

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON EDUCATION**

March 16, 2004  
11:02 a.m.

**MEMBERS PRESENT**

Representative Carl Gatto, Chair  
Representative Paul Seaton, Vice Chair  
Representative Dan Ogg  
Representative Peggy Wilson  
Representative Kelly Wolf  
Representative Les Gara  
Representative Mary Kapsner

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 333

"An Act relating to an endowment for public education; and providing for an effective date."

- MOVED CSHB 333(EDU) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 333

SHORT TITLE: PUBLIC SCHOOL ENDOWMENT

SPONSOR(S): REPRESENTATIVE(S) OGG, COGHILL, HOLM

01/12/04	(H)	PREFILE RELEASED 1/2/04
01/12/04	(H)	READ THE FIRST TIME - REFERRALS
01/12/04	(H)	EDU, HES, FIN
01/27/04	(H)	EDU AT 11:00 AM CAPITOL 124
01/27/04	(H)	<Bill Hearing Postponed>
03/02/04	(H)	EDU AT 11:00 AM CAPITOL 124
03/02/04	(H)	Heard & Held
03/02/04	(H)	MINUTE(EDU)
03/09/04	(H)	EDU AT 11:00 AM CAPITOL 124
03/09/04	(H)	Heard & Held
03/09/04	(H)	MINUTE(EDU)
03/16/04	(H)	EDU AT 11:00 AM CAPITOL 124

**WITNESS REGISTER**

JOE BEEDLE, Vice President of Finance  
University of Alaska  
Fairbanks, Alaska  
POSITION STATEMENT: Testified in support of HB 333.

BOB LOEFFLER, Director  
Central Office  
Division of Mining, Land and Water  
Department of Natural Resources  
Anchorage, Alaska  
POSITION STATEMENT: During discussion of HB 333, answered questions.

THOMAS BOUTIN, Deputy Commissioner  
Office of the Commissioner  
Department of Revenue  
Juneau, Alaska  
POSITION STATEMENT: During discussion of HB 333, answered questions.

LAURA ACHEE, Research and Communications Liaison  
Alaska Permanent Fund Corporation  
Department of Revenue  
Juneau, Alaska  
POSITION STATEMENT:

#### **ACTION NARRATIVE**

**TAPE 04-16, SIDE A**  
Number 0001

**CHAIR CARL GATTO** called the House Special Committee on Education meeting to order at 11:02 a.m. Present at the call to order were Representatives Gatto, Seaton, Ogg, Wilson, and Wolf. Representatives Gara and Kapsner joined the meeting as it was in progress.

HB 333-PUBLIC SCHOOL ENDOWMENT  
Number 0119

CHAIR GATTO announced that the only order of business would be HOUSE BILL NO. 333, "An Act relating to an endowment for public education; and providing for an effective date."

[Before the committee is CSHB 333, Version 23-LS099\X, Bullock, 3/8/04.]

Number 0130

REPRESENTATIVE DAN OGG, Alaska State Legislature, sponsor of HB 333, announced that the intent of HB 333 is to use a land grant vehicle in order to fulfill a land grant process and create an endowment that would benefit the University of Alaska. The original legislation created a new education trust fund and transferred to the University of Alaska 1 percent of state land in an undivided interest in "tenancy in common." Version X [which is before the committee] accomplishes the same thing; however, it creates a 4 percent interest in state land and gives 2 percent to the University of Alaska and 2 percent to K-12 public education. In the proposed CS the monies will flow to the University of Alaska's land grant trust fund, which already exists, while the other monies will flow to an education trust fund which will benefit K-12 education. These monies will be kept in principal and both funds will operate on a percent of market value (POMV) method. Furthermore, both versions [operate] under the premise that this would only be in regard to new revenues and wouldn't impact existing revenue streams from state lands. He reminded the committee that last week the committee adopted a conceptual amendment addressing that point.

CHAIR GATTO inquired as to the money spent on K-12 versus that spent on the University of Alaska.

REPRESENTATIVE OGG related his belief that last year there was about \$740 to \$750 million spent on K-12 education. Under the House version [this year] the state would spend over \$800 million. The university spending will be at almost \$230 [million] under the House version.

CHAIR GATTO announced for the record that Representative Gara has joined the meeting.

Number 0544

REPRESENTATIVE GARA related his assumption that a certain amount of the proceeds from land would be devoted to the university and K-12. Therefore, it seemed like a transfer of, essentially, general fund (GF) money and a guarantee that the money would go to the university or K-12. However, he said he just noticed that the money going to the university will not be able to be spent, but will have to be placed in a trust fund from which the proceeds of the investment earnings could only be used. He asked if that's how it will work.

REPRESENTATIVE OGG replied yes, that's how it would work for both the university and K-12 funding.

REPRESENTATIVE GARA said that this approach would, in some sense, increase the deficit because money that would otherwise go into the GF is being taken. He posed a situation in which a \$100 million is taken and rather than allowing it to be spent, it places it into a fund and only \$8 million can be spent. Therefore, it seems to add to the budget deficit. However, if that money were merely given to the university and K-12, it wouldn't change the budget deficit, he opined. However, the [positive side] is that [with the trust] an endowment is built up and there is a long stream of income going to these entities.

Number 0724

REPRESENTATIVE OGG pointed out that it isn't impacting revenues right now. For instance, if the Bristol Bay gas lease sale takes place, each of the entities would receive its 2 percent at some point in the future. Therefore, the deficit gap wouldn't be impacted now. Representative Ogg highlighted that this legislation transfers a vested interest in property, and therefore if the entities are given 2 percent of the land, it comes out of the picture altogether because the land would go to its entity. Again, there would be no impact because it would basically be a gift of the land.

REPRESENTATIVE GARA noted his preference for the tenancy in common concept rather than a land grant. However, he anticipated that there will always be budget problems in the state. Therefore, if this legislation is passed, then one must realize that a certain amount of money that would've gone into the general fund in the future would now go into a trust fund and only perhaps an 8 percent portion of it can be spent, which would result in the taxpayers having to make up the difference. "I don't ... know that that's a bad idea, but ... it seems ... to be the case," he remarked.

REPRESENTATIVE OGG agreed that one could view it that way if he or she views it as a yearly appropriation. However, he pointed out that the supreme court has ruled that once land is transferred it isn't an appropriation. Once the title is transferred, the land would be an asset belonging to the university. An endowment process is being created, and therefore the money isn't lost to the state because the money goes toward funding the university and K-12.

REPRESENTATIVE GARA opined that it's a good policy, but maintained concern with the ramifications that it will actually cost something to do this.

Number 1016

REPRESENTATIVE SEATON noted that there is a proposal to increase the percentage to 5 percent. Representative Seaton highlighted that this would include the land as well as any money made off the land, such as from oil revenues from new deposits. Therefore, instead of having a constitutional mandate to take 25 percent of oil revenues and place in the permanent fund, this legislation would mandate taking 30 percent of the oil revenues with 25 percent being placed in the permanent fund and the other 5 percent in this new permanent fund. Representative Seaton recalled that last year the legislature reversed a similar situation created under HB 11. He expressed the need to consider the impact of the aforementioned on future budgets.

REPRESENTATIVE OGG pointed out that wouldn't be an impact today because this legislation only speaks to new revenues. He said that it takes quite a while to reach the situation which Representative Seaton has described, perhaps a generation or two down the road. Representative Ogg highlighted that only one other state has a smaller land grant to its education system than Alaska. This legislation would fulfill the state and federal governments' desire to fund Alaska's university system via a land grant.

Number 1276

CHAIR GATTO surmised that what Representative Seaton is saying is that the state operates on a revenue stream, and as the existing revenue stream winds down and it is replaced by new revenues. Under this legislation, if money is taken from the new revenue stream as the old revenue stream is depleted, the old revenue stream is compromised. "So that even if this is something that will be productive in a generation or two, it is financed through an existing revenue stream," he stated.

REPRESENTATIVE OGG reiterated that it wouldn't impact existing revenue streams.

Number 1361

REPRESENTATIVE WILSON agreed with Chair Gatto's comments. However, she opined that the concept of this legislation is very

important because the future is unknown. She further opined that Alaska's university system and schools have been funded inadequately. This legislation looks to the future and is an important first step for education.

Number 1501

REPRESENTATIVE SEATON remarked that HB 333 seems to establish two new permanent funds, the impact of which is unknown. If the desire is to tap the revenue stream from oil and the permanent fund, that should be done rather than creating two more permanent funds. He suggested that it may be more cost effective to tap into 2 percent of the earnings of the permanent fund each year to fund [education]. Representative Seaton clarified that he doesn't oppose the idea of an endowment. However, current income money is being sequestered and the earnings from that money is going to be used [to fund education]. He questioned where such types of funds would end, noting that he could see such a fund established for [Alaska Department of Fish & Game]. He questioned whether this legislation is really discussing a process to access the earnings that are sequestered in a permanent fund or endowment. This is a complicated way in which to have a dedicated revenue stream for education, he summarized.

Number 1672

REPRESENTATIVE KAPSNER noted her excitement with regard to HB 333 because she believes there should be an endowment for education, which is a constitutionally mandated requirement. She opined that creating an endowment is a good use of the state's resources. Representative Kapsner informed the committee that she recently watched an interesting program on C-SPAN which reported that there will be more technological progress in the next 25 years than in the last 100 years. She also informed the committee that before [the terrorist attacks of September 11, 2001] there was a study regarding the greatest threats to national security. The second threat to national security was how far behind students are in math and science. Therefore, she announced her strong support of this legislation.

CHAIR GATTO pointed out that the U.S. tries to educate all of its children, and therefore the average scores are lower than had the U.S. only educated its best and brightest. Therefore, he opined that the U.S. isn't doing as bad a job as indicated by some data.

REPRESENTATIVE KAPSNER remarked that generational advances are being made. She acknowledged that it's expensive, but highlighted that in the long term it will be beneficial. With regard to resource development and comments that the gas line will be on-line in six years, she pointed out that in six years the current sixth graders will be in the work force, and therefore [the state] should invest in those resources.

Number 1904

REPRESENTATIVE OGG acknowledged that this legislation is a policy call with regard to a land grant for the university system and K-12. He pointed out that the legislature has established a land grant for the university in the amount of 250,000 acres. This legislation would rescind the aforementioned because the discussions regarding getting to that land have been fraught with difficulty. Therefore, this legislation maintains the land grant policy and expands it to K-12, but fulfills the policy by providing an undivided interest and retaining management.

REPRESENTATIVE GARA opined that this is good legislation. Although this legislation will cost money, it's a wise expenditure in the short term for a long-term benefit, he said. He announced that he will support the legislation, and expressed the need for the legislature to get past the notion that only legislation without a fiscal note can go forward.

CHAIR GATTO commented that the House Special Committee on Education recently report legislation out of committee with a seven digit fiscal note, so he does not agree with Representative Gara's remark.

REPRESENTATIVE SEATON clarified that he isn't opposed to funding education. However, he reiterated his concern that this legislation sequesters an additional 5 percent of the state's future income stream in addition to the 25 percent that is already sequestered for the permanent fund. This is very different than saying something will be done with land. These funds will be placed in a bank somewhere where it is hoped interest will be made which will then fund education. That is where he has a problem, he stated. He reiterated that he has no problem funding education.

Number 2229

JOE BEEDLE, Vice President of Finance, University of Alaska, testified that the university supports HB 333.

REPRESENTATIVE WILSON inquired as to what Joe Beedle or Bob Loeffler, Department of Natural Resources (DNR), see for the next 20 years with regard to the state's revenue stream. She mentioned looking forward to more resource extraction in the state.

Number 2358

CLIFF STONE, Staff to Representative Dan Ogg, Alaska State Legislature, noted that the committee packet should include Legislative Research Report number 04.176 regarding revenue projections from future resource development. The report projects that in 2030, new resource development will be over \$21 billion, which includes the gas line being in place. Mr. Stone clarified that the aforementioned projection isn't an annual rate, but rather an accumulation to that point. He noted that the \$21 billion is very conservative. In response to Chair Gatto, Mr. Stone specified that new resource development includes the gas line, Arctic National Wildlife Refuge development, the undiscovered National Petroleum Reserve-Alaska (NPR-A), the Beaufort Sea, and some central north satellites that aren't currently on line. In addition to the oil and gas [development], there would be minuscule resource development in platinum, gold, or other ore extractions.

REPRESENTATIVE SEATON turned attention to the fiscal note from DNR regarding which lands would be transferred. However, he understood that the legislation wouldn't transfer any lands, but would transfer between a 1 to 5 percent interest in all the revenue generated from those lands under a tenancy in common approach. Therefore, he questioned whether the fiscal note is based upon the physical transfer of land or transfer of a percentage of the amount of money made on those lands.

Number 2489

BOB LOEFFLER, Director, Central Office, Division of Mining, Land and Water, Department of Natural Resources, explained that DNR and the attorney general read the legislation to transfer specific lands rather than a percentage of revenue from all the lands. Therefore, [the fiscal note is based on] all the revenue of all the lands. After discovering that isn't Representative Ogg's intent, the department developed language that would make the intent clear. However, that language isn't included in

version X, but once it's included in the legislation DNR's fiscal note would drop to zero.

MR. LOEFFLER, in response to Representative Wilson, specified that proposed AS 14.40.507 would merely require some minor changes that would clarify that there is no conveyance of individual parcels of land, but rather that there is an interest in the revenue stream of all the lands.

CHAIR GATTO turned attention to page 26 of the Legislative Research Report attachment entitled "Resource Development Opportunities" from the Fall 2003 Revenue Sources Book, Alaska Department of Revenue, which shows a sizable portion of anticipated revenues to come from ANWR. He mentioned the difficulty in predicting future revenues. On page 34 of this attachment, the following statement is found:

In 2003, Korea signed a contract valued at \$20 million with Usibelli to resume importing coal from Korea.

CHAIR GATTO expressed confusion with regard to the aforementioned statement.

MR. LOEFFLER clarified that Alaska is exporting coal to Korea.

CHAIR GATTO said he was aware of that, and therefore that statement is of concern and causes him to question the validity of the other data.

CHAIR GATTO likened this legislation to when parents of a newborn set aside money for its education in the future. He explained that the aforementioned means that money that would ordinarily be available to spend today would be set aside for future expenditures. Therefore, this legislation is no different than a bank account.

MR. LOEFFLER agreed. He specified that a separate endowment is being created and the earnings from that endowment is funding the partial cost of education in Alaska.

CHAIR GATTO surmised that essentially what is being done is taking the CBR [constitutional budget reserve] fund and setting it aside for a future use, which is exactly what the CBRF is for. "If we're going to borrow from the CBR to fund today's expenses and we're going to borrow from ourselves to fund a future expense, that means we have to take more out of the CBR," he surmised.

Number 2900

REPRESENTATIVE WILSON returned attention to page 26 of the attachment to the Legislative Research Report. She pointed out that it refers to developing new oil fields, and she noted that the state will never reach the 2 million barrels a day of the past. She highlighted that the state's natural resources aren't unlimited, and therefore she emphasized the need to look ahead and put something like this legislation in place.

CHAIR GATTO commented that such was done long ago and the state would really be in a bind today without the permanent fund. He reiterated his view that this legislation establishes a second permanent fund.

MR. STONE acknowledged that everyone cares about education.

**TAPE 04-16, SIDE B**

MR. STONE highlighted that at this point more money comes from the permanent fund than from oil. However, there hasn't been the political resolve to [use] the earnings reserve account to fund what is constitutionally mandated. Therefore, another revenue stream has to be found. In his personal opinion, Mr. Stone said that HB 333 takes care of the land endowment, and creates another "permanent fund." Although the aforementioned will cost the state some money in the short term, more wealth is created for the future. That wealth would come from this "new permanent fund" that the legislature has the resolve to spend.

Number 2918

REPRESENTATIVE SEATON opined that it would probably be better to have a separate account [for education] in the existing permanent fund. In the aforementioned scenario there wouldn't be any administrative costs. Representative Seaton reiterated his concern that this legislation establishes two new permanent funds. "If what we're trying to do is ... a revenue stream, then what we need to do is account for that money within the permanent fund, that money, under POMV, comes out of there and it is directed to ... the recipients and that gets us there without having the administrative burden of having separate funds," he opined.

REPRESENTATIVE SEATON, in response to Chair Gatto, clarified that what he is saying is that HB 333 establishes new education

funds and new mechanisms for managing it, when the only management [necessary] is what is required of the permanent fund endowment. Therefore, he suggested that the Permanent Fund Board should manage this money as it does the permanent fund, and the revenues stream of the POMV percentages would come out and be distributed to the university and K-12 education. The aforementioned would seem to simplify the concept.

Number 2801

REPRESENTATIVE OGG acknowledged that Representative Seaton's suggestion could be used. However, he pointed out that the university already has a land grant trust fund and the money [generated under HB 333] would flow into that fund. This legislation creates an education trust fund for the State Board of Education. Representative Ogg explained that land grants do something different than the permanent fund. Land grants specify that land assets will be utilized to ensure that education has a source of funding. Representative Ogg recalled serving on the Board of Regents for the University of Alaska and when it wanted to develop land, part of the constituency of the university supporters didn't want certain land developed. Therefore, in giving the land in the fashion [proposed under HB 333], the state's resources are being tied directly to the state's education system. Perhaps, folks would realize that development of the land would provide more funding to the [education system], and over time would support development. That direct linkage wouldn't be achieved with the permanent fund, he said.

REPRESENTATIVE WILSON informed the committee that K-12 has land that has been set aside for it. In fact, she believes that those lands allowed for \$7 million to be placed into the foundation formula this year. The biggest reason to put forth legislation such as this would be to establish an understanding by the citizens of Alaska of the purpose of the fund, rather than having a situation such as that with the permanent fund dividend where people believe it was developed so that they could receive a check each year. She highlighted that generations to come will benefit from this legislation.

Number 2524

REPRESENTATIVE SEATON turned attention to page 4 of Version X, which establishes an Education Trust Fund Board that he characterized as a new administrative bureaucracy. The aforementioned is problematic, he said. However, he noted that

he liked the notion of tenants in common because it discusses a percentage of the income the state receives going to the trust rather than development of specific lands, which is exactly what is done with the permanent fund. He expressed the need to deal with the revenue stream in the most efficient way possible.

MR. BEEDLE explained that when there is a transfer, even in a tenants in common situation, it's still necessary for there to be an owner representative, a trustee, and an administrator to respond to the other owner, the State of Alaska represented by DNR. The Education Trust Fund Board is charged with the aforementioned function as well as reporting the uses, expense, et cetera of the earnings of the fund as has the "University Board" over some 40 years. Mr. Beedle informed the committee that the University of Alaska Education Trust Fund has some \$80 million in investments and combined with the University of Alaska Foundation for a consolidated investment, and therefore the university's [fund] exceeds \$200 million. With regard to the Education Trust Fund Board, Mr. Beedle pointed out that the commissioner of the Department of Revenue will take care of [the K-12 fund] for purposes of investment. He indicated that [the Department of Revenue] has [in the past] either done it or used the permanent fund [as an administrator].

Number 2296

REPRESENTATIVE GARA related his understanding that money from future lease revenue would be money that would've otherwise gone to the general fund, not money that would've otherwise gone to the permanent fund.

REPRESENTATIVE OGG explained that currently the university has up to 250,000 acres and it will take the university some time to select that land. [That land] comes out of the assets of the state and is no longer part of the state's assets, and therefore it's no longer money coming to the general fund or the permanent fund.

REPRESENTATIVE GARA surmised that this legislation doesn't impact any money that goes into the permanent fund. He asked if that is correct.

REPRESENTATIVE OGG answered, "It affects the whole spectrum the way it's written."

REPRESENTATIVE GARA surmised that such would require a constitutional change.

REPRESENTATIVE OGG replied no, and specified that [a percentage] of the land is being taken and becoming a vested interest in either the university or [K-12]. "And it's no longer part of the whole, in a sense. It's undivided in the whole but it's not an obligation," he said.

REPRESENTATIVE GARA questioned whether that's correct. He pointed out that the Alaska State Constitution specifies that 25 percent of all royalty money goes into the permanent fund. Therefore, he said he doesn't believe establishing this proposal under HB 333 would allow [the legislature] to touch those funds. He surmised that this [legislation] is focusing on a portion of the money left over that [would normally] go into the general fund.

REPRESENTATIVE OGG responded, "If it's read the way you're saying, then that's ... what's being done."

Number 2153

MR. LOEFFLER related his understanding that DNR would have to meet both its constitutional obligations, 25 percent to the permanent fund, and the obligation of this legislation.

REPRESENTATIVE GARA surmised then that the 4 or 5 percent dedicated to the education trust fund would come from the future general fund.

MR. LOEFFLER explained that it would come from the various funds that it would otherwise go into, such as the land disposal income fund. However, he agreed that it would be from the general fund and not the permanent fund.

REPRESENTATIVE GARA asked if the intent is for this proposal to impact money that would otherwise go into the permanent fund.

REPRESENTATIVE OGG said that isn't the intent.

Number 2076

REPRESENTATIVE GARA returned to Representative Seaton's concern with regard to dual administration, and asked if the legislation allows the commissioner of the Department of Revenue to manage this money in conjunction with other money that is being managed.

MR. BEEDLE opined that this legislation will allow either the investments [to be managed] by the permanent fund board or [the Department of Revenue] subject to the commissioner of Department of Revenue's decision. The aforementioned wouldn't require separate investment personnel.

Number 1982

THOMAS BOUTIN, Deputy Commissioner, Office of the Commissioner, Department of Revenue, clarified that a fiscal note to manage this money is included. No matter who manages the money, it costs money to do so. Although there wouldn't have to be any new staff or organization to manage the money, the fiscal note does include assumptions. Therefore the money management fees were included related to those assumptions. If the assumptions change, the fees change, he noted.

REPRESENTATIVE SEATON related his understanding that the transfer of the 4 percent undivided interest in the land under this legislation includes all new oil royalties. He posed a hypothetical situation in which someone has ownership of that land, and asked if the royalty percentages come out before the 25 percent of state royalties that are deposited into the permanent fund. He surmised that the 4 to 5 percent of the land, including its mineral wealth is transferred to the trust funds, would come out before the state royalties that are generated on the lands "they" own and thus would come out prior to the permanent fund monies.

MR. BOUTIN said he read it as the sponsor did, although he recognized that Mr. Loeffler read it differently. He deferred to the representative from the Alaska Permanent Fund Corporation.

Number 1784

LAURA ACHEE, Research and Communications Liaison, Alaska Permanent Fund Corporation, Department of Revenue, said that she was sent today to find out the answer to that question. If it's determined that the 4 percent would be subtracted before the 25 percent is determined, it would impact future revenues coming into the permanent fund. If it's determined that the 4 percent would be subtracted from the portion that generally goes to the general fund and other funds, it wouldn't impact future revenues coming into the permanent fund.

CHAIR GATTO related his understanding that no one can affect the 25 percent that goes into the permanent fund.

MS. ACHEE agreed, but she highlighted that it's 25 percent of the mineral revenues.

REPRESENTATIVE GARA concluded that the legislation will probably face stumbling blocks if the legislation requires placing revenue in this fund that would otherwise go to the permanent fund. Therefore, he suggested that the language [be made] clear that it is not the intent to impact money that would otherwise go into the permanent fund.

Number 1630

REPRESENTATIVE WILSON moved Conceptual Amendment 2 "to make sure that the bill language is changed to conform to the sponsor's intent" specifically on page 6, proposed [AS 14.40].507.

REPRESENTATIVE OGG surmised that the language in proposed [AS 14.40].507 needs to be clear that this bill does not refer to specific pieces of land. He said he has no problem with Conceptual Amendment 2.

Number 1474

REPRESENTATIVE GARA objected and expressed the need to be more specific with Conceptual Amendment 2. After trying to wordsmith the amendment to Conceptual Amendment 2, Representative Gara withdrew his amendment to Conceptual Amendment 2.

REPRESENTATIVE OGG stated [that Conceptual Amendment 2 should result in language] "... that it is clear that the land granted is tenancy in common and it's an undivided interest. And that DNR and the university, ... they need to be satisfied that that particular language says that." Representative Ogg commented that the committee should decide whether the 25 percent comes off the top of state land or is secondary.

REPRESENTATIVE GARA surmised his understanding that HB 333 doesn't require that the state sell or develop any particular land, rather the university and the education community would receive a certain portion of revenues received from the state's lands.

REPRESENTATIVE OGG replied yes, and clarified that the intent is that the [university and K-12] would receive an undivided

interest in the land and the revenues would flow from those rights, but the [university and K-12] wouldn't have management authority.

REPRESENTATIVE GARA withdrew his objection.

CHAIR GATTO, upon determining that there were no further objections, announced that Conceptual Amendment 2 was adopted by the House Special Committee on Education.

Number 1212

REPRESENTATIVE GARA moved that the committee adopt Conceptual Amendment 3, as follows: "The revenues devoted to these trust funds shall be calculated after the permanent fund receives its constitutional share of revenues and ... they should not affect the amount of money that goes into the permanent fund." There being no objection, Conceptual Amendment 3 was adopted.

REPRESENTATIVE SEATON requested a legal opinion regarding the transfer of subsurface rights under this legislation. He expressed the need to ensure that the transfer of subsurface rights doesn't jeopardize the state under the Statehood Act and doesn't allow a claim to revert those [lands] back to the federal government.

MR. BEEDLE informed the committee that the University of Alaska has received a considerable amount of land from the state and enjoys the subsurface [rights]. The title is fee simple. The determinations have consistently been that it doesn't violate the Statehood Act.

CHAIR GATTO related his understanding that fee simple land guarantees the subsurface rights. He asked if the university has received land that wasn't fee simple.

MR. BEEDLE confirmed that the university has received land that wasn't fee simple. In some cases, the transfer was only for surface estate and thus the university didn't [enjoy the subsurface rights]. In other cases the university has received single rights to enjoy resource extraction, such as for timber or gravel, which were restricted transfers and the university didn't [enjoy the subsurface rights].

CHAIR GATTO surmised that it varies depending upon the property.

REPRESENTATIVE SEATON asked if, within the tenancy in common, that it isn't a transfer but rather that it includes the mineral rights as well as the surface estate.

REPRESENTATIVE OGG opined that it's clear.

CHAIR GATTO closed public testimony.

Number 0818

REPRESENTATIVE GARA moved to report CSHB 333, Version 23-LS099\X, Bullock, 3/8/04, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 333(EDU) was reported from the House Special Committee on Education.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Education meeting was adjourned at 12:29 p.m.