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1 IN THE SENATE BY THE HESS COMMITTEE
2 HOUSE CS FOR CS FOR SENATE BILL NO. 136 (HESS)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 SIXTEENTH LEGISLATURE - SECOND SESSION
5 A BILL

6 For an Act entitled: "An Act establishing the Alaska education trust fund
7 and authorizing advance tuition payment contracts."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 14.40 is amended by adding new sections to read:

10 ARTICLE 6. ALASKA EDUCATION TRUST FUND.

11 Sec. 14.40.803. ALASKA EDUCATION TRUST FUND ESTABLISHED. (a)

12 The Alaska education trust fund is established as an endowment trust
13 fund separate from the general fund. The fund may be divided into
14 separate accounts for accounting purposes.

15 (b) The fund consists of

16 (1) permanent fund dividend and cash contributions made
17 under AS 14.40.807 under the terms of an advance tuition payment
18 contract;

19 (2) gifts, bequests, and contributions of cash or other
20 assets from a person; and

21 (3) income and earnings of the fund.

22 (c) Assets of the fund shall be expended in the following order
23 of priority:

24 (1) to make payments to the university on behalf of quali-
25 fied beneficiaries;

26 (2) to make refunds upon termination of an advance tuition
27 payment contract;

28 (3) to pay the costs of administration of the fund.

29 Sec. 14.40.805. POWERS AND DUTIES OF THE COMMISSIONER OF

1 REVENUE. The commissioner of revenue is the trustee of the fund and
2 has the powers and duties under this section to
3 (1) act as official trustee of the cash and investments
4 belonging to the fund and to secure adequate and safe custodial facil-
5 ities;
6 (2) receive all items of cash and investments belonging to
7 the fund;
8 (3) collect the principal and income from investments
9 acquired by the trustee and deposit the amounts in separate principal
10 and income accounts for the fund;
11 (4) invest and reinvest the assets of the fund as provided
12 in this section and as provided for the investment of retirement funds
13 under AS 14.25.180;
14 (5) exercise the powers of a trustee with respect to the
15 assets of the fund;
16 (6) do all acts, whether or not expressly authorized, that
17 the commissioner of revenue considers necessary or proper in adminis-
18 tering, as a trustee, the assets of the fund;
19 (7) maintain accounting records of the fund in accordance
20 with investment accounting principles and with distinction between the
21 principal and income accounts of the fund;
22 (8) engage an independent firm of certified public accoun-
23 tants to annually audit the financial condition of the fund's invest-
24 ments and investment transactions;
25 (9) enter into and enforce contracts or agreements con-
26 sidered necessary for the investment purposes of the fund;
27 (10) report to the university the condition and investment
28 performance of the fund;
29 (11) make payments to the university on behalf of qualified

1 beneficiaries;

2 (12) make refunds upon termination of an advance tuition
3 payment contract; and

4 (13) pay the costs of administration of the fund.

5 Sec. 14.40.807. CONTRIBUTION TO THE ALASKA EDUCATION TRUST FUND.

6 (a) Contributions to the fund under the terms of an advance payment
7 contract may be made by direct cash payments or by contributions from
8 the permanent fund dividend. The Department of Revenue shall

9 (1) prepare the permanent fund dividend application to
10 allow an applicant, or a parent, legal guardian, or other authorized
11 representative of an applicant who is an unemancipated minor to con-
12 tribute 50 percent of a dividend to the fund under the terms of an
13 advance tuition payment contract; and

14 (2) include with each application for a permanent fund
15 dividend an explanation of the trust fund, including the right of a
16 purchaser to receive a refund upon termination of an advance tuition
17 payment contract, and a statement that the tax liability of the fund
18 has not yet been determined; after the Internal Revenue Service deter-
19 mines the tax liability of the fund, a copy of the tax determination
20 shall be included with each application for a permanent fund dividend.

21 (b) The Department of Revenue shall pay contributions directly
22 to the fund.

23 Sec. 14.40.809. POWERS AND DUTIES OF THE UNIVERSITY OF ALASKA.

24 (a) The Board of Regents of the University of Alaska may contract
25 with a purchaser for the advance payment of tuition by the purchaser
26 for a qualified beneficiary of any age to attend a branch of the
27 university to which the qualified beneficiary is admitted, without
28 further tuition cost to the qualified beneficiary. A purchaser and a
29 qualified beneficiary may be the same person.

- 1 (b) The board shall
- 2 (1) make appropriate arrangements as necessary to fulfill
- 3 the board's obligations under an advance tuition payment contract;
- 4 (2) establish standard payment plans to be used under
- 5 advance tuition payment contracts;
- 6 (3) establish the circumstances under which an advance
- 7 tuition payment contract may be terminated and the amount of the
- 8 refund the person entitled to terminate the contract may receive.

9 Sec. 14.40.811. ADVANCE TUITION PAYMENT CONTRACTS. (a) An

10 advance tuition payment contract must include

- 11 (1) the amount of payments required from the purchaser on
- 12 behalf of the qualified beneficiary;
- 13 (2) the terms and conditions for making the payments;
- 14 (3) provisions for late payment charges and for default;
- 15 (4) the name and age of the qualified beneficiary under the
- 16 contract and a statement that the purchaser, with the approval of the
- 17 board, may substitute another person for the qualified beneficiary
- 18 originally named in the contract;
- 19 (5) the number of credit hours to be provided to the quali-
- 20 fied beneficiary under the contract;
- 21 (6) the name of the persons entitled to terminate the
- 22 contract, the terms and conditions under which the contract may be
- 23 terminated, and the amount of the refund to which the person terminat-
- 24 ing the contract is entitled;
- 25 (7) the assumption of a contractual obligation by the board
- 26 to provide for credit hours of higher education at the university;
- 27 (8) the number of credit hours the qualified beneficiary
- 28 may receive if the qualified beneficiary is not entitled to in-state
- 29 tuition at the time of enrollment at the university;

1 (9) the period of time during which the qualified benefi-
2 ciary may receive the benefits of the contract; and

3 (10) other terms and conditions the board determines to be
4 appropriate.

5 (b) An advance tuition payment contract may be terminated

6 (1) if the qualified beneficiary dies or becomes so dis-
7 abled that the beneficiary cannot complete an education;

8 (2) if the qualified beneficiary is not admitted to a
9 branch of the university after making a proper application;

10 (3) if the qualified beneficiary certifies to the board,
11 after the contracted date of entrance to the university or after the
12 qualified beneficiary has received a high school diploma or reached
13 the age of majority, that the qualified beneficiary has decided not to
14 attend the university;

15 (4) if the board determines that the number of purchasers
16 is insufficient to maintain the fund on an actuarially sound basis; or

17 (5) under other circumstances determined by the board and
18 set out in the advance tuition payment contract.

19 Sec. 14.40.817. DEFINITIONS. In AS 14.40.803 - 14.40.817,

20 (1) "advance tuition payment contract" means a contract
21 entered into by the board and a purchaser to provide for the higher
22 education of a qualified beneficiary;

23 (2) "board" means the Board of Regents of the university;

24 (3) "fund" means the Alaska education trust fund estab-
25 lished under AS 14.40.803;

26 (4) "purchaser" means a person who makes or is obligated to
27 make advance tuition payments under an advance tuition payment con-
28 tract;

29 (5) "qualified beneficiary" means a resident who has rights

1 under an advance tuition payment contract;
2 (6) "university" means the University of Alaska, including
3 a community college affiliated with the university.