration priorities as established by the Permanent Fund Policy Board after conducting a formal analysis of community capital needs for investment purposes.

Sec. 37.13.040. (e) The investments in paragraphs (c) and (d) of this section shall be made in conjunction with existing State agencies where appropriate and taking into consideration the operational principles in Section 37.13.120 of this chapter.

Section 37.13.120. (12). The corporation may guarantee 80 per cent of the investments made by other corporations provided that the guarantee is approved by the Alaska State Legislature. A reserve for guarantees is established in accordance with Section 37.13.110 of this chapter. All guarantees count against the allocation of the appropriate investment category as defined in Section 37.13.040 paragraphs (b), (c), and (d) of this chapter.

Section 37.13.120. (6) The corporation shall seek to maintain a diversification in its investments which limits each investment defined in categories (c) and (d) of Section 37.13.040 of this chapter to not more than 1 per cent of the total principal of the permanent fund at the time of the investment except that the corporation may exceed the 1 per cent diversification rule with the approval of the Alaska State Legislature.

Section 37.13.120. (13) The corporation may not make additional investments in participation with any other corporation or investment institution which currently is participating with the corporation in other investments if said investments are 2 per cent delinquent.

Section 37.13.110. RESERVES. The corporation may establish, from income derived from its permanent fund reserve accounts to preserve the principal of the permanent

fund, consistent with sound financial practices. The reserve accounts shall include but not be limited to reserves for guarantees made under Section 37.13.120 paragraph (12) of this chapter and shall be funded as required to honor the guarantee (guarantees).

Section 37.13.185. AS 24.20 is amended by adding new sections to read:

ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The State Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions.

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

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(b) When a member of the committee files a declaration of candidacy for an elective office other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

Sec. 24.20.630. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or

speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

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

Sec. 24.20.650. POWERS. The Committee has the power to

- (1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions over those agencies of the state which perform lending, borrowing or investment functions;
- (2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;
- (3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assemblies and furnishing requested information;
- (4) hold public hearings relating to the confirmation of members of the Permanent Fund Policy Board;
- (5) prepare and distribute reports, memoranda, or other necessary materials;
- (6) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending, borrowing, or investment functions;

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

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

(3) review quarterly reports received from the Permanent Fund Policy Board;

(4) present a complete report of investment programs, plans, performance, and policies of the Permanent 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.

3-3-77

# COMMITTEE REPORT

FINANCE

## HOUSE

\_\_\_\_\_ Date

Mr. Speaker:

The Committee on SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND has had HB 298

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

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

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 298

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 management of the Alaska Permanent  
7 Fund; and providing for an effective date."

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

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

10 CHAPTER 13. ALASKA PERMANENT FUND.

11 Sec. 37.13.010. ALASKA PERMANENT FUND. (a) Under art. IX, sec.  
12 15, of the Alaska Constitution, there is established as a separate  
13 fund, in the Department of Revenue, the Alaska Permanent Fund.

14 (b) There is created the Alaska Permanent Fund Corporation, a  
15 public corporation of the state. The corporation is an instrumentality  
16 of the state within the Department of Revenue but has a legal existence  
17 independent of and separate from the state and has continuing succession  
18 until its existence is terminated by law. The exercise by the corpora-  
19 tion of the powers conferred by this chapter is considered an essential  
20 governmental function of the state. The corporation shall manage and  
21 invest the principal of the permanent fund and shall distribute the  
22 income earned from the permanent fund in accordance with the provisions  
23 of this chapter.

24 Sec. 37.13.020. PURPOSE OF THE PERMANENT FUND. (a) The purpose  
25 of the permanent fund is to provide a means of conserving a portion of  
26 the state's revenues from mineral resources to the ultimate benefit of  
27 present and future generations of Alaskans. The revenues so conserved  
28 shall be invested in income-producing investments which will provide  
29 further benefits to present and future generations of Alaskans.

1 (b) Further benefits may be derived through use of the permanent  
2 fund to:

3 (1) assist the diversification of the economy of Alaska by  
4 making sound investments in Alaska's renewable and non-renewable  
5 resources;

6 (2) seek to smooth the cyclical pattern of growth of the  
7 Alaska economy;

8 (3) encourage and assist the participation of private  
9 capital, from both within and outside Alaska, in private enterprises  
10 of benefit to Alaskans;

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

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

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

17 (c) The permanent fund shall be guided in all its decisions by  
18 the purpose set out in (a) of this section.

19 Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent  
20 fund consists of 50 per cent of all mineral lease rentals, royalties,  
21 royalty sale proceeds, federal mineral revenue sharing payments and  
22 bonuses received by the state. The commissioner of revenue shall  
23 deposit in the permanent fund 50 per cent of the receipts from these  
24 sources at least once each month. Income from investment of the perma-  
25 nent fund does not become a part of the permanent fund and shall be  
26 deposited in the general fund annually, except that income in the  
27 following amounts may be retained in the permanent fund and used as  
28 indicated:

29 (1) the amount needed to pay the operating and administrative

1 expenses of the corporation;

2 (2) any amount allocated to a reserve account established  
3 under sec. 110 of this chapter.

4 Sec. 37.13.040. INVESTMENT OF THE PERMANENT FUND. (a) The per-  
5 manent fund shall be used only for income-producing investments.

6 (b) At least 40 per cent of the resources of the permanent fund  
7 shall be invested in investment grade securities.

8 (c) The corporation may invest not more than 30 per cent of the  
9 resources of the permanent fund to provide a reasonable proportion of  
10 longer-term investment capital for financing the establishment, improve-  
11 ment, and expansion of productive private enterprises which will  
12 benefit Alaskans, and for which sufficient capital is not available  
13 from other sources on reasonable terms. These investments may take  
14 the form of equity, debt, or debt guarantees.

15 (d) The corporation may invest no more than 30 per cent of the  
16 resources of the permanent fund in financing a reasonable proportion  
17 of the longer-term investment capital needs for community development  
18 projects of municipalities and public corporate entities and private  
19 dwellings in Alaska for which sufficient financing is not available  
20 from other sources on reasonable terms. These investments may take  
21 the form of debt or debt guarantees.

22 Sec. 37.13.050. PERMANENT FUND POLICY BOARD. (a) There is  
23 established the Alaska Permanent Fund Policy Board, consisting of the  
24 commissioner of commerce and economic development, the commissioner of  
25 revenue, and seven members to be appointed by the governor. The seven  
26 appointed members must be Alaska residents and may not be employees of  
27 the state. Their term of office is four years, and they may be  
28 reappointed. Terms shall be staggered. Initial terms are one year  
29 for one member, two years for two members, three years for two members,

1 and four years for two members. Members may be removed for cause.  
2 Members may continue to serve until their successors are appointed.

3 (b) The president of the permanent fund, appointed under sec. 90  
4 of this chapter, shall serve as the chairman of the policy board, but  
5 is not a voting member.

6 (c) A quorum for the transaction of policy board business consists  
7 of at least two-thirds of the members. Decisions of the board must be  
8 made by a majority vote, including not less than a majority of the  
9 appointed members. The board shall hold at least one public meeting  
10 each year.

11 (d) Appointed members of the policy board are not entitled to  
12 compensation as such but are entitled to per diem and travel allowances  
13 as provided by law for members of state boards and commissions.

14 Sec. 37.13.060. DUTIES OF THE POLICY BOARD. The policy board  
15 shall:

16 (1) select and appoint the president and other members of  
17 the investment committee;

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

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

26 (4) review quarterly reports from the investment committee  
27 concerning investment decisions and investment supervision;

28 (5) review, consider and approve policies;

29 (6) review and publish an annual report including financial

1 statements audited by independent outside auditors;

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

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

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

9 (10) be prepared to present a complete report of investment  
10 programs, plans, performance, and policies to the finance committees  
11 of the Alaska Legislature within 30 days after the beginning of each  
12 regular session.

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

22 (b) A quorum consists of four members of the investment committee.  
23 All decisions must be made by majority vote.

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

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

1 board. The president

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

4 (2) is responsible for the ordinary business of the corpora-  
5 tion and the organization, appointment, dismissal, and remuneration of  
6 the officers and staff;

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

9 (4) shall establish and maintain adequate and appropriate  
10 organizational, operating, and financial controls.

11 Sec. 37.13.100. STATUS AND POWERS OF PERMANENT FUND CORPORATION.  
12 The CORPORATION is exempt from the provisions of the Executive Budget  
13 Act (AS 37.07). The president, officers, and staff of the corporation  
14 are in the exempt service under AS 39.25.

15 (b) The corporation has all powers necessary to carry out the  
16 purposes of this chapter including but not limited to the following:

17 (1) sue and be sued;

18 (2) adopt a seal;

19 (3) have perpetual succession;

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

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

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

25 Sec. 37.13.110. RESERVES. The corporation may establish, from  
26 income derived from its permanent fund reserve accounts to preserve  
27 the principal of the permanent fund, consistent with sound financial  
28 practices.

29 Sec. 37.13.120. OPERATIONAL PRINCIPLES. The operations of the

1 corporation shall be conducted in accordance with the following  
2 principles:

3 (1) the prudent-person rule of investments is applicable;  
4 in making investments, the investment committee and staff shall exercise  
5 the judgment and care under the circumstances then prevailing which a  
6 person of ordinary prudence, discretion, and intelligence exercises in  
7 the management of his or her own affairs not in regard to speculation  
8 but in regard to the permanent disposition of funds, considering the  
9 probable income from them as well as probable safety of principal;

10 (2) the corporation may not undertake any financing for  
11 which, in its opinion, sufficient private capital could be obtained on  
12 reasonable terms;

13 (3) the corporation may not assume responsibility for  
14 managing any enterprise or project in which it has invested and may  
15 not exercise voting rights for that purpose or for any other purpose  
16 which, in its opinion, properly is within the scope of managerial  
17 control;

18 (4) the corporation shall only undertake its financing on  
19 terms and conditions which it considers appropriate, taking into  
20 account the requirements of the enterprise or project, the participation  
21 of other investors, the risks being undertaken by the corporation and  
22 the terms and conditions normally obtained by private investors from  
23 similar financing, unless the legislature has appropriated funds for  
24 subsidizing investments which, in the opinion of the corporation are  
25 of such high priority that special terms and conditions are appropriate;

26 (5) the corporation may seek to revolve its funds by selling  
27 its investments to other investors whenever it can appropriately do so  
28 on satisfactory terms;

29 (6) the corporation shall seek to maintain a reasonable

1 diversification in its investments;

2 (7) the corporation shall only consider investment pro-  
3 posals after the applicant for an investment has submitted a detailed  
4 proposal to the corporation staff, and the staff has prepared a written  
5 report recommending the investment after a study of its merits;

6 (8) the corporation shall make investment decisions with  
7 regard to economic and other considerations, including consideration  
8 of employment, income distribution, environment, health, social, and  
9 other factors; the corporation shall be sensitive to the views of  
10 affected local communities and shall include an analysis of those  
11 views in proposals for large investments;

12 (9) the corporation may make investments in financial  
13 intermediaries in order to facilitate investment by the intermediaries  
14 in specific enterprises or projects whose individual financing require-  
15 ments are not, in the opinion of the corporation, large enough to  
16 warrant its direct supervision;

17 (10) the corporation shall provide for operational and  
18 performance evaluations (post-audits) of its investments and invest-  
19 ment programs, and report the results to the policy board audit  
20 committee;

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

28 Sec. 37.13.130. BORROWING POWERS. The corporation may borrow  
29 funds, and, in that connection, may furnish the collateral or other

1 security for them that it determines is necessary.

2 Sec. 37.13.140. REPORTS AND PUBLICATIONS. The policy board shall  
3 publish an annual report to the governor, legislature, and the public.  
4 Each report must include financial statements audited by independent  
5 outside auditors, a statement of the amount of money received by the  
6 permanent fund from each source during the period covered, a statement  
7 of permanent fund investments, a description of permanent fund invest-  
8 ment activity during the period covered by the report, and any other  
9 information the policy board believes would be of interest to the  
10 governor, the legislature, and the public. The annual income statement  
11 and balance sheet of the corporation shall be published in at least  
12 one newspaper in each judicial district. The corporation may also  
13 publish other reports it considers desirable to carry out its purpose.

14 Sec. 37.13.150. TECHNICAL ASSISTANCE. (a) The corporation may  
15 provide financing for pre-investment activities including feasibility  
16 studies, when, in its opinion, the proposed investment is of high  
17 priority and the financing is not available from other sources on  
18 reasonable terms and conditions. Amounts so advanced may form a part  
19 of a later investment, if the enterprise or project is financed by the  
20 corporation.

21 (b) The corporation may provide for technical and management  
22 advice and assistance to proposed and actual investments as it con-  
23 siders necessary in the circumstances.

24 Sec. 37.13.160. CONFLICT-OF-INTERESTS POLICIES. Members of the  
25 investment committee shall disclose their financial interest in an  
26 investment proposal and disqualify themselves from voting on any invest-  
27 ment proposal in which they have a financial interests. Members of the  
28 policy board shall refrain from all attempts to influence the investment  
29 committee, president, officers and staff in the discharge of their

1 ordinary operating duties. The president, officers, and staff of the  
2 corporation, in the discharge of their offices, owe their duty en-  
3 tirely to the corporation and no other authority.

4 Sec. 37.13.170. CONFIDENTIALITY OF INFORMATION. Information in  
5 the possession of the corporation which discloses the particulars of  
6 the business or affairs of a private enterprise or private investor is  
7 not a matter of public record, except for purposes of investigation  
8 and law enforcement. The information must be kept confidential except  
9 when its production is required in an official investigation or court  
10 proceeding. These restrictions do not prohibit the publication of  
11 statistics presented in a manner that prevents the identification of  
12 particular reports, items, persons, or enterprises.

13 Sec. 37.13.180. TAX EXEMPTION. The corporation is a public  
14 corporation and is exempt from all taxes and assessments in the  
15 state. All security instruments issued by the corporation, their  
16 transfer, and their income are exempt from all taxes and assessments  
17 in the state.

18 Sec. 37.13.900. DEFINITIONS. In this chapter, unless the context  
19 requires otherwise

20 (1) "corporation" means the Alaska Permanent Fund Corpora-  
21 tion created by sec. 10(b) of this chapter;

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

24 (3) "investments" includes equity, debt, and debt guarantees;

25 (4) "permanent fund" means the Alaska Permanent Fund  
26 created under authority of art. IX, sec. 15, of the Alaska Constitu-  
27 tion;

28 (5) "policy board" means the Alaska Permanent Fund Policy  
29 Board created by sec. 50 of this chapter.

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

2 (21) members of the policy board and investment committee,  
3 and the president, officers, and staff of the Alaska Permanent Fund  
4 Corporation.

5 \* Sec. 3. AS 39.50.200(9) is amended by adding a new subparagraph to  
6 read:

7 (MM) Alaska Permanent Fund Policy Board and Alaska  
8 Permanent Fund Investment Committee.

9 \* Sec. 4. Investments outstanding as of the effective date of this Act,  
10 made from money in the Alaska Permanent Fund, shall be transferred to the  
11 corporation established by AS 37.13.010(b), enacted in sec. 1 of this Act.

12 \* Sec. 5. This Act takes effect immediately in accordance with AS 01.-  
13 10.070(c).

ALASKA STATE LEGISLATURE

TENTH Legislature FIRST Session

HOUSE BILL NO. 298  
By THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

"An Act relating to management of the Alaska Permanent Fund; and providing for an effective date."

Ak. Perm. Fund

Introduced in the House 3-3-77

HISTORY IN THE HOUSE

19	77	Read first time and referred to Committee on Ak. Permanent Fund; and Finance										
Mar.	3	Reported back with recommendation that										
		Read second time and										
		Read third time and										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
Absent	Absent											
Excused	Excused											
		Reconsideration										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
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										
		<table border="0"> <tr> <td>PASS</td> <td>Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused
PASS	Effective Date											
Yeas	Yeas											
Nays	Nays											
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Excused	Excused											
		Reconsideration										
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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
		..... by Governor
		Filed with Lt. Governor
		Chapter No. ....

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HR 298  
Title Alaska Permanent Fund  
Requested by Department of Revenue, Treasury Date \_\_\_\_\_

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_  
Program Category Affected Development  
Budget Request Unit(s) Affected \_\_\_\_\_

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		260.5				
200 TRAVEL		75.6				
300 CONTRACTUAL		414.7				
400 COMMODITIES		6.5				
500 EQUIPMENT		40.8				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		798.1				

FUNDING (Thousands of Dollars)

GENERAL FUND		798.1				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME		6				
PART TIME						
TEMPORARY						

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

This fiscal note enumerates expenses to provide for personal services and operating expenses for one year of operation for the Alaska Permanent Fund.

Personal Services, Equipment and Commodities expenses are for a President, Comptroller, 2 Investment Officers, and 2 Secretaries. Travel and Per Diem expenses are for 7 Board members, 4 Investment Committee members and for the President. Contractual services expenses are for normal office operating expenses, fire and bond insurance, safekeeping and management fees, and \$150,000 for various professional consulting services.

It is anticipated that this fiscal note will be for one year only as the Alaska Permanent Fund will prepare its own budget effective FY 79. In the event that there is no formal enabling legislation for the Permanent Fund the Department of Revenue will prepare the necessary budget for the interim management.

IV. DATE March 1, 1977 PREPARED BY Jim Edens  
AGENCY Department of Revenue  
PHONE 465-2350  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

Permanent Fund Fiscal Note

	<u>Salary</u> (100)	<u>Travel &amp; Per Diem</u> (200)	<u>Contractual Services</u> (300)	<u>Commodities</u> (400)	<u>Equipment</u> (500)
<b>7 Board Members:</b>					
12 Meetings per year x 2 days x \$250 per day	\$	\$ 42,000	\$	\$	\$
12 Meetings per year x 2 days Travel x \$50		1,200			
12 Meetings x 7 x 2 Anchorage x 4		1,600			
2 Fairbanks x 5		3,000			
2 Juneau x 5		3,000			
<b>President:</b>					
Benefits	50,000				
Travel & Per Diem @ \$75 per day:	12,500				
12 Meetings x 4 (Per Diem)		3,600			
(Travel)		1,500			
6 In-State Meetings (Per Diem)		600			
(Travel)		1,500			
6 Out-of-State Meetings (Per Diem)		1,000			
(Travel)		3,500			
Ex. Desk, Ex. Chair, Credenza, 2 Bookcases, 4 side chairs					6,000
<b>Conference Room:</b>					
Table, 10 Chairs, 8 Side Chairs, Side Table					6,000
Visual Aids - Chalk Board, Cork Board					300
<b>Investment Committee:</b>					
\$500 each x 4 x 12	24,000				
Benefits	6,000				
12 Meetings x 40 x \$75 (Per Diem)		3,600			
(Travel)		6,000			
<b>Staff Support:</b>					
Comptroller	35,256				
Benefits - 24A @ \$2,938	8,814				
Ex. Desk, Ex. Chair, Credenza, 2 side chairs					3,000
Calculator, Dictaphone, Bookcase					1,500

## Permanent Fund Fiscal Note

	<u>Salary</u> (100)	<u>Travel &amp; Per Diem</u> (200)	<u>Contractual Services</u> (300)	<u>Commodities</u> (400)	<u>Equipment</u> (500)
Investment Officer III - (2):					
24A @ \$2,938 x 2 x 12	\$ 70,512	\$	\$	\$	\$
Benefits	17,628				
2 Ex. Desks, 2 Ex. Chairs, 4 side chairs					6,000
2 Calculators, 2 Bookcases					2,500
Secretary to Comptroller & Investment Officer:					
Secretary II 11A @ 1,156 x 12	13,872				
Benefits	3,468				
Steno Desk, Chair, Credenza, Memory Typewriter, Distaphone unit					5,000
Secretary to President:					
Secretary III 12A @ 1,231 x 12	14,772				
Benefits	3,693				
Steno Desk, chair, credenza, Memory Typewriter, Dictaphone unit					5,000
Office Supplies and Facilities:					
Office Rent - Conference Room			54,000		
2 Executive offices - Staff area for 6 3,000 sq.ft. @ \$1.50 x 12 including janitorial, lights, heat, water, garbage					
<u>310</u> : Postage			2,500		
Telephone - LD & SC & Inst.			30,000		
Telex - LD use - month			5,700		
<u>320</u> : Printing - Office Stationary, advertising			7,500		
<u>360</u> : Equipment rental - Xerox, etc.			10,000		
<u>370</u> : Fire & Bond Insurance			55,000		
<u>380</u> : Contracts			150,000		
Safekeeping & Management		1,500	50,000		
Miscellaneous contracts for Fund		2,000	50,000		

## Permanent Fund Fiscal Note

	<u>Salary (100)</u>	<u>Travel &amp; Per Diem (200)</u>	<u>Contractual Services (300)</u>	<u>Commodities (400)</u>	<u>Equipment (500)</u>
Commodities:					
<u>470</u> : Publications, Tec. books & Manuals	\$	\$	\$	\$ 2,000	\$
<u>480</u> : General Office Supplies				2,500	
Envelopes & Stationery				2,000	
Equipment:					
Supply Storage Cabinet (2)					300
Bookcases (4)					500
File Cabinets 4 Broadside					1,200
2 Fireproof					1,000
General Office Furniture					2,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$260,515</u>	<u>\$ 75,600</u>	<u>\$414,700</u>	<u>\$ 6,500</u>	<u>\$40,800</u>
Total =	<u>\$798,115</u>				



21-298

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

March 3, 1977

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

Dear Mr. Speaker:

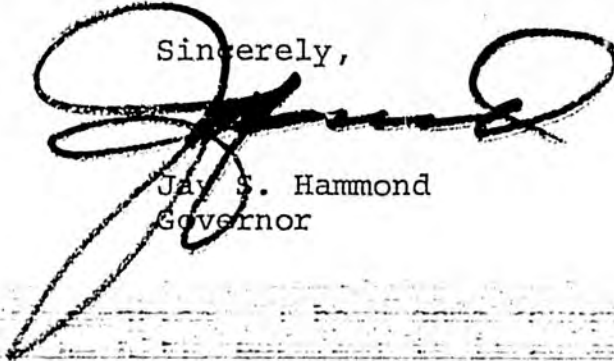
Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am today submitting a bill embodying the proposals for management of the Permanent Fund as made by the State Investment Advisory Committee and presented to my office. The committee, comprised of members of the public, the legislature and the administration spent many hours on this bill, and retained expert consultants from the nation's financial centers to aid in their deliberations. The result is a proposed design for a unique financial institution. I have some reservations about specifics of the bill, but feel it is an excellent vehicle for discussion.

The committee's deliberations brought into focus the basic unresolved issues at the heart of future management of the permanent fund: What balance of control over investments should exist between elected representatives of the people and professional financial managers retained by the government? What are, in fact, the fundamental goals of the fund and, therefore, what standards shall we use to measure its performance? To what extent shall the legislature directly control the administrative expense of the fund? These questions are difficult, and I do not presume to answer them before the citizens of the state -- the owners of the permanent fund -- discuss them directly and through the legislature and make their wishes known. Although I would amend the proposed legislation to add legislative confirmation of the proposed Permanent Fund Policy Board, and further features subsequently approved by members of the advisory committee, assurance that all these proposals will be submitted to interim public review should permit adequate assessment before final action is taken.

To facilitate full interim debate, I have asked those of my administration who were members of the advisory committee to acquaint you with the rationale of the committee's proposals as well as with my current reservations. As perhaps the largest block of investment capital in the state, and as a public asset, the fund will shape our very future and requires thorough public discussion before those decisions are made.

The bill I am submitting today for the investment advisory committee is one solution, and I offer it in the hope that it will facilitate legislative consideration and public discussion of Alaska's Permanent Fund.

Sincerely,

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Jay S. Hammond  
Governor

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HR 298  
 Title Alaska Permanent Fund  
 Requested by Department of Revenue, Treasury Date \_\_\_\_\_

II. FISCAL DETAIL  
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IV. DATE March 1, 1977 PREPARED BY Jim Edens  
 AGENCY Department of Revenue  
 PHONE 465-2350  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)



Permanent Fund Fiscal Note

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Permanent Fund Fiscal Note

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Total = <u>\$798,115</u>					

# MEMORANDUM

TO:


DATE February 8, 1978

Distribution Listed Below

FILE NO

TELEPHONE NO

FROM:

  
Jim Edenso  
Deputy Commissioner  
Department of Revenue

SUBJECT Proposed Amendments to HB 298

Enclosed for your information are the proposed Permanent Fund Amendments to House Bill 298. Please review and send your comments back to me.

JE:ge  
Enclosure

Distribution:

Members of:

House Permanent Fund Special Committee  
Senate Permanent Fund Special Committee  
State Investment Advisory Committee  
Administrative Working Group

A M E N D M E N T

IN THE HOUSE

BY: \_\_\_\_\_

TO: HOUSE BILL 298

Page 2, lines 19 - 24:

Delete all material up to "each month." and substitute the following for it:

Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent fund consists of 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and 100 per cent of bonuses received by the state. The commissioner of revenue shall deposit in the permanent fund 50 per cent of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and 100 per cent of all bonuses at least once each month.

Page 3, line 3:

After "110" insert "or 115."

Page 3, lines 6 - 21:

Delete all material and substitute the following for it:

(b) At least 40 per cent of the resources of the permanent fund shall be invested in investment grade securities. The goal of this subsection is to obtain the highest yield on the investments taking into consideration the financial risk of the securities markets, the long-term rate of inflation, and the policies as established for investment management by the policy board.

(c) The corporation may invest not more than 30 per cent of the resources of the permanent 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. The investments made under this subsection must reflect priorities established by the policy board from the economic analysis of each sector of the state's economy as provided for in secs. 60(2) and 120 of this chapter.

(d) The corporation may invest not more than 30 per cent of the resources of the permanent 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 Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantees. The investments made under this subsection must reflect priorities established by the policy board from the economic analysis of each sector of the state's economy as provided for in secs. 60(2) and 120 of this chapter.

(e) The investments under (c) and (d) of this section must be made in conjunction with state agencies where appropriate and upon consideration of the operational principles in sec. 120 of this chapter.

(f) All debt guarantees under (c) and (d) of this section are considered part of the permissible allocation of fund resources to their respective investment categories.

(g) Total debt guarantees under (c) and (d) of this section may not exceed an amount equal to three times the liquid assets of the permanent fund, and must be in compliance with the following principles:

1. no debt guarantee may exceed one percent of the total principal of the permanent fund at the time of the debt guarantee to any single borrower;

2. the corporation may not guarantee the debt of any borrower which has a total debt outstanding in excess of 75 percent of total assets; total debt outstanding must be determined by independently audited financial statements submitted to the corporation within three months of the final date covered by the statements;
3. the corporation may not guarantee the debt of any borrower without first performing a comprehensive financial analysis and evaluation to determine the ability of the borrower to repay all of its outstanding debt;
4. the corporation shall report all debt guarantees and related reserves in the annual financial statements.

Page 5, line 23:

Insert after "vote" and before the period: "of the membership."

Page 6, line 26:

Change "its" to read "the", and insert a comma after "fund."

Page 6, between lines 28 and 29:

Insert:

Sec. 37.13.115. DEBT GUARANTEE RESERVE. There is established from income derived from the permanent fund a reserve account for the purpose of paying losses on guaranteed debts. The amount credited to this reserve shall be a percentage of the total guaranteed debts as determined by the policy board, consistent with sound financial practices.

Page 7, line 29 - page 8, line 1:

Delete all material and substitute the following for it:

(6) the corporation shall seek to maintain a diversification in its investments which limits each investment under sec.

40(c) and (d) of this chapter to not more than one per cent of the total principal of the permanent fund at the time of the investment to any single borrower;

Page 8, line 27:

Change the period to a semi-colon.

Page 8, between lines 27 and 28:

Insert:

(12) the corporation may not make additional investments in participation with any other corporation or investment institution which currently is participating with the corporation in other investments if two per cent of those investments are delinquent.

Page 11, between lines 8 and 9:

Insert the following and appropriately renumber succeeding bill sections:

\* Sec. 4. AS 24.20 is amended by adding new sections to read:

ARTICLE 4. STATE INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The State Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing, or investment functions.

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

Sec. 24.20.620. TERM OF MEMBERSHIP. (a) The committee shall be organized within 15 days after the organization of each legislature.

Members serve for the duration of the legislature during which they are appointed. If a member is reelected or his term of office extends into the next succeeding legislature, he continues to serve until reappointed or the appointment of his successor.

(b) When a member of the committee files a declaration of candidacy for an elective officer other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

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

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

Sec. 24.20.650. POWERS AND DUTIES. (a) The committee may

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

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

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

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

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

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

(b) The committee shall

(1) report to the legislature its recommendations relating to the confirmation of recommended appointees to the Permanent Fund Policy Board;

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

(3) review quarterly reports received from the Permanent Fund Policy Board;

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

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

Sec. 24.20.670. 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.

AMENDMENTS TO HOUSE BILL 298

Sec. 37.13.030. COMPOSITION OF THE PERMANENT FUND. The permanent fund consists of 50 per cent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments, and 100 per cent of bonuses received by the state. The commissioner of revenue shall deposit in the permanent fund 50 per cent of the receipts from all mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments and 100 per cent of all bonuses at least once each month. Income from investment of the permanent fund does not become a part of the permanent fund and shall be deposited in the general fund annually, except that income in the following amount may be retained in the permanent fund and used as indicated:

Sec. 37.13.040. (b) At least 40 per cent of the resources of the permanent fund shall be invested in investment grade securities. The goal of this section is to obtain the highest yield on the investments taking into consideration the financial risk of the securities markets, the long-term rate of inflation, and the policies as established for investment management by the Permanent Fund Policy Board.

Sec. 37.13.040. (c) The corporation may invest not more than 30 per cent of the resources of the permanent 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 guarantee. The investments made in this section shall take into consideration priority as established by the Permanent Fund Policy Board from the economic analysis of each sector of the State's economy as provided for in Section 37.13.060(2) of this chapter.

Sec. 37.13.040. (d) The corporation may invest not more than 30 per cent of the resources of the permanent 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 Alaska for which sufficient financing is not available from other sources on reasonable terms. These investments may take the form of debt or debt guarantee. The investment in this section shall take into consideration priorities as established by the Permanent Fund Policy Board after conducting a formal analysis of community capital needs for investment purposes.

Sec. 37.13.040. (e) The investments in paragraphs (c) and (d) of this section shall be made in conjunction with existing State agencies where appropriate and taking into consideration the operational principles in Section 37.13.120 of this chapter.

Section 37.13.120. (12). The corporation may guarantee 80 per cent of the investments made by other corporations provided that the guarantee is approved by the Alaska State Legislature. A reserve for guarantees is established in accordance with Section 37.13.110 of this chapter. All guarantees count against the allocation of the appropriate investment category as defined in Section 37.13.040 paragraphs (b), (c), and (d) of this chapter.

Section 37.13.120. (6) The corporation shall seek to maintain a diversification in its investments which limits each investment defined in categories (c) and (d) of Section 37.13.040 of this chapter to not more than 1 per cent of the total principal of the permanent fund at the time of the investment except that the corporation may exceed the 1 per cent diversification rule with the approval of the Alaska State Legislature.

Section 37.13.120. (13) The corporation may not make additional investments in participation with any other corporation or investment institution which currently is participating with the corporation in other investments if said investments are 2 per cent delinquent.

Section 37.13.110. RESERVES. The corporation may establish, from income derived from its permanent fund reserve accounts to preserve the principal of the permanent

fund, consistent with sound financial practices. The reserve accounts shall include but not be limited to reserves for guarantees made under Section 37.13.120 paragraph (12) of this chapter and shall be funded as required to honor the guarantee (guarantees).

Section 37.13.185. AS 24.20 is amended by adding new sections to read:

ARTICLE IV. STATE INVESTMENT OVERSIGHT COMMITTEE.

Sec. 24.20.600. STATE INVESTMENT OVERSIGHT COMMITTEE ESTABLISHED. The State Investment Oversight Committee is established as a permanent interim committee of the legislature. The establishment of the committee recognizes the need of the legislature for technical review and oversight of the performance of all agencies of the state which perform lending, borrowing or investment functions.

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

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

(b) When a member of the committee files a declaration of candidacy for an elective office other than that of member of either house of the legislature, and he has not resigned from membership on the committee, his committee membership terminates on the date of filing.

Sec. 24.20.630. VACANCIES. When a vacancy occurs in the statutory or appointive membership of the committee, the presiding officer of the house incurring the vacancy shall choose a successor. If the office of the president of the senate or

speaker of the house of representatives becomes vacant and a vacancy from the affected house occurs among the membership of the committee, the remaining committee members from the house incurring the vacancy shall appoint a new member.

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

Sec. 24.20.650. POWERS. The Committee has the power to

- (1) organize, adopt rules for the conduct of its business, and prescribe procedures for the comprehensive fiscal analysis, budget review and post-audit functions over those agencies of the state which perform lending, borrowing or investment functions;
- (2) hold public hearings, administer oaths, issue subpoenas, compel the attendance of witnesses and production of papers, books, accounts, documents and testimony, and have the deposition of witnesses taken in a manner prescribed by court rule or law for taking depositions in civil actions;
- (3) require all state officials and agencies of state government to give full cooperation to the committee or its staff in assemblies and furnishing requested information;
- (4) hold public hearings relating to the confirmation of members of the Permanent Fund Policy Board;
- (5) prepare and distribute reports, memoranda, or other necessary materials;
- (6) make recommendations concerning the structure and operating practices of all agencies of the state which perform lending, borrowing, or investment functions;

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

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

Sec. 24.20.670. DUTIES. The committee shall

(1) report to the legislature its recommendations relating to the confirmation of recommended appointees to the Permanent Fund Policy Board;

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

(3) review quarterly reports received from the Permanent Fund Policy Board;

(4) present a complete report of investment programs, plans, performance, and policies of the Permanent 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.