

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON EDUCATION

April 12, 2005

5:39 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Chair
Representative Carl Gatto
Representative Bob Lynn
Representative Bill Thomas
Representative Peggy Wilson
Representative Woodie Salmon

MEMBERS ABSENT

Representative Les Gara

COMMITTEE CALENDAR

HOUSE BILL NO. 92

"An Act relating to the purchase of interests in corporations, including limited liability companies, by the University of Alaska."

- MOVED CSHB 92(EDU) OUT OF COMMITTEE

HOUSE BILL NO. 140

"An Act establishing a tuition waiver and voucher program for eligible students who were placed in foster care by the state; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 92

SHORT TITLE: UNIVERSITY OF ALASKA AND CORPORATIONS

SPONSOR(S): REPRESENTATIVE(S) KELLY

01/21/05	(H)	READ THE FIRST TIME - REFERRALS
01/21/05	(H)	EDU, HES
04/05/05	(H)	EDU AT 11:00 AM CAPITOL 106
04/05/05	(H)	Heard & Held
04/05/05	(H)	MINUTE(EDU)
04/06/05	(H)	HES REFERRAL WAIVED
04/06/05	(H)	JUD REFERRAL ADDED AFTER EDU

04/07/05 (H) EDU AT 11:00 AM CAPITOL 106
04/07/05 (H) -- Meeting Canceled --
04/12/05 (H) EDU AT 11:00 AM CAPITOL 106

WITNESS REGISTER

HEALTH HILYARD, Staff
to Representative Mike Kelly
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Offered information on CSHB 92, Version Y.

REPRESENTATIVE MIKE KELLY
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 92.

ACTION NARRATIVE

CHAIR MARK NEUMAN called the House Special Committee on Education meeting to order at [5:39:33 PM](#). Representatives Wilson, Gatto, Lynn, and Thomas were present at the call to order. Representative Salmon arrived as the meeting was in progress.

HB 92-UNIVERSITY OF ALASKA AND CORPORATIONS

CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 92 "An Act relating to the purchase of interests in corporations, including limited liability companies, by the University of Alaska."

[5:40:25 PM](#)

REPRESENTATIVE WILSON moved to adopt CSHB 92, Version 24-LS0344\Y, Bannister, 4/7/05, as the working document. [Although not formally noted, Version Y was treated as adopted and before the committee.]

[5:41:03 PM](#)

HEATH HILYARD, Staff to Representative Mike Kelly, Alaska State Legislature, explained that the substantial change to CSHB 92 was the removal of all language referring to "for profit corporations" and hence this legislation applies only to "nonprofit corporations." Additionally, AS 37.10.085,

subsection (a), was amended to reference the Executive Ethics Act, which he characterized as a conforming amendment.

[5:42:23 PM](#)

REPRESENTATIVE WILSON inquired as to the reasoning behind the University of Alaska being exempt from liability of purchasing even a nonprofit.

[5:43:00 PM](#)

REPRESENTATIVE MIKE KELLY, Alaska State Legislature, sponsor, replied that this legislation would permit the university to invest in its research and export that research into the private sector. He added that other universities have had success with similar programs. The university doesn't want to risk its assets and this legislation permits, only by approval of the Board of Regents, investments [in small nonprofits]. He related that most of the investment will be on a small scale for stand-alone organizations. The university's partial ownership does not signify that the organization becomes part of the university, he noted.

REPRESENTATIVE WILSON asked if the university will be able to [generate revenue] to use as income.

REPRESENTATIVE KELLY responded that some income is associated. However, most often this legislation would attempt to export a small venture into the private sector, he added. In further response to Representative Wilson, Representative Kelly said this legislation is the [exact] "blueprint" from similar successful university programs that turn research into an "application."

[5:46:54 PM](#)

REPRESENTATIVE THOMAS opined that this legislation should move to the House Judiciary Standing Committee in order to further deal with the legalities of this issue.

CHAIR NEUMAN related that one of the committee's previous concerns with HB 92 has been addressed by changing the language to "nonprofit" corporations.

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REPRESENTATIVE GATTO offered the scenario in which the university invests in what was thought to be a great idea, but it ultimately "busts." Furthermore, if the idea busts because of illegal activity, will the private investor be held accountable while the university is [held harmless], he asked.

[5:48:58 PM](#)

REPRESENTATIVE KELLY said he will not attempt to give a legal opinion, but he related that the corporation is separate from the university. Beforehand, the Board of Regents would clarify to investors that the university is a stand-alone limited liability and as such, if the corporation fails, both parties could lose the value of the stock but investors would not be able to sue the university.

REPRESENTATIVE GATTO related his understanding that the university has no culpability.

REPRESENTATIVE KELLY answered, "Correct." However, he reminded the committee that [these investments/corporations] have to pass through all the appropriate channels first to ensure it's not a risky operation. This legislation comes from the desire to not enter into "too much risk" and not miss opportunities for Alaska.

REPRESENTATIVE GATTO surmised then that since the university isn't liable, the [private investor] would likely be sued.

REPRESENTATIVE KELLY said, "Correct," and reiterated that the university, prior to investment, would clarify that its relationship is held harmless from "any deep pocket" activity.

[5:52:18 PM](#)

CHAIR NEUMAN offered that every corporation has its own body and immunity.

REPRESENTATIVE WILSON alluded to the notion that nonprofits aren't different from limited liability [companies].

[5:53:35 PM](#)

CHAIR NEUMAN closed public testimony.

REPRESENTATIVE WILSON moved to report CSHB 92, Version 24-LS0344\Y, Bannister, 4/7/05, out of committee with individual

recommendations and the accompanying zero fiscal note. There being no objection, CSHB 92(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 approximately 6:00 p.m.