

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7361 SENATE COMMUNITY & REGIONAL AFFAIRS

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2/12/92

CS FOR SENATE BILL NO. 374 (CRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to investment pools for public entities; and providing for an effective
2 date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1. PURPOSE.** The purpose of this Act is to provide a means for certain public entities to
5 secure the maximum investment return consistent with the preservation of capital and liquidity by
6 pooling money temporarily available for investment. The Act allows for the establishment of

7 (1) centralized investment through pooling of certain available money by participating
8 public entities; and

9 (2) operational and investment criteria for investment pools in order to attain the
10 maximum investment return for the public entities' money consistent with the preservation of capital and
11 liquic. /.

12 * **Sec. 2.** AS 29.35 is amended by adding a new section to read:

13 **Sec. 29.35.015. INVESTMENT POOLS.** A municipality may invest money in
14 investment pools for public entities as authorized under AS 37.23 only if that municipality has

1 obtained the consent of its governing body through an ordinance authorizing the participation.

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

3 CHAPTER 23. INVESTMENT POOLS FOR PUBLIC ENTITIES.

4 Sec. 37.23.010. INVESTMENT POOL PARTICIPATION. (a) Subject to this chapter,
5 a public entity may enter into an agreement with other public entities to form and manage an
6 investment pool under which funds of the participating public entities are administered and
7 invested jointly. A public entity, by itself or with other public entities, may form a nonprofit
8 corporation for the purpose of managing an investment pool.

9 (b) A public entity participating in an investment pool or a nonprofit corporation formed
10 under (a) of this section may spend money reasonably necessary for the management of the pool,
11 including the employment of staff. Income from investments of the pool may be used for
12 management costs.

13 (c) The registration requirements of AS 45.55 do not apply to an investment pool formed
14 under this chapter or to participating public entities with respect to activities of the pool.

15 Sec. 37.23.020. AUTHORIZED INVESTMENTS. An investment pool may invest only
16 in securities that have a final maturity date within 13 months after the date of purchase.
17 Investments may only include

18 (1) obligations of the United States and of an agency or instrumentality of the
19 United States;

20 (2) repurchase and reverse repurchase agreements secured by the Treasury of the
21 United States and obligations of an agency or instrumentality of the United States;

22 (3) certificates of deposit, bankers acceptances, and other similar obligations of
23 a bank domiciled in the United States that has

24 (A) outstanding debt rated A or higher by at least one of the nationally
25 recognized rating services; and

26 (B) a combined capital and surplus aggregating at least \$500,000,000;

27 (4) commercial paper and other short-term taxable instruments that, at the time
28 of investment, maintain the highest rating by at least two nationally recognized rating services;

29 (5) obligations of a corporation domiciled in the United States or obligations of
30 a municipality that are taxable under federal law, if the obligations are rated A or higher by at
31 least two nationally recognized rating services at the time of investment;

1 (6) certificates of deposit that are issued by a state or federally chartered financial
2 institution that is a commercial or mutual bank, savings and loan association, or credit union, if
3 the institution's principal office is in the state, and if the institution's accounts are insured
4 through the appropriate federal insuring agency of the United States, regardless of whether the
5 institution meets the requirements of (3) of this section;

6 (7) money market funds in which the securities of the fund consist of obligations
7 listed in this section and otherwise meet the requirements of this chapter;

8 (8) other cash equivalent investments with a maturity date of one year or less after
9 date of the investment that are of similar quality to those listed in (1) - (7) of this section, are
10 rated A or higher by at least one of the nationally recognized rating services, and are approved
11 by the public entities participating in that investment pool.

12 Sec. 37.23.030. COLLATERALIZATION. Investment in certificates of deposit under
13 AS 37.23.020(6) and the entire amount of principal and interest payable upon maturity of the
14 certificates must be collateralized by a combination of securities that are marked to market at
15 least monthly and have maturity dates that do not exceed five years. Only the following
16 securities may serve as collateral:

17 (1) obligations of the United States with a maturity date of five years or less after
18 the date of the pool's investment transaction, and with a market value of at least 102 percent;

19 (2) securities in United States agencies or instrumentalities that are actively traded,
20 other than mortgage pass-through securities, with a maturity date of

21 (A) one year or less after the date of the pool's investment transaction, and
22 with a market value of at least 103 percent;

23 (B) of more than one year and less than five years after the date of the
24 pool's investment transaction, and with a market value of at least 107 percent;

25 (3) mortgage pass-through securities issued by the Government National Mortgage
26 Association with a market value of at least 120 percent;

27 (4) obligations of the state or its political subdivisions secured by the full faith,
28 credit, and taxing power of the state or its political subdivisions, rated A or higher by at least one
29 of the nationally recognized rating services, with a maturity date of

30 (A) one year or less after the date of the pool's investment transaction, and
31 with a market value of at least 102 percent;

1 (B) more than one and less than five years after the date of the pool's
2 investment transaction, and with a market value of at least 107 percent.

3 Sec. 37.23.040. PORTFOLIO RESTRICTIONS. The portfolio of an investment pool
4 under this chapter may not contain

5 (1) more than five percent of total investments in securities of one issuer unless
6 the securities are an obligation of or guaranteed by the United States;

7 (2) more than 30 percent of total investments in securities of companies whose
8 principal business is in the same industry; or

9 (3) transactions in futures, options, derivative securities, or short sales.

10 Sec. 37.23.050. INVESTMENT MANAGEMENT. The public entities participating in
11 an investment pool under this chapter shall provide for management of investments in the pool
12 by contracting for investment management and related services with

13 (1) an investment adviser registered under AS 45.55.030 and under 15 U.S.C.
14 80b-3 (Investment Advisers Act of 1940); or

15 (2) a financial institution that is a state or federally chartered commercial or
16 mutual bank, savings and loan association, or credit union, if the institution's principal office is
17 in the state, if the institutions's accounts are insured through the appropriate federal insuring
18 agency of the United States, and if the institution has trust powers under state or federal law.

19 Sec. 37.23.060. INVESTMENT RESPONSIBILITIES. The management and investment
20 of assets by investment pools shall be done with the care, skill, prudence, and diligence under
21 the circumstances then prevailing that an institutional investor would use in the conduct of an
22 enterprise of a like character and with like aims.

23 Sec. 37.23.070. REPORTS; DISCLOSURE STATEMENT. (a) The manager of an
24 investment pool shall provide to the participating public entities a monthly report on the
25 allocation of income of investments of the pool and describing activities of the pool. At least
26 annually, the manager of an investment pool shall provide a disclosure statement on the
27 management and operation of the pool to each public entity participating in the pool. The
28 disclosure statement must include a copy of the annual audit required under AS 37.23.080.

29 (b) A public entity participating in an investment pool that is an organization composed
30 of political subdivisions of the state shall promptly provide a copy of each report or statement
31 received under (a) of this section to its members who are participating in the investment pool.

1 (c) The manager of an investment pool shall provide to a prospective participant in the
2 pool copies of monthly reports prepared under (a) of this section for the past year, and a copy
3 of the most recent disclosure statement prepared under (a) of this section.

4 Sec. 37.23.080. ANNUAL AUDIT. By September 30 of each year, the manager of an
5 investment pool shall submit to the participating public entities an audit of the pool's investments
6 as of June 30 of that year. The audit must be performed by a certified public accountant licensed
7 under AS 08.04 who is not

8 (1) an employee of a public entity participating in the investment pool; or

9 (2) a contractor or an employee of a contractor who performed investment
10 services for the investment pool.

11 Sec. 37.23.090. LIMITATION OF LIABILITY. The state and participating public
12 entities are not liable for any acts or omissions of an investment manager with whom the
13 participating entities have contracted for investment management and related services under
14 AS 37.23.050.

15 Sec. 37.23.900. DEFINITION. For purposes of this chapter, "public entity" means a
16 political subdivision of the state, including a municipality and its subdivisions, a school district,
17 a regional educational attendance area, or an organization composed of political subdivisions of
18 the state.

19 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

STATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 1/29/92

FURTHER: Finance

Date of 5-Day Notice: 2/6/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

CRA Committee considered SB 374

"An Act relating to investment pools for public entities; and providing for an effective date."

and recommends:

replace with CS SB374 (CRA)

same title
 new title
 technical title change (HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes REN, CRA, DEC, ED

fiscal notes _____

DO PASS:

[Handwritten signatures]

OTHER RECOMMENDATIONS:

[Handwritten: True license - No fee]

[Handwritten: No fee]
Chair Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: 2/7/92
Title: An Act relating to investment pooling by public entities.
Sponsor: Senate Rules Committee
Requestor: Governor

Department Affected: Education
BRU: Executive Administration
Component: Commissioner's Office

COMPONENT SERIAL NO.

	1	8	9
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____
ANALYSIS: (Attach a separate page if necessary.)

Changes in SS374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
2/25/92 J. Covey
date Comte Aide (initial)

Prepared by: Mike Maher
Division: Commissioner's Office

Phone: 465-2800
Date: 2/7/92

Approved by Commissioner: Mike Maher
Agency: Education

Jerry Covey
Date: February 7, 1992

FISCAL NOTE

BILL NO. SB 374

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: 2/6/92

Department Affected: Revenue

Title: An act relating to investment pools for public entities; and providing for an effective date.

BRU: Operations

Component: Treasury Management

Sponsor: Rules Committee

Component Serial No.

Requestor: Senator Frank

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: February 6, 1992

Approved by Commissioner: David Lyndell

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Rev 12/91

Changes in SSB 374 (CRA)
reflect NO FISCAL CHANGE from the original
fiscal note. This fiscal note is appropriate.

Page ___ of ___

2/25/92
date

J. Fisher
Compte Aide (initial)

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: _____
Title: Investment pools for public entities
Sponsor: Senate Rules by Request of Governor
Requestor: (S) CRA Committee

Department Affected: Community and Regional Affairs
BRU: _____
Component: _____

COMPONENT SERIAL NO.

0	0	0	0
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						

REVENUE FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact No impact

ANALYSIS: (Attach a separate page if necessary.)

Changes in SSB374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
date 2/25/92 Comte Aide (initial) [Signature]

Prepared By: Remond Henderson
Division: Administrative Services Division

Phone: 465-4708
Date: 2/10/92

Approved by Commissioner: E. Berry
Agency: Department of Community and Regional Affairs

Date: 2-10-92

STATE OF ALASKA
1992 LEGISLATIVE SESSION

FISCAL NOTE

BILL NO. SB 374

Revision Date: _____

Department Affected: Commerce & Econ. Dev.

Title: Investment Pools for Public Entities

BRU: Banking, Securities & Corporations

Sponsor: Senate Rules

Component: _____

Requestor: _____

COMPONENT SERIAL NO.

1	2	3
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS (Attach a separate page if necessary.)

Changes in SB 374 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.

2/20/92 date [Signature] Comte Aide (initial)

Prepared By: Willis F. Kirkpatrick, Director

Phone: 465-2521

Division: Banking, Securities & Corporations

Date: _____

Approved by Commissioner: Glenn A. Olds

Agency: Department of Commerce & Economic Development

Date: 2-13-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Cfc., and Impacted Agency(ies).

Page 1 of 1



February 10, 1992

Position Paper

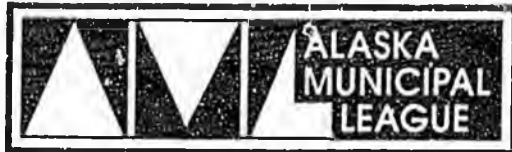
SB 374 - Investment Pools for Public Entities

The Alaska Municipal League supports SB 374, an Act relating to investment pools for public entities. Such legislation authorizing the formation and operation of investment pools by and for public entities, such as municipalities, school districts, and organizations composed of public entities, is a legislative priority of the Alaska Municipal League. SB 374 represents a compromise on behalf of the AML and the administration to meet their objections which resulted in Governor Hickel's veto of SB 182, introduced last year by the Senate Community and Regional Affairs Committee at the request of the League. See a copy of the AML's Municipal Platform statement on investment pool legislation attached.

The major difference between SB 374 and CS for SB 182 (Finance), the legislation approved by the legislature last year, is one of philosophy. As authorizing legislation requiring cooperative agreements, CS for SB 182 (Finance) relied on the agreements or contracts between the public entities (which do not include the State of Alaska and state funds) choosing to participate in an investment pool to spell out in detail investment criteria and policies. SB 374, which also requires such agreements, puts many of these criteria and policies, such as a list of authorized investments, collateralization and reporting requirements, and liability limitations, in statute. The result is a longer bill with perhaps less flexibility on the part of the pool to respond to the sometimes rapidly changing world of finance; but, the effect will be the same - an investment alternative for public entities to realize maximum returns on short-term, non-pension funds consistent with the preservation of capital and liquidity. SB 374 would allow municipalities, school districts, and the AML to form, operate, and invest in an investment pool for public entities.

The AML has spent considerable time and money researching and developing an investment pool and has been ready to proceed with the formation of a pool for public entities under this or similar legislation for over a year. The Alaska Municipal League urges the passage of SB 374 or similar legislation as soon as possible.

Attachment



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325, Fax (907) 463-5480

Investment Pooling for Public Entities

The Alaska Municipal League urges the legislature and the governor to approve legislation authorizing public entities to enter into agreements with other public entities regarding the formation and operation of investment pools under which funds of the participating public entities can be administered and invested jointly.

Governor Hickel vetoed investment pool legislation (SB 182) introduced at the request of the Alaska Municipal League and passed by the 17th Legislature in 1991. The League continues to support such legislation to allow formation of a pool to provide professional investment advice and services to "public entities" for short-term, non-pension funds. Investments in such a pool would emphasize security and liquidity while providing a good rate of return. Investment policies and procedures would be included in the agreement between the pool and the entity choosing to participate. The pool would utilize only prime grade securities with short-term maturities and those with active secondary markets. "Public entities" should include municipalities, municipal school districts, REAA's, and organizations composed of such entities.

Such legislation would clarify the "joint powers" statute (AS 29.35.010 (13)) to specifically authorize such pools, give the AML the authority to establish the pool as a service program, and assist the pool in receiving a favorable IRS tax ruling. The AML is not seeking the assistance of the state in operating the pool. No state funds would be involved, and therefore there is no liability on the state. This is an example of how municipalities and school districts can work together to assist themselves and reduce their dependence on the state.

Local government investment pools exist in over 28 states. Some are operated by the state treasury and some are independent of the state. In November 1989, the AML membership, representing 125 municipalities, passed a resolution asking the AML Board of Directors to investigate the feasibility of a municipal investment pool. After a great deal of research and expense, the AML 1) determined the feasibility of such a pool and decided to proceed with the formation of a pool, 2) introduced legislation to clarify the League's authority to form and operate a pool, and 3) after sending out a request for proposals, selected a professional investment management firm and financial institution to assist the League with the formation and operation of the pool. Unfortunately, even though the legislation was approved by the legislature, Governor Hickel vetoed the legislation, delaying the implementation of the League pool.

The AML is waiting for the passage of legislation to establish a pool to provide investment services to public entities to protect and make the most of public funds.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: _____
 Title: Investment pools for public entities
 Sponsor: Senate Rules by Request of Governor
 Requestor: (S) CRA Committee

Department Affected: Community and Regional Affairs
 BRU: _____
 Component: _____
 COMPONENT SERIAL NO.

0	0	0	0
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						

REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact No impact

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson
 Division: Administrative Services Division
 Approved by Commissioner: E. J. Perry
 Agency: Department of Community and Regional Affairs

Phone: 465-4708
 Date: 2/10/92
 Date: 2-10-92

Fiscal Notes: CRA, REV, ED(2)

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: 2/6/92

Department Affected: Revenue

Title: An act relating to investment pools for public entities; and providing for an effective date.

BRU: Operations

Sponsor: Rules Committee

Component: Treasury Management

Requestor: Senator Frank

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS:

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: February 6, 1992

Approved by Commissioner: David H. ...

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: 2/7/92
Title: An Act relating to investment pooling by public entities.
Sponsor: Senate Rules Committee
Requestor: Governor

Department Affected: Education
BRU: Executive Administration
Component: Commissioner's Office

COMPONENT SERIAL NO.

	1	8	9
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Mike Maher
Division: Commissioner's Office

Phone: 465-2800
Date: 2/7/92

Approved by Commissioner: *Mike Maher*
Agency: Education

Jerry Covey
Date: February 7, 1992

1992 LEGISLATIVE SESSION

Revision Date: _____

Department Affected: EDUCATION

Title: An act relating to investment pools

BRU: Executive Administration

Component: Commissioner's Office

Sponsor: Governor

Requestor: _____

COMPONENT SERIAL NO.

1	8	9
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE						
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
 See Attached

Prepared By: Mike Maher Phone: 465-2800

Division: Commissioner's Office Date: 1/21/92

Approved by Commissioner: *Mike Maher*, Jerry Covay

Agency: Education Date: 1/21/92

The Department feels strongly that the Commissioner of Education is not the appropriate entity to determine whether a particular REAA should or should not be allowed to participate in an investment pool. The Department lacks the resources and expertise to determine the financial health of REAAs.

This fiscal note was developed under the assumption that the Commissioner would not fulfill that function therefore no fiscal impact is indicated. However, should this responsibility be undertaken it would require an Accountant and an Auditor.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 374

Revision Date: _____

Department Affected: Commerce & Econ. Dev.

Title: Investment Pools for Public Entities

BRU: Banking, Securities & Corporations

Sponsor: Senate Rules

Component: _____

Requestor: _____

COMPONENT SERIAL NO.

1	2	3
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE FUND RESOURCE:	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS (Attach a separate page if necessary.)

Prepared By: Willis F. Kirkpatrick, Director Phone: 465-2521

Division: Banking, Securities & Corporations Date: _____

Approved by Commissioner: Glenn A. Olds _____

Agency: Department of Commerce & Economic Development Date: 2-13-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).

Page 1 of 1

WFK/dg11452D-1/021392a

(Rev. 12/91)



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)463-5480

February 10, 1992

Position Paper

SB 374 - Investment Pools for Public Entities

The Alaska Municipal League supports SB 374, an Act relating to investment pools for public entities. Such legislation authorizing the formation and operation of investment pools by and for public entities, such as municipalities, school districts, and organizations composed of public entities, is a legislative priority of the Alaska Municipal League. SB 374 represents a compromise on behalf of the AML and the administration to meet their objections which resulted in Governor Hickel's veto of SB 182, introduced last year by the Senate Community and Regional Affairs Committee at the request of the League. See a copy of the AML's Municipal Platform statement on investment pool legislation attached.

The major difference between SB 374 and CS for SB 182 (Finance), the legislation approved by the legislature last year, is one of philosophy. As authorizing legislation requiring cooperative agreements, CS for SB 182 (Finance) relied on the agreements or contracts between the public entities (which do not include the State of Alaska and state funds) choosing to participate in an investment pool to spell out in detail investment criteria and policies. SB 374, which also requires such agreements, puts many of these criteria and policies, such as a list of authorized investments, collateralization and reporting requirements, and liability limitations, in statute. The result is a longer bill with perhaps less flexibility on the part of the pool to respond to the sometimes rapidly changing world of finance; but, the effect will be the same - an investment alternative for public entities to realize maximum returns on short-term, non-pension funds consistent with the preservation of capital and liquidity. SB 374 would allow municipalities, school districts, and the AML to form, operate, and invest in an investment pool for public entities.

The AML has spent considerable time and money researching and developing an investment pool and has been ready to proceed with the formation of a pool for public entities under this or similar legislation for over a year. The Alaska Municipal League urges the passage of SB 374 or similar legislation as soon as possible.

Attachment



Investment Pooling for Public Entities

The Alaska Municipal League urges the legislature and the governor to approve legislation authorizing public entities to enter into agreements with other public entities regarding the formation and operation of investment pools under which funds of the participating public entities can be administered and invested jointly.

Governor Hickel vetoed investment pool legislation (SB 182) introduced at the request of the Alaska Municipal League and passed by the 17th Legislature in 1991. The League continues to support such legislation to allow formation of a pool to provide professional investment advice and services to "public entities" for short-term, non-pension funds. Investments in such a pool would emphasize security and liquidity while providing a good rate of return. Investment policies and procedures would be included in the agreement between the pool and the entity choosing to participate. The pool would utilize only prime grade securities with short-term maturities and those with active secondary markets. "Public entities" should include municipalities, municipal school districts, REAA's, and organizations composed of such entities.

Such legislation would clarify the "joint powers" statute (AS 29.35.010 (13)) to specifically authorize such pools, give the AML the authority to establish the pool as a service program, and assist the pool in receiving a favorable IRS tax ruling. The AML is not seeking the assistance of the state in operating the pool. No state funds would be involved, and therefore there is no liability on the state. This is an example of how municipalities and school districts can work together to assist themselves and reduce their dependence on the state.

Local government investment pools exist in over 28 states. Some are operated by the state treasury and some are independent of the state. In November 1989, the AML membership, representing 125 municipalities, passed a resolution asking the AML Board of Directors to investigate the feasibility of a municipal investment pool. After a great deal of research and expense, the AML 1) determined the feasibility of such a pool and decided to proceed with the formation of a pool, 2) introduced legislation to clarify the League's authority to form and operate a pool, and 3) after sending out a request for proposals, selected a professional investment management firm and financial institution to assist the League with the formation and operation of the pool. Unfortunately, even though the legislation was approved by the legislature, Governor Hickel vetoed the legislation, delaying the implementation of the League pool.

The AML is waiting for the passage of legislation to establish a pool to provide investment services to public entities to protect and make the most of public funds.

WALTER J. HICKEL
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 18, 1991

The Honorable Richard Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under art. II, sec. 15 of the Alaska Constitution, I have vetoed Committee Substitute for Senate Bill No. 182 (FIN), which would allow public entities within the state to form investment pools. The public entities may also form a nonprofit corporation to operate an investment pool.

I believe the concept of an investment pool has merit. Rural and urban communities and other public entities of this state could achieve financial benefit by pooling their money for increased investment earnings. However, this bill exposes those same entities and the state itself to undue risk of financial loss.

The bill does not include specific investment objectives and guidelines. It uses the term "prudent investor rule," but this term is only a guideline and has interpretive application. For example, it was pointed out in the April 1991 issue of Governing that "in the modern history of governmental investing, hundreds of millions of public dollars have been lost on long-term U.S. Treasury Bonds that were bought with short-term money." The article points out that this resulted from not having an investment policy that imposes maturities or other restrictions on investments. That same article discusses the millions of dollars that have been lost by U.S. cities due to improper collateralization procedures. The State of Oregon is one of 28 states which provides for investment pools, however, Oregon has several pages of statutes governing the operation of its investment pool.

The question of liability is also of concern. Neither this bill nor AS 10.20 adequately addresses the liability of a nonprofit corporation formed under this bill. Regional Education

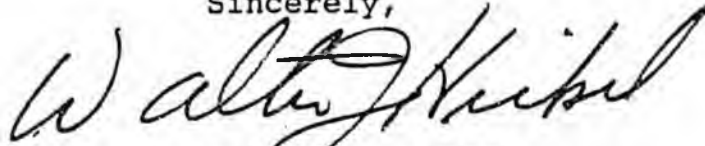
CS SB 182(FIN) Veto Letter 6/18/91

Attendance Areas (REAA) would be included in the definition of a public entity and may participate in a pool. REAA's are not separate legal entities from the state which raises particular concerns as to the ultimate liability of the state for REAA participants in investment pools. Furthermore, the state contributes substantially to the cost of education throughout the state and contributes to other public entities in the form of revenue sharing, municipal assistance, and grants. The state may be accepting additional liability if it statutorily provides for investment pools without setting forth specific investment objectives and guidelines to help minimize the risk of loss.

This bill does not allow the state to participate in a pool either as a participant or as a manager. Out of 28 states that provide for investment pools, 24 are state operated. The Commissioner of Revenue estimates that the Department of Revenue, Treasury Division could operate an investment pool for under 20 basis points, which is 1/5 of 1%. Treasury has all required procedures in place to operate a relatively risk-free low cost investment pool for the benefit of Alaska's public entities.

Because investment pooling has merit, Department of Revenue will work in the months ahead on legislation which provides for investment pools, taking into consideration the points discussed above.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel".

Walter J. Hickel
Governor

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
(907) 465-3867 or 465-2450
FAX (907) 465-2029

Deliveries to: 240 Main Street
Court Plaza, Room 500
Mail Stop 3101

MEMORANDUM

March 22, 1991

SUBJECT: Investment Pools for Public Entities (CSSB 182(CRA))

TO: Senator Arliss Sturgulewski

FROM: Tamara Brandt Cook
Director *TBC*

CSSB 182(CRA) permits municipalities and school districts to form investment pools under which the funds of the public entities are administered and invested jointly. You have asked what the implications are regarding the state's financial responsibility in the event that an investment pool suffers financial losses.

As a matter of law, losses experienced by an investment pool would not create any particular liability on the part of the state. However, as a practical matter the state is hardly likely to stand by and allow a municipality to sink into financial ruin. With respect to school districts, of course, there exists the additional constitutional responsibility to maintain a system of public education. These considerations exist completely aside from the question of an investment pool, although, to the extent that the investment pool provides an opportunity for larger losses simply because a pool will involve larger amounts of money, I suppose, the cause for concern may increase. This would have to be looked into by someone with financial expertise.

Note, however, that with respect to municipalities CSSB 182(CRA) may not substantially change existing law. AS 29.35.010(13) already grants every municipality the authority ". . . to enter into an agreement, including an agreement for cooperative or joint administration of any function or power with a municipality, the state, or the United States. . ." Since it is quite possible that municipalities could form investment pools right now under this provision of law, it is hard to argue that CSSB 182(CRA) substantially changes the state's potential responsibility in situations involving investment losses of municipal funds.

TBC:gc
91-165.glc

INTRODUCTION AND REFERENCE OF SENATE BILLS

SB 373

SENATE BILL NO. 373 by Senators Duncan, Zharoff, entitled:

"An Act establishing a loan guarantee and interest rate subsidy program for assistive technology."

was read the first time and referred to the Health, Education and Social Services Committee and the Finance Committee.

SB 374

SENATE BILL NO. 374 by the Senate Rules Committee by request of the Governor, entitled:

"An Act relating to investment pools for public entities; and providing for an effective date."

was read the first time and referred to the Community and Regional Affairs Committee and the Finance Committee.

Zero fiscal note published today from Department of Education.

Governor's transmittal letter dated January 29:

Dear President Eliason:

Under authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to investment pools for public entities.

Section 2 of the bill amends AS 14.08.101 by allowing a regional educational attendance area (REAA) to participate in an investment pool, but only if approved by the commissioner of education. This will provide state oversight of an REAA's desire to participate in an investment pool. I believe such oversight is necessary because of the potential state liability problems associated with REAA's (which do not enjoy a distinct legal existence separate from the state). However, because only temporarily available surplus cash is allowed to be invested in an investment pool, the commissioner of education can determine whether a particular REAA is financially healthy and should be allowed to participate.

Section 3 of the bill amends AS 29 by requiring a municipality's governing body to consent to the municipality participating in an investment pool established under AS 37.27 before it may join.

SB 374 cont'd

Section 4 of the bill adds a new chapter on investment pools for public entities to AS 37. Specific investment criteria, objectives and guidelines, audit requirements, and disclosure policies to be followed by participants in an investment pool are set out in this section. Additionally, investment portfolio restrictions are established.

The bill provides that public entities participating in an investment pool may form nonprofit corporations for the purpose of overseeing the management of a pool. A nonprofit corporation and the participants in a pool are given explicit authority to spend money reasonably necessary for the management of the pool, including the hiring of necessary employees. However, the nonprofit corporation may not provide direct investment services. Instead, all investment pools (whether managed by nonprofit corporations or not) must provide for investment management and related services by contracting with one of the following: (1) an investment advisor registered under the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 - 80b-2); (2) the state Department of Revenue; or (3) an Alaska financial institution having trust powers. Investment managers are subject to the prudent-expert rule in performance of investment management and related services.

Finally, the bill defines those public entities allowed to participate in an investment pool as including all classes of municipalities and their subdivisions, school districts, REAA's (with the approval of the commissioner of education), organizations composed of political subdivisions (such as the Alaska Municipal League). Villages and nonprofit community corporations are excluded as public entities for the purposes of this bill.

I urge your support of this bill. Investment pools for public entities have been highly successful in other states that allow such investments. By allowing our public entities to invest jointly in investment pools, it is my hope that these entities will realize maximum investment returns with preservation of capital and liquidity and, eventually, help alleviate the growing local government burden on decreasing state revenue.

Sincerely,

/s/
Walter J. Hickel
Governor

SB 375

SENATE BILL NO. 375 by Senators Hoffman, Rodley, entitled:

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

P.O. Box Y, Juneau, Alaska 99811
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TBC:gc
91-167 jc

2700 - 6401

not exercised - ^{tested} semi const.

large amounts of money - high degree of continuity
specific authority will help tax rule

AML another entity

INTRODUCTION AND REFERENCE OF SENATE BILLS

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Sincerely,

/s/
Walter J. Hickel
Governor

SB 375

SENATE BILL NO. 375 by Senators Hoffman, Rodey, entitled:

S B

402

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/14/92

FURTHER:

Date of 5-Day Notice: 2/27/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

CRA Committee considered SB 402

"An Act relating to the use of the housing assistance loan fund; and providing for an effective date."

and recommends:

replace with _____ CS 402 (CRA)

same title
 new title
 technical title change (HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes CRA

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

Governor's bill with fiscal notes:

zero fiscal notes _____

fiscal notes _____

DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signatures]

[Handwritten signature]
Chair: Signature and Recommendation

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 402

Revision Date: _____
 Title: "An Act relating to the use of the housing assistance loan fund; and providing for an effective date."
 Sponsor: Senator Schultz
 Requestor: (S) C&RA

Department Affected: Community and Regional Affairs
 BRU: _____
 Component: _____
 COMPONENT SERIAL NO.

0	0	0	0
---	---	---	---

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SB 402 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
3/3/92 date CS Comte Aide (initial)

Prepared By: Remond Henderson
 Division: Administrative Services Division

Phone: 465-4708
 Date: 2/20/92

Approved by Commissioner: Ed. Meyer
 Agency: Department of Community and Regional Affairs

Date: 2/20/92

7-LS2043ND
Luckhaupt
2/26/92

CS FOR SENATE BILL NO. 402 ()
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): SENATOR SHULTZ

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to rural housing loans by regional housing authorities; relating to the
2 use of the housing assistance loan fund; and providing for an effective date."

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

4 * Section 1. AS 18.55.997(b) is amended to read:

5 (b) In this section,

6 (1) "development" means the construction of a new residence or the repair,
7 remodeling, rehabilitation, or expansion of an existing home;

8 (?) "rural" has the meaning given in AS 44.47.560 [MEANS

9 (A) A COMMUNITY IN THE SECOND, THIRD, OR FOURTH
10 JUDICIAL DISTRICT OF THE STATE WITH A POPULATION OF 4,500 OR LESS
11 THAT IS NOT CONNECTED BY ROAD OR RAIL TO ANCHORAGE OR
12 FAIRBANKS; OR

13 (B) A COMMUNITY IN THE FIRST JUDICIAL DISTRICT OF THE
14 STATE WITH A POPULATION OF 4,500 OR LESS].

1 * Sec. 2. AS 44.47.560(3) is amended to read:

2 (3) "housing" means owner-occupied, single-family housing and owner-occupied
3 duplexes in which not more than 25 percent of the gross floor area is or will be devoted to
4 commercial use;

5 * Sec. 3. AS 44.47.560(5) is amended to read:

6 (5) "rural" means

7 [(A)] a community [IN THE SECOND, THIRD, OR FOURTH JUDICIAL
8 DISTRICT OF THE STATE] with a population of 5,500 [4,500] or less that is not
9 connected by road or rail to Anchorage or Fairbanks, or with a population of 1,500 or
10 less that is connected by road or rail to Anchorage or Fairbanks [; OR

11 (B) A COMMUNITY IN THE FIRST JUDICIAL DISTRICT OF THE
12 STATE WITH A POPULATION OF 4,500 OR LESS];

13 * Sec. 4. This Act takes effect July 1, 1992.

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

☐ 150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

OFFICE OF THE COMMISSIONER

☐ 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

February 21, 1992

POSITION PAPER

RE: SB 402

SPONSOR: Senator Schultz

Program Effects of Bill:

SB 402 amends present law to permit the Department to make loans from the housing assistance loan fund to owner-occupied, single family housing and owner-occupied duplexes in which not more than 25 percent of the gross floor area is or will be devoted to commercial use. Heretofore, there was no provision in the statutes governing the loan fund to allow any commercial use in housing financed by the loan fund.

The bill also raises the cap on the size of rural community that may be served by the housing assistance loan fund from 4500 to 5500. Please note: an apparent typographical error on page 2, line 1. The amendment was intended to read 5500, not 5000. A new provision found in lines 12 and 13, on page 1, allows the Department to serve communities with a population of 1500 or less that are connected to Fairbanks or Anchorage by road or rail.

Comments:

The Department supports the changes proposed in SB 402 (including correction of the typographical error on page 2). The proposed bill will enlarge the geographic area within which the Department can make loans; it will ensure that larger remote communities such as Nome and Bethel can continue to be served; and it recognizes the importance in a rural context of allowing a limited portion of a home to be used for commercial activities since that may be the only way space for commercial activities can be provided.

Edgar Blatchford

Edgar Blatchford, Commissioner



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

SUMMARY OF WORK DRAFT FOR PROPOSED CS SB 402 ()

Section 1: Amends the definition of rural in the residential loan section found under the articles of the Regional Native Housing Authorities in Title 18 Housing, Urban Renewal and Regional Housing Authorities. This amendment conforms the definition of rural to the definition found in section 3 of the work draft.

Section 2: Amends definition of "housing" to allow the use of not more than 25% of the gross floor area (of a H.A.D. financed dwelling) as part of a commercial enterprise.

Section 3: Amends the definition of rural. This definition places restrictions on the communities in which loans for nonconforming housing can be made. This revision changes the population limit from 4,500 to 5,500 in those areas not connected by road or rail to Anchorage or Fairbanks. For those communities connected to either Anchorage or Fairbanks by road or rail, a population cap of 1,500 is established.

Section 4: Effective date of July 1, 1992.

This work draft is identical to CS HB 431 (CRA), reported 7DP out of the House Community and Regional Affairs committee.

GENERAL INFORMATION REGARDING HOUSING LEGISLATION

The two major changes proposed in this legislation are designed to enhance the ability of the program to serve the needs of the Rural parts of the state and make financing available in areas that are not adequately served by existing financial institutions.

1.) In-home business opportunity This legislation adds a provision to the existing law that allows 25% of a home, that the program makes a loan on, to be used for an in-home business. Basically most small business in Rural Alaska first starts in the home as a family operation. The businesses range from native handcrafts to family riverboat tours.

Typically the business starts in the home then, if it is successful and there is a large enough demand for the service or products produced, the business expands to its own building and site.

Cottage industry in Rural Alaska is a very significant part of Rural economies in particular during the off season when there is no fishing and food gathering going on in the community.

The primary purpose of the Housing Loan program is to make resources available for housing in Rural Alaska. This being the case, the use of 25% of the home for commercial purposes is secondary under this program. This is the reason that 25% was selected as a reasonable portion of the home to be used for this purpose. The intent is not for an individual to apply for a housing loan and turn it into a store with a single bedroom.

In addition the Department of Community and Regional Affairs has other programs that can assist with the business aspects of the in-home business itself. These programs could be used together in concert with the end result being warm and healthy living conditions and an enhancement of local economic development opportunities.

This amendment is not designed to misdirect the intent of the Housing loan program, this amendment is designed to enhance the lives of Rural people and the status of local economies.

2.) Rural Definition- This amendment expands the definition of "Rural" to allow the program to serve additional areas of the state that presently do not have financing available to them from traditional financial institutions. This amendment allows the program to serve the communities that meet the following new criteria:

A.) Communities on the Alaskan Highway or rail System that have populations of 1500 or less and are in the 2nd, 3rd, or 4th judicial district.

B.) Communities with a population of 5,500 or less that are not connected by road or rail to Fairbanks or Anchorage and are in the 2nd, 3rd, or 4th judicial district.

C.) Communities in the first judicial district with a population of 5000 or less.

This change is being proposed because of the lack of available financing in these areas. Traditional financial institutions (banks) are not interested in financing homes in Rural Alaska because they do not want to have the burden of monitoring and managing these loans. Furthermore most banks in Alaska have committed their loan proceeds in urban areas and in costal areas that are already developed and do not have much interest in serving other parts of the state.

Rec'd 2/19/92

Alaska State Legislature

SENATOR DICK SHULTZ

P.O. Box V
Juneau, Alaska 99811
(907) 465-4940
Home: P.O. Box 487
Tok, Alaska 99780


Member
Finance Committee
Transportation Committee
Special Committee on Oil & Gas

Senate
District J

MEMORANDUM

District 17

ALCAN BORDER
ANDERSON
BIG DELTA
BOUNDARY
CANTWELL
CHICKEN
CHISTOCHINA
CLEAR
COPPER CENTER
DELTA JUNCTION
DENALI PARK
DOT LAKE
DRY CREEK
EAGLE
EAGLE VILLAGE
GAKONA
GLENNALLEN
GULKANA
HEALY
HEALY LAKE
KENNY LAKE
MENDELTA
MENTASTA LAKE
NABESNA
NELCHINA
NENANA
NORTHWAY
PAXSON
SLANA
TANACROSS
TAZLINA
TETLIN
TOK
TOLSONA
TONSINA

TO: SENATOR FRANK
FROM: SENATOR SHULTZ 
DATE: FEBRUARY 19, 1992
RE: SB 402

Senate bill 402 which I have introduced has been referred to your committee. The bill seeks to amend the definition of rural as it applies to eligibility for housing loans. Presently persons in my district have to compete with urban residents for housing money. With the changes in this bill my constituents would be considered rural and would draw from the same pool of money as residents from other rural areas of the state.

I would sincerely appreciate a hearing on this bill at your earliest possible convenience.

District 18

BADGER ROAD
EIELSON/
MOOSE CREEK
NEWBY
NORTH POLE
PLACK
RICHARDSON
SALCHA

Thank you.

144

BR

House of Representatives

While in Session:
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182
(907)465-4942

P.O. Box 47001
Pedro Bay, Alaska 99647
(907)850-2208

Interim Office: 561-6154



Member
Finance Committee

Finance
Subcommittee Chair:
Courts
Department of Public Safety
Finance
Subcommittee Member:
Department of Fish and Game

Rep. George Jacko, Jr.

MEMORANDUM

TO: *Steve* Senator Steve Frank, Chairman
Senate Community and Regional Affairs Committee

FROM: *George* Representative George Jacko, Jr.

DATE: April 24, 1992

SUBJECT: Scheduling Senate Bill 471

I respectfully request your consideration for scheduling Senate Bill 471, a water, sewer, and health care facility general obligation bond bill.

Thank you for your consideration.

Attachment

INTRODUCTION OF BILLS (Senate)

Water, Sewer, Waste Disposal and Health Care Facility Projects (bond issue to pay for)

SENATE BILL NO. 471, by the SENATE RULES COMMITTEE. Provides for the issuance of general obligation bonds in the amount of \$314,185,454 to pay for the cost of water, sewer, waste disposal, and health care facility capital projects. If the bond issue is approved by the voters, the following amounts will be appropriated:

—\$80,181,989 to the Department of Environmental Conservation to be allocated among 116 projects in cities and unincorporated communities statewide to enhance village safe water (projects and amounts listed);

—\$61,646,215 to the Department of Environmental Conservation to carry out capital projects in 27 municipalities, contingent on the municipality contributing an equal amount (projects and amounts listed);

—\$30,221,050 to the Department of Health and Social Services to be allocated among 47 hospital and health clinic construction projects statewide (projects and amounts listed);

—\$90,997,700 to the Department of Administration to be allocated for payment as grants to 23 cities for various construction projects statewide (projects and amounts listed);

—\$15,000,000 to the Department of Administration for payment as grants to four health care facilities for construction of health care facilities (projects and amounts listed);

—\$14,700,000 to the Department of Health and Social Services for payment as a grant to the Kodiak Island Borough Hospital and Intermediate Care Facility for construction of the facility, contingent on the Kodiak Island Borough appropriating at least \$4,900,000 for the construction. The borough can make an in kind contribution to satisfy up to five percent of the requirement.

—\$5,300,000 to the Department of Health and Social Services for payment as a grant to the Seward General Hospital for renovation and construction of the hospital, contingent on the City of Seward appropriating at least \$1,800,000 for the renovation and construction. The city can make an in kind contribution to satisfy up to five percent of the requirement.

—\$15,800,000 to the Department of Health and Social Services for payment as a grant to the Ketchikan General Hospital for renovation and construction of the hospital, contingent on the City of Ketchikan appropriating at least \$5,300,000 for the renovation and construction. The city can make an in kind contribution to satisfy up to five percent of the requirement.

The question of whether the bonds authorized by this Act will be issued will be put before the voters at the next general election. If enacted, the bill becomes law the day after it is signed by the Governor.

Introduced April 14, 1992 and referred to the Senate Community and Regional Affairs Committee, and to Senate Finance.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

House of Representatives

While in Session:
Alaska House of Representatives
State Capitol
Juneau, AK 99801-1182
(907)465-4942

P.O. Box 47001
Pedro Bay, Alaska 99647
(907)850-2208

Interim Office: 561-6154



Member
Finance Committee

Finance
Subcommittee Chair:
Courts
Department of Public Safety
Finance
Subcommittee Member:
Department of Fish and Game

Rep. George Jacko, Jr.

MEMORANDUM

TO: Senator ^{Frank} Steve Frank, Chairman
Senate Community and Regional Affairs Committee

FROM: Representative ^{Jacko} George Jacko, Jr.

DATE: April 24, 1992

SUBJECT: Scheduling Senate Bill 471

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The question of whether the bonds authorized by this Act will be issued will be put before the voters at the next general election. If enacted, the bill becomes law the day after it is signed by the Governor.

Introduced April 14, 1992 and referred to the Senate Community and Regional Affairs Committee, and to Senate Finance.

SCR

23

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 4/17/91

FURTHER:

Date of 5-Day Notice: 4/18/91
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-24-91

C&RA Committee considered SCR 23

Supporting the Yakutat Borough Incorporation Petition.

and recommended:

- replace with _____ cs SCR 23 (CRA) same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____
C&RA 4/19/91

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

Cedric Stangoroli
Laura Hoffman

OTHER RECOMMENDATIONS:

Mark do pass
Chair: Signature and Recommendation

ALASKA STATE LEGISLATURE SENATE

SENATOR RICHARD I. ELIASON

PRESIDENT OF THE SENATE
LABOR & COMMERCE COMMITTEE
RESOURCES COMMITTEE
RULES COMMITTEE
CHAIRMAN, SPECIAL COMMITTEE ON
DOMESTIC & INTERNATIONAL
COMMERCIAL FISHERIES



P.O. BOX 143
SITKA, ALASKA 99835

P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4916

FAX (907) 465-4928

MEMORANDUM

TO: Sen. Steve Frank, Chairman
Senate Community and Regional Affairs Committee

FROM: Sen. Dick Eliason *Dick Eliason*

DATE: April 17, 1991

RE: Request for hearing on SCR 23, supporting the
Yakutat Borough Incorporation Petition

I would like to request that SCR 23, supporting the petition of Yakutat for borough incorporation be scheduled for a hearing before the Senate Community and Regional Affairs Committee. If the committee schedule permits, I hope that you will give consideration to putting it on the schedule next week.

Thank you for your consideration.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 23, 1991

POSITION PAPER

RE: Senate Concurrent Resolution 23

SPONSOR: Senator Eliason

Program Effects of Resolution: If adopted, the current resolution would express the wish of both houses that: 1) DCRA act quickly in reviewing the petition for incorporation of the Yakutat Borough, and 2) the Local Boundary Commission (LBC) expedite consideration of the proposal.

Comments

DCRA ACTION TO DATE

DCRA is aware of the petitioners' desire for expeditious consideration of their petition. The record clearly demonstrates that DCRA is attempting to accommodate this desire, while carrying out its duties in a responsible fashion.

The following is a summary of the principal activities to date:

- 11/26/90 In anticipation of the Yakutat petition, DCRA requested AG's opinion on key legal issues concerning the regulatory standards for borough formation.
- 12/26/90 Current petition for incorporation of the Yakutat Borough submitted to the Department.
- 01/07/91 Preliminary review of petition discloses insufficient signatures; petitioners advised.
- 01/11/91 Petitioners submit additional required signatures.
- 01/16/91 DCRA formally notifies petitioners that form and content of the petition are in substantial compliance with state law; DCRA arranged to have notice of the filing of the petition published; DCRA mailed individual notice to more than 150 potentially interested parties; March 12 established as deadline for comments.

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-1700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

- 02/15/91 AG's Office advises DCRA that regulatory standards are legal and must be enforced (see attachment). This raises significant doubt that Yakutat petition could be approved under existing regulations which require a minimum of two communities and 1,000 persons. LBC agrees to consider amendments to regulatory standards for borough formation in the course of other changes to its regulations. Debate on these proposed changes begins in earnest.
- 02/25/91 Contract issued by DCRA to provide expert legal services in drafting changes to regulations of the LBC.
- 03/01/91 LBC meets with contractor to discuss proposed changes in regulations.
- 03/08/91 LBC Regulations Committee meets to review proposed changes in regulations. LBC agrees to extend deadline for comments on Yakutat petition given pending proposed changes in the regulatory standards for borough formation. LBC indicates that it may attempt to expedite changes in borough incorporation standards to accommodate pending Yakutat proposal.
- 03/20/91 LBC Regulations Committee meets again to review proposed changes in regulations.
- 04/16/91 Draft of proposed changes to regulations substantially complete.
- 04/26/91 Entire LBC scheduled to meet to review proposed revisions to regulations.

The above summary of proceedings makes it clear that DCRA has acted as quickly and responsibly as is possible in all matters relating to the Yakutat proposal. And, once issues concerning the standards for borough formation are addressed, DCRA expects to move forward expeditiously on this matter. The following is the anticipated schedule following resolution of the regulation issues:

- 14 days Additional comment period on the Yakutat proposal.
- 30 days Preparation of draft report and recommendation by DCRA concerning the Yakutat petition and model borough boundaries in the Prince William Sound, Yakutat and Cross Sound/Icy Straits areas.
- 30 days Opportunity for public comment on DCRA's draft report.

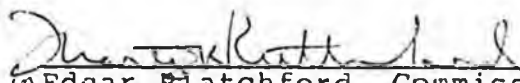
- 15 days Completion of DCRA's final report and recommendation.
- 25 days LBC begins hearings on the petition and model boundaries. Hearings likely to be held in Yakutat, Cordova, Valdez, Whittier and Gustavus. Hearings will be scheduled to promote maximum local participation.
- 90 days The LBC may take up to 90 days to reach a decision following its last hearing.
- 30 days If the LBC approves the petition, the Director of the Division of Elections will schedule an election within 30 days of notification of LBC action.
- 90 days The election will be held at least 30 and no more than 90 days following the order of the election.
- 21 days If a majority of the voters support borough formation, DCRA certifies the incorporation following the reporting of the election results and documentation of preclearance under the federal Voting Rights Act.

LBC SHOULD BE PERMITTED TO ADDRESS THIS ISSUE

The Local Boundary Commission (LBC) is independent of DCRA. The LBC is responsible for the adoption of regulations concerning formation of boroughs and is also responsible for judging the merits of the Yakutat proposal.

While the effect of the resolution is simply to request expeditious action, its title (A Resolution Supporting the Yakutat Borough Incorporation Petition) and preamble (lines 3 - 12) suggest legislative support specifically for the Yakutat proposal. The Department is aware that there are significant policy issues relating to the Yakutat proposal.

Given these circumstances, DCRA strongly encourages the Committee to postpone action on the proposed resolution until the LBC has had the opportunity to review and comment on the matter. The LBC is scheduled to meet on April 26 and the department will ask the Commission to comment on the proposed resolution at that time.


Edgar Blatchford, Commissioner

Attachment: February 15, 1991 memorandum from Assistant Attorney General Marjorie Odland.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SCR 23

Revision Date: _____ Department Affected: Community & Regional Affairs
 Title: "Supporting the Yakutat Incorporation Petition." BRU: _____
 Component: _____
 Sponsor: Senator Eliason
 Requestor: _____ COMPONENT SERIAL NO.

--	--	--	--

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director Phone: 465-4708
 Division: Administrative Services Date: 4/19/91
 Approved by Commissioner: Nagar Blatchford
 Agency: Community & Regional Affairs Date: 4/19/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).



SPONSOR SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION NO. 23

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATOR ELIASON

Introduced:

Referred:

A RESOLUTION

1 Supporting the Yakutat Borough Incorporation Petition.

2 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

3 WHEREAS it is in the best interest of the state that its citizens achieve maximum self
4 government; and

5 WHEREAS the citizens of the Yakutat and Yakataga area have expressed a desire to form an
6 organized borough; and

7 WHEREAS recently the trend has been to transfer more and more responsibility for providing
8 government services from the federal and state governments to local government; and

9 WHEREAS the people of this region have historically constituted a culturally and economically
10 cohesive group; and

11 WHEREAS the legislature encourages communities in the state to assume local government
12 powers wherever feasible and desired by the residents;

13 BE IT RESOLVED by the Alaska State Legislature that the Department of Community and
14 Regional Affairs is urged to act with dispatch in reviewing the incorporation petition for the proposed
15 Yakutat Borough and in making its recommendations regarding the petition to the Local Boundary
16 Commission; and be it

17 FURTHER RESOLVED that the Local Boundary Commission is urged to expeditiously hold

1 a public hearing in the area proposed to be incorporated and to give full consideration to the desire
2 expressed by the people in the area for self government as provided for under state law.

3 **COPIES** of this resolution shall be sent to the Honorable Edgar Blatchford, Commissioner of
4 Community and Regional Affairs; and to the Honorable Charles Bettisworth, Chair, Local Boundary
5 Commission.

SJR

12

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERR

DATE: 1/30/91

FURTHER: Resources

Date of 5-Day Notice: 3/14/91
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3-21-91

C&RA Committee considered SJR 12

Endorsing S.49, the Ocean and coastal Resources Enhancement Act, federal legislation which would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf.

and recommended:

- replace with _____ CS _____ same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) _____

zero fiscal note(s) _____
Revenue

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

[Handwritten signatures]

[Handwritten signature] Do pass
Chair: Signature and Recommendation

Alaska State Legislature



311 C STREET, SUITE 550
ANCHORAGE, ALASKA 99503
(907) 561-7615

While in Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-3818


SENATOR
ARLISS STURGULEWSKI

Senate

MEMORANDUM

March 19, 1991

TO: Senator Steve Frank, Chairman
Senate Community & Regional Affairs Committee

FROM: Senator Arliss Sturgulewski 
Senate District F

RE: Senate Joint Resolution 12

This resolution supports pending federal legislation introduced by Senator Ted Stevens and Co-sponsored by Senator Frank Murkowski that would provide for coastal states to share in federal revenue generated by outer continental shelf(OCS) developments.

At present, states do not receive any share of revenue generated from OCS development. Under this pending federal legislation, each adjacent coastal state would receive a one-third share of the OCS revenue. The state's one-third share would be divided evenly between the state and those communities impacted by the development.

In addition, the federal legislation calls for a Coastal Zone Impact Assistance Fund to be created using 4 1/2 percent of OCS lease sale income, royalties and other revenues. Money from this fund would be provided to coastal states and communities impacted by any type of energy development.

The federal Office of Minerals Management Service has estimated that development of oil resources in the Chukchi and Beaufort Seas alone, could bring as much as \$12 billion in revenue to the state if this legislation passes.

Alaska State Legislature



311 C STREET, SUITE 550
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(907) 461-7615

White or Juneau
P.O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4818


SENATOR
ARLISS STURGULEWSKI

Senate

MEMORANDUM

March 11, 1991

TO: Senator Steve Frank, Chairman
Senate Community & Regional Affairs Committee

FROM: Senator Arliss Sturgulewski 
Senate District F

RE: Hearing request for Senate Joint Resolution 12

Senate Joint Resolution 12 endorses a system of revenue sharing among coastal states and communities from the development of the ocean resources of the United States.

Senate Bill 49, the Ocean and Coastal Resources Enhancement Act is pending before the United States Congress and passage of this resolution would transmit Alaska's support for this concept.

Thank you for your consideration of an early hearing on this legislation. If there are any questions please contact Frank Homan on my staff at 465-3818.

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. SJR12

Revision Date: _____ Department Affected: REVENUE

Title: Endorsing S.49 the Ocean and Coastal Resources Enhancement Act..... BRU: Revenue Operations

Component: Oil and Gas Audit

Sponsor: Sturgulewski

Requestor: Sturgulewski

COMPONENT SERIAL NO.

	1	1	5
--	---	---	---

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL						
---------	--	--	--	--	--	--

REVENUE	0	0	-----	see analysis	-----	-----
---------	---	---	-------	--------------	-------	-------

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

See attached analysis

Prepared By: Roger Marks Phone: 277-5627
Division: Oil and Gas Audit Date: 3/14/91

Approved by Commissioner: _____ Date: 3-20-91
Agency: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Analysis of Senate Joint Resolution 12
Endorsement of the Ocean and Coastal Resources Enhancement Act

Senate Joint Resolution 12 endorses S.49, the Ocean and Coastal Resources Enhancement Act, federal legislation which, if passed, would direct the federal government to share with the states and their local governments federal revenue generated by the development of the resources of the outer continental shelf (OCS).

The act would deposit one-third of all OCS revenues (bonuses, rents, and royalties) received beginning in FY 92 into a fund. Note that the federal fiscal year begins October 1. For leases in existence at that time any bonuses and rentals would be exempt, as would royalties if the lease was producing then. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed.

Currently there is no production on the Alaska OCS. There are some confirmed discoveries in the Beaufort Sea, but their size makes commercial production uncertain. No production plans have been filed. Around Alaska there are active leases in the Bering, Chukchi, and Beaufort Seas. The probability of commercial success in Bering Sea appears very small. The Minerals Management Service (MMS) of the U.S. Department of Interior has estimated that the Chukchi Sea has a 16 percent chance of commercial success with a mean resource estimate of 4.16 billion barrels recoverable, and that the Beaufort Sea has a 21 percent chance of commercial success with a mean resources estimate of 1.45 billion barrels recoverable. MMS estimated that this act would generate \$5.4 billion to Alaska from royalties over the economic life of these areas, assuming a constant \$23 per barrel wellhead price, if discovery and production occurred. (Note that MMS made a serious methodological flaw in the use of probability in these calculations. Correcting this flaw would reduce that number by half.) Note that commercial production in these areas usually follows about ten years after discovery, so these revenues may not be forthcoming soon.

As far as unleased acreage is concerned the current draft proposed Federal OCS lease sale schedule shows the following sales over the next few years:

- Beaufort Sea	Late 1993
- Chukchi Sea	Mid 1994
- Cook Inlet	Mid 1994
- St. George or Hope Basin	Mid 1995
- Gulf of Alaska	Late 1995
- Norton or Navarin or St. Mathew-Hall Basin	Mid 1996
- Beaufort Sea	Late 1996
- Chukchi Sea	Mid 1997

It would be impossible to precisely estimate the lease bonuses that might be realized from these sales. However it should be noted that the most prospective of acreage in these areas has already been leased. Also, exploration efforts in all but the Chukchi and Beaufort has been disappointing. (Results on the former are currently unknown.) Ultimately, the magnitude of lease bonuses would depend mainly on expectations on the probability of success, oil prices, size of find, and exploration costs. Perhaps a range of \$0 to \$100 million per sale could be considered reasonable.

S.49 also creates the Coastal Zone Impact Assistance Fund, which deposits 4.5 percent of all OCS revenues in a fund beginning in FY 92. Six months later, and annually thereafter, half of the fund balance (with interest) would be distributed to coastal states (including the Great Lakes) and communities by a yet to be determined formula that would consider the number, location, and impact of energy facilities. It would be impossible to make a reasonable estimate of what Alaska might realize from this.

Ted Stevens

United States Senator For Alaska



Contact: Press Office
(202) 224-5209

January 16, 1991

FOR IMMEDIATE RELEASE

BILL WOULD SHARE OCS REVENUES WITH STATE AND LOCAL GOVERNMENTS

Alaska and its coastal communities could receive as much as \$12 billion from the revenues generated by Outer Continental Shelf (OCS) development under legislation introduced by Senator Ted Stevens and cosponsored by Senator Frank Murkowski.

The Ocean and Coastal Resources Enhancement Act (S. 49) would require the federal government to share one-third of the revenue generated by a particular OCS development with the state that is located adjacent to the offshore wells, Stevens said. One-half of that amount would go to state government, with the remaining to be divided among the communities impacted by OCS development.

Under current law, the federal government shares none of the lease sale income, royalties or other revenues derived from OCS development since it occurs in federal waters.

"This bill would give states and coastal communities the funds they need to help ensure OCS leases are developed in an environmentally-sensitive way and to lessen the impact of development on affected communities," Stevens said.

"Under existing law, coastal states and communities don't share in the revenues generated by OCS development, but they are expected to shoulder the increased costs that come with it. This bill would correct that inequity," he added.

For example, Stevens said, the revenues could be used for projects designed to enhance and protect the environment and for determining whether OCS activity is consistent with state and local coastal zone management plans.

Coastal communities could use their funds to increase fire and police protection, expand sewer and water facilities and provide additional government services for the increased population that results from nearby energy development, Stevens said.

Alaska Offices: Anchorage: 271-5915 Fairbanks: 458-0261 Juneau: 686-7400
Kanal: 283-6808 Ketchikan: 225-6080

4-1-4
OCS revenue sharing

"Development of oil and gas resources on the Alaska outer-continental shelf is an important issue to Alaskans," Murkowski said. "It makes sense for states and coastal communities impacted by OCS activity to receive some benefit from that development."

"This revenue-sharing concept is particularly important in Alaska, where OCS development would occur near rural communities with unique histories and heritages, many of them small enough to have great difficulty absorbing the impacts smoothly. Revenues received in these communities as a result of OCS development would be available to ease any adverse effects, accelerate necessary infrastructure development and provide seed money for economic diversification," Murkowski added.

Federal officials have estimated that the combined state and local share for Alaska from OCS development in the Chukchi and Beaufort Seas could be as much as \$12,745,833,333. That amount is based on the Minerals Management Service's (MMS) estimates of maximum production of 9.1 billion barrels of oil from the Chukchi Sea and 4.2 billion barrels from the Beaufort Sea.

OCS tracts in the Chukchi and Beaufort Seas are currently under lease, although to date no commercial discoveries have been made. Future OCS activity will be based on the MMS's new five-year leasing plan which will be issued later this month, Stevens said.

The Stevens bill would also direct the federal government to establish a Coastal Zone Impact Assistance Fund, into which the Secretary of the Treasury would deposit four and one-half percent of OCS lease sale income, royalties and other revenues. Money from the fund would be provided to coastal states (including the Great Lakes states) and communities impacted by any type of energy development.

The funds would be allocated under a formula that would take into account the number, location and impact of energy facilities. No state could receive more than 20 percent of the fund, according to the Stevens bill.

The money would be used to help pay the states' costs of leasing and permitting energy facilities, including refineries and pipelines, and fund environmental and natural resource projects.

The legislation has been referred to the Senate Commerce Committee.

###

OCS REVENUE SHARING FACT SHEET

ALASKA CCS REGION
BONUSES, RENTS, AND MINIMUM ROYALTIES

1985	\$11,715,642
1986	7,618,752
1987	7,748,634
1988	705,849,842
1989	18,810,814

TOTAL	751,743,684
-------	-------------

	<u>3</u>
	250,565,929

State and local government share had OCS revenue sharing legislation been in place beginning in 1985

Information provided by Al Powers, Minerals Management Service
Anchorage, Alaska -- 907-261-4010

ESTIMATED UNDISCOVERED, ECONOMICALLY RECOVERABLE, UNLEASED
RESOURCES FOR THE CHUKCHI SEA AND BEAUFORT SEA

<u>Lease Area</u>	<u>Minimum</u>	<u>Mean</u>	<u>Maximum</u>
Chukchi (16% chance of commercial find)	1.1bb	4.16bb	9.1bb
Beaufort (21% chance of commercial find)	.4bb	1.45bb	4.2bb
TOTAL ARCTIC	1.5bb	5.61bb	13.3bb
Multiply by \$23 for wellhead value of oil		\$129.03 billion	\$305.9 billion
Divide by 1/8 for federal royalty share		\$16,128,750,000	\$38,237,500,000
Divide by 1/3 for State/local gov't share under OCS revenue sharing bill		\$5,376,250,000	\$12,745,933,333

Information provided by Marshall Rose,
Minerals Management Service, Washington, D.C. 703-787-1536

Alaska senators call for government to share production revenues

By MIKE MEYERS

TIMES WASHINGTON BUREAU

WASHINGTON — Alaska's senators introduced a bill Wednesday calling on the federal government to share revenues generated by offshore energy production, estimating the state and its communities could receive a total of more than \$12 billion.

The federal government has considered the idea for years.

But the idea has some opponents, chiefly the Office of Management and Budget.

The White House agency oversees the production of the annual budget and has expressed concern about losing revenue to states and communities at a time of rising federal deficits.

But Sens. Frank Murkowski and Ted Stevens said the money should be shared with states and

communities directly involved in the exploration and development of oil off their coasts.

There is often strong opposition from some coastal communities as well as state governments to offshore oil and gas exploration.

The Murkowski-Stevens bill calls on the federal government to share one-third of the revenue generated by a development in the Outer Continental Shelf with

the adjacent state. Half of this amount would go to the state, with the rest divided among the communities affected by the energy development.

This money, at a time of tight state and municipal budgets, could help ease political opposition to energy development, particularly in environmentally sensitive areas such as California.

"This bill would give states

and coastal communities the funds they need to help ensure OCS leases are developed in an environmentally sensitive way and to lessen the impact of development on affected communities," Stevens said.

"Under existing law, coastal states and communities don't share in the revenues generated by OCS development, but they are expected to shoulder the increased costs that come with it."

The government estimates the total state and local share for Alaska from Outer Continental Shelf development in the Chukchi and Beaufort Seas could be more than \$12.7 billion.

This sum is based on an estimate of the Minerals Management Service of maximum production of 9.1 billion barrels of oil from the Chukchi Sea and more than 4 billion barrels from the Beaufort Sea.

The Anchorage Times

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ALASKAN OWNED AND OPERATED SINCE 1915

SHARE THE BURDEN

Share the profits

BESIDES CONCERN about effects that offshore oil development might have on fisheries and other resources, Alaskans haven't been too excited about oil development far off our shores because the state loses on the deal.

Under current law, the federal government claims all tax revenues from development of the Outer Continental Shelf (OCS), which is the area beyond the state's 3-mile coastal limit. States get none of the revenue.

Yet OCS development increases costs for state and local communities that are impacted by a temporary increase in population of workers and business activities that support offshore operations.

Sen. Ted Stevens wants to remedy the situation by requiring the federal government to share one-third of OCS revenues with states off whose shores oil is developed.

Under legislation he introduced the other day, Alaska could receive about \$12 billion from its share of projected revenues from the potential oil reserves off the Arctic Coast.

The U.S. Minerals Management Service estimates between 5 billion and 13 billion barrels of recoverable oil lie offshore in the Chukchi and Beaufort Seas. That equates to revenue to Alaska between \$7 billion and \$16 billion if the proposed revenue sharing plan becomes law.

Stevens' legislation, which is backed by the two other members of the Alaska delegation, would require individual states to share one-half of their OCS receipts with local coastal communities. These communities could use the income to increase fire and police protection, expand sewer and water facilities, and provide additional services required by the increased population due to OCS development.

Louisiana, Texas, California and other states with oil potential off their shore would benefit similarly.

Additionally, part of the Stevens' proposal would require the federal government to set aside 4.5 percent of OCS revenues for what he dubs the Coastal Zone Impact Assistance Fund.

Money from that fund would be used for environmental and natural resource projects in all coastal states, including those adjacent to the Great Lakes, whether or not there was OCS development off their shores. As envisioned by Sen. Stevens, this fund would be used by states to enhance and protect the environment and for determining whether OCS activity is consistent with state and local coastal-zone management plans.

The legislation could have a positive impact on the national energy policy debate. At present, a number of states have taken a strong position in opposition to any oil development off their shores. Governors and legislators in these states may want to reconsider their position if OCS development offers them a means to meet other state obligations.

Rather than face horrendous deficits, states might be able to receive a substantial income from oil development — as Alaska does.

Under an OCS revenue-sharing plan, which by the way President Bush has indicated he may support, states will have an incentive to sit down with the federal land owner and the industry to work together to develop an environmentally sound plan of action. That's a goal worth pursuing.

FEB 4, 1991

STATEMENT OF SENATOR TED STEVENS

IN SUPPORT OF S. 49,
THE COASTAL ZONE IMPACT ASSISTANCE ACT

Monday, January 14, 1991

MR. STEVENS: Today I introduce S. 49, the Ocean and Coastal Resources Enhancement Act. The measure, which is similar to legislation I introduced in the mid-80s, is designed to give coastal states and communities the tools they need to minimize the impacts energy development can bring to coastal areas. The bill directs the Secretary of Commerce to distribute 4 1/2 percent of all OCS revenues to coastal areas impacted by a wide spectrum of energy development ranging from refineries to pipelines. All coastal areas would be eligible including the Great Lakes states.

The bill uses many of the concepts established in the Coastal Zone Management Act, and is intended to complement the provisions of that Act. For states and local governments directly impacted by OCS leasing activities, the Commerce Department would share one-third of OCS revenues derived off the coast of that particular state. The Secretary of Commerce would pass half the sum to the States and half to local governments.

The funds would be used to help state and local governments participate meaningfully in the permitting process. The monies would also enable them to undertake their own projects to enhance and protect the environment. In addition, local governments most directly impacted by energy development could use their funds to increase police and fire protection, sewer and water facilities, and provide needed government services for the increased population that energy development can bring.

Mr. President, twice the Senate approved similar legislation, but unfortunately because of administration opposition, we were not successful in getting it enacted into law. When he announced his decision on OCS development off the coasts of California and Florida, President Bush hinted that his Administration might support a revenue sharing concept. I look forward to working with the Administration to develop a fiscally responsible bill that addresses the concerns of coastal states and communities.

102D CONGRESS
1ST SESSION

S. 49

To establish an Ocean and Coastal Resources Enhancement Fund and a Coastal Zone Impact Assistance Fund, to require the Secretary of Commerce to provide States and local governments with block grants from moneys in the Funds, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 14 (legislative day, JANUARY 3), 1991

Mr. STEVENS (for himself and Mr. MURKOWSKI) introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

A BILL

To establish an Ocean and Coastal Resources Enhancement Fund and a Coastal Zone Impact Assistance Fund, to require the Secretary of Commerce to provide States and local governments with block grants from moneys in the Funds, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SHORT TITLE

4 SECTION 1. This Act may be cited as the "Ocean and
5 Coastal Resources Enhancement Act."

6 DEFINITIONS

7 SEC. 2. For purposes of this Act—

1 (1) the term "coastal State" has the meaning
2 given such term under the Coastal Zone Management
3 Act (16 U.S.C. 1453(4));

4 (2) the term "local government" has the meaning
5 given such term under the Coastal Zone Management
6 Act (16 U.S.C. 1485(11));

7 (3) the term "coast line" has the meaning given
8 such term under the Submerged Lands Act (43 U.S.C.
9 1901(c));

10 (4) the term "coastal zone" has the meaning
11 given such term under the Coastal Zone Management
12 Act (16 U.S.C. 1459(1));

13 (5) the term "Outer Continental Shelf" has the
14 meaning given such term under the Outer Continental
15 Shelf Lands Act (43 U.S.C. 1331(a));

16 (6) the term "Secretary" means the Secretary of
17 Commerce; and

18 (7) the term "energy facilities" has the meaning
19 given such term under the Coastal Zone Management
20 Act (16 U.S.C. 1459(6)).

21 OCEAN AND COASTAL RESOURCES MANAGEMENT FUND

22 SEC. 4. (a) ESTABLISHMENT.—There is established in
23 the Treasury of the United States an interest-bearing account
24 to be known as the Ocean and Coastal Resources Enhance-
25 ment Fund, which shall be administered by the Secretary.

1 (b) PAYMENTS TO FUND.—Beginning in fiscal year
 2 1992, the Secretary of the Treasury shall pay into the Fund
 3 33 per centum of all revenues described in subsection (c)
 4 which are attributable to an Outer Continental Shelf lease,
 5 any part of which is within 200 miles of the coast line. The
 6 Secretary of the Treasury may adjust amounts in the Fund at
 7 any time to account for overpayments, underpayments, and
 8 errors.

9 (c) NEW REVENUES.—Subsection (b) shall apply only
 10 to—

11 (1) bonus revenues under a lease if no bonus reve-
 12 nues have been received by the United States under
 13 that lease before October 1, 1991;

14 (2) rent revenues under a lease if no rent reve-
 15 nues have been received by the United States under
 16 that lease before October 1, 1991;

17 (3) royalty revenues under a lease if no royalty
 18 revenues have been received by the United States
 19 under that lease before October 1, 1991; and

20 (4) other revenues under a lease if no other reve-
 21 nues have been received by the United States under
 22 that lease before October 1, 1991.

23 (d) COASTAL STATE SHARE.—(1) Six months after the
 24 end of fiscal year 1992, and annually thereafter, the Secre-
 25 tary shall pay from the Fund to coastal States one-half of

1 such revenues paid into the Fund with respect to the fiscal
2 year most recently completed and any interest earned on
3 those revenues. Each coastal State shall receive only that
4 share of revenues attributable to those leases that lie seaward
5 of the boundaries of that particular coastal State.

6 (2) In order to determine to which coastal State reve-
7 nues are attributable for purposes of this Act, the Secretary
8 shall delimit the lateral boundaries between the coastal
9 States to a point 200 miles seaward of the coast line. Such
10 boundaries shall be set according to the following principles,
11 listed in the order of priority of application:

12 (A) any judicial decree or interstate compacts de-
13 limiting lateral offshore boundaries between coastal
14 States;

15 (B) principles of domestic and international law
16 governing the delimitation of lateral offshore bound-
17 aries; and

18 (C) the desirability of following existing lease
19 boundaries and block lines on the Secretary of the In-
20 terior's official protraction diagrams.

21 (e). LOCAL GOVERNMENT SHARE.—(1) At the same
22 time that the Secretary pays revenues to a coastal State
23 under subsection (d), the Secretary shall pay to local govern-
24 ments within that State the remaining one-half of the reve-
25 nues for that fiscal year attributable to that State, and any

1 interest earned on those revenues. Each local government
2 shall receive only that share of revenues attributable to those
3 leases that lie seaward of the boundaries of that particular
4 local government.

5 (2) In order to determine local government boundaries
6 for purposes of this Act, the Secretary shall delimit the later-
7 al boundaries between the local governments to a point 200
8 miles seaward of the coast line. Such boundaries shall be set
9 according to the following principles, listed in the order of
10 priority of application:

11 (A) existing boundaries between local govern-
12 ments with valid supporting legal authority;

13 (B) the desirability of following existing lease
14 boundaries and block lines on the Secretary of the In-
15 terior's official protraction diagrams; and

16 (C) the principle that, to the extent consistent
17 with subparagraphs (A) and (B), the size of the local
18 government's adjacent offshore area, as a percentage of
19 all of that State's adjacent offshore areas, shall be
20 based on a formula giving equal weight to—

21 (i) the local government's coast line as a per-
22 centage of the State's coast line, calculated using
23 the same methods that are used to delimit the ter-
24 ritorial sea under international law; and

1 (ii) the local government's population as a
2 percentage of the population of all local govern-
3 ments in the coastal State, calculated by the Sec-
4 retary using the best available national census
5 data.

6 (f) USE OF FUNDS BY STATES.—Each coastal State
7 shall first use funds received pursuant to subsection (d) to pay
8 for the administrative costs the State incurs in the leasing
9 and permitting process under any applicable law including,
10 but not limited to, the Coastal Zone Management Act (16
11 U.S.C. et. seq.) and the Outer Continental Shelf Leasing Act
12 (43 U.S.C. 1331 et. seq.), with any remaining funds to be
13 used for such environmental and natural resource projects in
14 the coastal zone as the State determines.

15 COASTAL ZONE IMPACT ASSISTANCE FUND

16 SEC. 5. (a) ESTABLISHMENT.—There is established in
17 the Treasury of the United States an interest bearing account
18 to be known as the Coastal Zone Impact Assistance Fund,
19 which shall be administered by the Secretary.

20 (b) PAYMENTS TO FUND.—Beginning in fiscal year
21 1992, the Secretary of the Treasury shall pay into the Fund
22 4½ per centum of all revenues described in subsection (c)
23 which are attributable to an Outer Continental Shelf lease,
24 any part of which is within 200 miles of the coast line. The
25 Secretary of the Treasury may adjust amounts in the Fund at

1 any time to account for overpayments, underpayments, and
2 errors.

3 (c) REVENUES.—Subsection (b) shall apply to all bo-
4 nuses, rents, royalties, and other revenues received by the
5 United States under the Outer Continental Shelf Lands Act
6 (43 U.S.C. 1331 et. seq.).

7 (d) COASTAL STATE SHARE.—Six months after the
8 end of fiscal year 1982, and annually thereafter, the Secre-
9 tary shall pay from the Fund to coastal States one-half of
10 such revenues paid into Fund with respect to the fiscal year
11 most recently completed, and any interest earned on those
12 revenues. The amount disbursed to each coastal State shall
13 be determined by the Secretary under a formula established
14 by the Secretary, after notice and public comment, which
15 considers the number, location, and impact of energy facilities
16 located within each State's coastal zone during the previous
17 fiscal year. If any coastal State would receive an allotment
18 greater than 20 per centum, the Secretary shall reduce such
19 allotment to 20 per centum. The amounts resulting from such
20 reduction shall be reallocated proportionately among those
21 coastal States that receive less than 20 per centum.

22 (e) LOCAL GOVERNMENT SHARE.—At the same time
23 that the Secretary pays revenues to a coastal State under
24 subsection (d), the Secretary shall pay to local governments
25 within that State the remaining one-half of the revenues in

1 the Fund for that fiscal year attributable to that State and
 2 any interest earned on those revenues. Each local govern-
 3 ment shall receive only that share of revenues attributable to
 4 the number, location, and impact of energy facilities located
 5 within or seaward of the boundaries, as determined by the
 6 Secretary under section 4(e) of this Act, of that particular
 7 local government during the previous fiscal year.

8 (f) USE OF FUNDS.—Each coastal State shall first use
 9 funds received pursuant to subsection (d) to pay for the ad-
 10 ministrative costs the coastal State incurs in the leasing and
 11 permitting process for energy facilities, with any remaining
 12 funds to be used for such environmental and natural resource
 13 projects in the coastal zone as the coastal State determines.

14 LIMITATIONS ON APPLICABILITY OF BOUNDARIES

15 SEC. 6. The coastal State and local government bound-
 16 aries delimited by the Secretary under this Act are solely for
 17 the purposes of this Act.

18 RULES AND REGULATIONS

19 SEC. 7. Within one hundred and eighty days of enact-
 20 ment of this Act, the Secretary shall promulgate, after notice
 21 and opportunity for comment, such rules and regulations as
 22 may be necessary to carry out the provisions of this Act.

23 APPROPRIATIONS

24 SEC. 8. The authority to pay revenues to coastal States
 25 and local governments pursuant to the Act shall be regarded
 26 as a permanent indefinite appropriation.

SR

10

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/13/92

FURTHER:

Date of 5-Day Notice: 3/21/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: _____

CRA Committee considered SR 10

Requesting full general delivery postal status for Butte, Alaska.

and recommends:

replace with _____ CS SR 10 _____ (CRA)

attaches amendment(s)

same title
 new title
 technical title change
(HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES: Dept/Date
 zero fiscal notes Senate CRA 3/31/92

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date
 Governor's bill with fiscal notes:
zero fiscal notes _____

fiscal notes _____

DO PASS:

OTHER RECOMMENDATIONS:

On Pass
Chair: Signature and Recommendation

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: None
 SR 10 Title: Requesting full general delivery postal status for Butte, Alaska BRU: None
 Sponsor: Sen. Finance Component: _____
 Requestor: Sen. Kerttula COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-					

CAPITAL	-0-					
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REVENUE FUND SOURCE:	-0-					
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-					
FEDERAL FUNDS	-0-					
OTHER FUND SOURCE:	-0-					
TOTAL	-0-					

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Changes in SSR 10 (CRA) reflect NO FISCAL CHANGE from the original fiscal note. This fiscal note is appropriate.
 3/3/92 date [Signature] Comte Aide (initial)

Prepared By: Senate Community and Regional Affairs Phone: 3709
 Division: Alaska State Senate Date: 3/26/92
 Chairman
 Approved by Commissioner: Senator Steve Frank
 Agency: Senate Community and Regional Affairs Committee Date: 3/26/92

