HOUSE CS FOR CS FOR SENATE BILL NO. 16(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/9/95
Referred: Today's Calendar

Sponsor(s): SENATORS FRANK, Kelly, Sharp, Rieger, Miller

REPRESENTATIVES Williams, James

A BILL

FOR AN ACT ENTITLED

"An Act relating to the University of Alaska and university land, authorizing the University of Alaska to select additional state public domain land, and defining net income from the University of Alaska's endowment trust fund as '大学 receipts' subject to prior legislative appropriation."

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

* Section 1. FINDINGS AND PURPOSE. The legislature finds that

(1) as the beneficiary under the provisions of the Acts of August 30, 1890, and March 4, 1907, designating the Alaska Agricultural College and School of Mines as beneficiary, and of March 4, 1915, 38 Stat. 1214, transferring certain land for its location and support, the University of Alaska is a land grant university;

(2) under the Acts of March 4, 1915, 38 Stat. 1214, and January 21, 1929, 45 Stat. 1091, the Congress of the United States granted to the Territory of Alaska certain federal land to be held in trust for the benefit of the predecessor of the University of Alaska;

(3) the Territory was unable to receive most of the land conveyed by the Act
of March 4, 1915, before repeal of that Act by Sec. 6(k) of the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339);

(4) the Congress of the United States granted the State of Alaska the right to select 102,500,000 acres of federal land under Sec. 6(b) of the Alaska Statehood Act;

(5) the land selection rights embodied in the Alaska Statehood Act reflect in part congressional recognition that the state would need the land to support its government and programs, and the Congress assumed that the State of Alaska would in turn devote some of the land or the income from it for the use and benefit of the University of Alaska;

(6) most land grant colleges in the western United States have obtained a larger land grant from the federal government than the University of Alaska has received;

(7) an academically strong and financially secure state university system is a cornerstone to the long-term development of a stable population and to a healthy, diverse economy in the state;

(8) it is in the best interests of the state and the University of Alaska that the university take ownership of a significant and substantial portfolio of income producing land in order to provide income for the support of public higher education in the state; and

(9) renewable resources should be managed on a sustained yield basis, taking into account the total land grant.

* Sec. 2. LEGISLATIVE INTENT. It is the intent of the legislature that the University of Alaska encourage the development of in-state value-added industries to the maximum extent feasible when developing land conveyed under AS 14.40.365.

* Sec. 3. AS 14.40.170(a) is amended to read:

(a) The Board of Regents shall

(1) appoint the president of the university by a majority vote of the whole board, and the president may attend meetings of the board;

(2) fix the compensation of the president of the university, all heads of departments, professors, teachers, instructors, and other officers;

(3) confer such appropriate degrees as it may determine and prescribe;

(4) have the care, control, and management of

(A) all the real and personal property of the university; and

(B) land
(i) conveyed to the Board of Regents by the commissioner of natural resources in the settlement of the claim of the University of Alaska to land granted to the state in accordance with the Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance with the Act of January 21, 1929 (45 Stat. 1091), as amended; and

(ii) selected by the University of Alaska and conveyed to it by the commissioner of natural resources under AS 14.40.365, except as provided in AS 14.40.368(2);

(5) keep a correct and easily understood record of the minutes of every meeting and all acts done by it in pursuance of its duties;

(6) under procedures to be established by the commissioner of administration, and in accordance with existing procedures for other state agencies, have the care, control, and management of all money of the university and keep a complete record of all money received and disbursed;

(7) adopt reasonable rules for the prudent trust management and the long-term financial benefit to the university of the land of the university;

(8) provide public notice of sales, leases, exchanges, and transfers of the land of the university or of interests in land of the university;

(9) report each year within the first 10 days of the convening of a regular session of the legislature on the expenditures made during the preceding fiscal year from the funds of the University of Alaska that are derived from sales, leases, exchanges, or transfers of the land of the university or of interests in land of the university.

(A) that were conveyed to the University of Alaska in settlement of the claim of the University of Alaska to land granted to the state in accordance with the Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance with the Act of January 21, 1929 (45 Stat. 1091), as amended; and

(B) that were selected by and conveyed to the University of Alaska under AS 14.40.365.

* Sec. 4. AS 14.40.280 is amended to read:
Sec. 14.40.280. ENDOWMENTS AND DONATIONS. All monetary gifts, bequests, or endowments that are made to the University of Alaska for the purpose of the separate trust fund created under AS 14.40.400 shall be held by the university. The university [TRANSFERRED TO THE DEPARTMENT OF REVENUE. THE DEPARTMENT OF REVENUE] shall manage that money in accordance with AS 14.40.400. Title to and control or possession of land, personal property, and all money [OTHER THAN] that [TRANSFERRED TO THE DEPARTMENT OF REVENUE, WHICH] is devised, bequeathed, or given to the university shall be taken by the university in its corporate capacity acting by and through the regents or an authorized agent, and shall be entered in the perpetual inventory of the university.

* Sec. 5. AS 14.40.291 is amended to read:

Sec. 14.40.291. LAND OF THE UNIVERSITY OF ALASKA NOT PUBLIC DOMAIN LAND. (a) Notwithstanding any other provision of law, university-grant land, state replacement land that becomes university-grant land on conveyance to the university, land selected by and conveyed to the University of Alaska under AS 14.40.365, and any other land owned by the University of Alaska is not and may not be treated as state public domain land. Land conveyed to the University of Alaska under AS 14.40.365 shall be managed under AS 14.40.366 and policies of the Board of Regents of the University.

(b) Title to or interest in land described in (a) of this section may not be acquired by adverse possession, prescription, or in any other manner except by conveyance from the university.

(c) The land described in (a) of this section is subject to condemnation for public purpose in accordance with law.

* Sec. 6. AS 14.40 is amended by adding a new section to read:

Sec. 14.40.365. UNIVERSITY LAND FROM STATEHOOD ACT LAND SELECTION CONVEYANCES. (a) The University of Alaska may select and, except as provided in (m) of this section, is entitled to receive the conveyance of 350,000 acres of land conveyed to the state under sec. 6(b) of the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339). The Board of Regents of the University of Alaska and the commissioner of natural resources shall periodically and jointly submit to the
legislature, within 30 days of the beginning of a regular legislative session, a list of land proposed to be conveyed by the state to the University of Alaska under this section. Each list must contain not less than 25,000 acres of land, or the remaining entitlement under this subsection, whichever is less. The legislature may by law approve or disapprove the list. A list submitted shall be deemed approved for conveyance to the University of Alaska if the legislature neither approves nor disapproves the list during the legislative session during which the list was submitted. Land may be included in the list only if it, on the date of its selection by the university,

(1) has not been conveyed by the state;
(2) has not been reserved by law from the public domain;
(3) is not land
   (A) included in a five-year proposed oil and gas leasing program under AS 38.05.180(b); or
   (B) leased under, or for which a lease application is pending under, AS 38.05.180(d);
(4) is not subject to a possessory interest or encumbrance other than
   (A) a lease that is not an oil or gas lease;
   (B) a timber contract;
   (C) a mining claim, a prospecting site, or a prospecting permit on tide or submerged land;
   (D) a sale of materials under AS 38.05.110 - 38.05.120;
   (E) a land use permit or right-of-way issued by the Department of Natural Resources under AS 38.05;
(5) is not necessary to carry out the purpose of an interagency land management agreement; or
(6) is not subject to conveyance under a land exchange or land settlement agreement.

(b) Notwithstanding AS 38.05.125(a), the transfer of ownership and management of land from the Department of Natural Resources to the Board of Regents of the University of Alaska under this section includes
(1) the interest of the state in the coal, ores, minerals, fissionable materials, geothermal resources, and fossils that may be in or on the land; and

(2) the interest of the state in the oil and gas that may be in or on the land, but only as to land that is selected by the University of Alaska under this section on and after the date that is the fifth anniversary of the effective date of this section.

(c) When the University of Alaska selects the land to which it is entitled under this section,

(1) selections must be made in parcels of 40 acres or larger, unless the commissioner of natural resources finds it is in the best interest of the state to convey less; and

(2) unless the commissioner of natural resources determines under (e) of this section that the land should not be included on the list of land submitted to the legislature under (a) of this section, the commissioner of natural resources shall, upon approval of the list submitted to the legislature, or upon failure of the legislature during the legislative session following submission of the list to disapprove the list, convey, subject to divestiture under (m) of this section, a document of interim conveyance under (j) of this section or a patent to land.

(d) Notwithstanding any other provision of law, on land selected by but not yet patented to the University of Alaska or for which a document of interim conveyance has not been issued to the University of Alaska under this section,

(1) the state is authorized to enter into contracts and grant leases, licenses, prospecting sites, claims, permits, rights-of-way, or easements and any interim conveyance or patent shall be subject to the contract, lease, license, prospecting site, claim, permit, right-of-way, or easement, except that the authority granted the state by this subsection

(A) is the authority that the state otherwise would have had under existing laws and regulations had the land not been selected by the University of Alaska; and

(B) may be exercised only if the University of Alaska has concurred before the action is taken by the state;

(2) 90 percent of the proceeds derived from contracts, leases, licenses,
prospecting sites, claims, permits, rights-of-way, or easements, or from trespasses, originating after the date of selection by the University of Alaska shall be held by the state until the land has been conveyed by the patent or by a document of interim conveyance; upon the issuance of a document of interim conveyance or a patent, the state shall pay to the University of Alaska the proceeds allocable to the land that were derived from the contracts, leases, licenses, prospecting sites, claims, permits, rights-of-way, or easements, or from trespasses, and subsequent to the issuance of a document of interim conveyance or a patent, the University of Alaska shall receive 100 percent of the proceeds derived from the contracts, leases, licenses, prospecting sites, claims, permits, rights-of-way, or easements, or from trespasses;

(3) responsibility for management of contracts, leases, licenses, prospecting sites, claims, permits, rights-of-way, or easements vests with the University of Alaska upon issuance of a patent or a document of interim conveyance.

(e) The commissioner of natural resources may not include on a list of land submitted to the legislature under (a) of this section a land selection made by the University of Alaska under this section if the commissioner determines that the proposed selection

(1) includes land for which, at the time of its selection under this section,

(A) a municipality has made a selection under AS 29.65, unless the land selection is, at a later date, rejected by the commissioner of natural resources or relinquished by the municipality; or

(B) the commissioner reasonably believes the land may be selected by a municipality under AS 29.65.030, but the commissioner may not withhold under this subparagraph the conveyance of title to land selected by the university longer than three years after the date of the municipality's incorporation;

(2) includes land that, at the time of its selection under this section,

(A) is subject to an oil and gas exploration license; or

(B) the commissioner reasonably believes will be made part of, an oil and gas exploration license issued under AS 38.05.131 - 38.05.134; the
commissioner may not refuse to convey title to land to the University of Alaska under this subparagraph for more than three years after its first selection by the University of Alaska;

(3) is not in the best interests of the state.

(f) When land is conveyed to the University of Alaska under this section, the University of Alaska takes the land subject to any possessory interest held by another person on the effective date of the conveyance. Except as provided in AS 14.40.368(1), the University of Alaska is entitled to receive the consideration due under that interest for the duration of the interest.

(g) In conveying land to the University of Alaska under this section, the commissioner of natural resources shall give public notice under AS 38.05.945(b) and (c) and provide for access under AS 38.05.127, but other provisions of AS 38.04 and AS 38.05 do not apply.

(h) Land transferred or conveyed to the University of Alaska under this section

(1) is subject to

(A) section 6(i) of the Alaska Statehood Act (P.L. 85-508, 72 Stat. 339);

(B) art. IX of the state constitution;

(C) AS 19.10.010;

(D) payment to the Alaska permanent fund of the amounts required by AS 37.13.010(a) and (b); and

(E) the rights of the state under former 43 U.S.C. 932 (sec. 8, Act of July 26, 1866, 14 Stat. 253);

(2) excludes any interest transferred to the state by quit claim deed dated June 30, 1959, under authority of the Alaska Omnibus Act, P.L. 86-70, 73 Stat. 141;

(3) based on a land selection filed by the University of Alaska on or after the effective date of this section and until the day before the day that is the fifth anniversary of the effective date of this section is subject to reservation by the state in perpetuity of all oil and gas that may be in or on the land, together with the right to explore the land for oil and gas and to remove from the land all oil and gas located
in and on it.

(i) The University of Alaska shall bear all costs of selection, platting, surveying, and, except as provided in (k) of this section, conveyance of the land that it selects under this section and, subject to appropriation, shall reimburse the Department of Natural Resources for the reasonable costs incurred by that department relating to that selection, platting, surveying, and conveyance. As to land due the University of Alaska under (c) of this section,

(1) if the land has been surveyed, the boundaries of the land conveyed must conform to the public land subdivisions established by the approved survey;

(2) if the land is unsurveyed, the commissioner shall survey the exterior boundaries of the land to be conveyed without interior subdivision, and shall issue patent in terms of the exterior boundary survey within one year of the later of the effective date of the approval by the legislature of the list containing the land or the adjournment of the legislative session during which the list containing the land was not disapproved by the legislature.

(j) For land due the University of Alaska under (c) of this section that is unsurveyed, pending the survey of exterior boundaries and issuance of patent, the commissioner of natural resources shall, within one year of the later of the effective date of the approval by the legislature of the list containing the land or the adjournment of the legislative session during which the list containing the land was not disapproved by the legislature, prepare and provide to the University of Alaska a document of interim conveyance for the land to be conveyed.

(k) Except as provided in AS 14.40.368(2), management of land conveyed to the University of Alaska by patent or by a document of interim conveyance vests with the University of Alaska from the date of recording of the patent or document of interim conveyance. The state shall pay the cost of recording all patents and documents of interim conveyance.

(l) The University of Alaska may not make a land selection under this section after December 31, 2009.

(m) When the commissioner of natural resources issues a document of interim conveyance under (j) of this section or a patent for land selected and held by the
University of Alaska, the commissioner of natural resources shall retain the right to reenter the land conveyed and recover title to it. The commissioner of natural resources shall reenter and recover title

(1) if, on the 10th anniversary of the execution of the conveyance, the commissioner finds that the University of Alaska is not actively managing the land to provide income for the support of its education programs; however, if at any time during the 10-year period, litigation, including any appeal, has prevented the University of Alaska from actively managing the land to provide income, the date on which the commissioner of natural resources shall make the finding required by this paragraph is extended by a period equal to the period attributable to the litigation during which the University of Alaska was prevented from actively managing the land to provide income; for purposes of this paragraph, "actively managing the land to provide income" means that the University of Alaska is deriving revenue from the land selection, or has in place a development program to derive income from the land selection; or

(2) if, before January 1, 2010, any land selected and conveyed to the University of Alaska under this section is conveyed, except in an acre-for-acre land exchange, directly by the University of Alaska or indirectly by third parties, to the United States; the reentry and recovery of title under this paragraph terminates the university's title or ownership interest in all land conveyed to it under this section and the University of Alaska may not thereafter make any other land selections under this section.

* Sec. 7. AS 14.40 is amended by adding new sections to read:

Sec. 14.40.366. MANAGEMENT AND DISPOSITION OF UNIVERSITY LAND. (a) The Board of Regents shall, by policy, establish procedures for mineral entry or location and mineral leasing on university land selections made under AS 14.40.365 that are substantially similar to mineral entry, location, and leasing procedures for state land under AS 38.05.185 - 38.05.275.

(b) Notwithstanding other provisions of law, the University of Alaska shall seek public comment on proposals for development, exchange, or sale of university selections made under AS 14.40.365. The Board of Regents shall adopt policies which
provide that the university shall prepare an annual plan for management and
disposition of university land under this section and shall, not less than 60 days before
scheduled approval by the Board of Regents of the plan

(1) make copies of the plan available at all legislative information
offices and at such other locations as the university may designate;

(2) publish a notice in newspapers of general circulation in the state
which provides the public with information on the locations where the plan is available
for public inspection;

(3) give notice to all legislators and to local governments with
jurisdiction over the land affected by the proposal; and

(4) seek public comment on the annual plan prior to action by the
Board of Regents approving the plan.

Sec. 14.40.368. MANAGEMENT AND DISPOSITION OF INCOME FROM
EXISTING ENCUMBRANCES. For the land selected by and conveyed to the
University of Alaska under AS 14.40.365 that is subject to a lease, contract,
prospecting site, claim, sale, permit, or right-of-way identified in AS 14.40.365(a)(4)

(1) the state is entitled to receive the income obtained from the lease,
contract, prospecting site, claim, sale, permit, or right-of-way for the duration of the
term of the lease, contract, prospecting site, claim, sale, permit, or right-of-way, and
during any renewal of it that is authorized by the lease, contract, prospecting site,
claim, sale, permit, or right-of-way, or by law;

(2) the responsibility for the management of the land vests with the
University of Alaska only upon conclusion of the term of the lease, contract,
prospecting site, claim, sale, permit, or right-of-way, and any renewal authorized by
the lease, contract, prospecting site, claim, sale, permit, or right-of-way, by law.

Sec. 14.40.369. CUSTOMARY AND TRADITIONAL USES TO BE
CONTINUED. When land selected by the University of Alaska under AS 14.40.365
has been conveyed to it, before conveying or disposing of an interest in land to a third
party, the University of Alaska shall manage the land in a manner that permits
customary and traditional uses of the resources of that land to the maximum extent
practicable.
**Sec. 8.** AS 14.40 is amended by adding a new section to read:

Sec. 14.40.375. TORT IMMUNITY FOR PERSONAL INJURIES, DEATH, OR PROPERTY DAMAGE OCCURRING ON UNIVERSITY LAND. (a) Notwithstanding AS 09.65.200 and except as provided in (b) of this section, the University of Alaska is not liable in tort, except for an affirmative act that constitutes gross negligence or reckless or intentional misconduct, for damages for the injury to or death of a person, or for property damage to the property of a person, who enters onto or remains on land owned by the University of Alaska.

(b) The provisions of (a) of this section do not apply to damages for injury to or death of a person, or for property damage to the property of a person, that occurs on land of the University of Alaska that, after receipt of title to the land by the University of Alaska, has been improved and is actively maintained by the University of Alaska.

**Sec. 9.** AS 14.40.400(a) is amended to read:

(a) The **University of Alaska** [DEPARTMENT OF REVENUE] shall establish a separate endowment trust fund in which all net income derived from the sale or lease of the land granted under the Act of Congress approved January 21, 1929, **and the land selected by and conveyed to the University of Alaska under AS 14.40.365**, and in which all monetary gifts, bequests, or endowments made to the University of Alaska for the purpose of the fund, shall be held in trust.

**Sec. 10.** AS 14.40.400(b) is amended to read:

(b) The **president of the University of Alaska** [COMMISSIONER OF REVENUE] is the fiduciary of the trust fund and shall account for and invest the fund as set out **for the commissioner of revenue** in AS 37.14.110(c), 37.14.160, and 37.14.170, except that the **president of the university** [COMMISSIONER] shall report the condition and investment performance of the fund to the Board of Regents **and to the legislature**.

**Sec. 11.** AS 14.40.491 is amended to read:

Sec. 14.40.491. DEFINITION OF UNIVERSITY RECEIPTS. In AS 14.40.120 - 14.40.491, "university receipts" includes

(1) student fees, including tuition;
(2) receipts from university auxiliary services;
(3) recovery of indirect costs of university activities;
(4) **the net income of the trust fund established in AS 14.40.400 and**
receipts from sales and rentals of university property;
(5) federal receipts;
(6) gifts, grants, and contracts; and
(7) receipts from sales, rentals, and the provision of services of educational activities.

*Sec. 12.* AS 29.45.030(a) is amended to read:

(a) The following property is exempt from general taxation:

1. municipal property, including property held by a public corporation of a municipality, [OR] state property, or property of the University of Alaska, except that
   
   (A) a private leasehold, contract, or other interest in the property is taxable to the extent of the interest;
   
   (B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, [OR] to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390, **or to land conveyed by the state to the University of Alaska under AS 14.40.365:**

   (C) an ownership interest of a municipality in real property located outside the municipality acquired after December 31, 1990, is taxable by another municipality; however, a borough may not tax an interest in real property located in the borough and owned by a city in that borough;

   (2) household furniture and personal effects of members of a household;

   (3) property used exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes;
property of a nonbusiness organization composed entirely of persons with 90 days or more of active service in the armed forces of the United States whose conditions of service and separation were other than dishonorable, or the property of an auxiliary of that organization;

(5) money on deposit;

(6) the real property of certain residents of the state to the extent and subject to the conditions provided in (e) of this section;

(7) real property or an interest in real property that is exempt from taxation under 43 U.S.C. 1620(d), as amended;

(8) property of a political subdivision, agency, corporation, or other entity of the United States to the extent required by federal law; except that a private leasehold, contract, or other interest in the property is taxable to the extent of that interest;

(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber.

* Sec. 13. AS 36.30.850(b)(15) is amended to read:

(15) a contract that is a delegation, in whole or in part, of investment powers held by the commissioner of revenue under [AS 14.40.400,] AS 14.42.200, 14.42.210, AS 18.56.095, AS 37.10.070, 37.10.071, or AS 37.14;

* Sec. 14. AS 14.40.400(e) is repealed.

* Sec. 15. UNIVERSITY OF ALASKA ENDOWMENT TRUST FUND: TRANSITION. A contract, right, liability, or obligation in effect on the effective date of this Act remains in effect notwithstanding the amendments to AS 14.40.280 or 14.40.400 made in secs. 4, 9, 10, and 14 of this Act. Assets and liabilities of the University of Alaska endowment trust fund held by the Department of Revenue on the effective date of this Act shall be transferred by the Department of Revenue to the University of Alaska to implement this Act.

* Sec. 16. APPLICABILITY OF UNIVERSITY SELECTION RIGHTS UNDER AS 14.40.365 TO CERTAIN LAND. In addition to the land that, under AS 14.40.365(e), the commissioner of natural resources may not convey to the University of Alaska, the commissioner of natural resources may not convey land that, at the time of its selection by
the university, is subject to designation for conveyance or conveyance to the Alaska Mental
Health Trust Authority under sec. 40, ch. 5, FSSLA 1994, as amended by secs. 4 and 5, ch. 1, SSSL 1994, and may not convey land that, at the time of its selection by the university, is land obtained under the Alaska Mental Health Enabling Act of 1956, P.L. 84 - 830, 70 Stat. 709, redesignated by ch. 181, SLA 1978, as state general grant land, not later disposed of by the state, and not part of the mental health trust as reconstituted by ch. 66, SLA 1991, ch. 5, FSSLA 1994, and ch. 1, SSSL 1994, until all litigation regarding reconstitution of the mental health trust has been concluded.