

SCOMM

#9:179

# 179

ALASKA CONSERVATION SOCIETY

Position Statement on

THE PERMANENT FUND

November 1977

The General Goals of the Alaska Conservation Society 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.

The Alaska Conservation Society 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 Permanent 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.

MINUTES OF

The House Special Committee  
on the Alaska Permanent  
Fund

PUBLIC HEARING

Room 124, Capitol Building  
February 9, 1978 7 PM

Chairman Gruening called the meeting to order at 7:15 PM and invited testimony from the public on House Bills 4, 298, 595, 596 and 682.

Present were Chairman Gruening, Rep. Haugen, Rep. Miles, Rep. Meekins, Rep. Schaeffer, Rep. Hayes, and Rep. Gardiner members of the Committee. Also present were Representatives Malone, Osterback and Snider, Commissioner Gallagher and Deputy Commissioner Edenso.

Dr. Joe Sonneman testified that the Permanent Fund should be used as a fiscal policy tool.

Mr. Joe McLean brought two major points on House Bill 596 before the Committee. Accounting of losses should be obvious on an annual basis (37.13.140, p.11) and that members of the Alaska Enterprise Investment Corporation Policy Board should have "recognized business competency" instead of "wide experience in investment finance" (Pg. 14, l.29), be limited to one or two terms and be residents for more than seven years.

Mr. Phil Holdsworth testified that the Permanent Fund should support public utilities and protect the Trust Land's interests.

Ms. Virginia Del Piaz of the Alaska Conservation Society presented the Society's position statement which sets goals for the Permanent Fund to provide for the future, minimize immigration, protect renewable resources and assure the quality of life. The Society supports an increase in the Fund to 50% of revenues, addition of mineral severance taxes to the Fund's sources, re-investment of part of the interest allocation of principal to outside investments and modest investment in renewable resources and opposes investment in large scale energy projects and high risk small investments with significant environmental impact.

Representative Osterback suggested using the fund for bottom fishery support.

There was a short recess at 9:20 PM and the Committee reconvened at 9:30 PM for a working session

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House Permanent Fund Comm

It was moved by Rep. Meekins and adopted without objection:

Page 1, lines 6 and 7, following the word "revenues" on line 6, add "and to legislative oversight."

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Page 12, line 25 through page 13, line 4, delete all material.

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Sec. 37.13.190. 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.

It was moved by Rep. Meekins and adopted without objection:

Page 14, lines 10-13, delete all material and substitute:

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

Page 14, lines 17-21 delete all material and substitute:

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

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Page 15, line 12, following "(d)" insert the word "Public".

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Page 19, line 10, delete the word "it" and substitute "the investment committee".

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It was moved by Rep. Gruening to adopt the same residency requirement for the Investment and Policy Boards as specified for the Board of Trustees. The motion was deferred.

A Committee mark-up session was scheduled for Tuesday night, February 14 at 7:00 PM in Room 124 Capitol Building and the meeting was adjourned at 9:50 PM.

##

Public Hearing

Feb 9  
7: PM  
124 Capitol

NAME ADDRESS DO YOU WISH TO TESTIFY?

Joe Smaneman

no one signed up so:

Shari Gross UFA

Sterling Gallagher

Jim Edenso

Rep. Osterback

Rep. Snider

Virginia Del Piaz

Phil Holdsworth

Isabel McLean

Joe McLean

Bob Speed

Tom Singer

Hugh Malone

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 2, 1978

SUBJECT: HB 596 Permanent Fund

TO: Representative Clark Gruening  
Chairman  
Special Committee on the Permanent Fund

FROM: Billy G. Berrier *BB*  
Director  
Division of Legal Services

We have found certain technical corrections that we feel should be made to HB 596. These changes reflect changes correlative to decisions made by the interim committee but not picked up in the final re-draft.

SUGGESTED CHANGES

*adopt*  
1. Page 1, lines 6 and 7, following the word "revenues" on line 6, add "and to legislative oversight." (With broadening of the legislative oversight committee responsibility to include all agencies involved in lending, borrowing or investing, there is a question as to compliance of the title with the requirement of the Constitution that the subject of the bill shall be expressed in the title.)

*adopt*  
2. Page 12, line 25 through page 13, line 4, delete all material. (Because of the wide nature of publicly held stocks the permanent fund corporation will invest in, the conflict of interest was changed from prohibitory to disclosure. The later section now appears as Sec. 37.13.120 on page 9. This Sec. 37.13.190 should have been deleted when it was replaced by the rewritten section.)

*adopt*  
3. Page 12, line 25, add:

Sec. 37.13.190. 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.

(The tax exemption section in Sec. 44.55.190 on page 24 should apply to the Permanent Fund Corporation and the Alaska Enterprise Fund Corporation. Because of the organization of the bill, this requires specific sections for each.)

*adopt*  
4. Page 14, lines 10 - 13, delete all material and substitute:

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

→ Page 14, lines 17 - 21 delete all material and substitute:

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

(Under the existing language, the application of the modifier "for which sufficient capital is not available from other sources on reasonable terms" is unclear. It was intended that this apply to both types of projects as in the suggested change.)

*adopt*  
5. Page 15. line 12, following "(d)" insert the word "Public".

(The member of the executive branch who is on the policy board would be on a full-time pay status. This was not picked up when the section was changed to coincide with the change in trustees in Sec. 37.13.100.)

*adopt*  
6. Page 19, line 10, delete the word "it" and substitute "the investment committee". (The referent of the word "it" in the existing language is the investment committee but that referent is somewhat unclear in the existing language.)

Representative Clark Gruening  
Page 3  
February 2, 1978

7. Page 19, line 27, following the word "of" add:

"financially sound small and medium scale"

(This addition is for consistency since these modifiers are otherwise used uniformly.)

*add*  
8. Page 20, line 11, delete the word "bank" and substitute "corporation". (Terminology change not picked up when name changed.)

9. Page 23, lines 13 and 14, following the word "members" delete "of the board of trustees" and substitute "of the policy board and investment committee".

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BGB:jpd

# Alaska State Legislature

SPECIAL COMMITTEE ON  
THE ALASKA PERMANENT FUND

(907) 276-3433

528 W. 5TH, SUITE 270  
ANCHORAGE, AK. 99501

[POUCH V. JUNEAU, AK. 99811]

(907) ~~465-4955~~

465-4955



## MEMBERS


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REP. TERRY GARDINER, V. CHMN.  
REP. E. J. HAUGEN  
REP. RUSS MEEKINS  
REP. BILL MILES  
REP. LEO SCHAEFFER  
~~REP. BOB WOOD~~  
Rep. Joe Hayes

## House of Representatives

February 7, 1978

Dear Legislator:

The House Special Committee on the Alaska Permanent Fund will hold a public hearing on Thursday night, February 9, 1978 in the House Judiciary Committee Room (124) in the Capitol Building to receive testimony on House Bills 4, 298, 595, 596, and 682. Those wishing to hear or offer testimony on these bills are invited to attend.

  
Representative Clark Gruening

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REP. LEO SCHAEFFER  
~~REP. JOE HAYES~~

Rep. Joe Hayes

## House of Representatives

### ADDENDUM TO PUBLIC HEARING ANNOUNCEMENT:

The House Special Committee on the Alaska Permanent Fund will hold its hearing at 7:00 PM on Thursday, February 9 as previously announced. This notice is to inform you of the time which was mistakenly deleted on the previous notice.

## Introduction:

Chm Ore called the mtg to order  
welcomed the public & invited  
testimony on HB 4, 395, 596, 298,  
& 682.

## Forneman:

McLean: Gen. Investment Advisor,  
Insulated from politics

Pg. 11 37.13.140  
losses should be obvious  
no credit for unrealized losses - profits  
acct of losses should be obvious & not  
apportioned over sev. yrs. time.

44.55.040 -  
"reg. <sup>required</sup> business competency" instead  
of "wide exp in invt fin. (129 pg 14)  
Have 4 instead of 2 public memb.

(b) limit terms to once or twice  
so you don't have a "czardom," so you  
are able to remove them.

residence requirement longer 17yr

P. 17 And or or -

p. 20 (f) → (h) contradict  
diff. cap. could be obtained from pri. mkt.  
also in 2B

don't preclude joint ventures (i.e. 25%)

8:10

Malone - charges during mkt cap

79 21 (K) split info. <sup>analysis</sup> proposal  
to expensive

Gov's bill

keep out of pol.  
no comp w/ pri. mkt.

Malone

7 79 20: (e) 2,500,000 too low  
need higher absol. limit (double limit suggest)

Callaghan:

sug. 1% - 3% of assets

Owens - limit to 2%

8:40

Phil Holdsworth:

1: Support pub util - emp. int. s.  
exp: low interest (initially) to util

2: Trust lands - <sup>no violate</sup> protect trust lds -  
no funds from trust go into fund

7 act AG opin on trust lds early 77 call Petz

Jim Rhoads -

C.M.A.L.

Pres. & Prof. Univ. in Petsbg

- Rates H. Bills 4,298,595  
Blue BK 596,682  
- 429 amounts to 298

Jolene Waterfield  
Box 976  
Petsbg 99833

rev for trust hd 1.5 mill/yr

Vig Del Rio Alcon Soc.

position on Perm Fund.

goals -

7  
copy to  
comm.

1. Assure fut. Alc enjoy benefit
2. Ass per fund mgmt results in minimal pop increase sum.
3. Protect resources from nonperm

Mgmt preferences

increase to 50%

Alcon -

Btm. fish - he has bill to get into fisheries  
need 10 mil from FF to deposit  
to borrow 20 mil.

396 Malone -

Recess 9:00

Rules not pres.

596 Bernier

1 pg 1 16-7

meek move no obj adopted

2 pg 12 105

meek move no obj adopted

3 pg 12 105

meek move no obj adopt

action  
recommen  
4 p 14 110-13

meek move no obj adopt

5 p 14 117-21 (e) p 14 10-13

meek move no obj adopt

5 p. 15 112

Hayes m no obj adopt

6 p. 19 110

Gre move no obj adopt

7 p 19 127

Hayes move no obj adopt

8. p 20 l 11  
meet move

Garlini move

"resources" delete <sup>change</sup> to "assets". p 20 line 11

no obj to either → adopted

9. p 23 l 13-14 l 15 l 22-23

Garl. mv. no obj adopted

p. 18 l 29 p 19 l 1

invest - as it consid.

no more no obj adopted

Green move - read 145  
adopt same as for Bd of Trust  
for both Invest. & Policy Bd.  
deferred. Bernier <sup>memo</sup> forced Sys.?

meet Tues. mte <sup>7:00</sup> call Miles  
Wed after session Utilities (Hanger)

P.T.

V. H. H. H.

P. H.

Minutes Rm 124 Capit.  
Feb 9 7:15 PM  
HSC on APF  
Hous. Jud. Rm 124  
Capitol Building

Chairman Guerning <sup>called the meeting to order at 7:15 p.m.</sup> welcomed the public, and invited testimony on HB's 4, 5, 596 & 682.

Dr. Joe Sommerman suggested that the ~~stat~~ P.T. should be used as a fiscal policy tool.

Mr. Joe McLean brought two proposals before the Comm: that accounting of losses should be on an annual basis (57, 13, 150 pg 11) and that members of the <sup>and</sup> Enterp. Investm. Corp Policy Bd. <sup>should</sup> recognize business competency instead of "wide experience in the investment finance" (line 29 pg 14); be limited to one or two terms <sup>and</sup> be residents for more than 7 yrs.

Present were Chm. Guerning, Rep. Miles, Rep. Mark, Rep. Schaeffer, Rep. Hays, Rep. Haugen, and Rep. Gardiner, committee members. Also present were Rep. Malone, Rep. Osterback, Rep. Snider; Sterling Gall Com of Rev. of Jim Edens & Dep. Com. Rev.

Mr. Phil Holdsworth testified that the BF should support public utilities and protect the Trust Lands interests.

Mrs. Virginia DePuy of the Alaska Council Society presented a position statement made by the society which set goals providing for the PR to provide for the future, minimize immigration, protect renew res. and assure the quality of life. The society would prefer: ~~What type of revenues be dedicated to the fund, mineral severance taxes to added to the fund.~~

Rep A Osierback suggested using the fund for bottom fishery support.

There was a short recess at 9:20, the Committee resumed at 9:40 for a working session with Rep Miles absent.

for HB 596

The following motions were made and adopted without objection (as suggested by Bill Berrin)

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Ms. Virginia Del Piaz of the Alaska Conservation Society presented the Society's position statement which sets goals for the Permanent Fund to provide for the future, minimize immigration, protect renewable resources and assure the quality of life. The Society supports an increase in the Fund to 50% of revenues, addition of mineral severance taxes to the Fund's sources, re-investment of part of the interest allocation of principal to outside investments and modest investment in renewable resources and opposes investment in large scale energy projects and high risk small investments with significant environmental impact.

Representative Osterback suggested using the fund for bottom fishery support.

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Mr. Phil Holdsworth testified that the Permanent Fund should support public utilities and protect the Trust Land's interests.

Ms. Virginia Del Piaz of the Alaska Conservation Society presented the Society's position statement which sets goals for the Permanent Fund to provide for the future, minimize immigration, protect renewable resources and assure the quality of life. The Society supports an increase in the Fund to 50% of revenues, addition of mineral severance taxes to the Fund's sources, re-investment of part of the interest allocation of principal to outside investments and modest investment in renewable resources and opposes investment in large scale energy projects and high risk small investments with significant environmental impact.

Representative Osterback suggested using the fund for bottom fishery support.

There was a short recess at 9:20 PM and the Committee reconvened at 9:30 PM for a working session

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It was moved by Rep. Meekins and adopted without objection:

Page 1, lines 6 and 7, following the word "revenues" on line 6, add "and to legislative oversight."

It was moved by Rep. Meekins and adopted without objection:

Page 12, line 25 through page 13, line 4, delete all material.

It was moved by Rep. Meekins and adopted without objection:

Page 12, line 25, add:

Sec. 37.13.190. 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.

It was moved by Rep. Meekins and adopted without objection:

Page 14, lines 10-13, delete all material and substitute:

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

Page 14, lines 17-21 delete all material and substitute:

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

It was moved by Rep. Hayes and adopted without objection:

Page 15, line 12, following "(d)" insert the word "Public".

It was moved by Rep. Gruening and adopted without objection:

Page 19, line 10, delete the word "it" and substitute "the investment committee".

It was moved by Rep. Hayes and adopted without objection:

Page 19, line 27, following the word "of" add "financially sound small and medium scale".

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It was moved by Reps. Gardiner and Meekins and adopted without objection:

Page 20, line 11, delete "resources of the bank" and substitute "assets of the corporation".

It was moved by Rep. Gardiner and adopted without objection:

Page 23, lines 13 and 14, following the word "members" delete "of the board of trustees" and substitute "of the policy board and investment committee".

Page 23, line 15, following the word "members" delete "of the board of trustees" and substitute "of the policy board and investment committee".

Page 23, lines 22 and 23, following the word "member" delete "of the board of trustees" and substitute "of the policy board and investment committee".

It was moved by Rep. Gruening and adopted without objection:

Page 18, line 29 through page 19, line 1 delete ", in such form and such amounts not to exceed \$100,000,000,".

It was moved by Rep. Gruening to adopt the same residency requirement for the Investment and Policy Boards as specified for the Board of Trustees. The motion was deferred.

A Committee mark-up session was scheduled for Tuesday night, February 14 at 7:00 PM in Room 124 Capitol Building and the meeting was adjourned at 9:50 PM.

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