

SENATE BILL NO. 97

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY SENATORS KERTTULA, Sturgulewski

Introduced: 2/1/91

Referred: HES and Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska education trust fund; and providing for an effective date."

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

3 * Section 1. AS 14.40.803 is amended to read:

4 Sec. 14.40.803. ALASKA EDUCATION TRUST FUND ESTABLISHED. (a) The
 5 Alaska education trust fund is established as an endowment trust fund of the University of
 6 Alaska. The fund is established for the purpose of enhancing the ability of the University
 7 of Alaska to provide (1) higher education for the people of the state; (2) wide and affordable
 8 access to higher education; (3) an incentive for residents to achieve higher academic
 9 standards in grades 7 - 12; and (4) an incentive for residents to continue and complete
 10 secondary and post secondary education [SEPARATE FROM THE GENERAL FUND]. The
 11 fund may be divided into separate accounts for accounting purposes.

12 (b) The fund consists of

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

1 (2) appropriations from the legislature, gifts, bequests, and contributions of cash
2 or other assets for advance tuition payment contracts or prepaid tuition scholarships [FROM
3 A PERSON]; and

4 (3) income and earnings of the fund.

5 (c) Assets of the fund shall be expended [IN THE FOLLOWING ORDER OF
6 PRIORITY];

7 (1) to make payments to the university on behalf of qualified beneficiaries;

8 (2) to make payments for refunds, redemptions, and awards under [UPON
9 TERMINATION OF] an advance tuition payment contract;

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

11 * Sec. 2. AS 14.40.805 is amended to read:

12 Sec. 14.40.805. POWERS AND DUTIES OF THE COMMISSIONER OF REVENUE.

13 The commissioner of revenue is the custodian [TRUSTEE] of the fund and has the powers and
14 duties under this section to

15 (1) act as official custodian [TRUSTEE] of the cash and investments belonging
16 to the fund and to secure adequate and safe custodial facilities;

17 (2) receive all items of cash and investments belonging to the fund;

18 (3) collect the principal and income from investments of the fund [ACQUIRED
19 BY THE TRUSTEE] and deposit the amounts in separate principal and income accounts [FOR
20 THE FUND];

21 (4) invest and reinvest the assets of the fund as provided in this section and in
22 accordance with investment objectives established by the board [AS PROVIDED FOR THE
23 INVESTMENT OF RETIREMENT FUNDS UNDER AS 14.25.180];

24 (5) exercise the powers of a custodian [TRUSTEE] with respect to the assets of
25 the fund;

26 (6) do all acts, whether or not expressly authorized, that the commissioner of
27 revenue considers necessary or proper in administering, as a custodian [TRUSTEE], the assets
28 of the fund;

29 (7) maintain accounting records of the fund in accordance with investment
30 accounting principles and with distinction between the principal and income accounts of the fund;

31 (8) engage an independent firm of certified public accountants to annually audit

1 the financial condition of the fund's investments and investment transactions;

2 (9) enter into and enforce contracts or agreements considered necessary for the
3 investment purposes of the fund;

4 (10) report to the university the condition and investment performance of the
5 fund;

6 (11) make payments to the university on behalf of qualified beneficiaries;

7 (12) make payments for refunds, redemptions, and awards in accordance with
8 [UPON TERMINATION OF] an advance tuition payment contract; and

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

10 * Sec. 3. AS 14.40.807(a) is amended to read

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

14 (1) prepare the permanent fund dividend application to allow an applicant [,] or
15 a parent, legal guardian, or other authorized representative of an applicant who is an
16 unemancipated minor to contribute 50 percent of a dividend to the fund under the terms of an
17 advance tuition payment contract; and

18 (2) include with each application for a permanent fund dividend an explanation
19 of the advanced tuition payment program [TRUST FUND], including the right of a purchaser
20 to receive a refund upon termination of an advance tuition payment contract, [AND] a disclosure
21 of the potential [STATEMENT THAT THE] tax liability of the fund, and disclosure of the
22 effect of the tax liability on the advance tuition payment program [HAS NOT YET BEEN
23 DETERMINED; AFTER THE INTERNAL REVENUE SERVICE DETERMINES THE TAX
24 LIABILITY OF THE FUND, A STATEMENT SUMMARIZING THE TAX DETERMINATION
25 SHALL BE INCLUDED WITH EACH APPLICATION FOR A PERMANENT FUND
26 DIVIDEND].

27 * Sec. 4. AS 14.40.809 is amended to read

28 Sec. 14.40.809. POWERS AND DUTIES OF THE UNIVERSITY OF ALASKA. (a)
29 The Board of Regents of the University of Alaska may contract with a purchaser for the advance
30 payment of tuition by the purchaser for a qualified beneficiary of any age to attend a branch of
31 the university to which the qualified beneficiary is admitted [, WITHOUT FURTHER TUITION

1 COST TO THE QUALIFIED BENEFICIARY]. A purchaser and a qualified beneficiary may be
2 the same person.

3 (b) The board shall

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

6 (2) establish **and adopt a formal plan for administration of the advance tuition**
7 **payment and prepaid tuition scholarship program** [STANDARD PAYMENT PLANS TO BE
8 USED UNDER ADVANCE TUITION PAYMENT CONTRACTS];

9 (3) establish **investment objectives for the fund based on prudent institutional**
10 **investor guidelines and actuarial analysis of the earnings requirements for the advance**
11 **tuition payment plan;**

12 (4) **enter into a reciprocal agreement with another institution or state agency**
13 **that maintains a prepaid tuition program if the agreement furthers the purpose of the fund**
14 [THE CIRCUMSTANCES UNDER WHICH AN ADVANCE TUITION PAYMENT
15 CONTRACT MAY BE TERMINATED AND THE AMOUNT OF THE REFUND THE
16 PERSON ENTITLED TO TERMINATE THE CONTRACT MAY RECEIVE].

17 * Sec. 5. AS 14.40.811 is amended to read:

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

20 (1) the amount of payments required from the purchaser [ON BEHALF OF THE
21 QUALIFIED BENEFICIARY];

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

23 (3) provisions for late payment charges [AND FOR DEFAULT];

24 (4) the name and age of the **primary and alternate** [QUALIFIED] beneficiary
25 under the contract and a statement that the purchaser, with the approval of the board, may
26 substitute another person for **a** [THE QUALIFIED] beneficiary originally named in the contract;

27 (5) the number of **tuition credits** [CREDIT HOURS] to be provided to the
28 **primary and alternate** [QUALIFIED] beneficiary under the contract;

29 (6) [THE NAME OF THE PERSONS ENTITLED TO TERMINATE THE
30 CONTRACT,] the terms and conditions under which the contract may be terminated, and the
31 amount of the refund to which the person terminating the contract is entitled;

1 (7) the assumption of a contractual obligation by the board to provide tuition
2 credits [FOR CREDIT HOURS] of higher education to the qualified beneficiary at the
3 university;

4 (8) [THE NUMBER OF CREDIT HOURS THE QUALIFIED BENEFICIARY
5 MAY RECEIVE IF THE QUALIFIED BENEFICIARY IS NOT ENTITLED TO IN-STATE
6 TUITION AT THE TIME OF ENROLLMENT AT THE UNIVERSITY;

7 (9)] the period of time during which the qualified beneficiary may receive the
8 benefits of the contract; and

9 (9) [(10)] other terms and conditions the board determines to be appropriate.

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

11 (1) [IF THE QUALIFIED BENEFICIARY DIES OR BECOMES SO DISABLED
12 THAT THE BENEFICIARY CANNOT COMPLETE AN EDUCATION;

13 (2) IF THE QUALIFIED BENEFICIARY IS NOT ADMITTED TO A BRANCH
14 OF THE UNIVERSITY AFTER MAKING A PROPER APPLICATION;

15 (3) IF THE QUALIFIED BENEFICIARY CERTIFIES TO THE BOARD, AFTER
16 THE CONTRACTED DATE OF ENTRANCE TO THE UNIVERSITY OR AFTER THE
17 QUALIFIED BENEFICIARY HAS RECEIVED A HIGH SCHOOL DIPLOMA OR REACHED
18 THE AGE OF MAJORITY, THAT THE QUALIFIED BENEFICIARY HAS DECIDED NOT
19 TO ATTEND THE UNIVERSITY;

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

22 (2) [(5)] under other circumstances determined by the board and set out in the
23 advance tuition payment contract.

24 * Sec. 6. AS 14.40.817 is amended to read:

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

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

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

29 (3) "fund" means the Alaska education trust fund established under AS 14.40.803;

30 (4) "purchaser" means a person who makes or is obligated to make advance
31 tuition payments under an advance tuition payment contract;

1 (5) "qualified beneficiary" means a resident or the child or legal ward of a
2 resident or alumnus of the university who has rights under an advance tuition payment
3 contract;

4 (6) "university" means the University of Alaska, including a community college
5 affiliated with the university.

6 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).