

**CS FOR HOUSE BILL NO. 333(HES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE HEALTH, EDUCATION AND SOCIAL SERVICES COMMITTEE

Offered: 3/29/04

Referred: Finance

Sponsor(s): REPRESENTATIVES OGG, COGHILL AND HOLM, Wilson, Fate

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to an endowment for public education and the University of Alaska;  
2 relating to university land; and providing for an effective date."

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

4 \* **Section 1.** AS 14.40.170(a) is amended to read:

5 (a) The Board of Regents shall

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

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

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

11 (4) **except as provided under AS 14.40.505,** have the care, control,  
12 and management of

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

14 (B) land

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

6                    (ii) SELECTED BY THE UNIVERSITY OF ALASKA  
 7 AND CONVEYED TO IT BY THE COMMISSIONER OF  
 8 NATURAL RESOURCES UNDER AS 14.40.365;]

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

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

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

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

19                    (9) administer, manage, market, and promote a postsecondary  
 20 education savings program, including the Alaska Higher Education Savings Trust  
 21 under AS 14.40.802 and the Alaska advance college tuition savings fund under  
 22 AS 14.40.803 - 14.40.817.

23 \* **Sec. 2.** AS 14.40.291(a) is amended to read:

24                    (a) Notwithstanding any other provision of law, university-grant land, state  
 25 replacement land that becomes university-grant land on conveyance to the university,  
 26 [LAND SELECTED BY AND CONVEYED TO THE UNIVERSITY OF ALASKA  
 27 UNDER AS 14.40.365,] and any other land owned by the University of Alaska,  
 28 **except for land transferred under AS 14.40.505,** is not and may not be treated as  
 29 state public domain land. [LAND CONVEYED TO THE UNIVERSITY OF  
 30 ALASKA UNDER AS 14.40.365 SHALL BE MANAGED UNDER AS 14.40.365 -  
 31 14.40.368 AND POLICIES OF THE BOARD OF REGENTS OF THE UNIVERSITY

1 OF ALASKA.]

2 \* **Sec. 3.** AS 14.40.400(a) is amended to read:

3 (a) The Board of Regents shall establish a separate endowment trust fund in  
4 which shall be held in trust in perpetuity all

5 (1) net income derived from the sale or lease of the land granted under  
6 the Act of Congress approved January 21, 1929, as amended;

7 (2) **receipts transferred to the fund under AS 14.40.500** [NET  
8 INCOME DERIVED FROM THE SALE, LEASE, OR MANAGEMENT OF THE  
9 LAND SELECTED BY AND CONVEYED TO THE UNIVERSITY OF ALASKA  
10 UNDER AS 14.40.365]; and

11 (3) monetary gifts, bequests, or endowments made to the University of  
12 Alaska for the purpose of the fund.

13 \* **Sec. 4.** AS 14.40 is amended by adding new sections to read:

14 **Sec. 14.40.495. Use of public school trust fund; percentage of market**  
15 **value.** Notwithstanding AS 37.14.140, up to five percent of the market value of that  
16 portion of the public school trust fund, as established under AS 37.14.110, that  
17 represents the contributions to that fund under AS 14.40.500 may be annually  
18 appropriated by the legislature equally for the support of public elementary and  
19 secondary education.

20 **Sec. 14.40.500. Funding from public school trust fund and university**  
21 **lands.** By November 15 of each year, the commissioner of revenue shall transfer to  
22 the principal of the public school trust fund (AS 37.14.110) 60 percent, and to the  
23 University of Alaska endowment trust fund (AS 14.40.400) 40 percent, of a sum equal  
24 to the total receipts derived from the management of the land conveyed under  
25 AS 14.40.505, including amounts paid to the state as proceeds of sale or annual rent of  
26 surface rights, mineral lease rentals, royalties, or royalty sale proceeds from the  
27 previous fiscal year, after deducting contributions to the Alaska permanent fund that  
28 are required by law.

29 **Sec. 14.40.505. Land endowment.** The legislature conveys to the University  
30 of Alaska as tenant in common with the state, and subject to the limitations of this  
31 section, an undivided two percent interest in land that constitutes the state public

1 domain, and to the public school trust fund as tenant in common with the state, and  
 2 subject to the limitations of this section, an undivided two percent interest in state land  
 3 that is managed by the Department of Natural Resources under AS 38. The  
 4 conveyance shall be recorded under AS 40.17.020. Notwithstanding another provision  
 5 of law,

6 (1) the interest in land conveyed to the University of Alaska and the  
 7 public school trust fund is strictly limited to the right to receive income earned and  
 8 received by the state as proceeds from royalties, rent, sale, lease, and other disposal of  
 9 land that constitutes the state public domain and state land that is managed by the  
 10 Department of Natural Resources under AS 38, after deducting contributions to the  
 11 Alaska permanent fund required by law and after deducting administrative service  
 12 fees, application fees, filing fees, processing fees, or other similar fees;

13 (2) the interest in land conveyed to the University of Alaska and the  
 14 public school trust fund does not include a right or interest in possession of land, in the  
 15 management or disposal of the land, or in a decision-making process relating to the  
 16 use of the land; except where otherwise provided in law and regulation, the  
 17 Department of Natural Resources shall be the sole agency to manage or dispose of  
 18 land subject to this section;

19 (3) the Department of Natural Resources does not owe the University  
 20 of Alaska or the public school trust fund a fiduciary duty with respect to its  
 21 management or disposition of the land subject to this section.

22 \* **Sec. 5.** AS 29.45.030(a) is amended to read:

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

24 (1) municipal property, including property held by a public corporation  
 25 of a municipality, state property, property of the University of Alaska, or land that is  
 26 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-  
 27 830, 70 Stat. 709, except that

28 (A) a private leasehold, contract, or other interest in the  
 29 property is taxable to the extent of the interest; however, an interest created by  
 30 a nonexclusive use agreement between the Alaska Industrial Development and  
 31 Export Authority and a user of an integrated transportation and port facility

1 owned by the authority and initially placed in service before January 1, 1999,  
 2 is taxable only to the extent of, and for the value associated with, those specific  
 3 improvements used for lodging purposes;

4 (B) notwithstanding any other provision of law, property  
 5 acquired by an agency, corporation, or other entity of the state through  
 6 foreclosure or deed in lieu of foreclosure and retained as an investment of a  
 7 state entity is taxable; this subparagraph does not apply to federal land granted  
 8 to the University of Alaska under AS 14.40.380 or 14.40.390, to other land  
 9 granted to the university by the state to replace land that had been granted  
 10 under AS 14.40.380 or 14.40.390, or to **an interest in** land conveyed by the  
 11 state to the university under **AS 14.40.505** [AS 14.40.365];

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

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

18 (3) property used exclusively for nonprofit religious, charitable,  
 19 cemetery, hospital, or educational purposes;

20 (4) property of a nonbusiness organization composed entirely of  
 21 persons with 90 days or more of active service in the armed forces of the United States  
 22 whose conditions of service and separation were other than dishonorable, or the  
 23 property of an auxiliary of that organization;

24 (5) money on deposit;

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

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

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

1 interest;

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

5 \* **Sec. 6.** AS 37.14.160 is amended to read:

6 **Sec. 37.14.160. Duties of the commissioner of revenue.** The commissioner  
7 of revenue is the treasurer of the trust fund created in AS 37.14.110 and shall

8 (1) in carrying out investment duties under this section, exercise the  
9 same powers and duties established for the Alaska State Pension Investment Board in  
10 AS 14.25.180(c);

11 (2) deposit the principal and income from investments in separate  
12 principal and income accounts for the fund;

13 (3) invest and maintain accounting records that distinguish between the  
14 principal and income of the fund;

15 (4) separately account for contributions to the trust fund under  
16 AS 14.40.500 and the principal of the fund attributable to those contributions for  
17 the purpose of determining the amount that may be appropriated by the  
18 legislature under AS 14.40.495; and

19 (5) provide reports to the board established under AS 37.14.120 on the  
20 condition and investment performance of the fund.

21 \* **Sec. 7.** AS 14.40.365, 14.40.366, 14.40.368, and 14.40.461 are repealed.

22 \* **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 APPLICABILITY. AS 14.40.500, as enacted in sec. 4 of this Act, applies to receipts  
25 derived from the management of state and university land received on or after the effective  
26 date of this Act.

27 \* **Sec. 9.** This Act takes effect July 1, 2004.