

**SENATE BILL NO. 390**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

**BY THE SENATE FINANCE COMMITTEE**

**Introduced: 4/20/04**

**Referred: Resources, Finance**

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

1 Natural Resources under AS 38. The conveyance shall be recorded under  
2 AS 40.17.020. 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 (b) The rights of the University of Alaska and the public school trust fund  
20 (AS 37.14.110) to receive income earned and received by the state under (a) of this  
21 section apply to income received by the state under the following entered into after  
22 June 30, 2004:

23 (1) oil and gas leases under AS 38.05.180, shallow natural gas leases  
24 under AS 38.05.177, and oil and gas exploration licenses under AS 38.05.131 -  
25 38.05.134; and

26 (2) contracts for royalties, rents, sales, leases, and other disposals of  
27 state land not described in (1) of this subsection.

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

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

30 (1) municipal property, including property held by a public corporation  
31 of a municipality, state property, property of the University of Alaska, or land that is

1 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-  
2 830, 70 Stat. 709, except that

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

10 (B) notwithstanding any other provision of law, property  
11 acquired by an agency, corporation, or other entity of the state through  
12 foreclosure or deed in lieu of foreclosure and retained as an investment of a  
13 state entity is taxable; this subparagraph does not apply to federal land granted  
14 to the University of Alaska under AS 14.40.380 or 14.40.390, to other land  
15 granted to the university by the state to replace land that had been granted  
16 under AS 14.40.380 or 14.40.390, [OR] to land conveyed by the state to the  
17 university under AS 14.40.365, **or to an interest in land conveyed by the**  
18 **state to the university or the public school trust fund (AS 37.14.110) under**  
19 **AS 14.40.505**;

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

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

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

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

- 1 (5) money on deposit;
- 2 (6) the real property of certain residents of the state to the extent and  
3 subject to the conditions provided in (e) of this section;
- 4 (7) real property or an interest in real property that is exempt from  
5 taxation under 43 U.S.C. 1620(d), as amended;
- 6 (8) property of a political subdivision, agency, corporation, or other  
7 entity of the United States to the extent required by federal law; except that a private  
8 leasehold, contract, or other interest in the property is taxable to the extent of that  
9 interest;
- 10 (9) natural resources in place including coal, ore bodies, mineral  
11 deposits, and other proven and unproven deposits of valuable materials laid down by  
12 natural processes, unharvested aquatic plants and animals, and timber.

13 \* **Sec. 6.** AS 37.14.140 is amended to read:

14 **Sec. 37.14.140. Utilization of income.** The net income of the fund may not  
15 be appropriated for a purpose other than the support of the state public school  
16 program. The commissioner of revenue shall invest realized net income that has not  
17 been appropriated or that has been appropriated but not expended until the income is  
18 appropriated and expended. **In this section, "net income" does not include**  
19 **contributions to the fund under AS 14.40.500 or income from those contributions,**  
20 **but the commissioner of revenue shall invest those contributions and income in**  
21 **accordance with this section.**

22 \* **Sec. 7.** AS 37.14.160 is amended to read:

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

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

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

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

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

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

7                   \* **Sec. 8.** This Act takes effect July 1, 2004.