

HOUSE / SENATE FINANCE COMMITTEE MINUTES - 1967-1982 2608

COAST Commission and Dr. Rae believes they will provide funds and are backing the program. Senator Blodgett stated if matching funds are not provided we should have a letter of intent saying state funds will not be provided.

Geophysical
Institute

Dr. Rae said the Geophysical Institute is the oldest and largest institute of the University. The emphasis has been on upper atmosphere work and is heavily funded by the Space Agency, National Science Foundation, etc. New positions have been requested in an effort to diversify and research earthquakes and the North Slope.

Institute of
Marine Science

Marine Science is the fastest growing of the applied sciences and 1/3 of the coastline of the U. S. is in Alaska. Dr. Rae stated the University has been a little regional, working mainly in Southeast Alaska, and they are now moving from the present location in Douglas to another spot. The preferred course of action would be to have usable stations scattered along the coast with the headquarters located at the main campus.

Senators Blodgett and Koslosky left the meeting at 8:35 A. M. Mr. Martini asked Dr. Rae's opinion of the Brookings Seminar prognostications of farming the sea and Dr. Rae stated if population becomes such that we need the food, this could be of vital significance. Technology should be developed.

Institute of
Arctic Biology

An Ecologist is requested for the Institute of Arctic Biology to maintain the tundra. TAPS has provided 600 feet of pipeline at the campus for experimental work.

Institute of
Social, Economic
& Government
Research

The Institute of Social, Economic & Government Research is funded primarily through the Ford Foundation and 60-65% of their funds are restricted for specific studies. They have been doing quite a bit of work for North Star Borough on a fee basis.

Senator Lewis left the meeting at 9:00 A. M.

Red Meat
Program

Dr. Rae said the Red Meat Program will proceed in the Kenai peninsula. Local production in meat should be instituted and the the industry turned over to local residents. Senator Phillips suggested the University check on the credentials of the expert in animal husbandry recommended by Senator Blodgett.

Physical Plant

The increase in the Physical Plant budget is due to additional maintenance and an increase in safety and security.

Senator Blodgett returned to the meeting at 9:15 A. M.

Mr. Martini questioned the total appropriation requested and Mr. Smith said it will be pro-rated on a percentage basis from actual expenditures in 1969-70. Mr. Byrd stated the new employee requested are necessary due to the 17% increase in square footage to be maintained next year.

Student
Services

Mr. Byrd said the volume of counseling indicates a need for an additional counselor. In addition, a special orientation service program is offered, aimed at taking care of the special needs of rural, disadvantaged students. Dr. Theophilus indicated this will be a growing budget, since they plan to move to \$300,000 next year and \$300,000 the next.

Capital
Improvements

Mr. Holden reported on the current plans for capital improvements. The concern is to provide adequate facilities for long-term use rather than just build for current needs. Two high priority items were ignored by the Governor's Budget Review Committee; namely, roads and streets at the existing campus and a Mineral/Marine facility. Mr. Holden stressed the importance of both requests. Senator Blodgett said the Federal government is closing many bases and the University should investigate the possibility of using some of these buildings. Discussion continued on the proposed capital improvements and on fire prevention.

An item not covered in the budget is the direct appropriation which will be requested to remodel two buildings that are empty. Mr. Holden stated it will be cheaper to remodel them than to build new buildings.

Senator Blodgett asked that more attention be paid to University lands and Mr. Holden said a Land Officer has just been appointed. Senator Blodgett requested a copy of the new Land Officer's personnel file. Mr. Holden added they have very little control over lands since they are run by the Department of Lands.

Adjournment

Meeting adjourned at 10:00 A. M.

DMVA

SENATE FINANCE COMMITTEE
February 27, 1970
9:10 A. M.

Present

Senators Haggland, Blodgett and Miller.

Major General C. F. Necrason, Adjutant General, Department of Military Affairs; Brigadier General C. E. Reid, Assistant Adjutant General (Army); Brigadier General Kenneth M. Taylor, Assistant Adjutant General (Air); Lt. Col. Glenn Byington, Director, Facilities & Fiscal Division; James H. Isbell, Director, Alaska Disaster Office; Eugene A. Smith, Deputy Director, Division of Budget & Management; Ronald B. Lind, Budget Analyst; Allen Korhonen, Budget Analyst; Mario F. Martini, Senate Fiscal Counsel.

Alaska National Guard

General Necrason reviewed the budget requests for the Alaska National Guard. In an attempt to get full-time custodians in all armories, two new custodial workers have been requested - one for Juneau and one for Ketchikan. The travel request represents the actual amount spent last year. A rent increase is for an additional 800 square feet in the McKay building to provide adequate office space for the 3,800 employees.

Senator Haggland questioned the request for a micro-filming unit and General Reid stated it was necessary to maintain files.

Senator Blodgett noted there have been various departments requesting micro-filming units and proposed a letter of intent to standardize the equipment and costs among the different departments.

Senators Phillips, Bradshaw, and Lewis arrived at the meeting at 9:20 A. M.

Air National Guard

Seven new positions have been requested for the Air National Guard, attributed by General Necrason to the fact that the Air Guard has doubled in size. Federal funds support 75% of this program. A cost comparison was given which showed it would cost \$1.00 Federal money to maintain the services provided for 50¢ by the Air National Guard.

Senator Lewis asked about closing of bases. It was General Necrason's opinion that no bases will be closed in Alaska and we may even get another unit.

Army National Guard

General Reid said the increase in contractual services for the Army National Guard is for maintenance materials, which are 75% Federally funded. The land rent and telephone charges are 100% state funded.

Senator Koslosky arrived at the meeting at 9:30 A. M.

Federal Scout Armories

The Dillingham Armory will be closed since Federal Scout Armories have been unable to recruit there; however, General Reid expects the program to grow by 1972 in other areas. 90% of the money remains in the local area, increasing their economy. General Necrason reported the legislation introduced by Senator Blodgett will aid in attracting guards men.

Alaska Disaster Office

Mr. Isbell said the ADO Participants include Anchorage, Fairbanks, Kenai and Juneau, and are funded on a 50/50 basis by the Federal government and the cities involved. The Alaska Disaster Office merely handles the budget requests. Community Shelter is a Federally funded program for cities throughout the state for fall-out shelters. Ketchikan, Sitka and Juneau are complete, Anchorage

is almost complete, and work is proceeding in Fairbanks. The radiological program determines level of radiation and is 100% Federal funds.

Two new positions have been requested for the Natural Disaster program, which provides assistance to states for natural disaster planning. Federal money will be available by March 1. Senator Blodgett said the complex of state agencies in Anchorage is located in the earthquake area and should be in another building. General Necrason said the ideal building would be underground, but money is not available.

General Taylor listed the following statistics on the Civil Air Patrol:

Missions	155
Sorties	814
Hours	2,418.5
Lives Involved	288
Saved	12
Assisted	223
Missing	46
Deceased	7

Civil Air Patrol is particularly interested in increasing their capability on the North Slope. Senator Blodgett requested a Civil Air Patrol plane in Nome and General Necrason said they will investigate to see if there is room in the hanger.

Senator Miller complimented Military Affairs for the smallest percentage increase in any budget. Senator Lewis complimented them also and asked for the cost of the services provided by the Civil Air Patrol if operated by the Air Force.

Meeting adjourned at 9:55 A. M.

Civil Air
Patrol

Miscellaneous

Adjournment

DEPARTMENT OF MILITARY AFFAIRS

1970-71 BUDGET REQUEST

REVIEW & ANALYSIS

I. Department Total

A. Position Analysis

New positions authorized F.Y. 1969-70	<u>1</u>
Currently authorized positions	54
Intra-departmental changes F.Y. 1969-70	-0-
New positions requested F.Y. 1970-71	<u>11</u>
Total projected positions F.Y. 1970-71	65

B. Departmental Request

Total authorized F. Y. 1969-70	1,167,800
Departmental request F. Y. 1970-71	1,438,500
Percent of increase	23.2%
Total authorized by Governor's Budget Review Committee	1,464,600
Percent of increase	25.4%

II. Alaska National Guard

A. Otag & State Armories

1. Personal Services- Two new custodial positions requested at a cost of \$17,300. Existing positions are budgeted at \$304,300 for an increase of \$38,900 over current fiscal year.
2. Travel - \$15,000 requested for an increase of \$3,000 over the current period. Of this increase, \$1,500 is for outside travel.
3. Contractual Services - Amount requested \$99,500 for an increase of \$2,000 over the current period.
4. Commodities - Amount requested \$44,600 for an increase of \$3,400 over current period. Increase is in maintenance and materials (\$3,500), with other adjustments in some of the sub-accounts.
5. Equipment - An increase of \$4,000 for a total request of \$5,000 projected in this account. A micro-filming unit is budgeted at a projected cost of \$4,000.
6. Inter-agency Charges - Amount requested \$45,000 to defray maintenance costs throughout the armories. Amount budgeted for the Division of Buildings.

B. Air National Guard

1. Personal Services - Seven new positions proposed at a total cost of \$61,500. Cost of budgeted positions \$87,300 for an increase of \$8,400 over the current fiscal year. Total request for personal services \$148,800.
2. Contractual Services - An increase of \$10,400 projected for the next fiscal year for a total request of \$57,400. Increase is the result of adjustments throughout the sub-accounts.

3. Commodities - Amount requested \$37,200 for a \$9,700 increase. Increases of \$4,000 in maintenance and construction materials, \$3,000 in fuel, and \$2,300 in other supplies are budgeted in this account.

C. Army National Guard

1. Contractual Services - Amount requested \$30,300 for an increase of \$3,700 over current period. Increases of \$4,800 in rents and utilities and \$1,500 in insurance and bonding are partially offset by decreases of \$2,600 in other sub-accounts.
2. Commodities - No increase requested. Current level of \$20,400 projected for next fiscal year.

D. Federal Scout Armories

1. Personal Services - No new positions requested - amount budgeted \$103,700 for an increase of \$15,200 over current fiscal year.
2. Travel - No increase requested - current level of \$23,600 projected for next fiscal year.

E. Camp Carroll

1. Personal Services - No new positions requested. Amount requested \$31,500 for an increase of \$3,400 over the current fiscal year.

III. Alaska Disaster Office

A. Administrative Program

1. Personal Services - No new positions requested. \$198,800 budgeted for next fiscal year for an increase of \$24,100 over the current period.

2. Travel - \$10,500 requested for a \$1,500 increase.
3. Contractual Services - The Department originally requested \$15,800 which would have represented an increase of \$900 over the current fiscal year. Subsequently the Governor's Budget Review Committee added \$15,200 to fund "Operation Foresight." This operation entails a dusting project to minimize spring flooding.
4. Commodities - Amount requested \$9,300. This includes an item of \$5,800 to provide supplies for "Operation Foresight."
5. Inter-agency Charges - \$2,400 requested for vehicle and maintenance costs.

B. ADO Participants

1. Grants, Claims & Shared Revenue - Amount requested \$51,000 for a \$15,000 increase over the current period. This amount is to be distributed to Anchorage, Fairbanks, Juneau, and the Kenai peninsula borough.

C. Community Shelter

1. Personal Services - No new positions requested. \$26,700 are budgeted for an increase of \$3,900 over the current fiscal year.
2. Travel - Minor increase of \$400 for a total request of \$2,300.
3. Contractual Services - This account reflects a decrease of \$4,200. Amount requested \$2,200.
4. Commodities - No increase requested. Current level of \$700 projected for the next fiscal year.

5. Inter-agency Charges - \$2,000 requested for vehicle rental.

D. Radiological Program

1. Personal Services - Total request of \$21,000 to cover cost of existing positions. This is an increase of \$3,100 over the current fiscal period.
2. Travel - Total requested \$2,500 for an \$800 increase.
3. Contractual Services - Minor adjustments in all of the sub-accounts result in a \$500 decrease for a total request of \$2,300.
4. Commodities - No increase requested. \$500 required to maintain current level.
5. Inter-agency Charges - \$300 budgeted for vehicle rental.

E. Natural Disaster

NOTE: This is a new program being proposed by the Department. Costs of this program are split evenly between the Federal government and the state.

1. Personal Services - Two new positions requested at a cost of \$23,700.
2. Travel - Request of \$3,100 submitted for this account.
3. Contractual Services - Amount requested \$2,000.
4. Commodities - Amount requested \$300.
5. Inter-agency Charges - Amount requested \$800.

F. Hardware Program

1. Equipment - \$200 requested for the purchase of a slide projector.

G. Facilities and Equipment

1. Contractual Services - \$200 requested for payment of dues and memberships.
2. Commodities - Request of \$900 for a decrease of \$100 over the current fiscal year submitted.
3. Inter-agency Charges - \$2,500 are budgeted in this account for the purchase of surplus property.

IV. Civil Air Patrol

1. Travel - Amount requested \$5,500 for an increase of \$500 over the current period.
2. Contractual Services - Increase of \$5,300 for a total request of \$33,400 proposed for this account. Increase is in areas of repairs, services and alterations (\$4,000), insurance and bonding (\$1,600), and equipment rental (\$800).
3. Commodities - Amount requested \$23,700 for a \$2,800 increase over current period. An increase of \$5,100 in fuel costs is offset by decreases in clothing (\$2,000) and in supplies (\$800).
4. Equipment - Amount requested \$11,200 for a decrease of \$3,400 over the current fiscal year. Request includes the purchase of two station wagons for a total cost of \$5,000, radio equipment (\$5,000), and miscellaneous office furniture.
5. Grants, Claims & Shared Revenue - No increase requested. Current level of \$10,000 projected for the next fiscal year.

PUB

DEF

SENATE FINANCE COMMITTEE

March 6, 1970

9:10 A. M.

Present

Senators Phillips, Blodgett, Bradshaw, Lewis and Miller.

Vic Carlson, Public Defender; Roberta Johnson, Administrative Assistant; Mario F. Martini, Senate Fiscal Counsel.

Alaska Civil
Liberties Union

Senator Lewis noted Mr. Carlson is on the Board of the Alaska Civil Liberties Union and asked in what type of cases they are involved. Mr. Carlson said the ACLU handles cases where they feel an individual's rights are being discriminated against; a recent case involved a boy who was to be expelled from school because his hair was too long. There are three local chapters in Alaska. Senator Lewis said he had heard the ACLU is attempting to have as many confrontations as possible this year and 5 or 6 people traveled to Oakland to learn how to stir up disturbances. Mr. Carlson knew nothing about this and Senator Lewis asked him to check into the situation with Jim Calhoun.

Senator Lewis asked the position of the ACLU on moral turpitude and homosexuality and Mr. Carlson said they would protect an individual's rights as a citizen; for example, a teacher should be allowed to continue as long as his teaching is acceptable by other standards. The other members of the Board are an Assistant Librarian at AMU, Guy Martin, Professor at AMU, Jerry Kingery, and others whom Mr. Carlson does not know since he has not attended any Board

meetings since elected. Senator Blodgett requested a copy of the minutes of the last meeting of the Alaska Civil Liberties Union.

Court System

Senator Miller asked the total budget request and Mr. Carlson answered it was \$260,000. The money which was granted the Court System to pay the Public Defender for court-appointed attorneys was never received and Mr. Carlson said they have paid out \$20,000 already and they have another \$20,000 in bills coming in. Senator Phillips said the costs were to be borne by the Court System as decided in free conference last year, and will question them about this.

Parole Board

Senator Miller asked if the Public Defender handles cases appearing before the Parole Board and Mr. Carlson said they do, on a very limited basis. Senator Phillips questioned spending taxpayers money to defend a convicted individual before the Parole Board, and Mr. Carlson said a rich man is able to hire an attorney and he feels a poor man is entitled to legal counsel. Senator Blodgett said the Northwest District is in need of an attorney, but in general he does not support the program or have any regard for attorneys in this state.

Public Defender
Budget

Eight positions have been requested (three attorneys, an investigator, a clerk typist, etc.) and Senator Phillips asked the responsibilities of an investigator. Mr. Carlson said he would question witnesses or any one with knowledge of the crime or the

area in which it occurred. Mr. Martini asked the percentage of successes in the courts of cases handled by the Public Defender and Mr. Carlson said people who go to trial are convicted 85% of the time on a national basis and the percentage is about the same here.

Discussion followed on the professional responsibility of an attorney to defend perverts and drug sellers.

The travel and contractual services requests were reviewed and Mr. Carlson said he had requested additional money but was not authorized anything for Nome or Ketchikan. Senator Bradshaw noted an imbalance in the program, with two attorneys in Southeast Alaska and only two up north where there are more people. Mr. Carlson said it is impractical not to have a Public Defender where there is a Superior Court, and if a Superior Court is opened in Kenai or Kodiak they would need a Public Defender.

The method of requesting defense by a Public Defender was discussed and if money is earned by the person requesting aid after the trial the Public Defender can sue for services rendered. However, Mr. Carlson reported nothing has been collected so far.

Senator Lewis asked if there would be any conflict arising from the fact that a Public Defender is a member of the ACLU, and Mr. Carlson said if any arose he would resign from the organization. Mr. Carlson asked if there was any indication of the status of the supplemental request, and Senator Phillips stated the Finance

Alaska Civil
Liberties Union

Supplemental

Committee wants to talk to the Court System first. Mr. Carlson said he has a man who wishes to go to Nome as Assistant Public Defender, but he can't be hired without the supplemental appropriation.

Adjournment

Meeting adjourned at 9:50 A. M.

ED

SENATE FINANCE COMMITTEE

March 10, 1970

9:10 a.m.

Senators Phillips, Haggland, Blodgett and Miller. Also present were Dr. Cliff Hartman, Commissioner of Education and Mario F. Martini, Senate Fiscal Counsel.

Teacher Aide
Program

The purpose of the meeting was to discuss the teacher's aide program. It was thought that it was a good program but the committee needed more information. Senator Phillips asked what the qualifications were for the aides. Dr. Hartman said that they were people who had from two to four years college work. There was no training involved in this program. They would help grade papers, do some clerical work, answer phones, and other miscellaneous duties. They can be a very effective employee if the administration makes good use of them. Senator Phillips asked if students could not do as well. Dr. Hartman said that at the Junior High level the students can do this kind of thing. Using students in the elementary schools to help the younger ones learn to read works out very well. Senator Haggland asked if the practice or cadet teachers couldn't help with this and Dr. Hartman said that cadet teachers do help considerably.

bi-lingual
Education

Teacher aides can help with bi-lingual education in the village schools. The mature people will probably stay at the aide level, but the younger ones sometimes go on to finish their education. The salaries are placed in Range 7 (\$7,032 per year) and were so classified by the Division of Personnel. The department had nothing to do with this classifying once the job description was written up. Senator Phillips thought this was too much money for someone with no background.

Salary Rate

Senator Phillips asked how the program got into the budget. The rural part came in as part of the Teacher Corp Program through the Federal Government.

Senator Blodgett said that virtually none of the people that have children in the village schools today are not able to speak English. We should do whatever we can to develop bi-lingual people in our schools. He also felt that if they are really bi-lingual, they should not have to take another language to qualify for a degree at high school.

Teacher/Student
Ratio -----

Dr. Hartman said that the teacher student ratio in "on-base" schools is 20-26 to 1. Senator Blodgett thought that "on base" schools got everything and were the finest in Alaska. The real situation lies in the rural schools. They are not very good, but they have been there for 100 years.

A Schools

There was a discussion on taking over of the BIA schools. Schools that were in first class condition could be taken over with little expense, but there were schools that were in poor condition and it would be very expensive. Senator Phillips asked if we could take over only some, or half, of the schools now. Dr. Hartman said that the taking over depended upon approval of funds to operate from the Legislature. There are approximately 14 schools that have asked to be transferred, but we have left the door open pending Legislative action. Senator Phillips wanted to know what Dr. Hartman's feeling were toward taking them over and Dr. Hartman said that as soon as we can we should have a single school system. However, we do not have to do this at the expense of the State. Senator Haggland asked if it would impair the education program if we did not take them over and Dr. Hartman didn't see any problem. The schools are doing a good job. He did think, however, that those who are anxious to transfer might feel that they are being discriminated against if we do not take them in at the present time when they have asked to be taken in.

Single School
System -----

Principal Salary
Rates -----

Mr. Martini said that in going through their budget, a question came up concerning the salaries paid rural teachers as opposed to "on base" teachers and principals. How do you establish these salary rates? Dr. Hartman said that they considered the number of years of experience as a teacher and a principal, the educational background, and the number of teachers they have

RECEIPTS MANAGEMENT - Banking and accounting for of all State funds, redemption of all State warrants, investment of short-term cash excess, reporting, liaison with Portfolio Management and Debt Management Divisions.

1. Receipt Processing Section - Banking and accounting for of all State funds. Adjustments, summarization and depositing by type, status and statistical reporting.
2. Warrant Redemption Section - Redemption of all State warrants, payment to bank for warrants, status and statistical reporting, warrant stale dating, redeemed warrant storage, redeemed warrant retrieval upon authorized request.
3. Cash Flow Section - Deposits, cash flow charting and analysis, statistical and status reporting.
4. Short-Term Investments Section - Investment of funds temporarily surplus to the State's need, financial and investment reporting.

DEBT MANAGEMENT - Long-range planning, evaluation of bond requirements, projections liaison with Portfolio Management and Receipts Management Division, Legislative research.

1. Economics Section - Forecasts, trends, statistical accumulations; development of economic indicators.
2. Forecasting Section - Long-range planning, investment requirements, bond requirements, financial needs, planning projections, revenue estimating.
3. Budget Analysis Section - Short, medium and long-range budget expenditure, analysis, expenditure status, reporting.

BANKING AND SECURITIES - Regulation and control of bank and trust companies, regulation of mutual savings banks, administration of the Alaska Savings Association Act, enforcement of the Alaska Securities Act, administration of the Uniform Land and Sales Practices Act, regulation of the Alaska Small Loans Act.

ADMINISTRATIVE SERVICES - Accounting, fiscal, administrative services, data processing services.

1. Fiscal Services Section - Uniform accounting system, budget preparation, purchasing, records management, property management, procurement, disbursement, legislative research, general files maintenance.
2. Personnel Section - Payroll, personnel.
3. Data Processing Section - Preparation of conceptual and detailed data processing design, implementation of approved designs, coordination and liaison between user and computer systems, operational maintenance of computer systems.

DEPARTMENT OF TREASURY

ORGANIZATION DEFINED

November 25, 1969

CONCEPTS

The formulation of a Treasury Department such as the one described in the attached Statement of Function and Responsibility and organizational flow charts shows the effects of highly specialized requirements. As a result, the overall salary levels of the employees involved are considerably higher than would be expected and the numbers of supporting clerical staff are conspicuous by their absence.

Two basic concepts were ultimately considered after bouncing a wide array off the walls. The first of these concepts considers the development of complete treasury capability in house and within State of Alaska personal services. The other concept deals with counselor or advisor contractual personnel working on a full-time basis, for the State which results in a somewhat lower level of expertise resident within the personal services of the State of Alaska. Our analysis considered the costs of obtaining in-house expertise and found the requirement to be \$50,000 or more per each individual manager in each of the technical areas (Portfolio, Receipts and Debt Management). We also explored the possibility of hiring contractually a qualified counselor with primary emphasis on Portfolio Management and with secondary emphasis on Counseling, Receipts and Debt Management and with an intent to hire in-house, people competent in background which would allow training and progress to the necessary performance level. The attached flow chart and Statement of Function Responsibility recommend the latter approach to forming the Department of the Treasury. This approach is that the State contractually hire a qualified Counselor (It is recognized that his services will cost somewhere between \$100,000 and \$500,000 annually:) to provide specific technical services in Portfolio Management and counselor services in Receipts and Debt Management. The concept also involves the retaining of a contractual specialized external audit organization (now being filled by Blyth & Company) for the purpose of auditing performance at the investment bank level. The concept then also allows for the allocation of specific amounts of money to various investment banks. The control to remain vested in the Commissioner of Treasury through his Portfolio Management Director and as advised by the Investment Counselor. The concept involves the staffing of Portfolio, Receipts and Debt Management Directors at a salary range with a minimum of \$19,860 annually to a maximum of \$26,820 annually.

STAFFING

Staffing for the new Department as indicated by the functions and responsibilities in the chart of organization are as follows:

OFFICE OF THE COMMISSIONER - Commissioner - exempt at the cabinet level;
Administrative Assistant II - partially exempt
as office manager for the Commissioner;

Deputy Commissioner - partially exempt;
Secretary II as secretary and office manager
for the Deputy Commissioner.

SUB TOTAL OF EMPLOYEES 4

PORTFOLIO MANAGEMENT DIVISION - Director - partially exempt (all indications
advise classification of this position);
Assistant Director; Secretary; Analyst for Fixed
Income (Debts); Analyst for Equities (common
stock); Trader for Fixed Income; Trader for
Equities; Trader for Equities; Accountant IV;
Accountant II; Accountant I; Accounting Clerk III;
Accounting Clerk II; Accounting Clerk I; Clerk
Typist II; Statistical Clerk II.

SUB TOTAL OF EMPLOYEES 16

RECEIPTS MANAGEMENT DIVISION - Director - partially exempt (indications are
that this position should be classified);
Assistant Director; Secretary; State Cashier;
Accountant III; Accountant I; Accounting Clerk III;
Accounting Clerk II; Accounting Clerk II; Clerk III;
Clerk II; Accountant IV; Accountant II; Accountant I;
Accounting Clerk II; Accounting Clerk I; Clerk
Typist II; Investment Analyst; Accountant III;
Accountant I; Accounting Clerk II; Statistical Clerk II.

SUB TOTAL OF EMPLOYEES 22

DEBT MANAGEMENT DIVISION - Director - partially exempt (indications are that
the position should be classified); Secretary;
Assistant Director; Statistician III; Statistician I;
Statistical Clerk II; Planning Specialist; Planning
Aid IV; Planning Aid II; Statistical Technician;
Budget Analyst III; Budget Analyst II; Budget Analyst I;
Clerk Typist II.

SUB TOTAL OF EMPLOYEES 14

BANKING AND SECURITIES DIVISION - Director - partially exempt; Administrative
Assistant II; Bank Examiner II; Bank Examiner I;
Clerk Typist II; Securities Examiner II; Securities
Examiner I; Clerk Typist II; Financial Assistant;
Accounting Clerk III; Clerk Steno II; Clerk Typist
II; Clerk II.

SUB TOTAL OF EMPLOYEES 13

ADMINISTRATIVE SERVICES DIVISION - Director - partially exempt; Secretary;
Fiscal Officer; Accountant II; Clerk Typist II;
Personnel Officer; Clerk Typist II; Systems Analyst
III; Programmer III; Programmer II; Programmer I.

SUB TOTAL OF EMPLOYEES 11

TOTAL 80

MANPOWER ANALYSIS

The number of supporting, statistical and clerical staff is entirely contingent upon the amount and type of reporting that will be performed by the investment banks. If the reporting is complete enough so that a straight forward compilation of the various reports from the investment banks into a single integrated report can be accomplished with minimal effort, then the numbers of statistical and clerical personnel can go down. Contingent also is the type of reporting performed and the degree of data processing utilization as regards compilation of the final reports.

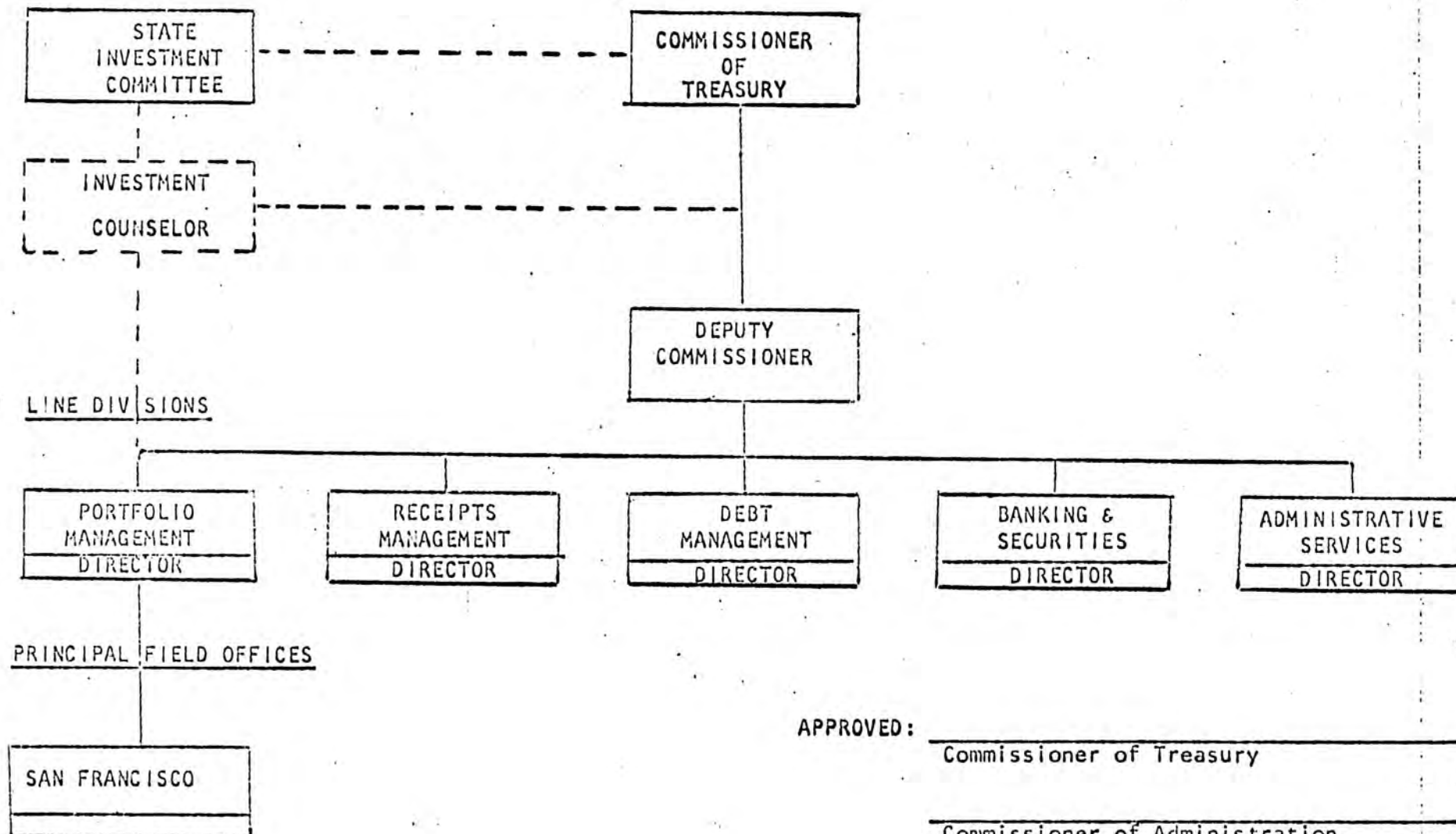
The new Treasury Department as envisioned here is again a monitoring and auditing oriented function. Therefore, the numbers of accounting personnel, both professional accountants and bookkeepers (Accounting Clerks) listed are contingent upon the performing of a rather thorough audit of the detail documents provided by the investment banks and a thorough analysis of the investment posture in the State as regards projections, debt status and the management of the portfolio. As the result, the number of accounting and bookkeeping positions support the more thorough audit of supporting documents.

We have provided for a comprehensive Debt Management Division in the belief that although a considerable amount of statistics are available in various offices and files, these statistics are not adaptable to an integrated use requirement. Therefore, staffing of the Debt Management Division provides for the capability to ferret out, consolidate and analyze statistical detail prior to the forecasting/planning function. It is also believed that although the budget requests by the various departments are analyzed quite thoroughly as to justification, standards and overall objectives that the budgets are not analyzed from the point of view of impact upon the money posture of the State. It is believed that an additional analysis and preparation of the budget criterion will be needed before data can be developed to support the forecasting/planning phase. It is also believed that the Debt Management Division is one of the more important functions of the new Treasury Department in that if properly executed, it will provide long-range planning that will assist the Portfolio Manager in getting the most interest possible out of the monies he has to invest.

We have included the banking and securities and small loans function from the Department of Commerce as properly a part of the new Treasury Department. However, there is some consideration as to the proper placement of the Banking Securities Division, whether it should be in line status or as a control board. It is depicted here in line status in an attempt to give it operational security. This, however, poses a problem because the Commissioner of the new Treasury Department will be dealing with banks on one hand and regulating them on the other.

Provision is also made for a complete Administrative Services Division which can provide direct support through requests from other division directors. Experience teaches that personnel matters are best handled by a personnel officer, and fiscal matters are best handled by fiscal officers and provision is made for both. The Administrative Services Division is also responsible for providing data processing supports as requested by other division directors. We can initially see the need for data processing supports as regards statistical

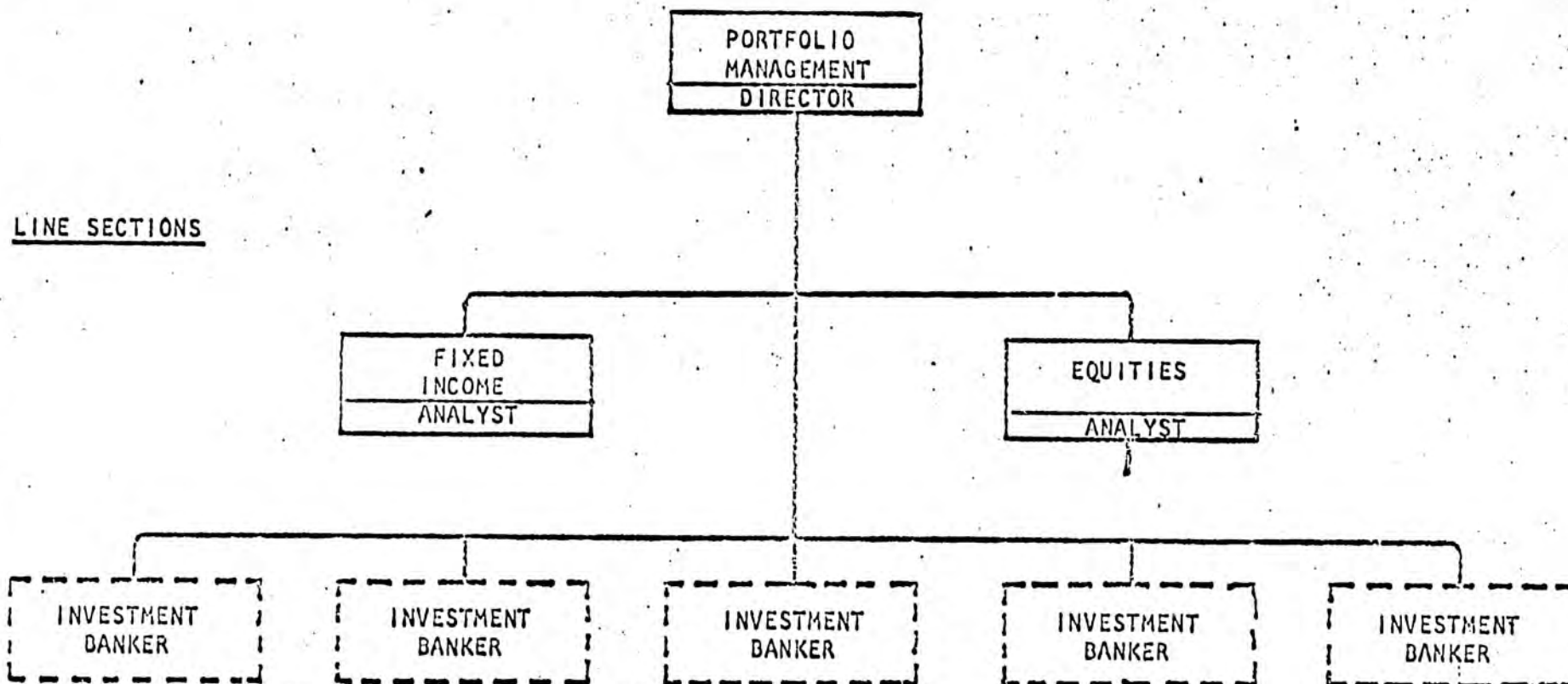
compilations and projections in the Debt Management Division and in supporting investment management reporting and analysis as regards the Portfolio Management Division. Data processing is already an existing requirement as regards warrant redemption in the Receipts Management Division. We can see the requirement for additional data processing supports as regards short-term investment, cash flow analysis and in the timely and prompt processing of receipts.

EXECUTIVE OFFICE

APPROVED:

Commissioner of Treasury_____
Commissioner of Administration_____
Governor of Alaska

EFFECTIVE DATE: _____

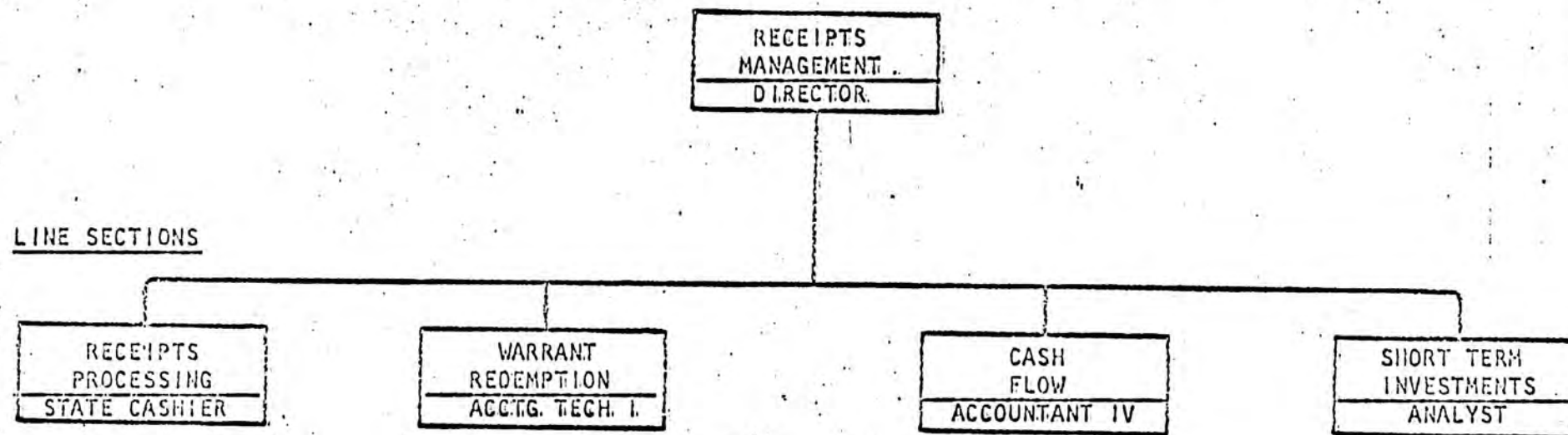


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

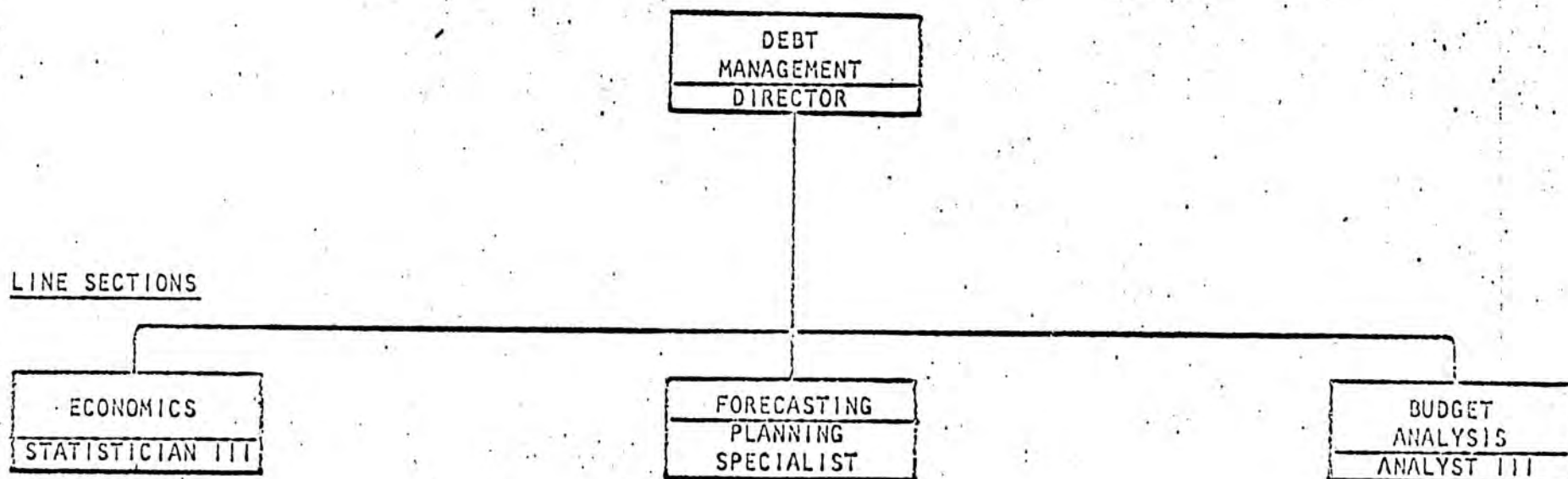


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

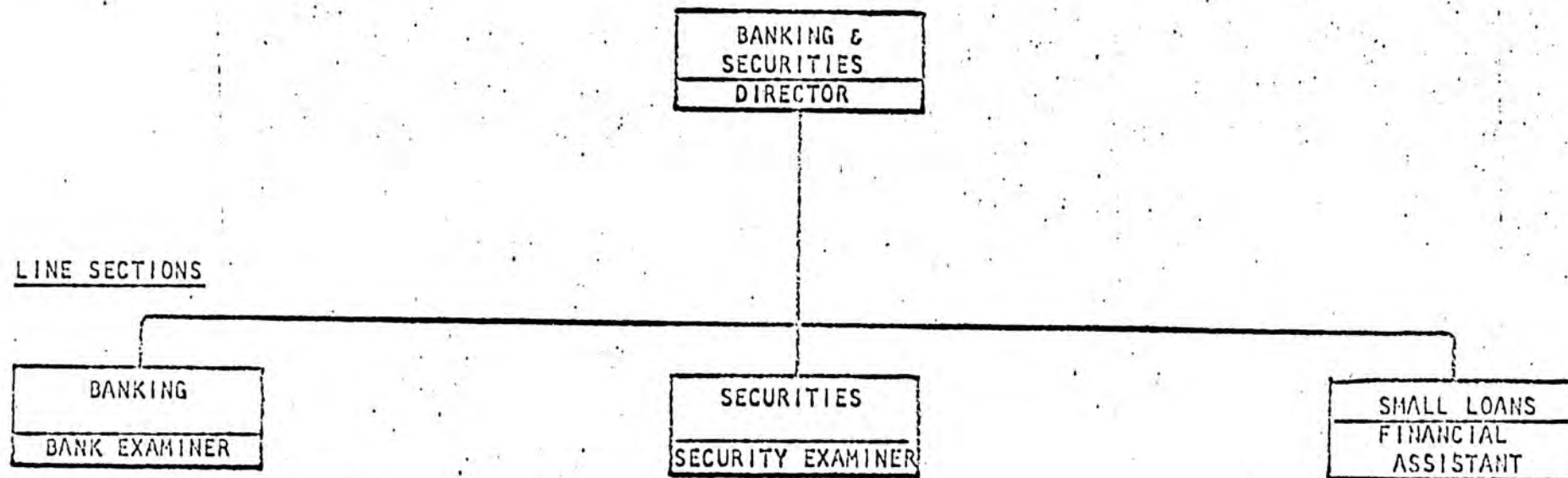


APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____



APPROVED: _____
Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE: _____

STATE OF ALASKA
DEPARTMENT OF THE TREASURY

DIVISION OF ADMINISTRATIVE SERVICES
UNIT ORGANIZATION CHART

CHART B
05

ADMINISTRATIVE
SERVICES
DIRECTOR

LINE SECTIONS

FISCAL
FISCAL OFFICER

PERSONNEL
PERSONNEL OFFICER

DATA
PROCESSING
SYST ANALYST III

APPROVED:

Commissioner of Treasury

Commissioner of Administration

Governor of Alaska

EFFECTIVE DATE:

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 401

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act creating a Department of the
7 Treasury; defining its powers and duties;
8 and providing for an effective date."

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

10 * Section 1. AS 44.15.010 is amended by adding a new para-
11 graph to read:

12 (16) Department of the Treasury.

13 * Sec. 2. AS 44 is amended by adding a new chapter to read:

14 CHAPTER 47. DEPARTMENT OF THE TREASURY

15 ARTICLE 1. ORGANIZATION

16 Sec. 44.47.010. TREASURER. The principal executive
17 officer of the Department of the Treasury is the treasurer.

18 Sec. 44.47.020. FUNCTIONS OF THE DEPARTMENT. The
19 department shall

20 (1) manage and account for public employee retire-
21 ment funds (AS 39.35.110), teachers' retirement funds
22 (AS 14.25.180) and the Alaska Resources Permanent Fund
23 (AS 37.12);

24 [(1) DEPOSIT, MANAGE AND ACCOUNT FOR ALL FUNDS
25 COMMITTED BY LAW TO ITS ADMINISTRATION;]

26 (2) deposit, invest and account for funds in the
27 state treasury;

28 (3) [(2)] redeem all state warrants;

29 (4) [(3)] provide staff assistance to the state

1 bond committee;

2 (5) ~~(4)~~ regulate banks, trust companies, savings
3 banks, savings and loan associations, and small loan com-
4 panies within the state;

5 (6) ~~(5)~~ administer the Alaska Securities Act
6 and the Alaska Uniform Land Sales Practices Act;

7 (7) ~~(6)~~ perform all other functions assigned to
8 it by law.

9 ARTICLE 2. OFFICE OF THE TREASURER

10 Sec. 44.47.100. POWERS AND DUTIES OF THE TREASURER. (a)

11 The treasurer shall

12 (1) supervise the performance of the functions of
13 the department;

14 (2) make an annual report to the governor, to be
15 transmitted to the legislature, detailing the operation of
16 the department;

17 (3) serve as a member and as the chairman of any
18 committee established by law to formulate investment policy
19 for funds in the state treasury.

20 (b) The treasurer may, when necessary to carry out the
21 provisions of this chapter

22 (1) establish offices inside or outside of the
23 state;

24 (2) enter into contracts;

25 (3) promulgate regulations;

26 (4) borrow money on behalf of the state in antici-
27 pation of revenue as provided in AS 43.08.010.

28 Sec. 44.47.110. BOND. Before taking office the
29 treasurer shall furnish a bond to the state. The bond shall

1 be approved by the attorney general and filed with the
2 Department of Administration, and a copy of it shall be
3 filed in the attorney general's office. The conditions of
4 the bond shall be that the treasurer will faithfully dis-
5 charge the duties of his office, keep a strict, true and
6 correct account of all money disbursed by him, that he will
7 properly account for it and will pay over to his successor
8 or other person entitled by law to receive it, all money or
9 property in his custody or control, in accordance with law;
10 or, upon default by the treasurer, the parties executing the
11 bond will pay to the state and others injured all damages,
12 costs, and expenses resulting from the default. The surety
13 on the bond shall be a surety company authorized to transact
14 business in the state. All premiums for the treasurer's bond
15 shall be paid by the state. The amount of the bond shall be
16 \$200,000, but if for any reason the governor and the Depart-
17 ment of Administration consider the bond insufficient, they
18 shall notify the treasurer of that fact, and the treasurer
19 shall give an additional bond with sufficient sureties, with-
20 in the time and in the amount which the governor and the De-
21 partment of Administration consider necessary for the protec-
22 tion of the state.

23 Sec. 44.47.120. DEFINITION. In this chapter "department"
24 means the Department of the Treasury.

25 * Sec. 3. This Act takes effect July 1, 1970. / ON THE DAY
26 AFTER ITS PASSAGE AND APPROVAL OR ON THE DAY IT BECOMES LAW WITH-
27 OUT APPROVAL. /

1 IN THE SENATE

2 SENATE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska Resources Permanent
7 Fund and providing for its administration; and pro-
8 viding for an effective date."

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

10 * Section 1. AS 37 [37.10] is amended by adding a new chapter to read:

11 CHAPTER 12. ALASKA RESOURCES PERMANENT FUND.

12 ARTICLE 1. ADMINISTRATION.

13 Sec. 37.12.010. [37.10.200.] PURPOSE. The purpose of this Act is
14 to provide a method by which funds surplus to current and foreseeable
15 needs may be invested to appreciate as a source of future state revenues.

16 Sec. 37.12.020. [37.10.210.] ALASKA RESOURCES PERMANENT FUND.
17 There is created a permanent fund known as the Alaska Resources
18 Permanent Fund to which appropriations may be made from time to time.

19 Sec. 37.12.030. [37.10.220.] INVESTMENT POLICY. The treasurer
20 shall invest the fund for [WITH THE OBJECTIVE OF] maximum long-term
21 [LONG TERM] total return.

22 Sec. 37.12.040. [37.10.230.] MANAGEMENT STANDARDS. The treasurer,
23 in managing the fund, shall exercise the judgment and care under the
24 circumstances then prevailing which men of ordinary prudence, discretion,
25 intelligence, and experience exercise in the management of their own
26 affairs not in regard to speculation but in regard to the permanent
27 disposition of their funds, considering probable income, [AS WELL AS
28 THE] probable appreciation, [GROWTH] and safety of their capital.
29

1 Sec. 37.12.050. [37.10.240.] POWERS. The powers of the state with
2 respect to the investments are all of the powers which a natural person
3 has in dealing with his own property including but not limited to the
4 power to invest, reinvest, purchase and purchase at a premium, sell
5 and sell at less than cost, exchange, convey, transfer, lease, lease
6 back and otherwise dispose, register securities, vote securities, give
7 proxies, exercise conversion privileges, subscription rights and other
8 options, consent or otherwise participate in corporate reorganization
9 or other changes affecting corporate securities, pay assessments or
10 charges, enforce and compromise claims, make, execute, acknowledge
11 and deliver documents of transfer, conveyances and other instruments
12 necessary or appropriate to carry out such powers.

13 Sec. 37.12.060. [37.10.250.] FUNCTIONS OF THE TREASURER. The
14 treasurer shall:

15 (1) Act as custodian of the investments and provide for
16 their safekeeping [SAFE KEEPING];

17 (2) Collect the interest, dividends, rents, and other in-
18 come of the fund and collect principal and the proceeds of the sale
19 of investments;

20 (3) Manage the fund, and in so doing exercise the state's
21 powers respecting the investments;

22 (4) Maintain adequate accounts and records;

23 (5) Prepare and submit a monthly report to the governor and
24 the state investment advisory committee disclosing a detailed summary
25 of investments purchased, sold, exchanged, conveyed, transferred,
26 leased, and otherwise acquired or disposed of, and stating the invest-
27 ments acquired or disposed of, dates of transactions, the prices paid
28 and received, any gain or loss, and the names of the brokers, dealers,
29 or contractors who engaged in the transactions;

1 (6) Cause an annual audit of the fund by a licensed certi-
2 fied public accountant who is not an employee of the state and submit
3 the auditor's report to the governor and to the state investment ad-
4 visory committee;

5 (7) Cause an annual examination of the fund by a qualified
6 fund evaluator. The evaluator's report shall include an evaluation
7 of current investment practices and of specific investments of the fund
8 in light of the investment objective and management standards of the
9 fund. The report shall be submitted to the governor, the state invest-
10 ment advisory committee, and the legislature.

11 Sec. 37.12.070. [37.10.260.] CONTRACTS. (a) The treasurer may
12 contract with one or more qualified persons in the state or elsewhere

13 (1) to perform the functions specified in sec. 250(1) - (3)
14 of this chapter; except that when contracts are made with respect to
15 the function specified in sec. 250(3) of this chapter, [ARE CONTRACTED
16 NO FEWER THAN] three or more fund managers shall be engaged [;] and
17 separate portions of the fund shall be allocated to each of them;

18 (2) to provide the treasurer [COMMISSIONER] with advice and
19 other services;

20 (b) Contracts may provide for reasonable compensation and reim-
21 bursement of expenses.

22 Sec. 37.12.080. [37.10.270.] ANNUAL DETERMINATION OF MARKET VALUE.
23 At the end of each fiscal year, after deducting from the fund for the
24 purpose of computation the expenses of administration of that year, the
25 treasurer shall determine the market value of the fund.

26 Sec. 37.12.090. [37.10.280.] WITHDRAWALS. (a) Expenses of adminis-
27 tration shall be paid out of the fund.

28 (b) Sixty days after the end of each fiscal year, whether or not
29 provided by income and capital appreciation, an amount in cash, or

1 securities at market value as of the date of transfer, or both, equal
2 and limited to five per cent of the mean average of the determined
3 market value of the fund at the end of that fiscal year and the deter-
4 mined market values of the fund at the ends of the two (necessarily,
5 none and one, at the ends of the first and second fiscal years,
6 respectively) preceding years shall be withdrawn from the fund and
7 transferred to the general fund.

8 [(b) SIXTY DAYS AFTER THE END OF EACH FISCAL YEAR AN AMOUNT,
9 WHETHER OR NOT PROVIDED BY INCOME AND CAPITAL APPRECIATION, SHALL BE
10 WITHDRAWN FROM THE FUND AND TRANSFERRED TO THE GENERAL FUND. THE
11 AMOUNT SHALL BE IN CASH OR SECURITIES AT MARKET VALUE AS OF THAT DATE,
12 OR BOTH, AND SHALL BE CALCULATED IN THE FOLLOWING MANNER:

13 (1) WITH RESPECT TO THE FIRST FISCAL YEAR, THE AMOUNT SHALL
14 BE EQUAL AND LIMITED TO FIVE PER CENT OF THE DETERMINED MARKET VALUE OF
15 OF FUND AT THE END OF THAT YEAR;

16 (2) WITH RESPECT TO THE SECOND FISCAL YEAR, THE AMOUNT SHALL
17 BE EQUAL AND LIMITED TO FIVE PER CENT OF THE MEAN AVERAGE OF THE DETER-
18 MINED MARKET VALUE OF THE FUND AT THE END OF THAT YEAR AND THE DETER-
19 MINED MARKET VALUE OF THE FUND AT THE END OF THE FIRST YEAR;

20 (3) FOR THE THIRD FISCAL YEAR AND FOR EACH SUCCEEDING FISCAL
21 YEAR, THE AMOUNT SHALL BE EQUAL AND LIMITED TO FIVE PER CENT OF THE
22 MEAN AVERAGE OF THE DETERMINED MARKET VALUE OF THE FUND AT THE END OF
23 THE TWO PRECEDING YEARS.]

24 (c) There shall be no other withdrawals from the fund.

25 Sec. 37.12.100. [37.10.290.] TRANSFER TO FUND. Upon the effective
26 date of an act appropriating to the fund, the amount appropriated shall
27 be transferred to the fund in cash, or securities at market value as
28 of that date, or both.

29 ARTICLE 2. STATE INVESTMENT ADVISORY COMMITTEE.

1 Sec. 37.12.200. [37.10.300.] STATE INVESTMENT ADVISORY COMMITTEE.

2 There is, within the Department of the Treasury, the State Investment
3 Advisory Committee comprised of the treasurer, who shall serve as
4 chairman, the commissioner of administration, the commissioner of
5 commerce, the commissioner of economic development, the commissioner of
6 revenue, the president of the Senate, the speaker of the House of
7 Representatives, and two members of the public appointed by the governor
8 to serve at his pleasure.

9 Sec. 37.12.210. [37.10.310.] FUNCTION. The committee shall advise
10 the treasurer with respect to the administration of the Alaska Resources
11 Permanent Fund.

12 Sec. 37.12.220. [37.10.320.] QUORUM. Five members of the committee
13 constitute a quorum for the conduct of business at a meeting.

14 Sec. 37.12.230. [37.10.330.] EXPENSES. The two members from the
15 public receive no pay but are entitled to the travel expenses and per
16 diem authorized for members of boards and commissions.

17 ARTICLE 3. GENERAL PROVISIONS.

18 Sec. 37.12.300. [37.10.340.] DEFINITIONS. As used in this chapter:

19 (1) "treasurer" means the principal executive officer of the
20 Department of the Treasury;

21 (2) "expenses of administration" means the amount incurred
22 during the fiscal year in accordance with contracts for managerial,
23 advisory, legal, appraisal, accounting, auditing, performance evalua-
24 tion [EVALUATIONS], custodial, execution of transactions, brokerage,
25 and other services;

26 (3) "fiscal year" means the fiscal year of the fund, which
27 is the period July 1 to June 30;

28 (4) "fund" means the Alaska Resources Permanent Fund and
29 includes income and capital appreciation;

1 (5) "investments" means the property of the fund and in-
2 cludes cash;

3 (6) "manage", with respect to the fund, includes but is
4 not limited to selection of classes of investments, selection of in-
5 vestments from within those classes, and the acquisition, retention,
6 disposition, and exchange of investments;

7 (7) "maximum long-term total return" ["MAXIMUM TOTAL LONG
8 TERM RETURN"] means an investment policy which has as its central ob-
9 jective growth of the fund [CAPITAL] over the long term, [;] whether
10 through income or capital appreciation;

11 (8) "permanent" when applied to the fund means that it shall
12 have perpetual existence, not be subject to invasion or diversion, and
13 be kept intact except for withdrawals as provided in sec. 090 of this
14 chapter;

15 (9) "committee" ["COMMITTEE OR ADVISORY COMMITTEE"] means
16 state investment advisory committee.

17 * Sec. 2. This Act takes effect July 1, 1970.
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29

Original sponsor: Rules Committee by request of the Governor

Offered: 3/10/70
Referred: Rules

BY THE RULES COMMITTEE
BY REQUEST OF THE SPECIAL
COMMITTEE ON INVESTMENT
AND MONETARY POLICIES

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 404

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska resources permanent
7 fund and providing for its administration; and pro-
8 viding for an effective date."

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

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

11 CHAPTER 12. ALASKA RESOURCES PERMANENT FUND.

12 Sec. 37.12.010. PURPOSE. The purpose of secs. 10 - 180 of this
13 chapter is to provide a method by which funds surplus to current and
14 foreseeable needs may be invested to appreciate as a source of future
15 state revenues.

16 Sec. 37.12.020. ALASKA RESOURCES PERMANENT FUND. There is
17 created a permanent fund known as the Alaska resources permanent fund
18 to which appropriations may be made from time to time.

19 Sec. 37.12.030. ALASKA FUND INVESTMENT COMMITTEE. There is
20 established the Alaska Fund Investment Committee composed of the
21 commissioners of commerce and revenue, the president of the senate and
22 another senator appointed by the president from the opposite political
23 party, the speaker of the house and another representative appointed
24 by the speaker from the opposite political party, three members of the
25 public, not more than two of whom are of the same political party,
26 knowledgeable and experienced in banking, accounting or investing,
27 appointed by the governor. The three public members of the committee
28 who are appointed must be confirmed by the legislature in joint session.
29 The committee shall, at its first meeting, select a chairman and vice

1 chairman.

2 Sec. 37.12.040. TERMS OF MEMBERS APPOINTED FROM THE PUBLIC AND
3 THEIR REMOVAL. (a) Appointed public members of the committee are
4 appointed for six-year terms. However, the first three appointments
5 shall be for two, four and six years respectively.

6 (b) Appointed public members of the committee, unless removed,
7 serve until their successors are appointed and have qualified.

8 (c) An appointed public member of the committee may be removed
9 from office by the governor, for cause, after notice and opportunity to
10 be heard at a public hearing. A vacancy in the membership of the
11 appointed public members of the committee occurring other than by expira-
12 tion of a term shall be filled by the governor for the unexpired term
13 only.

14 Sec. 37.12.050. INVESTMENT POLICY. The committee shall invest
15 the fund with primary emphasis on long-term total return.

16 Sec. 37.12.060. MANAGEMENT STANDARDS. The committee, in managing
17 the fund, shall exercise the judgment and care under the circumstances
18 then prevailing which men of ordinary prudence, discretion, intelligence,
19 and experience exercise in the management of their own affairs not in
20 regard to speculation but in regard to the permanent disposition of
21 their funds, considering probable income, probable appreciation, and
22 safety of their capital.

23 Sec. 37.12.070. POWERS. The powers of the state with respect to
24 the investments are all of the powers which a natural person has in
25 dealing with his own property including but not limited to the power
26 to invest, reinvest, purchase and purchase at a premium, sell and
27 sell at less than cost, exchange, convey, transfer, lease, lease back
28 and otherwise dispose, register securities, vote securities, give
29 proxies, exercise conversion privileges, subscription rights and other

1 options, consent or otherwise participate in corporate reorganization
2 or other changes affecting corporate securities, pay assessments or
3 charges, enforce and compromise claims, make, execute, acknowledge and
4 deliver documents of transfer, conveyances and other instruments
5 necessary or appropriate to carry out such powers.

6 Sec. 37.12.080. FUNCTIONS OF THE COMMITTEE. The committee shall

7 (1) act as custodian of the investments and provide for
8 their safekeeping;

9 (2) collect the interest, dividends, rents, and other
10 income of the fund and collect principal and the proceeds of the sale
11 of investments;

12 (3) manage the fund, and in so doing exercise the state's
13 powers respecting the investments;

14 (4) maintain adequate accounts and records;

15 (5) prepare and submit a monthly report to the governor
16 disclosing a detailed summary of investments purchased, sold, exchanged,
17 conveyed, transferred, leased, and otherwise acquired or disposed of,
18 and stating the investments acquired or disposed of, dates of trans-
19 actions, the prices paid and received, any gain or loss, and the names
20 of the brokers, dealers, or contractors who engaged in the transactions;

21 (6) cause an annual audit of the fund by a licensed certified
22 public accountant who is not an employee of the state and submit the
23 auditor's report to the governor.

24 Sec. 37.12.090. CONFLICT OF INTEREST AND PUBLIC DISCLOSURE. (a)

25 Any member of the committee who is an employee or officer of, or who
26 contracts with, or obtains a direct or indirect interest in any corpora-
27 tion or other entity in which an investment is made from the fund
28 shall disclose publicly the existence of such employment, office,
29 contract or interest upon the acquisition of it.

1 (b) At least quarterly, each member shall file reports with the
2 committee, to be maintained in the office of the director, as public
3 documents, of all securities transactions in which he has engaged
4 during the preceding 90 days.

5 (c) No member shall vote upon any question the outcome of which
6 would affect substantially the value of any interest.

7 Sec. 37.12.100. QUORUM. Five members of the committee constitute
8 a quorum for the conduct of business at a meeting.

9 Sec. 37.12.110. EXPENSES. The three members from the public
10 receive no pay but are entitled to the travel expenses and per diem
11 authorized for members of boards and commissions.

12 Sec. 37.12.120. EXECUTIVE DIRECTOR. (a) The committee shall
13 employ an executive director who shall assist the committee with
14 respect to the administration of the fund.

15 (b) The director is an ex officio, nonvoting member of the
16 committee.

17 Sec. 37.12.130. CONTRACTS. (a) The committee may contract with
18 one or more qualified persons in the state or elsewhere

19 (1) to perform the functions specified in sec. 80(1) - (3)
20 of this chapter; except that when contracts are made with respect to
21 the function specified in sec. 80(3) of this chapter, three or more
22 fund managers shall be engaged and separate portions of the fund shall
23 be allocated to each of them;

24 (2) to provide the commission with advice and other services.

25 (b) Contracts may provide for reasonable compensation and reim-
26 bursement of expenses.

27 Sec. 37.12.140. ANNUAL DETERMINATION OF MARKET VALUE AND REPORT.
28 In addition to the monthly reports provided for in sec. 80(5) of this
29 chapter, at the end of each fiscal year, after deducting from the fund

1 for the purpose of computation the expenses of administration of that
2 year, the committee shall determine the market value, capital gains
3 and losses and dividend income of the fund and submit a report of its
4 findings to the governor and each legislature.

5 Sec. 37.12.150. REPORTS. Reports of the committee provided for
6 by secs. 80(5) and 140 of this chapter are public 30 days after they
7 are filed.

8 Sec. 37.12.160. WITHDRAWALS. (a) Expenses of administration
9 shall be paid out of the fund.

10 (b) Sixty days after the end of each fiscal year, whether or not
11 provided by income and capital appreciation, an amount in cash, or
12 securities at market value as of the date of transfer, or both, equal
13 and limited to five per cent of the mean average of the determined
14 market value of the fund at the end of that fiscal year and the deter-
15 mined market values of the fund at the ends of the two (necessarily,
16 none and one, at the ends of the first and second fiscal years,
17 respectively) preceding years shall be withdrawn from the fund and
18 transferred to the general fund.

19 (c) There shall be no other withdrawals from the fund.

20 Sec. 37.12.170. TRANSFER TO FUND. Upon the effective date of
21 an Act appropriating to the fund, the amount appropriated shall be
22 transferred to the fund in cash, or securities at market value as of
23 that date, or both.

24 Sec. 37.12.180. DEFINITIONS. In secs. 10 - 180 of this chapter

25 (1) "committee" means Alaska Fund Investment Committee;

26 (2) "expenses of administration" means the amount incurred
27 during the fiscal year in accordance with contracts for managerial,
28 advisory, legal, appraisal, accounting, auditing, performance evalu-
29 ations, custodial, execution of transactions, brokerage, and other

1 services;

2 (3) "fiscal year" means the fiscal year of the fund, which
3 is the period July 1 to June 30;

4 (4) "fund" means the Alaska resources permanent fund and
5 includes income and capital appreciation;

6 (5) "investment manager" means a person who, for compensa-
7 tion, engages in the business of advising others, either directly or
8 through publications or writings, as to the value of securities or
9 as to the advisability of investing in, purchasing, or selling
10 securities, or who, for compensation and as a part of a regular business,
11 issues or promulgates, analyzes or reports concerning securities, or
12 invests in securities as agent for others;

13 (6) "investments" means the property of the fund and in-
14 cludes cash;

15 (7) "long-term total return" means an investment policy
16 which includes long-term capital appreciation, dividend income, plus
17 interest income, plus realized capital gains, plus unrealized capital
18 gains, minus realized capital losses, and minus unrealized capital
19 losses;

20 (8) "manage", with respect to the fund, includes but is
21 not limited to selection of classes of investments, selection of
22 investments from within those classes, and the acquisition, retention,
23 disposition, and exchange of investments;

24 (9) "permanent" when applied to the fund means that it
25 shall have perpetual existence, not be subject to invasion or diversion,
26 and be kept intact except for withdrawals as provided in sec. 160 of
27 this chapter.

28 * Sec. 2. This Act takes effect on the day after its passage and approval
29 or on the day it becomes law without approval.

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 74

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 Proposing an amendment to the
6 Constitution of the State of Alaska
7 establishing the Alaska Resources
8 Permanent Fund.

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

10 * Section 1. Article IX of the Constitution of the State of
11 Alaska is amended by adding a new section to read:

12 Sec. 15. ALASKA RESOURCES PERMANENT FUND. The Alaska
13 Resources Permanent Fund created by the Second Session of the
14 Sixth Legislature, including any additions by appropriations,
15 shall be permanent and not subject to appropriation. It shall
16 be invested for maximum long-term total return. Investments
17 shall be made in accordance with the standards observed by
18 men of ordinary prudence, discretion, intelligence, and
19 experience, when investing, and not speculating with, their
20 own funds. Income becomes part of the fund. An amount equal
21 and limited to five per cent of its market value shall be
22 withdrawn from the fund annually and thereafter be subject to
23 appropriation for general purposes. No other withdrawals may
24 be made from the fund, except for payment of expenses of
25 administration.

26 * Sec. 2. The amendment proposed by this resolution shall be
27 placed before the voters of the state at the next state-wide
28 election in conformity with sec 1. art. XIII. of the Constitution
29 of the State of Alaska, and the state election laws.

to supervise and this responsibility factor makes the salary difference.

Mr. Martini mentioned that when going through the Division of Buildings budget that he noticed an increase in custodial services for the schools.

Dr. Hartman said there is an overlap; however, it is mainly to cover large maintenance, alterations, and rehabilitations. Dr. Hartman will check on this and will let the committee know more about it.

Shortfall Program
281

Senator Miller asked Dr. Hartman to explain a little about the shortfall program, SB 281. Dr. Hartman said that when the bill went in last year they did not know how many people worked on state property. They came up with a figure of \$750,000 approximately. The figure that came in was around \$1,003,000. We have audited 65,000 cards on the program. One of the big decisions to be made was what is state property. The determination is based on the day you make the survey which was October 20, 1969. Wherever the parent is working on that day is what qualifies them. The committee then requested a true figure be sent to them as soon as possible. Some districts may need money and are depending on this.

The meeting adjourned 10:00 a.m.

500

SENATE FINANCE COMMITTEE

March 12, 1970

8:10 A. M.

Present

All members of the Finance Committee, Senator Edward A. Merdes. Acting Chief Justice John H. Dimond; Robert H. Reynolds, Administrative Director of Courts; Rick Lauber; Mario F. Martini, Senate Fiscal Counsel. Members of the Judicial Qualifications Commission: Superior Court Judge James M. Fitzgerald, Chairman; Superior Court Judge E. Hepp; Superior Court Judge Ralph Moody; District Court Judge Bruce Monroe; Dr. E. I. Baggen; S. J. Buckeley, Attorney; Donald Burr, Attorney.

Judicial
Qualifications
Commission

Senator Phillips explained the reason for the meeting with the Judicial Qualifications Commission was to inform the Finance Committee of the functions of this commission since it is new and because of bills now pending for additional judges and pay raises. Judge Fitzgerald introduced the members of the Commission, with the exception of Robert Atwood who was unable to attend the meeting, and reported as follows:

The Commission was established as a result of the first amendment to the Alaska Constitution and it is very similar to a commission in California, with a representation of judges, attorneys and public members. It provides a method of disciplining the bench. The first meeting was held on September 8, 1969, and rules were adopted and written. A second meeting was held in January, and a third meeting will be held today after the report to the Finance Committee. Thus far all complaints have been investigated and proceedings terminated.

Removal of
Judges

In the event a judge is charged with a felony or a misdemeanor involving moral turpitude, the Commission may recommend to the Supreme Court that the judge be removed. Retirement may be recommended if a judge is disabled. A judge may be censured for intemperance, willful misconduct, or by bringing disrepute upon the judiciary.

Complaints and
Investigations

When a complaint is received or a member of the board hears of a case which would lead him to believe the Commission should investigate, a preliminary investigation is ordered. The investigation may be conducted by an attorney or a member of the Attorney General's staff, and he reports to the Commission of the validity of the complaint. The judge is notified of the complaint and he is offered an opportunity to discuss the matter with the investigator. The Commission reviews the matter and decides whether to terminate the proceedings or file a formal complaint against the judge to the Supreme Court. The Supreme Court may either take no action, censure the judge, or remove him. The bulk of complaints will probably come from dissatisfied litigants.

Mr. Martini left the meeting at 8:30 A. M.

Commission
Membership

Senator Blodgett said he was disturbed by the fact that no minority group was represented on the Judicial Qualifications Commission, and Judge Fitzgerald said the amendment to the constitution in August, 1969, established the following membership qualifications: representative judges from the Court System, attorneys selected by the Bar Association, and public members recommended by the Governor and voted upon by the Legislature.

Legislative
Audit

Senator Phillips noted an investigation of District Judges has been completed by Legislative Audit and will be released shortly. Senator Bradshaw said a copy will be provided to the Judicial Qualifications Commission.

Miscellaneous

Senator Phillips asked if there was any additional help required from the Finance Committee and Judge Fitzgerald answered he believes the Commission has enough money although there is no experience to judge how much it will cost. Senator Blodgett stated it was important that all members of the Commission attend the meetings and Judge Fitzgerald said all members had been present on previous meetings. Insufficient notice was given of today's meeting and Mr. Atwood did have a prior commitment. Senator Haggland left the meeting at 8:40 A. M. Senator Blodgett asked if Magistrates' performance was reviewed as well as District Judges. Judge Fitzgerald said since Magistrates are appointed by presiding judges, it is the responsibility of the presiding judge to investigate and censure them. One Magistrate recently resigned in Valdez due to complaints of his rudeness.

Adjournment

Meeting adjourned at 8:45 A. M.

TREAS

SENATE FINANCE COMMITTEE

March 16, 1970

8:00 A. M.

Present

Senators Phillips, Blodgett, Koslosky, Lewis.

T. K. Downes, Commissioner, Department of Administration; Walter L. Kubley, Commissioner, Department of Commerce; George A. Morrison, Commissioner, Department of Revenue; John Beard, Legislative Assistant, Office of the Governor; Roger Cremo, Attorney; Mario F. Martini, Senate Fiscal Counsel.

SB 401, 402,
403, 404, 405,
SJR 74.

Senate Bills 401, 402, 403, 404, 405 and SJR 74 were the topic of the discussion and Mr. Kubley summarized the status of these bills.

SB 401, "An Act creating a Department of the Treasury; defining its powers and duties; and providing for an effective date," is being held by the Special Committee on Investment and Monetary Policies, and Mr. Kubley stated they did not plan to put it out. Committee Substitutes have been offered by request of the Special Committee on Investment and Monetary Policies for SB 402, 403, 404 and 405, and the original versions have been changed considerably.

SB 404

Mr. Morrison reported that basically they believe there is a real reason to create a Department of Treasury and distributed copies of organization charts and a Statement of Function and Responsibility (attached). The original Senate Bill 404, as submitted by the Governor, was compared to the Committee Substitute for SB 404, and the essential difference is who should maintain authority over the permanent fund of \$500 million if such a fund is established.

Alaska Fund
Investment
Committee vs.
Department of
Treasury

The concept of placing authority in the Department of Treasury, as envisioned in the original bill, was revised by the Committee Substitute to place the authority in a committee composed of nine members. Mr. Morrison said this is in complete disagreement with recommendations made by various financial people and with a report put out by the Ford Foundation covering committee responsibility versus management responsibility of funds. Portfolio management is a specialized field and outstanding portfolio management can only be achieved by decisions made by one experienced investment man.

Senator Merdes arrived at the meeting at 8:25 A. M.

Senator Lewis asked if the committee could not hire outside management and Mr. Cremo answered the Committee Substitute for SB 404 strongly implies that the committee would be involved in every decision. There would not be many decisions made if a committee ran the whole business and would severely limit the actions of fund managers employed.

Senator Miller arrived at 8:30 A. M.

Mr. Cremo read the section on the membership of the Alaska Fund Investment Committee as proposed in the Committee Substitute bill and stressed the problem of getting people with knowledge in investing on the committee. Senator Phillips noted the legislators to be included on the committee and asked if there would be any drawbacks to this proposal, to which Mr. Cremo answered the primary

objection would be lack of continuity inherent in this concept. The legal list of investments will change every time the members change and suddenly new directives are given to the fund manager by a new committee. The portfolio manager is not advised, he is directed to change his investments. If the executive capacity is put in this nine-member committee, we would probably get the low performance that we could sustain. In addition, the time involved in committee meetings, travel, etc., would be prohibitive for all members.

The essential difference between SB 404 and the Committee Substitute is the original concept was to have an advisory committee and the authority in the matter of money would go to the fund manager, while in the committee substitute the committee assumes all authority. Mr. Downes added there is a question of who would be held responsible if the fund does poorly. You can't place the blame among nine different men, and anyone who has the authority must bear the responsibility. Another aspect, mentioned by Mr. Kubley, was the possibility of kick-backs in the form of campaign funds offered by the firms applying to manage the money.

Mr. Kubley stated they did request an opportunity to testify at committee hearings regarding these bills but Senator Ziegler did not feel it was necessary. Discussion continued on the administrative concern that capable committee members could not be found, as investing this sizable amount of money requires considerable expertise.

Senator Merdes left the meeting and Senator Bradshaw arrived at 9:00 A. M.

The opinion of the men testifying before the Senate Finance Committee was unanimous that one person must be responsible and held accountable for the management of the fund and they believe the authority should go to the Department of Treasury. The power to terminate is the only real control over any decision-maker, and no one can effect a quick change with a committee if their decisions are poor.

Section
37.12.080

The Committee Substitute bill, page 3, line 6, section 37.12.080, changed the word "Functions of the Treasury" to "Functions of the Committee."

Section
37.12.090

Mr. Cremona noted the addition of the Conflict of Interest section in the Committee Substitute and questioned their words "or other entity." "Any corporation" is already stated and a prudent man is not going to allow investment in a partnership or individual business.

Section
37.12.030

Mr. Morrison explained the effects of inflation on funds, and portfolios with a 4-6% growth rate sustain a severe loss in long-term return. This is why the investment policy section includes the words "maximum long-term total returns" which has been deleted from the committee substitute bill.

Section
37.12.110

Senator Blodgett disagreed with the committee substitute recommendation of having members of the public serve on the committee without pay and Mr. Morrison agreed that if such a

committee were established you could not get performance from someone serving without pay.

Section
37.12.090

Mr. Cremo explained the withdrawal system, which provides that everything going into the fund is locked into it except what is expressly permitted by the statute as a withdrawal. An annual withdrawal of 5% of a three-year average of the value of the fund will be withdrawn and placed in the General Fund, withdrawn in the form of securities or cash. Years ago money was invested for interest and high dividend yields, but today the average stocks are paying 3% and the bonds are paying 9%. The modern way to invest is to look at the potential of a stock, even though it may be paying only 2% in dividends. The Ford Foundation report, after studying the bond market, recommends a 5% annual withdrawal, although total return of ordinary income may be 15%. Going beyond the 5% you are tearing out of the income every year, and if the fund doesn't grow at a rate greater than inflation you are losing money. A basic premise in investing is the assumption that there always will be some kind of inflation, if a reasonable return runs 12-15%, inflation ruins 4%, 5% is withdrawn, you would still have some growth in the fund.

The meeting recessed from 9:55 to 10:05 A. M.

Section
37.12.180
Definitions

Page 6, line 15, item 7 of the committee substitute, "long term total return" was questioned by Senator Phillips. Mr. Cremo explained the definition given is not a definition of investment

policy known as long-term total return, but merely a simple statement of total return. A correct definition is very necessary, and Mr. Morrison said the best way to do this is to look at the original bill and read the definition to compare terms.

Section
37.12.060
Fund
Evaluations

Mr. Martini referred to page 3, line 5, item 7 in the original bill and asked why this was included. Mr. Cremo stated fund evaluation is a sophisticated technique of performance evaluation, really more of a management audit used only by a few firms (A. G. Becker is one). Hiring a fund evaluator is permissive in the Committee Substitute bill (page 4, line 24, item 2), but is ordered in the original bill. It would provide a third, uninterested observer to evaluate the fund, in addition to the annual report submitted by the Department of Treasury to the Governor, state advisory committee, and legislature. Mr. Martini's opinion was that this was a purely subjective approach and not necessary since return alone can show performance. Mr. Cremo said a representative of the Morgan Bank was of the same opinion that abstract evaluations are not necessary. Senator Blodgett left the meeting at 10:45 A. M.

Section
37.12.120
Executive
Director

Senator Phillips questioned page 4, line 12, section 37.12.120, in the committee substitute, Executive Director, and asked for clarification. Mr. Cremo answered it was not indicated if the Executive Director would be an employee of the state, what department, or to whom he would be responsible. The Director is a non-voting member of the committee, but the committee has not been assigned to a department.

and no further explanation of his position is given. Mr. Kubley said there was no fiscal note attached to the bill and this department would entail a large staff.

Senator Miller left the meeting at 10:50 A. M.

Section
37.12.300
Expenses of
Administration

Page 5, line 22, item 2 of the original bill includes the words "during the fiscal year" in the definition of "expenses of administration" and Mr. Cremo said this prevented large amounts of expenses to be pushed into another year to make a bad year look better. Under the original bill, all expenses incurred within the fiscal year must be included in the fiscal year's report, whether paid or unpaid.

Section
37.12.180
Definition

Page 6, line 25, item 9 of the committee substitute defines "permanent" when applied to the fund and Mr. Cremo stated the fund manager must have permanency or the fund could be ruined. The fund must be maintained as originally submitted, including the 5% annual withdrawal, to be effective.

Mr. Beard explained the changes which the administration has recommended in SB 404 are listed on the sheet distributed to the committee (attached) and the only error is on page 3, line 15, where the number 250 should be changed to 60.

Investment
Advice

Senator Phillips asked if sufficient testimony has been given by investment people and Mr. Kubley said they have heard only from people with something to sell. It might be beneficial to bring someone up who has nothing to sell, since top men of brokerage

houses and banks are just trying to sell their own shop. Opinions from representatives of New York Life, Prudential Life, or the Ford Foundation report committee would be impartial and therefore of more value. Discussion followed on the possibility of offering expenses to the representatives who would report on the bill. Senator Phillips would prefer to hear two opinions and the committee will discuss who should be contacted.

The meeting recessed from 11:20 to 11:30 A. M.

SB 402

Senate Bill 402 was discussed and Mr. Beard reported the committee substitute includes the amendments suggested by the administration. Senator Phillips asked for an explanation of the bill item by item and Mr. Morrison reported as follows:

SENATE FINANCE COMMITTEE

March 16, 1970

Testimony of George A. Morrison, Commissioner, Department of Revenue, regarding Committee Substitute for Senate Bill No. 402: The essential purpose of CS SB 402 is to enlarge the investment capability of General Fund surplus. In effect, it repeals investment only in U. S. Treasury bonds and substitutes in place four different types of investments:

- (1) bonds, notes, and bills which constitute direct obligations of the United States;
- (2) obligations of agencies and instrumentalities of the United States. . . which is a new, permissive investment, designed to gain a greater rate of return completely consistent with safety;
- (3) bank certificates of deposit which are secured as to the payment of principal and interest in accordance with Alaska law. . . always been considered heretofore as cash rather than as an investment and for the first time changing that consideration to construe bank certificates of deposit as investments rather than cash in bank;
- (4) commercial paper of prime or equivalent quality. . . giving latitude in investment to get into higher earning securities; namely, commercial paper restricted to prime or equivalent quality. Restricted to commercial paper only from those corporations organized and operated in the United States with assets in excess of \$500,000,000. The reason is for complete safety, or as complete safety as you can

get consistent with a high rate of return.

Section (b) Investment policy shall be formulated by a committee, consisting of the governor or his designee, the commissioner of revenue, the commissioner of commerce, and the commissioner of administration. . . heretofore the commissioners of revenue, commerce, and administration have functioned as a state investment committee, functioning by an old investment order. Now recognizing this and including it in the statutes.

In determining the amount and term of investments in bank certificates of deposit, the committee also shall consider

(1) the character of the management, the amount of capital, the amount of total deposits, and the amount of State of Alaska deposits of the bank in whose certificates of deposit the investment is to be made;

(2) the indirect benefit to the private and public sectors of the economy . . . to summarize, how best we can invest in bank deposits for better public economy.

(3) the probable inflationary effect of the investment . . . we denote a mark of caution to the investment committee in that they should not be swayed to deposit sums which would indirectly or directly stimulate an economy which is already overheated.

(4) the extent to which such indirect benefits tend to offset the difference, if any, between the income available from investments in bank certificates of deposit and other permitted investments. . . studies performed in this area indicate that while you may earn

7-1/2% to perhaps 9% in commercial paper or obligations of agencies and instrumentalities of the United States, it is still possible through bank deposits that your total rate of return because of increased tax revenues may give you in effect complete return from 1/2 to 3% greater than the stated amount of a certificate of deposit.

(c) The reason for this is now with \$400,000,000 in excess of General Fund surplus, bill is designed to enable the treasury or the commissioner of revenue to employ outside consultants in the field of active money management. We feel the department of revenue would be well advised to employ this outside management inasmuch as at this time they lack an in-house expertise to manage the surplus as efficiently and as effectively as it should be managed.

085 has been changed to permit investments outlined in Sec. 070, 1, 2, 3, and 4, as these statutes permit essentially that when the treasury invests in commercial paper it is lending its credit for the use of the corporation.

This summarizes Committee Substitute for Senate Bill 402 and we recommend its passage.

Senator Lewis left the meeting at 11:40 A. M.

Mr. Cremo gave a short explanation of commercial paper and said other states have gotten into this type of investment of their general funds.

Adjournment

Senator Phillips asked to resume the meeting at 8:00 A. M. on February 17 and the meeting adjourned at 11:45 A. M.

DEPARTMENT OF TREASURY

NEW ORGANIZATION CHARTS

STATEMENT OF FUNCTION AND RESPONSIBILITY

November 25, 1969

INTRODUCTION

Attached organizational charts are in accordance with the Department of Administration memorandum on this subject dated August 11, 1967. These charts represent the original organization of the Department of the Treasury.

OFFICE OF THE COMMISSIONER

The responsibilities of the Commissioner of Treasury are set forth in AS 44.47 (new). Duties include banking, management, investment and accounting for of all State funds; redemption of all State warrants; AS 37.10 which relates to accounting for State money and deposit in the proper fund; the investment and sale of U.S. Bonds and other securities and the sale of bonds held as investments; AS 37.15 which relates to the State Bond Committee (under Chapter 15, State Bonding Act); AS 43 which relates to bonds, the collection and deposit of money, collateral requirements, indorsements of warrants or checks, limitation on powers and accounts, embezzlement; AS 14.25 which relates to the custody and investment of the Teacher's Retirement Funds; and AS 39.35 which relates to investments of the Public Employees Funds. Other duties include AS 06.05 as regards the enforcement and regulation of bank and trust companies under the Alaska Banking Code; AS 06.30 as regards administration of the Alaska Savings Association Act; AS 45.55 as regards enforcement of the Alaska Securities Act; AS 34.55 as regards the administration of the Uniform Land Sales Practices Act and AS 6.20 as regards the administration of the Alaska Small Loans Act.

DEFINITION OF DIVISION FUNCTIONS

PORTFOLIO MANAGEMENT - Investment, evaluation, record keeping and reporting. Continuous review of portfolios as regards market, investment percentage and classification; close liaison with Receipts Management and Debt Management Divisions as regards economic situation and outlook, money market and receipts outlook, management of San Francisco Field Office.

1. Fixed Income Section - Fixed income (debt) status evaluation. Evaluation results to division director, record keeping, amount, type, status, location and security control. Close liaison with Receipts Management and Debt Management Divisions.
2. Equities Section - Equities (common stock) status evaluation. Evaluation results to director; record keeping, status, type, location and purchase control. Close liaison with Receipts Management and Debt Management Divisions. Equities traders staffed in San Francisco Field Office.

SENATE FINANCE COMMITTEE

March 17, 1970

8:00 A. M.

Present

Senators Phillips, Blodgett, Bradshaw, Koslosky, Lewis and Merdes. T. K. Downes, Commissioner, Department of Administration; Walter L. Kubley, Commissioner, Department of Commerce; George A. Morrison, Commissioner, Department of Revenue; John Beard, Legislative Assistant, Office of the Governor; Roger Cremo, Attorney; Mario F. Martini, Senate Fiscal Counsel.

SB 403

Changes made in SB 403 by the Special Committee on Investment and Monetary Policies were underlined in a copy of the bill distributed to the Finance Committee members (attached).

Mr. Kubley noted the deletion "of state funds" in the committee substitute, which was merely redundant since the term "state money" had already been used in the title.

Sec. 37.10.060
Collection and
Deposit of
State Money

Mr. Morrison noted the addition in Section (c) in the committee substitute revokes the present law concerning collateral, since the Monetary Committee added: "Security is required only if the amount deposited in the bank exceeds 15 per cent of the total deposits of the bank averaged over the preceding fiscal year." If \$500 million were deposited under this regulation, the first \$75 million need not be collateralized, which is contrary to the present law which states all state money in banks must be secured by collateral. Senator Lewis requested further clarification and Mr. Cremo said they can't guess at the intent of this addition, but their interpretation is as previously explained.

3/17/70

Senator Haggland arrived at 8:25 A. M.

It was Mr. Kubley's opinion that this addition would help the Savings & Loan's and possibly was included for this purpose. By Federal law, the State of Alaska can't deposit in S & L's, but under this provision it is possible. Senator Phillips asked what protection would be afforded these funds with no collateral and Mr. Kubley said none whatsoever. Mr. Cremo noted that surveys on financial status of states indicate whether or not money is protected and Alaska's funds would not be.

Senator Merdes left the meeting at 8:30 A. M.

Mr. Cremo explained the philosophy of spurring the economy by removing collateral requirements and the various stipulations which force a banker to invest where the state wants the money. For instance, by tailoring the list of collateral, you stipulate loans must be made after 1970 in order to avoid "stale" loans being used as collateral. If the banker wants the deposit, he must buy what you require.

Section (d)

Senator Phillips questioned the difference in Section (d) between the original SB 403 and the committee substitute. Mr. Cremo said the Governor's version provides that the security must be placed with certain types of banks, approved by the Department of Revenue. The committee substitute differs in that if a bank is suggested, the state does not have to approve.

Section (e)

Section (e) in the original bill provides that only new loans may be used as collateral. By deleting "after January 1, 1970" the

committee substitute would allow old loans to be used as collateral. In No. (1) the committee substitute deletes the words "by not more than four residential units" when referring to mortgages insured by the FHA, which had been stated in the original bill in order to assure funds for individual houses. Other provisions have been made for apartment houses through Small Business Administration loans, farmers through Farmer's Home Administration loans, veterans, fishing vessels, etc., in order to provide loans in all areas. Senator Miller arrived at the meeting at 8:55 A. M.

Section (e)
No. 7

No. 7 in Section (e) provides collateral may be used of loans to Alaska residents who are students in colleges or vocational schools and contains only small revisions. It was Senator Blodgett's opinion that this could be deleted and Senator Bradshaw thought it might be put in the next section of 50% collateralization.

Section (f)

Section (f) - the committee substitute deleted the words "if issued after January 1, 1970" concerning bonds. The bill, as originally presented, was to "force" banks into purchase of G O bonds and revenue bonds of the State of Alaska and tailored for Alaska's municipal needs. "Stale" loans could not be used as collateral. Discussion continued on the various needs of communities and Mr. Cremo explained the method of a city funding a utility system.

Section (g)

The committee substitute deleted the date "January 1, 1970" again in Section (g). Mr. Cremo said 100% was used to prevent the banks

from putting money into conventional mortgages which are not the best collateral. Conventional mortgages are necessary to spur the economy, but Mr. Cremo stated economy spurring is incidental to the primary purpose of this bill.

Senator Blodgett left the meeting at 9:25 A. M.

Section (h)

Section (h) of the committee substitute is identical to Section (i) of the original bill. Section (l) of the committee substitute differs from Section (m) of the original bill and Mr. Cremo believes there is a hidden problem here. It seems someone is concerned that the definition in the Governor's original bill could possibly exclude S & L's.

Section
43.05.150

Section 43.05.150 is repealed in the committee substitute at the suggestion of the administration. It was included in the first draft but will be deleted and reinstated in the Treasury bill.

SB 405

Senate Bill 405 provides for a sum of \$500 million to be in an untouchable permanent fund and Mr. Kubley said suggestions have been made for anywhere from \$300 million to \$750 million. \$500 million is the figure the administration considers the best financial decision.

Senator Koslosky asked if the administration representatives had testified before the Monetary Committee and Mr. Kubley said they had requested to testify three times but were not called.

Adjournment

Meeting adjourned at 10:00 A. M.

1 IN THE SENATE

2 SENATE BILL NO. 403

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the collection and deposit of
7 state money and the collateralization of deposits [OF
STATE FUNDS]; and providing for an effective date."

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

10 * Section 1. AS 37.10.060 is repealed and re-enacted to read:

11 Sec. 37.10.060. COLLECTION AND DEPOSIT OF STATE MONEY. (a) The
12 purpose of this section is to provide for the collection and deposit
13 of state money and to require the collateralization of state deposits,
14 in a manner which will tend to stimulate the economy of the State of
15 Alaska.

16 (b) The Department of Revenue shall receive from other departments
17 and safely keep all money of the state which is not entrusted by law
18 to some other office.

19 (c) State funds deposited in a bank shall be secured in accor-
20 dance with the provisions of this section.

21 (d) To secure a deposit of state funds the depositary bank shall
22 pledge eligible collateral by delivering it to any bank or Federal
23 Reserve Bank or branch designated by the department, or to the trust
24 department of a depositary bank approved by the department. [AND]
25 The depositary bank shall furnish evidence satisfactory to the depart-
26 ment that the state has a perfected security interest in the collateral.

27 (e) The following, while not in default, if issued,
28

1 made, or created after January 1, 1970, constitute eligible
2 collateral the market value of which, or when it has no
3 recognized market value the unpaid principal balance of
4 which, may never be less than 75 per cent of the amount of
5 state deposits it secures:

6 (1) mortgages insured by Federal Housing
7 Administration on Alaska real estate improved by not more
8 than four residential units;

9 (2) the guaranteed portion only of loans guaran-
10 teed by the Small Business Administration;

11 (3) fishing vessel mortgages and loans insured by
12 the Department of Interior;

13 (4) notes insured by Farmer's Home Administration,
14 the proceeds of which are used to finance projects in Alaska;

15 (5) mortgages guaranteed by Veteran's Administra-
16 tions of the United States on improved Alaska real estate;

17 (6) mortgages guaranteed by Division of Veteran's
18 Affairs of the State of Alaska on improved Alaska real estate;

19 (7) the insured portion only of loans to Alaska
20 residents who are students in colleges or vocational schools
21 if the loans are insured either by federal insurance or by a
22 state agency or private nonprofit institution or organization
23 administering a student loan insurance program in accordance
24 with a formal agreement with the commissioner of education
25 under the provisions of the Higher Education Act of 1965 or
26 the National Vocational Student Loan Insurance Act of 1965.

27 (f) The following bonds, while not in default, if
28 issued after January 1, 1970, constitute eligible collateral
29 the market value of which may never be less than 50 per cent

1 of the amount of state deposits it secures:

2 (1) general obligation bonds and revenue bonds of
3 the State of Alaska;

4 (2) bonds of Alaska State Housing Authority;

5 (3) general obligation bonds of incorporated
6 cities or organized boroughs of Alaska;

7 (4) University of Alaska revenue bonds and bonds
8 of the University of Alaska Heating Corporation.

9 (g) Conventional mortgages on improved Alaska real
10 estate, while not in default, if created after January 1,
11 1970, constitute eligible collateral the market value of
12 which, or when it has no recognized market value the unpaid
13 principal balance of which, may never be less than 100 per
14 cent of the amount of state deposits it secures.

15 (h) Collateral eligible on January 1, 1970, to secure
16 deposits of the United States constitutes eligible collateral
17 under this section and its market value may never be less
18 than 100 per cent of the amount of state deposits it secures.
19 The commissioner of revenue [TREASURER] may promulgate
20 regulations approving as eligible collateral under this
21 section additional securities which become eligible to
22 secure deposits of the United States after January 1, 1970.

23 (i) The department may deposit funds, when it considers
24 it necessary to do so, in solvent banks outside the state in
25 accordance with this section.

26 (j) The department may deposit funds in banks inside
27 or outside the state in active accounts without interest for
28 the purpose of paying state warrants, in accordance with
29 this section.

1 (k) The determination of the commissioner of revenue is con-
2 trolling as to whether offered collateral conforms to the requirements
3 of this section [,] and as to whether loans or mortgages conform to
4 the statutes under which they are made.

5 (l) Unless otherwise indicated "department" as used in this
6 section means the Department of Revenue.

7 (m) "Bank" as used in this section and in section 070 of this
8 chapter means a financial institution which receives deposits.

9 * Sec. 2. AS 43.05.150(b) [43.05.150] is repealed. [AND RE-ENACTED TO
10 READ]

11 [SEC. 43.05.150. COLLECTION OF MONEY. THE DEPARTMENT OF REVENUE
12 SHALL DEMAND, SUE FOR, COLLECT, RECEIVE, AND TRANSMIT TO THE DEPARTMENT
13 OF THE TREASURY ALL MONEY OF THE STATE WHICH IS NOT BY LAW ENTRUSTED TO
14 THE CARE AND CUSTODY OF SOME OTHER OFFICE.]

15 * Sec. 3. This Act takes effect on the day after its passage and approval
16 or on the day it becomes law without approval.

Original sponsor: Rules Committee by request of the Governor

Offered: 3/10/70
Referred: Rules

BY THE RULES COMMITTEE
BY REQUEST OF THE SPECIAL
COMMITTEE ON INVESTMENT
AND MONETARY POLICIES

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 403

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for the collection and deposit of
7 state money and the collateralization of deposits of
8 state funds; and providing for an effective date."

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

10 * Section 1. AS 37.10.060 is repealed and re-enacted to read:

11 Sec. 37.10.060. COLLECTION AND DEPOSIT OF STATE MONEY. (a) The
12 purpose of this section is to provide for the collection and deposit
13 of state money and to require the collateralization of state deposits,
14 in a manner which will tend to stimulate the economy of the State of
15 Alaska.

16 (b) The Department of Revenue shall receive from other departments
17 and safely keep all money of the state which is not entrusted by law
18 to some other office.

19 (c) State funds deposited in a bank shall be secured in accordance
20 with the provisions of this section. Security is required only if the
21 amount deposited in the bank exceeds 15 per cent of the total deposits
22 of the bank averaged over the preceding fiscal year. Security is
23 required only on deposits in excess of the 15 per cent of total bank
24 deposits.

25 (d) To secure a deposit of state funds the depository bank shall
26 pledge eligible collateral by delivering it to any bank, a Federal
27 Reserve Bank or branch thereof designated by the department, or to the
28 trust department of a depository bank approved by the department. The
29 depository bank shall furnish evidence satisfactory to the department

1 that the state has a perfected security interest in the collateral.

2 (e) The following, while not in default, constitute eligible
3 collateral the market value of which, or when it has no recognized
4 market value the unpaid principal balance of which, may never be less
5 than 75 per cent of the amount of state deposits it secures:

6 (1) mortgages insured by Federal Housing Administration on
7 Alaska real estate;

8 (2) the guaranteed portion only of loans guaranteed by
9 Small Business Administration;

10 (3) fishing vessel mortgages and loans insured by the
11 Department of Interior;

12 (4) notes insured by Farmer's Home Administration, the
13 proceeds of which are used to finance projects in Alaska;

14 (5) mortgages guaranteed by Veteran's Administrations of
15 the United States on improved Alaska real estate;

16 (6) mortgages guaranteed by Division of Veteran's Affairs
17 of the State of Alaska on improved Alaska real estate;

18 (7) the insured portion only of loans to Alaska residents
19 who are students in colleges or vocational schools if the loans are
20 insured by federal insurance, by a state agency or by a private non-
21 profit institution or organization administering a student loan
22 insurance program in accordance with a formal agreement with the com-
23 missioner of education under the provisions of the Higher Education Act
24 of 1965 or the National Vocational Student Loan Insurance Act of 1965.

25 (f) The following bonds, while not in default, or stock, consti-
26 tute eligible collateral the market value of which may never be less
27 than 50 per cent of the amount of state deposits it secures:

28 (1) general obligation bonds and revenue bonds of the
29 State of Alaska;

- 1 (2) bonds of Alaska State Housing Authority;
2 (3) general obligation bonds of incorporated cities or
3 organized boroughs of Alaska;
4 (4) University of Alaska revenue bonds and bonds of the
5 University of Alaska Heating Corporation;
6 (5) the stock of a federal home loan bank or the Federal
7 National Mortgage Association.

8 (g) Collateral eligible to secure deposits of the United States
9 constitutes eligible collateral under this section and its market value
10 may never be less than 100 per cent of the amount of state deposits
11 it secures. The commissioner of revenue may promulgate regulations
12 approving as eligible collateral under this section additional securi-
13 ties.

14 (h) The department may deposit funds, when it considers it neces-
15 sary to do so, in solvent banks outside the state in accordance with
16 this section.

17 (i) The department may deposit funds in banks inside or outside
18 the state in active accounts without interest for the purpose of paying
19 state warrants, in accordance with this section.

20 (j) The determination of the commissioner of revenue is control-
21 ling as to whether offered collateral conforms to the requirements of
22 this section and as to whether loans or mortgages conform to the
23 statutes under which they are made.

24 (k) Unless otherwise indicated "department" as used in this
25 section means the Department of Revenue.

26 (l) In this section "bank" means a trust company or commercial
27 bank, mutual savings bank, and savings and loan association, state or
28 federally chartered.

29 * Sec. 2. AS 43.05.150(b) is repealed.

1 * Sec. 3. This Act takes effect on the day after its passage and approv-
2 al or on the day it becomes law without approval.
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