

SCOMM

#9:175

Alaska State Legislature

SPECIAL COMMITTEE ON
THE ALASKA PERMANENT FUND

(907) 276-3433

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ANCHORAGE, AK. 99501

[POUCH V, JUNEAU, AK. 99811]

(907) ~~276-3433~~

465-4955



MEMBERS

REP. CLARK GRUENING, CHMN.
REP. TERRY GARDINER, V. CHMN.
REP. E. J. HAUGEN
REP. RUSS MEEKINS
REP. BILL MILES
REP. LEO SCHAEFFER
~~REP. JOE HAYES~~
Rep. Joe Hayes

House of Representatives

February 28, 1978

Mr. Joe McLean
P. O. Box 1774
Mendenhall Building
Juneau, Alaska 99802

Dear Mr. ~~McLean~~ McLean:

Thank you for your excellent written and oral testimony concerning the bills before the House Special Committee on the Alaska Permanent Fund. I appreciate the time and effort you invested in making these comments.

Enclosed is the Committee Substitute for HB 596 which was passed out of Committee February 22. A Committee Substitute for HB 682 will be before the Committee on Thursday night, March 2nd.

Again, thank you for your interest and please feel free to contact me again.

Cordially,

A handwritten signature in cursive script that reads "Clark Gruening".
Representative Clark Gruening

Enclosure

CG/jl

JOSEPH A. MCLEAN
ATTORNEY AND COUNSELLOR AT LAW

TELEPHONE (907) 586-3210

P. O. Box 1774
MENDENHALL BUILDING
JUNEAU, ALASKA 99802

February 15, 1978

The Honorable Clark Gruening, Chairman
House Special Committee on the Alaska
Permanent Fund
Juneau, Alaska 99801

Dear Clark:

Indeed it was an honored privilege for me to have had the opportunity of testifying before your committee last Thursday evening. I appreciated the interest and the time extended, particularly with reference to questions pertaining to the points I wanted to respectfully call to your attention.

In response to your suggestion that I propose amended language for the sections under question, I am please to be able to offer the following remarks, referring separately to each of the three House Bills.

HOUSE BILL 596

Sec. 37.13.060 TERM OF OFFICE. On page 7, line 19, after the word "reappointed", I would propose adding the language "for one term only". Limiting a member to a total of eight years, or at the most twelve years, would avoid any chance of a czar-like control of, or by certain members of the Board. This suggestion also applied to section 44.55.040 and Section 44.55.080.

Sec. 37.13.140, on page 11, should be changed in my opinion, from GAINS AND LOSSES to ANNUAL REPORT. I would propose beginning with the following language:

ANNUAL REPORT. At the end of each fiscal year the Board shall publish an annual report, including financial statements audited by independent outside auditors; a statement of funds received and investments made; a list of all purchases and sales with the respective gains or losses for each; and a brief description of investment activity during the period as it may relate to the economic outlook. The report shall also include the acquisition cost of each security held and the market price prevailing at the date of said report.

Then on an optional basis, follow with the existing provisions:

At the discretion of the Board, treatment of losses on the sales of securities, not offset by gains on the sales of securities during that year, may be computed, with a portion of these losses to be deducted each fiscal year from the interest and dividend income and the resulting amount of interest and dividend income added to the principal of the fund. Losses taken on the sales of bonds may be accumulated over a period equal to the average remaining life of the bonds sold, and losses taken on the sales of stocks may be accumulated within a period of five years unless these losses are offset by gains on future sales of securities. In any fiscal year in which the gains on the sales of securities exceed the losses on the sales of securities the excess shall be added to the principal of the fund.

Reasons for this were spelled out in my oral testimony before the committee. The first paragraph requires full disclosure of the portfolio, both realized and unrealized, without the figures being disguised in apportionment of the losses over a period of time.

Section 44.55.040 pertaining to the Enterprise Investment Corporation should delete the State employed executive, change the Board to seven public members, and ease up on the investment experience qualification;

(a) There is established the Alaska Enterprise Investment Corporation Policy Board consisting of seven public members appointed by the Governor with due regard for geographical representation and confirmed by a majority of the members of the Legislature and joint session. At least four of the public members shall have recognized business competency or experience in investment finance. The Board shall elect one of its members as chairman and other officers deemed desirable. No member may be appointed to the Board who has not been a resident of the State of Alaska for at least five years.

Section 44.55.080 INVESTMENT COMMITTEE. The qualifications of the Committee should be clarified and I would suggest the following language to replace the sentence beginning on line 17:

Members of the Committee shall be persons of recognized business competence with experience in investments or finance or other business management-related fields. Residence qualifications are the same as those established for the Alaska Enterprise Investment Corporation Policy Board. A member may be reappointed once only and continue to serve until his successor is appointed.

The remaining portion of that section should follow as written.

Section 44.55.125 INVESTMENTS might well be improved by adding another subparagraph between (f) and (g):

(g) The Committee shall give full consideration to investment proposals of applicants whose proposal is submitted by or with a plan of participation with private lenders, which proposal includes detailed appraisals and feasibility studies prepared in the usual custom and to the usual standards required in the private investment market.

Subparagraph (k) should establish the requirements when the corporation is involved in 100% financing. I would propose the following substituted language:

(k) The committee shall consider full participation investment proposals only after the applicant has submitted a detailed proposal in such form as may be prescribed by the Committee, and it has received written reports of recommendation based upon studies and details of appraisals and feasibility reports prepared in the usual custom and to the usual standards required in the private investment market.

HOUSE BILL 298

This is the Governor's bill, and in my opinion would be generally workable by standards of the investment industry, especially if the provisions set forth above pertaining to HB 596 are incorporated. It is important in my opinion, to recognize that in Section 37.13.050 PERMANENT FUND POLICY BOARD, the State employees consisting of the Commissioner of Commerce and Commissioner of Revenue be deleted, the conflict as stated earlier in this letter is too flagrant to ignore. Seven members should be adequate assuming Alaska residents of five year standing. The term of office might well be five years also, and their reappointment confined to once only but certainly not more than twice.

The language proposed earlier in this letter entitled ANNUAL ACCOUNT should be included in Section 37.13.140, particularly that portion pertaining to the treatment of gains and losses.

HOUSE BILL 682

ALASKA RENEWABLE RESOURCES CORPORATION

Other than the points made in connection with HB 596, particularly as pertains to qualifications of the Board,

their terms of office, the accounting of the annual report and the encouragement for participation with other lenders. Other than these I do not have any strong opinions.

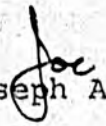
I would respectfully point out that as a matter of public policy, in the incorporation of this bill into law, the Committee may want to consider toning down some of the FINDINGS in Section 37.12.020. By this I mean the deletion of the word "high" in line 23 and the word "unstable" in line 24, substituting "seasonable". And on the same line substituting "lessened" for the word "mitigated".

Also on line 27 of the same page it may be more appropriate to substitute the word "seasonal" for "sporadic" and "nonstable". It must be remembered that this law will be examined closely by investment bankers and other lenders outside the State of Alaska, and too dismal an outlook, especially under formal findings, may not be in the best interest of the State.

HOUSE BILL 595
GUARANTEES TO ELECTRICAL FACILITIES

I would respectfully ask the Committee to consider this in the light of special legislation supporting the electric industry. Constitutionally, I would regard the proposition rather skeptically, though I have not researched nor am I intending this as a formal opinion. Moreover again, as stated earlier in this letter, I envision major conflicts when the industry approaches the State Public Utilities Commission for rate adjustments.

Respectfully submitted,


Joseph A. McLean

JAM/kl

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

MINUTES

House Special Committee on
the Alaska Permanent Fund

February 22, 1978 7:00 PM
Room 124, Capitol Building

Chairman Gruening called the meeting to order. Present were Committee members Rep. Gardiner, Rep. Miles, Rep. Haugen and Rep. Meekins and Committee staff Mike Doogan and Tom Singer.

Amendments to HB 596 from Keith Specking were entered into the record and discussed.

Additional testimony from Mr. Joe McLean, the Association of Villiage Council Presidents and the Alaska Conservation Society has been received in the last week's time and were entered into the record.

Committee Substitute for HB 596 was presented to the Committee for their consideration and discussion followed.

Rep. Gardiner moved to adopt the Committee Substitute for HB 596 and report it out of the Committee and a majority concurred. CS for HB 596 was signed and passed out of Committee.

HB 682 was brought up for discussion. Two flow charts have been presented:

Rep. Gardiner moved and asked unanimous consent to add after "source" on page 3, line 7-8 "except earnings received from the corporation's investments". It was adopted in concept without objection.

Discussion was continued on Tom Singer's memo of 2/9/78:

Items 10 & 11: Rep. Gardiner moved to delete the entire subsection 11 (page 6, lines 13-17) and it was adopted without objection.

Item 12: Rep. Gardiner moved to delete "or" and add "and" (p6, l. 22). Meekins objected. Gardiner withdrew the motion. Gardiner moved to delete "are commercially promising or" and it was adopted without objection.

Item 13: Rep. Gardiner moved and it was adopted without objection.

Item 14: Rep. Gardiner moved this item be adopted. Chm. Gruening amended it to delete "permanent fund" and add "Alaska Permanent Fund Corporation" (p 6, l 25). Rep. Gardiner moved Item 14 be adopted as amended and there was no objection.

Item 15: Page 12, line 29, Rep. Gardiner moved to delete "in accordance with AS 37.10.070 (investment of surplus state funds)." and substitute "by the Alaska Permanent Fund Corporation." and it was adopted without objection.

Item 16: Rep. Gardiner moved to adopt and there was no objection.

Item 17: Rep. Gardiner moved to adopt and there was no objection.

Item 18: No action.

Item 21: Rep. Meekins moved to adopt and there was no objection.

Item 22: Rep. Meekins moved to adopt and there was no objection.

Item 24: Rep. Gardiner moved to adopt a three year residency requirement and there was no objection.

Item 25: Rep. Gruening moved to adopt and there was no objection.

Item 27: Rep. Gardiner moved to adopt and there was no objection.

Item 28: Rep. Gardiner moved to adopt and there was no objection.

Item 29:

Sec. 37.12.23 TAX EXEMPTION: Rep. Gardiner moved to adopt and there was no objection.

Sec. 37.12.240 EMPLOYMENT PRACTICES: It was held for revision.

Sec. 37.12.250 TECHNICAL ASSISTANCE: Rep. Gruening moved to adopt the section on page 5 of the memo as contained in HB 298 and there was no objection.

Sec. 27.13.260 PUBLIC ACCESS TO INFORMATION: Rep. Gardiner moved to adopt and there was no objection.

Item 30: Rep. Gardiner moved to adopt and there was no objection.

Minutes of the House
Comm. on Perm. Fund

-3-

February 22, 1978

Item 31, 32 and 33: were deferred.

Item 34: Rep. Gruening moved to adopt and there was no objection.
The Committee meeting adjourned at 9:30 PM.

JAY S. HAMMOND
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 22, 1978

The Honorable Clark Gruening
Chairman
House Permanent Fund Committee
Alaska State Legislature
Juneau, Alaska 99811

Dear Representative Gruening:

Enclosed are the amendments to HB 596 that Governor Hammond recommends be incorporated in the bill.

Governor Hammond has expressed appreciation for the cooperative method in which you have approached the development of this legislation. Members of the executive branch will be available to testify in behalf of the amendments.

Sincerely,

Keith W. Specking
Keith W. Specking
Legislative Assistant
to the Governor

enclosure

The following amendments should be considered:

1. page 6, line 7
Following the words "Alaska Permanent Fund Corporation" insert "and the Alaska Enterprise Investment Corporation".
2. page 6, line 10
Substitute "50 percent" for "five-sixths".
3. page 6, line 12
Substitute "50 percent" for "one-sixth"; place a period after "allocated"; and delete the remainder of this section.
4. page 6, line 23-4
delete "of future generations".
5. page 7, line 15
Following "session." insert the following: "The commissioner of revenue is a non-voting member of the board of trustees."
6. page 8, line 28
Substitute "Three" for "Two".
7. page 9, line 6
Delete Sec. 37.13.110 and replace it with the following:
"Sec. 37.13.110. PERSONNEL. The commissioner of revenue or designee shall serve as the executive director of the corporation and staff will be provided by the department of revenue. All staff members responsible for corporation investments are in the partially exempt service as under AS 39.25."
8. page 9, line 21
Substitute "in the" for "to the board in its".
9. page 10, line 4
Put a period after "investments" and delete the remainder of the sentence.

10.

page 10, line 11

Put a period after "fund" and delete the remainder of the sentence.

11.

page 11, line 6

Delete Sec. 37.13.140 and replace with the following:
"Sec. 37.13.140. RESERVES. The corporation may establish, from income derived from its investments a loss reserve account to preserve the principal of the permanent fund, consistent with sound financial practices."

12

page 11, line 19

Delete Sec. 37.13.150.

13.

page 12, line 25

Delete Sec. 37.13.190.

14.

page 13, line 5

Following "trustees" delete "and officers and staff of the corporation may not engage in partisan political activities" and substitute "are subject to AS 39.25.160."

15.

page 13, line 26

Substitute "Fifty percent" for "One-sixth".

16.

page 13, line 28

Following "paid" delete "by the Alaska Permanent Fund Corporation directly".

17.

page 14, line 1

Following "Corporation" insert "as specified in Sec. 37.13.010." and delete the remainder of the sentence.

18.

page 14, line 24

Substitute "the commissioners of the departments of revenue and commerce and economic development" in place of "a person employed in the executive branch of state government appointed by the governor".

19. page 14, line 25
Substitute "five" in place of "six".
20. page 14, line 29
Following the period, insert the following sentence: "The President of the Alaska Enterprise Investment Corporation, appointed under Sec. 44.55.070 of this chapter, shall serve as the chairman of the Policy Board, but is not a voting member."
21. page 15, line 1
Delete the following words: "one of the public members as chairman and".
22. page 15, line 3
Substitute "five" in place of "six".
23. page 15, line 5
Substitute "one member serving for two years," in place of "two members serving for two years".
24. page 15, line 10
Following the word "vote" and before the period, insert:
", including not less than a majority of appointed members."
25. page 18, line 3
Delete this section and replace it with the following: "Sec. 44.55.100 BUDGET. The corporation may retain income in the amount needed to pay the operating and administrative expenses of the corporation. The corporation is exempt from the provision of the Executive Budget Act (AS 37.07), except if these operating and administrative expenses shall exceed one-half of one percent of the corporation's paid-in capital, that budget of the corporation is subject to the Executive Budget Act."
26. page 18, line 29
Delete "not to exceed \$100,000,000, as it considers appropriate,".

27.

page 19, line 22

Delete section (b) and substitute the following: (b) All guarantees shall be presented to the Alaska State Legislature by the policy board for approval by law. A reserve for guarantees shall be established in accordance with Sec. 44.55.130(b) of this chapter."

28.

page 20, line 11

Substitute "one percent of the resources of the corporation" in place of "five percent of the resources of the bank or \$2,500,000, whichever is less,".

29.

page 21, line 27

Insert a new section as follows: "(p) the corporation may not make additional investments in participation with any other corporation or investment institution which is currently participating with the corporation in other investments if two percent of those investments are delinquent."

30.

page 21, line 28

Delete this section and substitute the following: "Sec. 44.55.130. RESERVES. (a) The corporation may establish from income derived from its investments, reserve accounts to preserve the principal of the permanent fund, consistent with sound financial practices.

(b) The corporation may establish from income from its investments, a reserve account for the purpose of paying loss 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."

31.

page 22, line 16

Substitute "prepare a detailed report of Alaskan investments which shall" in place of "render a detailed report to the legislature which shall".

32.

page 23, line 13

Substitute "investment committee" in place of "board of trustees".

33. page 23, line 15
Substitute "investment committee" in place of "board of trustees".
34. page 23, line 18
Substitute "committee" in place of "board".
35. page 23, line 22
Substitute "investment committee" in place of "board of trustees".
36. page 23, line 23
Following the word "corporation" insert "are subject to AS 39.25.160" and delete the remainder of this sentence.
37. page 25, line 3
Following "tion" insert "and the Alaska Enterprise Investment Fund".
38. page 25, line 3
Substitute "30" in place of "10".
39. page 25, line 9
Substitute "AS 37.13.130(g)" in place of "AS 44.55.120(b)(3) in Section 4 of this Act".
40. page 25, line 11
Following "repealed" insert "at the time Sec. 7. Transition is completed."

It is further suggested that "small and medium scale" should be clearly defined in the bill, for example defining that concept in terms of a 1 percent investment limitation.

JOSEPH A. MCLEAN
ATTORNEY AND COUNSELLOR AT LAW

TELEPHONE (907) 586-3210

P. O. Box 1774
MENDENHALL BUILDING
JUNEAU, ALASKA 99802

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ALASKA RENEWABLE RESOURCES CORPORATION

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their terms of office, the accounting of the annual report and the encouragement for participation with other lenders. Other than these I do not have any strong opinions.

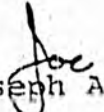
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Respectfully submitted,


Joseph A. McLean

JAM/kl



Alaska Conservation Society

Incorporated in 1960

P.O. Box 80192

College Branch, Fairbanks, Alaska 99708

COMMENTS ON THE HOUSE PERMANENT FUND BILLS

The Alaska Permanent Fund will be an extraordinarily important factor in Alaskan development. The amount of current revenues channelled into it will affect revenues available for current State spending and the size of the fund itself. Investments of Permanent Fund principal made outside of Alaska will determine how much is available for internal investment and how much interest is earned and hence available for re-investment or current budgets. Investments in domestic (in-State) activities will affect population growth rates and nature of specific economic activity in various sectors of our economy, all with environmental implications. Use of interest income will affect the size of the Fund and amount of current legislative expenditures.

General goals of the ACS with respect to the Permanent Fund are:

1. To assure that future Alaskans share the benefits of non-renewable resource exploitation taking place in our generation, because they surely will have to pay some of the costs.
2. To assure that Permanent Fund management results in minimal stimulation of population growth through immigration.
3. To assure that renewable resources are protected from degradation during our era of rapid petroleum and (later) coal and mineral exploitation.
4. To assure the contribution of non-renewable resource revenues to the general quality of Alaskan life, particularly in terms of land and water stewardship, cultural and artistic activities, urban design, and public safety and security.

It is not always easy to tell how to achieve these general goals through specific policies for Permanent Fund income, investments, or interest disposal. Not only are ACS members less than expert in such matters, but even "experts" are highly uncertain as shown by disagreements among consultants.

The ACS initially takes a conservative view of Permanent Fund Management, and has the following preferences;

1. Supports an increase to at least 50% (now 25%) in the proportion of certain oil and gas revenues now going into the Fund.
2. Supports addition of mineral severance taxes to list of Fund sources.

3. Supports re-investment of some part of the interest.
4. Supports major allocation of principal to outside investments.
5. Supports modest investment in renewable resource ventures, with the proviso that such ventures should have reasonable expectation of success, will not overload the resource, will not displace existing users, and will not cause unacceptable environmental harm.
6. Opposes investments in major energy production projects of large scale.
7. Opposes investments in small ventures of high risk and significant environmental impact.

We offer the following specific comments on Permanent Fund bills currently before the committee:

HB 595

We are concerned about the wisdom of this bill. It is not clear why power development should receive special treatment via guaranteed loans. We think if alternative sources were included it would have more support, esp. small scale projects.

37.13.200 (line 22,23) after "related transmission facilities" delete comma and add "of the type listed in .210".

~~to new~~

Add ~~new~~ sec. 210 as follows: 37.13.210 "Approvable facilities include electric generation facilities deriving energy from wind, sun or geothermal heat and related transmission facilities; or electric generation and transmission facilities based on tidal and river energy provided that such facilities are small in scale and designed solely to provide energy to one or more communities whose combined population does not exceed 20,000 persons at time of project authorization."

renumber remaining sections

HB 596

This approach generally preferable to Senate.

37.13.010 (pg. 6, line 3) increase 30% to 50%

37.13.020 (pg 8, line 21-23) (b) how does this relate to Univ. of Ak employees?

37.13.020 (2) (pg 6, line 25) and 37.13.130 (b) (pg. 10, line 1) These are particularly important to keep in present form.

Chap. 55 Alaska Enterprise Investment Corp. - We feel this is generally a good idea. But in conformance with our previously expressed preference for conservative view of the Permanent Fund initially, we think the size of the kitty (44.55.010 (b) pg. 14 line 1) should be reduced to \$50 million to start with. Then given a good record, the legislature can later expand the fund.

44.55.125 (e) pg. 20 line 11) change \$2.5 million to \$1.5 million.

HB 682

This is a good idea and has our support

37.12.050 (b) (pg. 3 line 7) where does the other 50% go?

37.12.100 (b) clarify whether employees of the Univ. of Alaska can be on the Board?

37.12.170 (b) 1. (pg. 9 line 5) "5% of resources of the corporation" does that mean 5% of 50% or 5% of all revenues to the corporation?

AVCP, INC.

Association of Village Council Presidents
P.O. Box 219 • Bethel, Alaska 99559 • Phone 543-3521

February 7, 1978

The Honorable Clark Gruening, Chairman
Special Committee on the Alaskan Permanent Fund
Pouch - V
Juneau, Alaska 99811

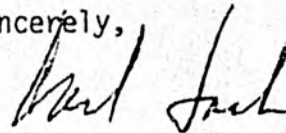
Dear Clark:

Attached you will find my testimony on House Bill No. 596 which needs to be submitted as part of the record for the hearings on the Permanent Fund.

If the bill is revised due to the hearings, we would appreciate receiving a copy of the revised bill.

Thanks.

Sincerely,



Carl Jack, President

CJ:alo

AVCP, INC.

Association of Village Council Presidents
P.O. Box 219 • Bethel, Alaska 99559 • Phone 543-3521

TESTIMONY ON HOUSE BILL NO. 596

BEFORE

SPECIAL COMMITTEE ON ALASKA PERMANENT FUND

Honorable members of the Special Committee on the Alaska Permanent Fund, my name is Carl Jack, President of the Association of Village Council Presidents, Inc., and our business address is Box 219, Bethel, Alaska 99559.

We generally agree to the concept of House Bill No. 596 as an enabling legislation; however, we certainly analyze that the language within certain provisions of the present bill will need minor, and major modifications in order for it to become a viable law for the citizens of our state.

Our first concern involves the Powers of the Investment Oversight Committee. Under section 24.20.670 (4), we analyze that the committee needs establish guidelines for the eventual selection of the Board of Trustees of the Alaska Permanent Fund, Corporation, Board of Trustees of the Alaskan Renewable Resource Corporation, and the Alaska Enterprise Investment Corporation Policy Board. Though there are qualifications relative to certain individuals on all three boards, we foresee that there is a need to establish qualifications for all the individuals whom will be involved as members of the three entities. This particular consideration would probably curtail undue pressure by the public that certain members are not duly qualified to sit as members relative to any of the three institutions.

Under item 6 of the Powers, we analyze that the Committee can place on paper every recommendation relative to the structure and operating procedure of the various state agencies; however, those recommendations can be nil and void if they are not implemented. Therefore, we are recommending that added language be instituted where every recommendations shall be implemented by the appropriate agency affected.

Under Section 37.13.040., we have a concern since there is a stipulation which states that the Alaska Permanent Fund Corporation is going to be the "...government instrumentality in the Department of Revenue..." We feel that the Fund Corporation should not, in anyway, be wired into the State Bureauacracy since it should be free from State Administrative procedures. Our analysis is that the Alaska Permanent Fund Corporation should be an independent corporation, and be free from any State Departmental Agency. However, this does not mean that total cooperation will be avoided by any State Agency with the Corporation. The cooperation is needed in order for the Corporation to be an affective corporation in which guidance can be acquired like say from the Department of Revenue, and other Departments.

The other reasoning is that the corporation is initially being formed as a corporation which will be answerable to the public. Therefore, there should be a type of independence from the other Departments since it will be responsible, and responsive to the public due to the fact that the corporation is dealing with accrued funds for the benefit of the present, and future generations of our State.

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Under Section 37.13.080 (a), we analyze that the possible trustee relative to his/her residency is too short. We believe that the three year residency within the State need to be changed to five years or more. This requirement would, at least, instill in the possible appointee the needed time to analyze, comprehend, and fully understand the needs of the people. The situation would also provide the needed time for the individual to understand the diversity of the state population on any one statewide issue whether of the past or the future.

Under Section 37.13.110, we are concerned about the employment and the determination of the salary of the Executive Director. There needs to be stipulated statements within the enabling legislation relative to the qualifications of the Executive Director. It seems that the Executive Director would need knowledge of, experienced on, and qualified for the operation of a major monetary fund. Otherwise, without these types of stipulations, we assume that the Board of Trustees would just about hire anybody who could even be a streetwalker.

Under Section 37.13.130 (b), there needs to be added language relative to income producing investments. The addition should state "... investments which have shown a percentage of net earnings the previous year" or similar to this language. Otherwise, the Board of Trustees will have no stipulated guidelines to follow while considering certain types of investments. Also, this situation would insure that the trustees be required to invest only on income producing entities.

Within provision (e) of the above section, it would seem prudent to state that "The corporations may not borrow funds for and/or guarantee the obligations of others."

Within provision (h) of the same section, it would also seem prudent that instead of just the necessary review of the investment guidelines by the Investment Oversight Committee that whatever guidelines are considered need to be adopted by the Legislators through the basis of majority vote. The adoption may not be necessary for every guideline and word; however, the necessity may be needed on major investment guidelines where consideration of guidelines would be requirements for major monetary investments matters.

Under Section 37.13.140, a laymen, a lawyer, and an accountant may be at a loss due to the words within the section. The section talks initially on securities, then it proceeds on the discussion of bonds. As a result, there is a definite need for clearer language within this particular section; otherwise every attorney will be arguing as to what the intent of the provision would mean like say section 7 (1) of the Alaskan Native Claims Settlement Act.

Under Section 37.13.190, there is a definite need for another item. Since the Board of Trustees will eventually be involved with major investments for the benefit of the permanent fund accruing monetary returns, it would seem prudent for the appointee to disclose his/her interests. We believe that after the appointment by the governor, and before the appointment is approved by the legislators, the appointee definitely needs to disclose his monetary interests to the public, the governor, and the Investment Oversight Committee. This language needs to be added due to the fact that there is language in the other sections which states to the affect that a Board Member will not vote on his investments if the Trustees want to invest in the member's corporation.

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Under Chapter 55 and Section 44.55.010, we have a concern relative to the Alaska Enterprise Investment Corporation being the government instrumentality of the Department of Revenue. We believe that the same or similar arguments can apply to this section as Section 37.13.040 of House Bill No. 596.

Under Section 44.55.030, though the purpose can remain as is, there is possibly a need for an addition to the provision or another section to the bill. There should be an applicable rule of thumb as to what would be the maximum amount in dollars for each of the two purposes. Otherwise, every private enterprise and community development will request for major financing from the Investment Corporation without any consideration for equalization and diversification of funds for the maximum benefit by the other state citizens who want to acquire loans.

Under Section 44.55.060, there is a need for additional language relative to the Board's duties. The addition would be that the Policy Board will be responsible for drafting, and finalizing investment guidelines for private enterprise and community projects. The guidelines would at least clarify any quandries relative to monetary investments within the two areas.

Under Section 44.55.070 (3), we believe that the President should "be responsible after approval by the Investment Committee for making investments in investment grade securities..."

Under Section 44.55.080, we analyze that the Enterprise Investment Corporation Policy Board members need to each be specialized in certain areas of investments. Due to each member having a specialized field would generally guide the corporation as to its diversified investments.

Under Section 44.55.125 (i), there needs to be a stipulation that states that the former Committee members and former employees will not have the right to any state investments. This requirement would provide a better situation due to the fact that the former member/employees will have an extensive knowledge relative to the total operation and procedural information as to how the investments are made.

Under Section 7, (Transition), the Commissioner of Revenue needs to transfer all the funds after the Permanent Fund Corporation is established to handle the funds. We believe that this needs to be an understanding.

Aside from the above recommendations which may be minor and major for the benefit of the Special Committee's analysis and consideration, we would like to recommend the following to be included in House Bill No. 596:

- A. Due to the fact that there will be many legal documents coming out of the mentioned corporations, boards, and committees, we analyze that there is a need for a close working relationship by these entities with the State Attorney General's office. Under this particular bill no mention is made of attorneys from the viewpoint of the state except that the President and/or Executive Director can hire his staff when needed. We believe that another section is needed relative to the State Attorneys who need to be working closely for the various corporations under House Bill No. 596.

15. Gardner mv no object

~~these dep. shall become~~

29 after perpetuity add "by the AK Perm Fund Corp"

delete Q.1 p 30

16. Gard mv no object → adopted

17. Gard mv no object → adopt

18. leave

21. Meek mv → no obj adopted

22. Meek mv → no obj → adopt

24. Gard mv ^{to establish} 3yr. resid. right no object.
→ adopted

25. Gene mv no object

27. Camp mv no object

28. Gard mv no object.

29. See notes

30. Gard mv → adopt

Deferred - let them wait & think about adopting a limit.

33

34. Owen mv EB and it was adopted.

p 3 l 7-8 Gardiner mvd. ^{s asked} ^{unanim} ^{consent}

after "since" add "except ^{earnings} ~~assets~~ received from the corp's investments"

adopt in concept - no object - adopted

Tom's memo

P 6 l 13

Gardiner mvd to delete subject. 11
p 6 l 13 - no object

(12)

p 9 l 22 delete "or" add "and"

Gardiner mvd to leave subject 13
along with the change
Meekins objected Card withdrawn motion
Gardiner mvd.
"delete" are commercially promising
or" no obj -> adopted!

13. Gard mvd -> no object -> adopted.

14. Card mvd.
Gen amend. ^{delete} "PF" add "At Perm Fund
corporation"
Card mvd recommended. no obj -> adopt

15.

Minutes

2-27-78

Pres: Cardiner Miles, Hanger McKinis
Greening, Hogan, Singer

Mike called about two changes
l/p

CS was presented to the Board

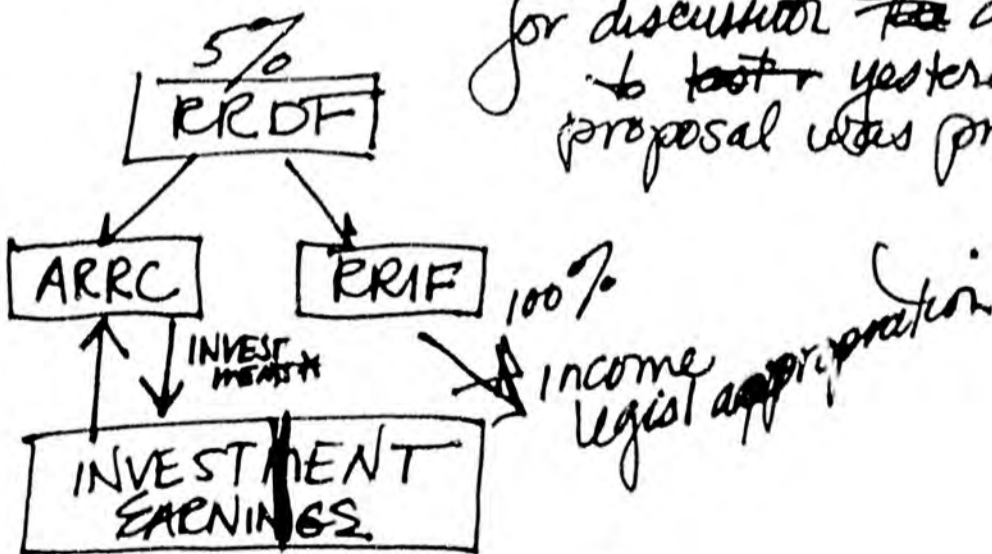
l/p. 16 borrowing deleted

Admin ^{and three} Amendments were entered into record & discussed.

Cardiner move to pass out of Comm
CS 596 be reported out
and a majority concurred.
The Bill was passed out as CS 596
~~with~~

HB 682 was brought up for discussion

for discussion ~~to~~ an alternative
to ~~last~~ yesterday's
proposal was presented.



* by appropriation

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- B. If there is a question as to where the earnings of the investments will go to, we believe that the earnings need to go back into the permanent fund. This procedure would insure that, the fund will be for the benefit of the future Alaskan generations. In fact, it would be appropriate to reinvest the earnings up to a certain point in dollars. Any excess of the earnings would then be placed back into the permanent fund. This situation would always insure that the dollars are working and earning money on a continual basis for the benefit of Alaskans.
- C. Mention is not made on collection procedures within the House Bill. It seems that some of the presently existing state loan programs have a high delinquency rate. Since this situation does exist, there needs to be a procedure developed in order for the State to work the contractual obligation due to the loan(s).
- D. We have stressed in our testimony for the appropriate designee under the bill to establish a maximum amount in dollars for any type of loan. In fact, it would seem appropriate to incorporate some of the ideas of the Senate Bill for the Permanent Fund relative to the type of loans and the loan amount within House Bill 596.

Simultaneous to the above situation, it would be appropriate, as stressed before, to incorporate loan granting, and record keeping procedures within the bill.
- E. Within the various provisions of the bill, mention is made of hiring new staff members in order to implement the legislation if passed by both Houses of the Legislature. It would seem appropriate for the committee to consider on transferring some of the State employees from the Department of Revenue, and other Departments. It would seem more expedient to utilize some of the existing State staff members in order to implement the legislation, immediately, and if House Bill No. 596 passes both Houses. This situation would at least cut down the State Budget instead of increasing it.
- F. We are highly stressing that if 596 becomes a reality that the administration of the various corporations do not become bogged-down in a bureaucracy maze like what has happened to the other loan programs, such as, the Alaska Housing Finance Corporation of 1971. If this situation occurs, any of the benefits as proposed will not become a reality for the future Alaskan generation.

Overall, House Bill No. 596 is very general in nature, and it needs to be more specific within its certain provisions. If it is not improved in total, the Association of Village Council Presidents, Inc. will be leaning toward the Senate Bill on the Permanent Fund.

Original sponsor: Special Committee on the
Alaska Permanent Fund

BY THE SPECIAL COMMITTEE
ON THE ALASKA PERMANENT FUND

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 596

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

11 ARTICLE IV. INVESTMENT OVERSIGHT COMMITTEE.

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

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

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

29 (1) monitor and report

1 (A) the performance of the agencies of the state which
2 perform lending or investment functions,

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

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

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

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

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

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

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

1 mittee, his committee membership terminates on the date of filing.

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

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

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

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

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

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

1 bling and furnishing requested information;

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

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

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

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

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

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

21 Sec. 24.20.690. DUTIES. The committee shall

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

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

29 (3) review periodic reports from all agencies of the state

1 which perform lending or investment functions;

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

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

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

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

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

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

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

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

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

24 CHAPTER 13. ALASKA PERMANENT FUND.

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

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

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

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

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

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

29 Sec. 37.13.030. PURPOSE. It is the purpose of this chapter to

1 provide a mechanism for the management and investment of those permanent
2 fund assets allocated to the Alaska Permanent Fund Corporation in a
3 manner consistent with the findings established in sec. 20 of this
4 chapter.

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

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

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

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

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

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

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

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

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

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

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

1 Sec. 37.13.090. QUORUM. Two members of the board constitute a
2 quorum for the transaction of business and the exercise of the powers
3 and duties of the board.

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

8 Sec. 37.13.110. EMPLOYMENT OF PERSONNEL. The board may employ and
9 determine the salary of an executive director. The executive director
10 may, with the approval of the board, select and employ additional staff
11 as necessary. No employee of the corporation, including the executive
12 director, may be a trustee. The executive director and all other
13 employees of the board are in the exempt service under AS 39.25.

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

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

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

1 of funds, considering the probable income from them as well as probable
2 safety of capital.

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

5 (c) The board shall seek to maintain a reasonable diversification
6 among corporation investments unless under the circumstances it is
7 clearly prudent not to do so.

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

10 (e) The corporation may not borrow funds or guarantee from princi-
11 pal of the fund the obligations of others.

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

16 (g) Subject to (a) and (b) of this section the board may invest
17 corporation assets in obligations of the United States or obligations
18 for which the full faith and credit of the United States are pledged for
19 payment of principal and interest; loans secured by first liens on
20 unencumbered realty or leaseholds; and corporate securities which under
21 the Securities Act of 1933 are freely marketable.

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

29 (2) No portion of the assets of the corporation may be used

1 in the purchase of stock if immediately following the purchase the
2 proportionate market value of all stocks held by the corporation would
3 exceed 30 per cent of the corporation's assets.

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

8 (i) Nothing in this section may be interpreted to preclude in-
9 state investments that have a risk level and expected yield comparable
10 to alternative investment opportunities.

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

24 Sec. 37.13.150. INCOME. The interest and dividends received in a
25 year are the income of the corporation for that year. The income avail-
26 able for disbursement shall be determined on an averaging basis. For
27 the first five years, income will be the simple averaging of the annual
28 current return at cost. Subsequently, there will be a moving average
29 current return, in which the latest fiscal year will replace the oldest
30

1 year. The income available for disbursement will be the lesser of the
2 latest fiscal year's income, or the average annual current income for
3 the past five fiscal years of the fund at cost, and after adjustment for
4 capital losses charged to that fiscal year.

5 Sec. 37.13.160. BOARD BUDGET. The board's operating budget is
6 from the general fund and is subject to the Executive Budget Act (AS
7 37.07).

8 Sec. 37.13.170. AUDITS. The Investment Oversight Committee shall
9 provide for an annual post audit and annual operational and performance
10 evaluations of the corporation's investments and investment programs.

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

1 Sec. 37.13.190. TAX EXEMPTION. The corporation is exempt from all
2 taxes and assessments in the state. All security instruments issued by
3 the corporation, their transfer, and their income are exempt from all
4 taxes and assessments in the state.

5 Sec. 37.13.200. POLITICAL ACTIVITIES. The members of the board of
6 trustees and employees of the corporation may not engage in partisan
7 political activities. The resources of the corporation may not be used
8 to finance any partisan political activities.

9 Sec. 37.13.210. PUBLIC ACCESS TO INFORMATION. Information in the
10 possession of the corporation is a public record, except that infor-
11 mation which discloses the particulars of the business or affairs of a
12 private enterprise or investor is confidential and is not a public
13 record. Confidential information may be disclosed only for the purposes
14 of an official law enforcement investigation or when its production is
15 required in a court proceeding. These restrictions do not prohibit the
16 publication of statistics presented in a manner that prevents the iden-
17 tification of particular reports, items, persons, or enterprises.

18 * Sec. 4. AS 44 is amended by adding a new chapter to read:

19 CHAPTER 55. THE ALASKA ENTERPRISE INVESTMENT CORPORATION.

20 Sec. 44.55.010. CREATION OF CORPORATION; FUNDING. (a) There is
21 created the Alaska Enterprise Investment Corporation. The corporation
22 is a public corporation and government instrumentality in the Department
23 of Revenue but has legal existence independent of and separate from the
24 state. The exercise by the corporation of the powers conferred by this
25 chapter is considered an essential governmental function of the state.

26 (b) One-sixth of the receipts of all mineral lease rentals, roy-
27 alties, royalty sale proceeds, and federal mineral revenue sharing pay-
28 ments and bonuses allocated to the Alaska permanent fund shall be paid
29 by the Alaska Permanent Fund Corporation directly into the Alaska
30

1 Enterprise Investment Corporation until a total of \$100,000,000 has been
2 paid in. The amount paid into the Alaska Enterprise Investment Corpora-
3 tion under this subsection is the paid-in capital of the corporation.

4 Sec. 44.55.020. FINDINGS. The legislature finds

5 (1) that investment in financially sound small and medium
6 scale (A) productive private enterprises and (B) community development
7 projects in the state, for which sufficient capital is not available
8 from other sources on reasonable terms, is of benefit to the citizens of
9 the state;

10 (2) there is a shortage of investment capital available from
11 other sources on reasonable terms for financially sound small and medium
12 scale productive private enterprise and community development projects;

13 (3) that the corporation working with private financial
14 institutions to supplement but not supplant their services can help to
15 alleviate this shortage.

16 Sec. 44.55.030. PURPOSE. The purpose of the corporation is to
17 provide capital at market rates and terms which are not available from
18 other sources on reasonable terms for small and medium scale productive
19 private enterprises and community development projects.

20 Sec. 44.55.040. ALASKA ENTERPRISE INVESTMENT CORPORATION POLICY
21 BOARD. (a) There is established the Alaska Enterprise Investment
22 Corporation Policy Board consisting of a person employed in the execu-
23 tive branch of state government appointed by the governor and six public
24 members appointed by the governor with due regard for geographical
25 representation and confirmed by a majority of the members of the legis-
26 lature in joint session. At least two of the public members shall have
27 recognized competency and wide experience in investment and finance. No
28 public member may be appointed to the board who has not been a resident
29 of the state for at least three years. The board shall elect one of the

1 public members as chairman and other officers they determine desirable.

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

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

11 (d) Public members of the policy board receive an honorarium of
12 \$250 for each meeting day if they attend the meeting and are entitled to
13 per diem and travel allowances as provided by law for members of state
14 boards and commissions.

15 Sec. 44.55.050. REMOVAL AND VACANCIES ON BOARD. (a) The governor
16 may remove a policy board member from office by and with the consent of
17 a majority of the members of the legislature in joint session. The
18 joint session shall be held within 10 days from the date of removal if
19 the removal occurs while the legislature is in session or within 30 days
20 of convening of the legislature if the member was suspended. If the
21 legislature is not in session, the governor may suspend a member of the
22 policy board for cause. Upon suspension, a vacancy is not created but
23 a board member may not participate in policy board business and may not
24 be counted for purposes of establishing a quorum. If the legislature
25 refuses to consent to his removal, the member shall be reinstated to his
26 position.

27 (b) A vacancy arising on the policy board shall be promptly filled
28 by appointment by the governor and confirmation by a majority of the
29 members of the legislature in joint session, and an appointee to fill a

1 vacancy shall hold office for the balance of the term for which his
2 predecessor on the board was appointed. If a vacancy arises on the
3 board while the legislature is not in session, the governor may appoint
4 an interim board member who shall exercise all powers of a permanent
5 board member until such time as the legislature in joint session fails
6 to confirm the interim member's appointment.

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

10 Sec. 44.55.060. DUTIES OF THE POLICY BOARD. The policy board shall

11 (1) select and appoint the president and other members
12 of the Investment Committee established in sec. 80 of this chapter;

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

16 (3) have responsibility on behalf of the corporation for
17 relations with the general public, legislature, executive branch, local
18 communities, and interest groups concerning all things excepting only
19 those matters that are the responsibility of the Investment Committee;

20 (4) review quarterly reports from the Investment Committee
21 concerning investment decisions and investment supervision, but the
22 board may not impose an investment decision upon, or override an invest-
23 ment decision of, the Investment Committee;

24 (5) review, consider and approve policies;

25 (6) establish an audit committee which shall select inde-
26 pendent outside auditors, and receive all audit reports.

27 Sec. 44.55.070. PRESIDENT. The president of the corporation is
28 appointed by the policy board for a term of four years, may be reap-
29 pointed, and serves at the pleasure of the policy board. The salary of

1 the president is set at the discretion of the policy board; but may not
2 be set below that of the highest paid member of the Investment Commit-
3 tee. The president shall

4 (1) have sole responsibility for presenting investment pro-
5 posals to the Investment Committee;

6 (2) be responsible for the ordinary business of the corpo-
7 ration and the organization, appointment, dismissal, and remuneration of
8 the officers and staff;

9 (3) be responsible for making investments in investment grade
10 securities, subject to review by the Investment Committee;

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

13 Sec. 44.55.080. INVESTMENT COMMITTEE. (a) There is established
14 the Investment Committee, consisting of the president and four members
15 appointed by the policy board. No member of the policy board may be a
16 member of the committee. Members of the committee shall be persons of
17 recognized competence and wide experience in investments, finance, and
18 other business management-related fields. No member may be appointed to
19 the committee who has not been a resident of the state for at least
20 three years. A member may be reappointed and continue to serve until
21 his successor is appointed. The president and members shall serve for
22 four-year terms. Terms shall be staggered. Initial terms shall be one
23 member serving for one year, one member serving for two years, one
24 member serving for three years, and one member and the president serving
25 for four years.

26 (b) Three members of the committee constitute a quorum. Decisions
27 of the committee shall be taken by majority vote.

28 (c) Members of the committee other than the president receive an
29 annual salary within Range 30 in the salary schedule for state employees

1 established by AS 39.27.011.

2 Sec. 44.55.090. DUTIES OF THE COMMITTEE. The committee has sole
3 responsibility to approve all investment proposals regarding productive
4 private enterprises and community development projects in the state, and
5 review all investments in investment grade securities.

6 Sec. 44.55.100. BUDGET. The corporation operating budget is from
7 the general fund and is subject to the provisions of the Executive
8 Budget Act (AS 37.07).

9 Sec. 44.55.110. PERSONNEL OF CORPORATION. Policy board members,
10 committee members, and officers and staff of the corporation are in the
11 exempt service under AS 39.25.

12 Sec. 44.55.120. POWERS OF THE CORPORATION. (a) In carrying out
13 the corporate purposes of the corporation, the policy board has power to

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

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

16 (3) sue and be sued in the name of the corporation;

17 (4) borrow funds, and in that connection furnish such collat-
18 eral or other security as it determines, except that corporation borrow-
19 ing may not exceed its paid-in capital;

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

22 (6) enter into agreements necessary or convenient in the
23 exercise of its powers and functions;

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

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

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

1 (b) In carrying out the corporate purposes of the corporation, the
2 committee has the power to

3 (1) invest, as it considers appropriate, by purchasing the
4 capital stock of, or lending money to, projects, except that any invest-
5 ment in the capital stock of or other ownership interest in a project
6 may not exceed 25 per cent of the capital stock of, or other ownership
7 interest in, the project, and no loan or other investment in the project
8 by the corporation may exceed 90 per cent of the cost of the project
9 unless, in the judgment of the committee, additional amounts must be
10 loaned to protect the interests of the investment fund;

11 (2) deposit or invest surplus funds through the Alaska Perma-
12 nent Fund Corporation in such obligations as the committee may determine;

13 (3) buy and sell securities the corporation has issued or
14 guaranteed or in which it has invested;

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

17 Sec. 44.55.125. INVESTMENTS. (a) In making investments, the
18 committee and staff shall exercise the judgment and care under the
19 circumstances then prevailing which a person of ordinary prudence,
20 discretion, and intelligence exercises in the management of his own
21 affairs taking into consideration the probable income from the invest-
22 ments as well as probable safety of principal.

23 (b) The committee may invest not more than 50 per cent of the
24 resources of the corporation to provide a reasonable proportion of
25 longer-term investment capital for financing the establishment, improve-
26 ment, and expansion of financially sound small and medium scale produc-
27 tive private enterprises which will benefit Alaskans, and for which
28 sufficient capital is not available from other sources on reasonable
29 terms. These investments may take the form of equity, debt, or debt

1 guarantees.

2 (c) The committee may invest not more than 50 per cent of the
3 resources of the corporation in financing a reasonable proportion of the
4 longer-term investment capital needs for financially sound small and
5 medium scale community development projects of municipalities and public
6 corporate entities and private dwellings in the state for which suf-
7 ficient financing is not available from other sources on reasonable
8 terms. These investments may take the form of equity, debt, or debt
9 guarantees.

10 (d) The committee may not invest or guarantee obligations totaling
11 more than five per cent of the assets of the corporation or \$5,000,000,
12 whichever is less, in a single project unless the legislature has ap-
13 proved the investment by concurrent resolution.

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

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

21 (g) The committee shall only undertake its financing on terms and
22 conditions which it considers appropriate, taking into account the terms
23 and conditions normally obtained by private investors for similar fi-
24 nancing, the requirements of the enterprise or project, the risks being
25 undertaken by the corporation, and the participation of other investors
26 unless the legislature has appropriated funds for subsidizing invest-
27 ments which in the opinion of the corporation are of such high priority
28 that special terms and conditions are appropriate.

29 (h) The committee may seek to revolve the corporation's money by

1 selling its investments to other investors whenever it can appropriately
2 do so on satisfactory terms.

3 (i) The committee shall seek to maintain a reasonable diversi-
4 fication in its investments.

5 (j) The committee shall only consider investment proposals after
6 the applicant for an investment has submitted a detailed proposal to the
7 committee's staff and the staff has prepared a written report recommend-
8 ing the investment after a study of its merits.

9 (k) The committee shall analyze the economic and other effects of
10 an investment decision, including the effects on employment, income
11 distribution, environment, health, social and other factors. The com-
12 mittee shall be sensitive to the views of affected local communities.

13 (l) The committee may guarantee qualifying loans made by financial
14 intermediaries in order to facilitate investment by the intermediaries
15 in specific enterprises or projects.

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

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

26 Sec. 44.55.140. INITIAL DETERMINATIONS. Before beginning its
27 financing operations, the policy board shall render a detailed report to
28 the legislature which shall

29 (1) define the sectors which need financing for expansion of

1 existing projects or the development of new projects;

2 (2) define the size and nature of projects which are feasible
3 for corporation financing;

4 (3) determine specific projects which are feasible for corpo-
5 ration and private financing;

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

8 (5) forecast the capital requirements of the corporation for
9 the first three years of its operations.

10 Sec. 44.55.150. REPORTS AND PUBLICATIONS. The policy board shall
11 publish an annual report in easily understandable language to the gover-
12 nor, legislature and the public. Each report shall include financial
13 statements audited by independent outside auditors, a statement of the
14 amount of money received by the corporation from each source during the
15 period covered, a statement of corporation investments, a description of
16 corporation investment activity during the period covered by the report,
17 an analysis of economic and other effects of investment decisions in-
18 cluding, but not limited to, the effects on employment, income distri-
19 bution, environment, health, social and other factors, and any other
20 information the policy board believes would be of interest to the gover-
21 nor, the legislature and the public. The corporation may also publish
22 such other reports as it considers desirable to carry out its purpose.

23 Sec. 44.55.160. CONFLICT OF INTEREST. (a) Members of the policy
24 board and the committee are subject to the provisions of AS 39.50.

25 (b) Members of the policy board and the committee shall disclose
26 their financial interest in an investment proposal and disqualify them-
27 selves from voting on any investment proposal in which they have a
28 financial interest.

29 Sec. 44.55.170. POLITICAL ACTIVITIES. The members of the policy

1 board and the committee and officers and staff of the corporation may
2 not engage in partisan political activities. The resources of the
3 corporation may not be used to finance any partisan political activi-
4 ties.

5 Sec. 44.55.180. PUBLIC ACCESS TO INFORMATION. Information in the
6 possession of the corporation is a public record, except that infor-
7 mation which discloses the particulars of the business or affairs of a
8 private enterprise or investor is confidential and is not a public
9 record. Confidential information may be disclosed only for the purposes
10 of an official law enforcement investigation or when its production is
11 required in a court proceeding. These restrictions do not prohibit the
12 publication of statistics presented in a manner that prevents the iden-
13 tification of particular reports, items, persons, or enterprises.

14 Sec. 44.55.190. TAX EXEMPTION. The corporation is exempt from all
15 taxes and assessments in the state. All security instruments issued by
16 the corporation, their transfer, and their income are exempt from all
17 taxes and assessments in the state.

18 Sec. 44.55.200. DEFINITIONS. In this chapter

19 (1) "board" or "policy board" means the Alaska Enterprise In-
20 vestment Corporation Policy Board established by sec. 20 of this chap-
21 ter;

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

24 (3) "committee" means the Investment Committee established by
25 sec. 60 of this chapter;

26 (4) "corporation" means the Alaska Enterprise Investment
27 Corporation.

28 * Sec. 5. AS 39.25.110 is amended by adding new paragraphs to read:

29 (21) members of the policy board and Investment Committee, and

1 the president, officers, and staff of the Alaska Enterprise Investment
2 Corporation;

3 (22) members of the board of trustees, the executive director,
4 and staff of the Alaska Permanent Fund Corporation.

5 * Sec. 6. AS 39.50.200(9) is amended by adding new subparagraphs to read:

6 (NN) Alaska Enterprise Investment Corporation Policy
7 Board and Investment Committee;

8 (OO) Alaska Permanent Fund Corporation Board of Trustees.

9 * Sec. 7. TRANSITION. (a) The commissioner of revenue shall transfer
10 all funds of the Alaska permanent fund to the Alaska Permanent Fund Corpora-
11 tion established by this Act within 10 days after request for transfer is
12 made by the corporation board of trustees.

13 (b) The Alaska Enterprise Investment Corporation may not expend funds
14 for any purpose other than normal operating expenses of the corporation until
15 the paid-in capital of the corporation reaches \$50,000,000. Other funds of
16 the corporation including the funds received under AS 44.55.010 in sec. 4 of
17 this Act shall be invested as surplus funds under AS 44.55.120(b)(2) in sec.
18 4 of this Act until the paid-in capital reaches \$50,000,000.

19 * Sec. 8. AS 37.10.065(c) is repealed.

20 * Sec. 9. AS 37.10.065(a) and (b) are repealed.

21 * Sec. 10. Section 9 of this Act takes effect upon transfer of the funds
22 of the Alaska permanent fund to the Alaska Permanent Fund Corporation as
23 provided in sec. 7(a) of this Act. The remainder of this Act takes effect
24 immediately in accordance with AS 01.10.070(c).

M E M O R A N D U M

To: Subcommittee on the Renewable Resources Development
Fund of the House Special Committee on the Alaska
Permanent Fund.

From: Tom Singer
Administrative Assistant

Subject: HB 682 Nonrenewable Resource Revenues

Date: 2/9/78

SUGGESTED CHANGES

1. Page 1, lines 23-24 and 27: The phrases "high unemployment and unstable economy" and "sporadic and non-stable development" might be rephrased. The legislature might more properly find that Alaska's economy and unemployment are seasonal in nature, particularly those portions of the economy and employment relating to renewable resources.
2. Page 2, line 1, delete "reductions in" and substitute "insufficiency of".
3. Page 2, line 5, following the word "state" add "and a lack of scientific information concerning the resources;".
4. Page 2, line 24, following the word "achieve" delete "their most appropriate use" and substitute "an appropriate use of the resources."
5. Page 2, line 26, following the word "state" add "which will constitute an appropriate use of the resources;".
6. Page 3, lines 7-9: These lines (subsection b of 37.12.050) substantially limit the amount of money available for investments and grants as provided in the rest of HB 682. Also, line 8, following the word "source", add "except income received under AS 37.11.070 from investment fund income".
7. Page 3, lines 23-24; Page 4, lines 5-6: The Committee might want to consider an alternate approach to the matter of legislative approval of removal of a trustee. Such an alternate approach would make removal legal if not specifically disapproved by a majority of the legislature in joint session.
8. Page 4, lines 19-20: The matter of durational residency is complex and in continual litigation. If the committee finds that it wants to retain durational residency for trustees, then it might consider adding the usual boilerplate section saying that if any portion of the bill is found unconstitutional then the rest of the bill still stands.

9. Page 5, line 14: This limits trustees and employees from "board activity" if they have an investment. Should this be changed to "all activity" so that, for instance, an employee cannot do any work preliminary to board action?

10. Page 6, lines 15-17: What does "in order to facilitate investment by the board in specific projects which do not warrant direct supervision by the corporation" mean? If the corporation is to be responsible to the public for its investments, it can be assumed that some supervision will be required for all investments.

11. Page 6, line 19, delete "have income producing potential" and substitute "are economically viable".

12. Page 6, lines 20-23, delete all material and substitute:

(13) provide grants to state agencies, municipalities, or non-profit corporations only for projects for the rehabilitation, enhancement, and development of a common property resource or which have potentially broad application to the public;

The Committee may want to substitute the word "and" for "or" in the fourth line of this section to limit grants to those which achieve both conditions. With "or", a grant can be made for projects "which have potentially broad application to the public", a rather broad power.

13. Page 6, line 24, delete "to implement this chapter" and substitute "governing the exercise of its corporate powers".

14. Page 6, lines 25 and 26, delete all material and substitute:

(15) deposit funds, or invest surplus funds through the permanent fund (AS 37.13) in such obligations as the board of trustees of the Alaska Renewable Resources Corporation may determine;

15. Page 6, line 25, page 12, line 29 and page 13, line 1:

(a) "permanent fund" should read "Alaska Permanent Fund Corporation".

(b) These sections seem to be in conflict. The first gives cash management authority to the APFC, the second to the commissioner of revenue. Shouldn't these sections be made consistent?

*delete
sub-section
delete
8b5c. 11*

*see
notes*

adopt

*adopt as
changed
here.*



Page Three
Sub-Comm. on RRDF
2/9/78

adopt
16. Page 8, lines 5-7, delete all material and substitute:

(C) sufficient capital is not available from other sources on reasonable terms;

adopt
17. Page 8, lines 24 and 25 delete all material.

leave for now
18. Page 8, line 28, following the word "utilized" delete "when other mechanisms are not feasible and when the benefits of the grant will accrue to the general public" and substitute "as authorized by Sec. 37.12.150 (13)."

19. Page 9, line 2, add:

(3) require investments made by the corporation to be secured by means determined to be appropriate by the board.

20. Page 9, line 5, following the word "invest" add "or otherwise provide financial assistance of".

adopt
21. Page 9, line 9, following the word "than" delete "25" and substitute "49".

adopt
22. Page 9, line 13, following the word "of" delete "10" and substitute "30".

23. Page 10, line 4, delete "grant" and substitute "provide".

24. Page 10, line 8, the Committee may want to consider adding a durational requirement (three years) because the state has an overriding interest in distributing the benefits of this program to Alaskans who have been here longer than 30 days.

adopt
25. Page 10, lines 9 and 10, delete "it is owned by a majority who are residents of the state" and substitute "the majority interest is beneficially owned by residents of the state and a majority of the owners are residents of the state."

hold
26. Page 10, line 24, following the word "chapter" add "detailed infrastructure requirements required by or complementary with corporation investment activity."

adopt
27. Page 11, lines 5 and 6, delete "directly appropriated by the legislature only as authorized" and substitute "appropriated".

adopt
28. Page 11, line 10, delete "a certified public accountant" and substitute "an independent outside auditor".

29. Page 11, line 19, add:

*Card mv →
adopt*

Sec. 37.12.230. TAX EXEMPTION. The corporation is exempt from all taxes and assessments in the state. All security instruments issued by the corporation, their transfer, and their income are exempt from all taxes and assessments in the state. (from HB 596)

hold-revise

Sec. 37.12.240. ~~E~~MPLOYMENT PRACTICES. (a) In the performance of contracts let by a recipient of financial assistance under this chapter for construction, repair, preliminary surveys, engineering studies, consulting, maintenance work or any other retention of services necessary to complete any project for which the assistance was made, 95 per cent residents shall be employed where they are available and qualified. If 10 or fewer persons are employed under the contract, then 90 per cent residents shall be employed where they are available and qualified.

(b) The commissioner of commerce and economic development shall incorporate into all lending instruments issued under this chapter the provisions of (a) of this section and a provision calling for immediate foreclosure of the loan for violation of the provisions of (a) of this section.

(c) In addition to immediate foreclosure of his loan, as provided in (b) of this section, a borrower who violates the provisions of (a) of this section is ineligible for any loan under this chapter for 10 years following the violation.

(d) Municipalities and state agencies and departments when contracting for services concerning any aspects of administration and financing of the fund shall comply with AS 36.10. (from SB 429)

Sec. 37.12.250. TECHNICAL ASSISTANCE. Before a project is approved for financial assistance, the corporation shall perform a study to determine its economic and technical feasibility. If the project is subsequently approved for financial assistance, the corporation shall provide such technical assistance as is considered necessary and desirable by the board. The cost of the study and assistance provided under this section shall be borne by the corporation. (from SB 429)

OR

*Green m.v.
no obje →
adopt*

Sec. 37.12.250. TECHNICAL ASSISTANCE. (a) The corporation may provide financing for pre-investment activities including feasibility studies, when, in its opinion, the proposed investment is of high priority and the financing is not available from other sources on reasonable terms and conditions. Amounts so advanced may form a part of a later investment, if the enterprise or project is financed by the corporation.

(b) The corporation may provide for technical and management advice and assistance to proposed and actual investments as it considers necessary in the circumstances. (from HB 298)

*Card m.v.
no object.
→ adopt*

Sec. 27.13.260. PUBLIC ACCESS TO INFORMATION. Information in the possession of the corporation is a public record, except that information which discloses the particulars of the business or affairs of a private enterprise or investor is confidential and is not a public record. Confidential information may be disclosed only for the purposes of an official law enforcement investigation or when its production is 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. (from HB 596)

adopt → 30. Page 11, lines 23 and 24, delete all material.

31. Page 12, line 15, following the word "fund" add "or the Alaska Renewable Resources Corporation".

32. Page 12, line 27, following the word "fund" add "or the Alaska Renewable Resources Corporation".

33. Page 13, line 5, following the word "shall" add "be allocated to the Alaska Renewable Resources Corporation".

34. Page 13, line 19, delete "1982" and substitute "1988".

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.