

SCOMM

#9:3

TO: All Commissioners

DATE: July 25, 1977

FROM: Fran Ulmer, Director
Policy Development and Planning
Office of the Governor

SUBJECT: Alaska Permanent Fund
Working Group

This memo is intended to inform all commissioners about the recently created Alaska Permanent Fund Working Group. If you are not presently designated as a member and wish to be, please contact me at your convenience.

On Wednesday, July 13, the first meeting of the Working Group was held. Unfortunately, very few commissioners were able to attend. We are presently attempting to schedule another meeting and would appreciate notice of whether you could attend either July 29 or August 3.

The purpose of the Permanent Fund Working Group is to coordinate the Administration's efforts on the Permanent Fund through direct involvement of the agencies' personnel and research capability. Attached is a preliminary work plan drawn up by the Division as an example of the kind of efforts to be undertaken under the direction of the Working Group. The Group will work toward coordinating agency efforts so that they will be neither duplicative nor conflicting. The ultimate task of the Working Group will be to advise the Governor in his efforts to develop and refine enabling legislation for the Permanent Fund and to prepare for eventual implementation of the Fund. The Group will help all agencies be prepared to respond to legislative inquiries for information and to provide support for this effort next session.

As defined in the attached letter from Governor Hammond to Representative Gruening, Chairman of the House Special Committee on the Permanent Fund, the Division of Policy Development and Planning (DPDP) will serve as coordinator of this effort.

The Division will attempt to circulate all available information and reports to all participants, communicate regularly with the legislative committees and periodically convene briefing sessions.

July 25, 1977

The Growth Policy Council has selected the Permanent Fund as one of the four major issues to discuss in this fall's Public Forum program. One of the first items on the Working Group's agenda must be the review of the Public Forum questions on the Fund. We should also discuss and develop a consensus on the work agenda and deadlines for work products of all participants.

Due to the magnitude and importance of the Permanent Fund question, your personal participation is requested. In addition, please consider designating a member of your department to serve both as a liaison with the Working Group and as manager of your department's actual work efforts.

Thank you.

Attachments

FAU/TS/ljs

cc: Governor Hammond

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

Meeting with Pope, Rodgers

- 1) ODDP role in Pub. Forum questions
- 274-1007 ~~Jim Kennedy~~ - Sky River Process for Pub. Forum
- 2) Public/professional mix in mgmt. - ^{not} Conf. on ~~Alto~~ + Social Pub. Policies

Annex Paper - What ISSUES need to be resolved in LEGIS. by July 15. Then → ask public

AREAS TO ASK PUBLIC

What test/goals for P.F.
E. dev. -

Common boxes - 32 programs directly
Common dev. -

STRUCT. IS TECHNICAL - maybe hearings

White paper - 2000 people ^{groups} ask after issue paper
invite to putting further
PWS - media thing to invite gen. public. to parties.
of response, get white paper to

DON'T THEY EVER TALK ABOUT HOW RESULTS BECOME POLICY?

MEMORANDUM

*input
checked
correct*

TO: Fran Ulmer, Director
DPDP

DATE : June 27, 1977

FROM: Russ Cahill
Bill Luria
Dona Lehr
Tom Singer

SUBJECT: Permanent Fund Work
Program

In his letter of transmittal of HB 298, the Governor identified several unsettled policy issues concerning the Permanent Fund which require further investigation. Attached is a work program which we feel addresses the Governor's major concerns, identifies and coordinates State information capabilities and needs, and provides the information necessary for Administration policy-making.

The Governor expressed great concern that the public should be widely consulted concerning the goals for and uses of the Fund. He also identified the need for criteria to guide fund expenditures. Finally, he observed that the complex issue of the proper mix between political and professional control over the fund required further exploration. The work categories described below reflect these concerns as well as our evaluation of additional data and research needs. The specific work items are attached in chart form.

I. Overview

This work area contains ongoing information gathering and distribution efforts, as well as analysis and preparation of information in a format useful to decision-makers (from DPDP's viewpoint, specifically for the Governor). Tasks include continuing consolidation and distribution of reports and data, fiscal planning, and analysis of the implications of alternative proposals.

II. Goals for the Permanent Fund

The goals for the use of the public monies earmarked for the Fund rightly must be derived from the public. Thus, work in this area relates to coordination of the several public participation efforts and the management of the Administration's activities in this area. Once the public has expressed goals and aspirations for the

use of the Permanent Fund, the task emphasis shifts to the interpretation of these goals, and efforts to incorporate the goals into enabling legislation. The various alternative fund structures must be analyzed in terms of their ability to attain the public goals.

III. Criteria and Performance Evaluation

DPDP is currently working in this area with the active participation of other State agencies. Once the goals and major criteria areas are identified through the public participation process, specific effort can be directed toward the refinement of criteria and the development of performance measures.

IV. Political/Professional Mix in Fund Decisions

One of the most difficult questions associated with the Permanent Fund structure is how to maintain public accountability and control over Fund uses while freeing the fund operations from undue political pressures or abuse. There are no handy models or obvious theoretical answers to this question, as State investigations to date have shown. There likely does, however, exist expertise around the country which can be further applied to this problem. We propose an approach which would bring together in Alaska nationally prominent bankers, fund managers, political scientists, economists, etc., to discuss the question in a roundtable seminar. Transcripts of this meeting, and subsequent evaluation of the opinions expressed should contribute greatly to State policy-makers (both in the Administration and in the Legislature) attempting to develop or refine enabling legislation.

V. Uses of Permanent Fund Earnings

The Governor's memo describing his new "tracking system" allocates activities related to the Alaska, Incorporated Working Group. The results of that working group, along with study of other suggested uses of Fund earnings (e.g. reserve accounts, inflation hedge, Fund operating expenditures) should be coordinated with the analysis and development of enabling legislation for the Permanent Fund principal.

VI. Miscellaneous

Continued legal research is necessary to clarify allowable options for Permanent Fund use as specified in the constitutional amendment which established the Fund. Examples include definition of "permanent" and "income producing". Lastly, continuing effort must be expended to maintain coordination with the legislative committees which are

developing their own proposals for enabling legis-
lation.

Attached are specific work items designed to implement the
six generalized categories given above.

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
I. <u>Overview</u>			
a. Coordination	a. In cooperation with Legislative Affairs, consolidate past and existing efforts and information on Permanent Fund--Tussing report on Alaska's capital markets; SIAC efforts; consultant efforts; legislative committees, State agency efforts.	a. Ongoing with monthly status memos for agency distribution.	a. DPDP
b. Fiscal Planning	b. Analysis of State revenue and expenditure patterns under various scenarios; implications for Permanent Fund contributions; identification and evaluation of fiscal tools available for State economic intervention (loan programs, bonds, CIP, Renewable Resources Revolving Fund, others); alternatives available to move financing of government expenditures to a recurring basis.	b. Revenue/Expenditure Report; Fiscal Tools Evaluation (include strengths and weaknesses); Recurring Revenue Analysis	b. Revenue, and Budget Management, Options Commission
c. Alternatives Evaluation	c. Analysis and critique of proposed alternatives for the Permanent Fund and the consultants' work; coordination of agency comments.	c. Evaluation of efforts, including growth, fiscal and economic policy considerations; Reports to the Governor.	c. DPDP and Revenue

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
II. <u>Goals Formulation</u>			
a. Coordination	a. Identification and coordination of all public participation programs related to Permanent Fund; coordination of agency inputs.	a. Ongoing, with monthly status memos for agency distribution.	a. DPDP
b. Issue Identification	b. Assist in structuring questions for public discussion; assist and in the preparation of background information.	b. List of specific questions; Background information.	b. DPDP and Revenue
c. Analysis	c. Analyze the implications of public preferences and State policy concerning the alternatives for the Permanent Fund.	c. Report including means for refining enabling legislation.	c. DPDP
State Budget Process	d. Develop methodology for incorporating public forum responses into State policy-making and budgeting process; Implementation.	d. Ongoing	d. DPDP and B+W
Public Preference Evaluation (based on Public Forum results now in hand)	e.1 Renewable Resources Investigation e.1.1 Sectoral Analysis relating to renewable resources. e.1.2 Program plans for enhancing renewable resource areas. e.1.3 Loan Programs Evaluation e.1.4 Activities of Development specialists in forestry, fisheries, tourism, agriculture.	e.1.1 Report e.1.2 Report e.1.3 Report e.1.4 Report	e.1.1 Revenue e.1.2 ADF&G e.1.3 B & M e.1.4 CED
	e.2 Community Development Needs and Potentials	e.2 Report	e.2 BCRA and CED
	e.3 Report on existing State investment activity and performance and other in-State experiences (Native Corps, employees pension funds).	e.3 Reports	e.3 Revenue
	e.4 <i>Renewal of</i> Report on "shares in Alaska" concepts <i>(documented and out of the way)</i>	e.4 Report	e.4 B & M DPDP

REPORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>III. Criteria & Performance Evaluation</u>			
a. Loan Criteria Development	a.1 Development of loan criteria which embody the goals determined for Permanent Fund uses. a.2 Status report on large scale project evaluation criteria	a.1 To be determined a.2 Ongoing, with Status Reports	a.1 To be determined a.2 DPDP with broad agency participation.
b. Performance Evaluation Development	b. Development of performance evaluation measures to determine the performance of fund management in achieving stated goals.	b. To be determined	b. To be determined Revenue, DPDP, B-M (?)
<u>IV. Political/Professional Mix</u>			
a. Preparation for Seminar	a. Identification of seminar participants, <i>organization and planning of the event.</i>	a. Seminar, Transcript	a. To be determined
b. Synthesis of Seminar Results	b. Discussion paper outlining seminar results and the implications for alternative Permanent Fund structures.	b. Report	b. DPDP
c. <u>Use of Permanent Fund Income</u> <i>Coordination</i>	Coordination with Alaska Inc. Working Group. a.4	--	a.4 To be determined

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
VI. <u>Micellaneous</u>			
a. Legal Analysis	a. Define "permanent" and "income producing" (market ROI? over-all vs. project? income to fund or individuals?). Outline implications as these definitions relate to "prudent person", inflation, reserve accounts, % put into fund (greater than 25% - can it be withdrawn, interest - can it be withdrawn?), etc.	A.G. Opinions; Summary of legal opinions obtained by Legislative committees.	Dept. of Law
Coordination of Administration and Legislative Activities.	b. Maintain information flow among various participants.	--	DPDP

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
I. <u>Overview</u>			
a. Coordination	a. In cooperation with Legislative Affairs, consolidate past and existing efforts and information on Permanent Fund--Tussing report on Alaska's capital markets; SIAC efforts; consultant efforts; legislative committees, State agency efforts.	a. Ongoing with monthly status memos for agency distribution.	a. DPDP
<p><i>NOT IMP, DONE ANYWAY MAYBE REV. DO IT AS LEAD AGENCY WITH CLOUT</i></p>			
b. Fiscal Planning	b. Analysis of State revenue and expenditure patterns under various scenarios; implications for Permanent Fund contributions; identification and evaluation of fiscal tools available for State economic intervention (loan programs, bonds, CIP, Renewable Resources Revolving Fund, others); alternatives available to move financing of government expenditures to a recurring basis.	b. Revenue/Expenditure Report; Fiscal Tools Evaluation (include strengths and weaknesses); Recurring Revenue Analysis	b. Revenue, and Budget Management, Financial Options Committee
<p><i>NO PROBS ISSUE REV.</i></p>			
c. Alternatives Evaluation	c. Analysis and critique of proposed alternatives for the Permanent Fund and other consultant work; coordination of agency comments.	c. Evaluation of efforts, including growth, fiscal and economic policy considerations; Reports to the Governor.	c. DPDP and Revenue
<p><i>VERY IMP! PUTS OVER BOX ON TOP OF THEIR BOX</i></p>			

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
II. <u>Goals Formulation</u>			
a. Coordination <i>IMP</i>	a. Identification and coordination of all public participation programs related to Permanent Fund; coordination of agency inputs.	a. Ongoing, with monthly status memos for agency distribution.	a. DPDP
b. Issue Identification <i>VERY IMP. BVT RE PUB. FORUM, NOT SG</i>	b. Assist in structuring questions for public discussion; assist and in the preparation of background information.	b. List of specific questions; Background information.	b. DPDP and Revenue
c. Analysis <i>VERY IMP. - MAY BE KEY TO DIFFUSE SG.</i>	c. Analyze the implications of public preferences and State policy concerning the alternatives for the Permanent Fund.	c. Report including means for refining enabling legislation.	c. DPDP
d. State Budget Process <i>PIE IN SKY</i>	d. Develop methodology for incorporating public forum responses into State policy-making and budgeting process; Implementation.	d. Ongoing	d. DPDP and B+M
e. Public Preference Evaluation (based on Public Forum results now in hand) <i>STERLING'S MEMO</i>	e.1 Renewable Resources Investigation e.1.1 Sectoral Analysis relating to renewable resources. e.1.2 Program plans for enhancing renewable resource areas. e.1.3 Loan Programs Evaluation e.1.4 Activities of Development specialists in forestry, fisheries, tourism, agriculture. e.2 Community Development Needs and Potentials e.3 Report on existing State investment activity and performance and other in-State experiences (Native Corps, employees' pension funds). e.4 <i>Review of</i> Report on "shares in Alaska" concepts <i>(decentralized control of Fund)</i>	e.1.1 Report e.1.2 Report e.1.3 Report e.1.4 Report e.2 Report e.3 Reports e.4 Report	e.1.1 Revenue e.1.2 ADF&G e.1.3 B & M e.1.4 CED e.2 DCRA and CED e.3 Revenue e.4 B & M and DPDP

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>III. Criteria & Performance Evaluation</u>			
a. Loan Criteria Development <i>a.2 ALREADY, a.1 get SG on Board</i>	a.1 Development of loan criteria which embody the goals determined for Permanent Fund uses. a.2 Status report on large scale project evaluation criteria.	a.1 To be determined a.2 Ongoing, with Status Reports	a.1 To be determined a.2 DPDP with broad agency participation.
b. Performance Evaluation Development <i>get SG on Board</i>	b. Development of performance evaluation measures to determine the performance of fund management in achieving stated goals.	b. To be determined	b. To be determined Revenue, DPDP, B+M (?)
<u>IV. Political/Professional Mix</u>			
a. Preparation for Seminar	a. Identification of seminar participants, <i>organization and planning of the event.</i>	a. Seminar, Transcript	a. To be determined
b. Synthesis of Seminar Results <i>VERY IMP.</i>	b. Discussion paper outlining seminar results and the implications for alternative Permanent Fund structures.	b. Report	b. DPDP
<u>V. Use of Permanent Fund Income</u>			
a. <i>Coordination LETS GET GOING - GUV'S PET!!</i>	Coordination with Alaska Inc. Working Group. a.4	--	a.4 To be determined

PERMANENT FUND WORK ELEMENTS

EFFORT	TASK REQUIREMENTS	END PRODUCTS	SUGGESTED RESPONSIBILITY
VI. <u>Micellaneous</u>			
a. Legal Analysis SAMS 56	a. Define "permanent" and "income producing" (market ROI? over-all vs. project? income to fund or individuals?). Outline implications as these definitions relate to "prudent person", inflation, reserve accounts, % put into fund (greater than 25% - can it be withdrawn, interest - can it be withdrawn?), etc.	A.G. Opinions; Summary of legal opinions obtained by Legislative committees.	Dept. of Law
b. Coordination of Administration and Legislative Activities.	b. Maintain information flow among various participants.	--	DPDP

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

TO: Fran Ulmer
Director

DATE : 6/28/77

FROM: Tom Singer
Senior Planner

SUBJECT: Revenue/DPDP Permanent Fund
Memos

I have three basic problems with Comm. Gallagher's memo of 6/27:

1. It is not clear to me that the SIAC or the Dept. of Revenue have established primacy in the Administration policy - making effort for the Permanent Fund. Has the Governor ordered this? Does he really want them to be the "top box"?
2. Comm. Gallagher's breakdown of the issues into economic diversification (development?), Savings, and Community Development assumes certain decisions and categories of use which have not yet been adequately supported by public input or technical analysis. If his categories stand, they should
 - a. be subject to both analytical and theoretical scrutiny to help provide a systematic and clearly justified basis for government intervention in the State's economy - what market imperfections or public entrepreneurship is government addressing, and
 - b. be clarified to explicitly eliminate certain types of large scale industrial development projects which are neither desired by the public nor in need of public capital if they are truly economically viable.
3. The policy and decision - making process embodied in the present Administration bill is wholly inadequate. The SIAC's proposed Fund structure could be almost perfectly insulated from any form of public control.

As for the bulk of the Memo, I have no great objection to any of the specific efforts recommended by Comm. Gallagher. We do need his support for several of our more important proposals, however; (or do we?) specifically I.c Alternatives Evaluation (DPDP in "top

box"), II.b Issue Identification, II.c Analysis, and IV. Political /Professional Mix.

A few more specific criticisms of Comm. Gallagher's memo follow:

- * Comm. Galagher's laundry list of agencies on the first page is followed by little thought as to what these agencies should do.
- * The Revenue-dominated SIAC's rapport lies with White Weld, ADL, and Price Waterhouse, etc. and Alaskan developers, not with "Alaska's various interest groups."
- * Using the first meeting of the Working Group to assign tasks offers little time for member agencies to figure out what needs doing.
- * Again, Comm. Gallagher's approach begs the question of where, why, and how to structure economic intervention by the State, and eliminates such alternatives as 'maximize return or safety (invest outside) or the provision of more direct benefits by expanding existing State loan programs such as eduaction loans.
- * Regarding economic diversification, can the "one-shot" provision of capital insure the long-term success of any enterprise or industry which was not already operating or successful - why didn't the market already respond to that opportunity?
- * The potential role of the Permanent Fund in community development has been inadequately addressed with respect to needs, opportunities, or pricing.
- * What is being done about Alaska, Inc? Is that the only use of Fund income being considered?

ALASKA PERMANENT FUND INTERIM ACTIVITY

This all is contained in our memo + is OK w/ some need SG on board on few of ours. Also, still thinking w/ diff. assumptions than us. If going with his bill:

- ① Policy Board needs report work-
- ② Basis for intervention as intervention needs much analysis + exposure

↑ where

Dept. of Revenue and State Investment Advisory Committee

Administrative Working Group Alaska Permanent Fund

must Δ → since not mandated to be lead state policy making in SF area, not in Rev.

Economic Diversification

- . Dept. of Commerce & Economic Development
- . Dept. of Revenue
- . Dept. of Labor
- . Governor's Office
- . Dept. of Natural Resources
- . Division of Policy Development & Planning

Savings Account

- . Dept. of Revenue
- . Dept. of Commerce & Economic Development
- . Div. of Budget & Management
- . Dept. of Administration

Community Development Investments

- . Municipal Bond Bank Authority
- . Dept. of Community & Regional Affairs
- . Dept. of Revenue
- . Dept. of Transportation
- . Dept. of Administration
- . Div. of Budget & Management
- . Div. of Policy Development & Planning
- . Dept. of Commerce & Economic Development

Public Information and Input

- . Division of Policy Development & Planning
- . Dept. of Revenue
- . Dept. of Community * Regional Affairs
- . Governor's Office
- . Dept. of Commerce & Economic Development

AGENCIES, BUT WHAT DO? SPECIFICALLY?

ALASKA PERMANENT FUND WORKING GROUP

*Bob Hammond
to sub SG straight
aligned
prop
not*

The Governor appointed the Department of Revenue as the lead agency for the administration in the development of the Alaska Permanent Fund. Further, the Governor appointed the State Investment Advisory Committee to aid the State in the development of the Alaska Permanent Fund (the S.I.A.C. is statutorily mandated to advise the State on investment policy). It is my recommendation that the proposed administrative Alaska Permanent Fund Working Group report to the State Investment Advisory Committee in order to continue the rapport already established with Alaska's various interest groups. The purpose of the Working Group will be to develop recommendations on policy for the S.I.A.C. based on public input and State agency programs.

*BUZ LSAH,
Walt
ADL, etc!*

which is advisory to SG! Come On!

The Division of Policy Development and Planning will be responsible for coordinating the efforts of the Working Group. It will monitor report preparation and distribution to all agencies. Each agency will be responsible for the preparation of reports and subsequent presentation to the Working Group. The Division of Policy Development and Planning and the Department of Revenue will be responsible for jointly preparing a final report to the State Investment Advisory Committee.

The membership of the proposed Working Group be comprised of the following:

- Department of Revenue/Commissioner's Office
- Department of Commerce & Economic Development/Commissioner's Office
- Department of Community & Regional Affairs/Commissioner's Office
- Department of Transportation/Commissioner's Office
- Department of Administration/Commissioner's Office
- Department of Labor/Commissioner's Office
- Department of Natural Resources/Commissioner's Office
- Department of Law/Attorney General's Office
- Governor's Office/Kent Dawson

*he means
their flunkies to
be dominated,
not heads*

Office of Budget & Management/Ron Lind

Division of Policy Development & Planning/Director's Office

Alaska Municipal Bond Bank Authority/Dave Rose

The Working Group should be sub-divided into the following categories for participation purposes:

- a. Public information and input
- b. Community development investments
- c. Savings account
- d. Economic diversification

} ask about ours vs. his:
 overview, Goals, Interest + Performance,
 solid. prof. inv, use of borrowing, etc.
 His assumes use.

LEAVES NO
 TIME FOR
 COORD. DISCUSSION
 OR TALKING

Task assignments will be made at the first meeting of the Working Group. Each assignment should take into consideration each agency's major area of activity and expertise, e.g., Community and Regional Affairs be assigned in the community development area; Division of Policy Development and Planning for agency coordination (circulating reports for comments, deadlines, etc.), and so on.

NO
 SPECIFICS
 WHAT LOOKING FOR FROM THEM?

Specific Questions to be Addressed by the Alaska Permanent Fund Working Group:

1. Public Comment and Information Input

How should the Alaska Permanent Fund monies be invested?

A. Investments in the private sector.

what are all the - say it
 out together! NEED

If the Alaska Permanent Fund is used to stimulate development in the private sector, a number of questions should be asked of the public. The following are questions which may be presented to the public for consideration:

- 1. Investments in capital intensive sectors versus investments in labor intensive sectors.
- 2. Investments which subsidize project development through interest rates lower than market rates of interest.
- 3. Investments at market rates of interest.

STRUCT!
 EC-INTERV.
 MAX REV. → KINGS
 DIRECT
 INCOME PROD.
 BENEFITS -
 CHANGEST. W/AN
 LIKE
 GOV.
 GOV. IS

4. Investments to diversify the economy in order to eliminate seasonal effects of certain industries, implement new industries, and to broaden the State's recurring tax base. *- NEED SOME SPECIFIC WORK - CAN K DO THIS -*

5. Investments which minimize environmental impact.

*CRAJ PROVISION OF
K LEAD TO L.T. SUCCESS
ENTERPRISE FUND*

B. Community development investments.

Some types of community development projects which need to be considered by the public include: *ASK COMMUN. + CRA*

1. Housing.

2. Infra-structure development (to include utilities, transportation, communications, power development, etc.).

3. Financial assistance to communities through providing trust, guarantee, and other types of agreements for municipal securities.

Questions which need to be asked pertinent to community development include:

1. What kind of housing: single family, multiple, large housing development projects (condominium development)?

2. Would there be a limitation on infra-structure development assistance?

3. Should there be a specific amount allocated for community development projects? *AT WHAT COST?*

C. Savings account.

The savings account concept means that the Alaska Permanent Fund could be either partially or wholly invested in the financial securities markets. This concept implies investments of the Alaska Permanent Fund monies in U. S. government securities, BAA securities, and other securities of a similar rating. The objective is to earn the greatest amount of income while minimizing the amount of risk in order to insure the preservation of the Permanent Fund. Questions to be presented to the public include:

*↓ inflation in Alaska
leave mkt alone - no major interventions
for stability*

1. What percentage of the Alaska Permanent Fund should be allocated to the savings account concept?

D. Alaska, Inc. *OTHER INCOME ALTS?*

II. State Agency Data and Study. ~~STATE~~

A. Investments in the private sector.

OK Information concerning Alaska's economy may be useful in evaluating investment proposals submitted to the Alaska Permanent Fund. The development of a sectorial analysis of the State's economy to provide information to be used for evaluating investment proposals is an important aspect of the State agency and data area. Such questions as the following may be asked: *Who, by who*

1. What sectors of the State's economy are more attractive for investment purposes?
2. What sectors of the State's economy should be considered for purposes of prioritizing investments from the Alaska Permanent Fund' in the State's economy? *ASK BANKS + ENTREPRENEURS - HOW + WHY ST. POLICY TO FAVOR? CONST?*
3. Should there be an allocated amount of Alaska Permanent Fund monies designated for investment purposes into a particular sector of the Alaska economy?

B. Community development investments.

1. Regional growth rates (actual, projected, limitations).
2. Projected housing needs.
3. Mutual options for community investments in the categories of electric power, utilities, transportation facilities, and communication.
4. An inventory of community investment opportunities. *WIBBT*
5. An inventory of community credit characteristics. *AMBBB*

C. Savings account (financial management and investments).

1. The State's investment management experience in the security market.
2. Investment management experience of other investment managers.

D. Other technical questions.

1. Legal meaning of "permanent" and "income producing".
2. Comparison of cost of administration of other State investment funds.

E. Alaska, Inc.

3 basic probs.:

- 1) Not clear SIAC + Rev. top policy makers have
- 2) Their breakdown assumes uses + decisions. No analytics.
or structured basis presented for intervention
- 3) Decision making + policy making (sub. cont'd) wholly integrated

Old Leahy/
Lucia Work
Plan + memo

Trans Just Memo

TO: [The Honorable Clark Gruening
The Honorable Terry Gardiner

DATE : May 6, 1977

FROM: Dona Lehr, Acting Director ~~Dona~~ SUBJECT: Permanent Fund Work
Bill Luria, Principal Planner *Bill* Program
Policy Development and Planning
Office of the Governor

At your request, we have taken a look at the various work efforts you and your staff people have identified as being needed to develop the enabling legislation for the Permanent Fund. We have tried to organize the efforts involved in a logical order, as well as to include some of our own thoughts and recommendations. Attached is a breakdown of the range of suggested research/consultant efforts geared toward generation of enabling legislation for the Permanent Fund. Included are specific task suggestions, rationale for each task, end products and possible areas of responsibility. (Except for certain elements of the Fiscal Planning effort, we have not taken a hard look at how the Renewable Resources Revolving Fund will be integrated into the Permanent Fund work effort.)

It should be noted that an exact delineation of each task effort, and who should do what, is not necessary at this time. More specific requirements - in-house vs. consultants for example - will evolve as the program proceeds. The important point is that the program get started immediately. Not attached, but available, is a flow chart depicting what we think should be accomplished and when, as well as highlighting critical milestones/decision points and public input and internal review points. The chart can serve as a tool for monitoring the progress of the effort.

Our initial recommendations are:

1. Pool the collective knowledge and back-up material of your staff people, SIAC, DPDP and the Public Forum so that a refined set of goals, objectives and areas of concern can be identified. This will then form the basis for refining the attached as well as: (a) generating a detailed outline of what will go into the Legislative Report and the Public Forum Document; and (b) defining and assigning specific research/consultant efforts that should start soon;

PFWG

2. The following research efforts should be started immediately in order to provide back-up for the Legislative Report and the Public Forum Document:

- * overview of the general implications/impacts of the Permanent Fund on Alaska;
- * preliminary investigations of alternative fund management strategies;
- * continuation of the legal analyses; and
- * initial State fiscal planning, looking at the strengths and weaknesses of existing fiscal tools.

3. Delegate (or hire) one person who's responsibility will include monitoring the progress of the work effort as well as coordinating the various legislative, executive and consultant inputs; and

4. Clarify the relationship between the Executive (DPDP, Revenue and the SIAC) and the Legislative (House and Senate) branches regarding the overall work effort.

DPDP can provide the following: 1) coordinate State agency participation; 2) assist in monitoring program progress; 3) assist in defining and monitoring consultant efforts; and 4) participating directly in research efforts (particularly fiscal planning), goals formulation and Public Forum workshops.

DKL/BL/ljs

Attachments

cc: Fran Ulmer
Brian Rogers

PERMANENT FUND WORK ELEMENTS
(Excluding Public Input)

EFFORT	TASK REQUIREMENTS	RATIONALE	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>Summary of Background Information</u>				
.Public Forum	What has been said; what directions were given; what can't be determined; what problems were highlighted (comprehensive, absence of back-up material); what can back-up material provide?	Provides basic input for formulating refined set of goals and for generating Legislative Report and Public Forum Document.	Preliminary list of goals, objectives and priorities, and areas of concern.	Legislative staff, DPDP, Jack Kruse.
.SIAC	Summary of SIAC consultant inputs, future plans, coordination possibilities.	Same as above plus input to developing fund management strategies.	Summary memo of information.	SIAC, Revenue.
.Misc.	Prior consultant advice; legislative/staff points of view and information; types of investments, management, results, performance of other major investment efforts in Alaska (e.g. Native Corporations).	Same as above plus provides some guidance for individual investment investigations.	Summary memo.	Legislative staff.
<u>General Implications</u>				
.Broadbrush	Think piece on potential impact of fund on Alaska, in-state vs. out-of-state investments; efficiency of capital markets, loan vs. direct expenditures.	Provides back-up information for Legislative Report and Public Forum Document as well as helping to define more specific areas of investigation.	Memo-type report.	Legislative staff, ISER (Arlon Tussing). <i>BEING DONE</i>
.Analytics	Analytical evaluation of above-impacts on population, per capita income, and growth.	Same as above.	MAP-model Report.	ISER.

PERMANENT FUND WORK ELEMENTS
(Excluding Public Input)

EFFORT	TASK REQUIREMENTS	RATIONALE	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>Legal Analysis</u>				
.Preliminary	Define "permanent" and "income producing" (market ROI? over-all vs. project? income to fund or individuals?).	Provide back-up information for Legislative Report.	Internal memo with recommendations.	Legislative staff, Law.
.Final	Refine above plus defining "prudent person," inflation, reserve accounts, % put into fund (greater than 25% - can it be withdrawn, interest (can it be withdrawn)?	Highlights constraints to fund management strategies and individual investments.	Same as above.	Same as above.
<u>Fiscal Planning</u>				
.Initial	Definition of fiscal tools (loans, bonds, CIP, Renewable Resources Revolving Fund, general fund, etc.) strengths and weaknesses. <i>- FTR cc. INTERVENTION? FTR. POLICY</i>	Back-up input to legislative Report.	Internal memo.	DPDP, B&M, Revenue Legislative staff.
.Preliminary	Short- and long-term possible expenditure patterns combined with alternative revenue projections. Investigate size of "surplus" in general fund, implications for Permanent Fund contribution, context for evaluating alternative uses of earnings moving the financing of government expenditures to a recurring basis.	Provides input to interim goals formulation and Public Forum Report.	Same as above.	Same as above and ISER.
.Final	Continuation of above.	Provides input to selecting optional fund management approach(es).	Same as above, but effort is on-going beyond Permanent Fund effort.	Same as above.

PERMANENT FUND WORK ELEMENTS
(Excluding Public Input)

EFFORT	TASK REQUIREMENTS	RATIONALE	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>Legislative Report</u> - <u>Public Forum</u> <u>Report</u>	Generate reports including back-up information and tabloid-ready questions.	Forms basis for public information/public input process.	--	Legislative staff, Public Forum staff.
<u>Fund Management</u> <u>Activities</u>				
.General	Critique of present enabling legislation overview of CDC, Development Banks, State Banks, credit unions, consumer ccops, etc. - traditional goals.	Background information for Legislative Report, Public Forum Document and interim goals formulation.	Memo-type report.	Legislative staff, consultant mix (straights, freaks, ISER, Tom Singer).
.Interim	Refinement of above including a comparative evaluation, pros & cons, implications, relationships to State goals, general selection criteria, test strategy with types of investments.	Part of decision-making process to narrow down management funds to a select few.	Report(s) with recommendations for selected management strategies.	Same as above.
.Final	More detailed and analytical evaluation of selected management fund strategies including analysis of practicality, conflicts, with existing legislation, implications, political considerations (special interest groups).	Part of decision-making process to select optional management strategy(ies), input to fund structures and legislative decisions.	Report(s) with recommendations for optional management strategies.	Same as above.

PERMANENT FUND WORK ELEMENTS
(Excluding Public Input)

EFFORT	TASK REQUIREMENTS	RATIONALE	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>Fund Management Structure</u>				
.Preliminary	For selected management alternatives, investigate structural make-up potentials-control, organization, operating procedures, accountability, performance evaluation, flexibility to change, safety and maintenance of fund	input to final structure decision	memo-type report highlighting strengths and weaknesses and initial recommendations	SIAC, legislative staff, consultants
.Final	Refinement of above, including investment criteria, staffing, funding, location (centralized or regional), pilot projects requirements, sunset concept	basis of enabling legislation	report with final organizational recommendations	Same as above
<u>Investment Studies</u>				
.General	Overview of investment opportunities, sectoral and regional analyses, State programs, evaluation (in terms of market return/viability)	general background information, back-up input to Public Forum Document	report outlining investment potentials and relationship to fund management alternatives	Same as above plus various State agencies
.Interim	Refinement of above, including rationale, criteria for project selection, measures of success-long-term implications, sensitivity analyses, specific investments comparative evaluations	provides input to enabling legislation, as well as to the alternate fund managers	report detailing initial investment opportunities	Same as above
.Final	Effort is an on-going responsibility of fund managers	--	--	--

PERMANENT FUND WORK ELEMENTS
(Excluding Public Input)

EFFORT	TASK REQUIREMENTS	RATIONALE	END PRODUCTS	SUGGESTED RESPONSIBILITY
<u>Enabling Legislation</u>	Bringing together all the above into formal legislation	--	--	legislative staff

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STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

July 5, 1977

JAY S. HAMMOND, GOVERNOR

RECEIVED
JUL 6 1977

POUCH K--STATE CAPITOL
JUNEAU 99811

POLICY DEVELOPMENT
& PLANNING

Hon. Terry Gardiner
Alaska State Legislature
P. O. Box 6092
Ketchikan, Alaska 99901

Re: Permanent Fund

Dear Terry:

We have finally come out from under long enough to give you a short answer to your questions on this. In order of your inquiries, the answers are as follows:

(1) The creation of the permanent fund did not legally obligate the legislature to keep the income of the fund abreast of inflation. There almost certainly is an implied obligation to manage as a prudent person, which means that reasonable efforts to make profitable investments with an eye on inflation are probably a legal requirement. We confess that we cannot be sure. We will have to compare the language establishing our permanent fund with that of others and see what the cases say.

(2) Appropriations made to the permanent fund by law may not be withdrawn even though they are in excess of the amount required by the constitution. Only the income of the fund is available from the fund. Of course, a standing appropriation could be repealed, and if so, no further money would go into the fund from it.

Please advise if you require more on this. We realize that there will be hundreds of questions. We cannot conduct unlimited research on all of them. For the most part, we believe it will be best to limit our research to the issues which are of practical application. Even then, we will be stretched.

Sincerely,

AVRUM M. GROSS
ATTORNEY GENERAL

By: 

Rodger W. Pegues
Assistant Attorney General

RWP:chp

cc: Clark Gruening
Fran Ulmer

STATE
of ALASKA**MEMORANDUM**

TO: Fran Ulmer

DATE : July 18, 1977

FROM: Tom Singer SUBJECT: Permanent Fund
Work Status

Fran, the following items need to be addressed before you meet with Clark Gruening on Friday. Unless your ideas for DPDP on the Permanent Fund have changed, the strategy of working closely with Clark remains our best (only?) alternative. Here's what we need to do:

1. Work efforts on the Permanent Fund need a clearinghouse so that all participants are informed about what everyone else is doing and what results are coming in. You need to get Clark's and Edenzo's agreement on this. Implementation entails: a) compiling a master list of names and addresses of participants; and b) getting Revenue, legislative committees, Legislative Affairs, etc. to agree to send us information for general distribution (we've tried to do this before, and failed).
2. Clark wants to use the Public Forum. On Saturday he expressed the hope that the full committee would attend the first forum. How are he, Judy Brogan, Barry Quinn, and I (and others) supposed to coordinate - when, work plan, etc? What is the schedule and who has the lead (organizing responsibility) here?
3. By Friday, I will give you a preliminary conceptual outline of a proposal to study the public participation and accountability question to show to Clark. Hopefully, he will add either his own concerns not addressed and/or suggest more or other consultants. From this will hopefully come an agreement between you and Clark to receive a detailed, final proposal, which, if accepted, will be funded jointly by DPDP and the committee.
4. By Friday, I will give you an overview of pending consultants' suggestions for further research on the Permanent Fund focusing on Tussing and Daniels. Hopefully, you and Clark can use this to decide priority research areas, and develop a means for Clark, Judy Brogan, Brian Rogers, etc. to coordinate with Dona and I (and others) in developing specific work plans and in managing the consultants to insure we get the work we ask for. We'd like a shot at what the consultants are doing.

TS/ljs

cc: Russ Cahill
Dona Lehr