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1 IN THE SENATE BY THE FINANCE COMMITTEE  
2 HOUSE CS FOR CS FOR SENATE BILL NO. 136 (Finance)  
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 statement summarizing the tax  
20 determination shall be included with each application for a permanent  
21 fund dividend.

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

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

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

1 qualified beneficiary may be the same person.

2 (b) The board shall

3 (1) make appropriate arrangements as necessary to fulfill  
4 the board's obligations under an advance tuition payment contract;

5 (2) establish standard payment plans to be used under  
6 advance tuition payment contracts;

7 (3) establish the circumstances under which an advance  
8 tuition payment contract may be terminated and the amount of the  
9 refund the person entitled to terminate the contract may receive.

10 Sec. 14.40.811. ADVANCE TUITION PAYMENT CONTRACTS. (a) An  
11 advance tuition payment contract must include

12 (1) the amount of payments required from the purchaser on  
13 behalf of the qualified beneficiary;

14 (2) the terms and conditions for making the payments;

15 (3) provisions for late payment charges and for default;

16 (4) the name and age of the qualified beneficiary under the  
17 contract and a statement that the purchaser, with the approval of the  
18 board, may substitute another person for the qualified beneficiary  
19 originally named in the contract;

20 (5) the number of credit hours to be provided to the quali-  
21 fied beneficiary under the contract;

22 (6) the name of the persons entitled to terminate the  
23 contract, the terms and conditions under which the contract may be  
24 terminated, and the amount of the refund to which the person terminat-  
25 ing the contract is entitled;

26 (7) the assumption of a contractual obligation by the board  
27 to provide for credit hours of higher education at the university;

28 (8) the number of credit hours the qualified beneficiary  
29 may receive if the qualified beneficiary is not entitled to in-state

1 tuition at the time of enrollment at the university;

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1                   (5) "qualified beneficiary" means a resident who has rights  
2                   under an advance tuition payment contract;  
3                   (6) "university" means the University of Alaska, including  
4                   a community college affiliated with the university.