

**POLICIES AND PROCEDURES APPLICABLE
TO THE TREASURY DIVISION,
DEPARTMENT OF REVENUE,
STATE OF ALASKA**



APPENDIX ZM

**Letter from Exxon Valdez Oil Spill Trustee Council's Executive Director
Regarding Earnings of the Exxon Valdez Settlement Fund**

Exxon Valdez Oil Spill Trustee Council

645 G Street, Suite 401, Anchorage, AK 99501-3451 907/278-8012 fax: 907/276-7178



November 24, 1997

Wilson L. Condon, Commissioner
Department of Revenue
P.O. Box 110400
Juneau, Alaska 99811-0400

Dear Commissioner:

On August 29, 1997, I requested information regarding the State of Alaska General Investment Fund. The purpose of this request was to assure the Trustee Council that all interest earnings on the *Exxon Valdez* Settlement Fund were being retained by that fund. I have recently received information prepared by Treasury Division staff comparing the actual earnings of the General Investment Fund to the six month Treasury Bill index from July, 1993 through June, 1997. Based on this information, it appears that the General Investment Fund achieved earnings significantly in excess of the six-month Treasury Bill index. In total, the General Investment Fund earned \$587,153.85 more than it paid out to the *Exxon Valdez* Settlement Fund.

As you are aware, the origin of the *Exxon Valdez* Settlement Fund (Fund) is the Memorandum of Agreement and Consent Decree (Consent Decree) between the United States and the State of Alaska. The terms of the Consent Decree are subject to enforcement by the federal district court. The *Exxon Valdez* Oil Spill Trustee Council was established to act on behalf of the public, with federal and state agency representatives acting as co-trustees.

Under terms of the Consent Decree, all interest accrued on the settlement shall be used jointly by the state and federal governments for restoration purposes. Based on the Consent Decree, the Department of Administration, Division of Finance determined that interest earned on the Fund shall be retained by the Fund and not deposited into the state's general fund. At the time of this determination in 1992, the State of Alaska computed and credited earnings based on actual monthly earnings of the General Investment Fund.

In July 1993, a new policy for computing and crediting earnings was adopted and a Memorandum of Understanding (MOU) between the Alaska Department of Revenue and the Alaska Department of Administration was signed. As stated in the memorandum from Mark Prussing to Darrel Rexwinkel, there were several advantages to this new methodology. The index was verifiable, interest calculations were simplified and computations were automated.

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What the new policy did not include was a method to verify that the index provided the appropriate earnings rate of the General Investment Fund. Additionally, while one of the advantages of this new policy was the ability to adjust account balances at a later date, the MOU did not address how such adjustments would be accomplished.

Clearly, the State of Alaska has a responsibility to uphold the *Exxon Valdez* Consent Decree, including the requirement that all interest accrued on the settlement shall be used jointly by the Governments. Given the fact that the General Investment Fund achieved significant earnings in excess of the six-month Treasury Bill index, I respectfully request on behalf of the *Exxon Valdez* Oil Spill Trustee Council that \$587,153.85 be remitted to the *Exxon Valdez* Settlement Fund.

If you have any questions or would like to discuss this further, please do not hesitate to contact me at 278-8012.

Sincerely,



Molly McCammon
Executive Director

cc: Jim Ayers, Chief of Staff
Bruce Botelho, Alaska Department of Law
Frank Rue, Alaska Department of Fish and Game
Michele Brown, Alaska Department of Environmental Conservation