

CS FOR HOUSE BILL NO. 333(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/19/04

Referred: Rules

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

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 and conveyed
 7 to it by the commissioner of natural resources under AS 14.40.365;

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

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

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

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

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

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

23 (a) Notwithstanding any other provision of law, university-grant land, state
 24 replacement land that becomes university-grant land on conveyance to the university,
 25 land selected by and conveyed to the University of Alaska under AS 14.40.365, and
 26 any other land owned by the University of Alaska, **except for land transferred under**
 27 **AS 14.40.505**, is not and may not be treated as state public domain land. Land
 28 conveyed to the University of Alaska under AS 14.40.365 shall be managed under
 29 AS 14.40.365 - 14.40.368 and policies of the Board of Regents of the University of
 30 Alaska.

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

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

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

5 (2) net income derived from the sale, lease, or management of the land
6 selected by and conveyed to the University of Alaska under AS 14.40.365; [AND]

7 (3) monetary gifts, bequests, or endowments made to the University of
8 Alaska for the purpose of the fund; **and**

9 **(4) receipts transferred to the fund under AS 14.40.500.**

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

11 **Sec. 14.40.495. Use of public school trust fund; percentage of market**
12 **value.** Up to five percent of the market value of that portion of the public school trust
13 fund, as established under AS 37.14.110, that represents the contributions to that fund
14 under AS 14.40.500 may be annually appropriated by the legislature for the support of
15 public elementary and secondary education and the cost of managing that portion of
16 the public school trust fund. The amounts appropriated for public elementary and
17 secondary education shall be divided equally between elementary education and
18 secondary education.

19 **Sec. 14.40.500. Funding from public school trust fund and university**
20 **lands.** By November 15 of each year, the commissioner of revenue shall transfer to
21 the University of Alaska endowment trust fund (AS 14.40.400) and to the public
22 school trust fund (AS 37.14.110) the receipts derived from the management of each
23 interest in land conveyed under AS 14.40.505, including amounts paid to the state as
24 proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, or
25 royalty sale proceeds from the previous fiscal year.

26 **Sec. 14.40.505. Land endowment.** The legislature conveys to the University
27 of Alaska as tenant in common with the state, and subject to the limitations of this
28 section, an undivided two percent interest in land that is managed by the Department
29 of Natural Resources under AS 38, and to the public school trust fund as tenant in
30 common with the state, and subject to the limitations of this section, an undivided
31 three percent interest in state land that is managed by the Department of Natural

1 Resources under AS 38. The conveyance shall be recorded under AS 40.17.020.
2 Notwithstanding another provision of law,

3 (1) the interest in land conveyed to the University of Alaska and the
4 public school trust fund is strictly limited to the right to receive income earned and
5 received by the state as proceeds from royalties, rent, sale, lease, and other disposal of
6 land that is managed by the Department of Natural Resources under AS 38, after
7 deducting contributions to the Alaska permanent fund required by law, contributions
8 to the public school trust fund under AS 37.14.150, and administrative service fees,
9 application fees, filing fees, processing fees, or other similar fees;

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

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

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

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

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

25 (A) a private leasehold, contract, or other interest in the
26 property is taxable to the extent of the interest; however, an interest created by
27 a nonexclusive use agreement between the Alaska Industrial Development and
28 Export Authority and a user of an integrated transportation and port facility
29 owned by the authority and initially placed in service before January 1, 1999,
30 is taxable only to the extent of, and for the value associated with, those specific
31 improvements used for lodging purposes;

1 (B) notwithstanding any other provision of law, property
 2 acquired by an agency, corporation, or other entity of the state through
 3 foreclosure or deed in lieu of foreclosure and retained as an investment of a
 4 state entity is taxable; this subparagraph does not apply to federal land granted
 5 to the University of Alaska under AS 14.40.380 or 14.40.390, to other land
 6 granted to the university by the state to replace land that had been granted
 7 under AS 14.40.380 or 14.40.390, [OR] to land conveyed by the state to the
 8 university under AS 14.40.365, **or to an interest in land conveyed by the**
 9 **state to the university or the public school trust fund (AS 37.14.110) under**
 10 **AS 14.40.505**;

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

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

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

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

23 (5) money on deposit;

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

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

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

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

4 * **Sec. 6.** AS 37.14.140 is amended to read:

5 **Sec. 37.14.140. Utilization of income.** The net income of the fund may not
 6 be appropriated for a purpose other than the support of the state public school
 7 program. The commissioner of revenue shall invest realized net income that has not
 8 been appropriated or that has been appropriated but not expended until the income is
 9 appropriated and expended. **In this section, "net income" does not include**
 10 **contributions to the fund under AS 14.40.500 or income from those contributions,**
 11 **but the commissioner of revenue shall invest those contributions and income in**
 12 **accordance with this section.**

13 * **Sec. 7.** AS 37.14.160 is amended to read:

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

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

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

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

23 (4) **separately account for contributions to the trust fund under**
 24 **AS 14.40.500 and the principal of the fund attributable to those contributions for**
 25 **the purpose of determining the amount that may be appropriated by the**
 26 **legislature under AS 14.40.495; and**

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

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

31 **APPLICABILITY.** The rights under AS 14.40.505, as enacted in sec. 4 of this Act, of

1 the University of Alaska and the public school trust fund (AS 37.14.110) to receive income
2 earned and received by the state applies to income received by the state under the following
3 entered into on or after the effective date of this Act:

4 (1) oil and gas leases under AS 38.05.180, shallow natural gas leases under
5 AS 38.05.177, and oil and gas exploration licenses under AS 38.05.132 and otherwise; and

6 (2) contracts for royalties, rents, sales, leases, and other disposals of state land.

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