

**ALASKA STATE LEGISLATURE
HOUSE EDUCATION STANDING COMMITTEE**

February 20, 2017

9:06 a.m.

MEMBERS PRESENT

Representative Harriet Drummond, Chair
Representative Justin Parish, Vice Chair
Representative Zach Fansler
Representative Ivy Spohnholz
Representative Jennifer Johnston
Representative Chuck Kopp
Representative David Talerico
Representative Lora Reinbold (Alternate)

MEMBERS ABSENT

Representative Geran Tarr (Alternate)

COMMITTEE CALENDAR

PRESENTATION: UNIVERSITY OF ALASKA~ PUBLIC LAND DEFICIT

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

JAMES JOHNSON, President
University of Alaska (UA)
Fairbanks, Alaska

POSITION STATEMENT: Provided the presentation on the University of Alaska (UA) public land deficit.

KIT DUKE, Administrator
University of Alaska (UA) System
Fairbanks, Alaska

POSITION STATEMENT: Responded to questions during the presentation on the University of Alaska, Public Land Deficit.

ACTION NARRATIVE

[9:06:08 AM](#)

CHAIR HARRIET DRUMMOND called the House Education Standing Committee meeting to order at 9:06 a.m. Representatives Drummond, Kopp, Parish, Fansler, Johnston, Spohnholz, and Talerico were present at the call to order. Representative Reinbold (Alternate) arrived as the meeting was in progress.

PRESENTATION: University of Alaska, Public Land Deficit

[9:06:43 AM](#)

CHAIR DRUMMOND announced that the only order of business would be a presentation from the University of Alaska (UA) on the public land deficit.

[9:06:55 AM](#)

JAMES JOHNSON, President, University of Alaska (UA), explained that one reason the university depends heavily on the state for funding is because it did not receive its full land grant. He said, "We're the land grant university without the land." Only Delaware received a smaller public land grant than did Alaska, he pointed out, and added that Hawaii received cash in lieu of any land, which the UA would also find acceptable. The University of Alaska received approximately 110,000 acres of land, prior to statehood. The estimated deficit, according to what was to be awarded under the various grants, is 360,000.

[9:09:51 AM](#)

PRESIDENT JOHNSON presented the timeline of the land grant history. The Morrill Act, 1862, was passed by Congress under President Abraham Lincoln, and provided more than 11 million acres of land to states and territories to create a system of land grant colleges and universities. It further established that every existing state, and every future state, would be granted 30,000 acres per member of Congress, representing 90,000 acres for Alaska, to be dedicated to higher education. In 1915, the Wickersham Land Grant statute was adopted by the territorial legislature. Under Sec. 33, each township within a large Tanana Valley rectangle, estimated at 336,000 acres, was to be conveyed to the university; however, the territorial lands remained largely un-surveyed, and less than five percent was actually transferred. The Sutherland Land Grant statute, 1929, was adopted by Congress to convey an additional 100,000 acres of land, in the Territory of Alaska, for the exclusive use and

benefit of the Alaska Agricultural College and School of Mines. In 1959, the First Alaska Legislature granted 1,000,000 acres to the university but Governor William "Bill" Egan vetoed the action. During the period of 1966-1980 Congress passed the Alaska Native Claims Settlement Act (ANSCA) and the Alaska National Interest Lands Conservation Act (ANILCA), but the question of the UA land entitlement remained unresolved. From 1997-2005, Alaska's congressional delegation introduced several federal bills in an attempt to rectify the UA land deficit. In 2000, the Alaska State Legislature passed SB 7 authorizing the university to select up to 260,000 acres of state land. However, Governor Tony Knowles vetoed the action and the legislature tried but did not have enough votes to override the veto. The Alaska Supreme Court ruled that conveyance of land is not an appropriation and declined to address the potential dedication clause issue. The 2005 State Legislature passed, HB 130, identifying a specific list of lands for the Department of Natural Resources (DNR) to transfer to the university. The Southeast Alaska Conservation Council (SEAC) filed a lawsuit, in 2007, arguing that HB 130 was in violation of the anti-dedication clause and the university teamed with the state to mount a defense. In 2009 the Alaska Supreme Court handed down its decision striking down HB 130 and holding that the legislature could not set up a permanent land endowment for the university, citing the Constitution of the State of Alaska, Article 9, Section 7, Dedicated Funds clause. Governor Sean Parnell introduced HB 295, in 2010, which was partially modeled after HB 130 but without the permanent endowment aspects. The bill failed to pass the legislature. The same year, the university complied with the court's deadline and transferred the HB 130 lands back to DNR.

[9:14:56 AM](#)

PRESIDENT JOHNSON reviewed the options and possible solutions to make up the university's 360,000 acre deficit. He said a permanent land endowment would allow UA to generate revenue and moderate the need for the state to provide general fund (GF) allocations. The constitution has precluded all attempts by the Alaska legislature to remedy the deficit situation. He said that, from the federal point of view, the university land was included in the Alaska Statehood Act grant and, thus, has resisted endeavors to correct the deficit via use of additional federal land grants. The Dedicated Funds clause has an explicit exemption, he said, and read, "... when required by the federal government for state participation in federal programs." A federal program, that establishes a permanent UA land endowment,

consisting of a combination of state and federal lands, will ensure compliance with this clause, he suggested. State participation in a federal program will require the state to convey lands, through the program for the purpose of endowing the university's permanent land trust. He reported that preliminary discussions are underway with DNR and Alaska's congressional delegation regarding federal legislation to establish such a program.

[9:16:46 AM](#)

PRESIDENT JOHNSON said the existing UA land holdings are approximately 150,700 acres, mostly acquired under, or as replacement for, the lands received under the Sutherland grant, but are also lands acquired from private parties, as well as local, state, or federal governments. The UA Land Management Office is responsible for managing, developing, acquiring, and disposing of all the university's real property. Since 1987, he reported, the land and resource sale have generated over \$204 million. The income has been deposited in the university's Land Grant Endowment Trust Fund; a permanent endowment. The trust fund is managed by the UA Foundation Board of Trustees. The earnings are used to fund an array of natural resource related education and research projects, which include programs on fisheries, ocean sciences, biology, and agriculture. Additionally, the trust earnings fund the Alaska Scholars Program (ASP). The program awards \$12,000 to students who plan to attend the UA, and who graduate with a ranking in the top 10 percent of their class.

[9:18:38 AM](#)

PRESIDENT JOHNSON said that of the 150,700 total acres held by the university, 12,183 are used for educational purposes and sites for the UA system campuses. The remaining 138,517 acres are investment properties, which he detailed as follows: 17,000 potential timber development, 10,018 national parks inholdings; 8,604 residential subdivisions under construction, 3,995 potential material sales, 2,087 potential oil and gas development, and 96,813 remaining acres.

[9:19:39 AM](#)

PRESIDENT JOHNSON referred to the committee handout, titled, "University of Alaska Public Land Deficit, House Finance Education Subcommittee February 20, 2017," page 12, and the investment property chart, which provides specific locations of

the acreage involved and the land use in each area. Directing attention to page 13, titled, "UA Land Trust Balance," he explained that the bar graph illustrates the steady, monetary return provided by the trust from FY 89 to FY 16. The trust is an endowment, he reminded, thus, only the earnings are part of the university's budget. The goal is to maximize the investment of the lands to drive the earnings up. He stressed that, ultimately, the increased earnings will allow the university to work towards becoming financially independent and less dependent on state allocations. Finally, he said, despite failed efforts in the past, a viable plan has been created to address the deficit and meet the goals.

[9:22:03 AM](#)

REPRESENTATIVE JOHNSTON asked how many acres were returned to the state following the latest court decision.

PRESIDENT JOHNSON answered that about 250,000 acres were received and subsequently returned.

REPRESENTATIVE JOHNSTON surmised that if the federal and state plan being proposed works in favor of the university, the same 250,000 acres would be reallocated once more, as a beginning point of reconciliation.

PRESIDENT JOHNSON acknowledged that it may serve as the starting point, and opined that it would be wise to also consider other locales, such as lands that could host renewable energy projects.

REPRESENTATIVE JOHNSTON asked where the university falls on the federal list of organizations awaiting land allocations.

PRESIDENT JOHNSON agreed that there are a number of entities awaiting federal land grants, and deferred further comment to Kit Duke.

[9:25:32 AM](#)

REPRESENTATIVE TALERICO said investment property would be any land that could be included for any of the purposes mentioned: sale, lease, material sale, or other income opportunities.

PRESIDENT JOHNSON responded yes.

REPRESENTATIVE TALERICO asked whether the university holds lands on the west side of Nenana and the Nenana River.

PRESIDENT JOHNSON deferred comment to Kit Duke.

KIT DUKE, Administrator, University of Alaska (UA) System, said the university holds two parcels in the Nenana area. Doyon Limited has been given access to one of these parcels for exploration purposes.

[9:27:01 AM](#)

REPRESENTATIVE FANSLER asked if there is a timeline that the university is hoping for in accomplishing action at the federal level action, and whether the university has targeted any specific lands.

PRESIDENT JOHNSON stated hope for positive movement in the next two years at the federal level, which will open doors for action at the state level.

[9:29:16 AM](#)

REPRESENTATIVE PARISH referred to the national parks inholdings (NPS) and asked what revenue these holdings generate.

MS. DUKE responded that access issues have prevented issuance of leases, thus, no revenues are being earned at this time. One NPS parcel was traded for a useable property in the Seward area, she reported.

[9:30:41 AM](#)

REPRESENTATIVE FANSLER asked about the use of the reported 96,813 acres remaining; shown on the handout, page 11.

MS. DUKE explained that the remaining acreage is land which has yet to have its optimum potential determined.

[9:33:45 AM](#)

REPRESENTATIVE KOPP asked whether the university has analyzed the value for converting its property to cash.

PRESIDENT JOHNSON said no, and deferred further comment.

MS. DUKE responded that some analyses has been performed, especially on properties that have natural resource development possibilities. Whenever allocation hearings occur, lands will be considered for development potential, during the selection process.

[9:36:52 AM](#)

CHAIR DRUMMOND asked what would prevent the introduction of a new bill to grant the lands, is it at the will of the legislature.

PRESIDENT JOHNSON responded that the 2009 court decision currently holds sway. However, should a federal plan come forth and override the decision, the legislature would be able to act.

[9:38:05 AM](#)

CHAIR DRUMMOND thanked everyone and announced the next meeting.

ADJOURNMENT

There being no further business before the committee, the House Education Standing Committee meeting was adjourned at 9:38 a.m.