

S

B

41

file SB 41

INITIAL ANALYSIS

CSHB 28 (Resources) "An Act relating to the transfer of the ownership and management of University of Alaska trust land from the Department of Natural Resources to the Board of Regents of the University of Alaska; and providing for an effective date."

Sec. 1 States the purpose as providing for settlement of claims and litigation and to transfer ownership and management of certain U of A trust lands from DNR to the Board of Regents.

Sec. 2 Ratifies the agreement

Sec. 3 Directs the commissioner of DNR to convey to the Board of Regents the right, title and interest of the State to certain lands:

- 1) land identified in Appendix N of the settlement agreement
- 2) land listed in Appendix O, in priority order, which equals in appraised value the compensation due U of A under Appendix M, less the compensation appropriated in HB 45 (or SB 40).

Sec. 4 Amends AS 14.40.170, describing the duties of the Board of Regents, to have the care, control and management of the lands conveyed by the Act.

Sec. 5 Also amends AS 14.40.170 by adding three new duties to those of the Board of Regents:

- 7) requires reasonable rules to ensure prudent trust management and long term financial benefit to the University
- 8) requires public notice of sales, leases, exchanges and transfers of the land
- 9) requires a report to the Legislature within first ten days of each regular session on expenditures from revenue derived from sales, leases, exchanges, or transfers of the land (this sub-section added in Senate Judiciary)

Sec. 6 Adds another section to Title 14, Chapter 40, to clarify that U of A grant lands are not and may not be treated as State public domain land, and precludes acquisition by adverse possession, prescription or any other manner except conveyance by University. But allows condemnation for public purposes.

SENATE RESOURCES COMMITTEE
LEGISLATION CHECKLIST

IDENTIFICATION:

BILL NUMBER: SB 41

BILL NAME: Transfer of ownership + management of U.A. trust land from
DNR to Board of Regents of U.A.

SPONSOR(S): Fahrenkamp, Bennett, Moss,
Sturgulewski, Ferguson

RELATED BILLS PENDING: SB 40

DATE INTRODUCED: 1-18-83

REFERRALS: Resources
HESS
Finance

INITIAL RESEARCH:

BILL SUMMARY COMPLETED:

SUMMARY BY LEGAL DIVISION:

SPONSOR CONTACTED FOR
BACKUP MATERIALS:

DEPT. OF LAW SUMMARY:

FISCAL NOTE:

AGENCY RESPONSE:

OTHER INTERESTED SENATORS OR
REPS. NOTIFIED:

BACKGROUND RESEARCH:

SIMILAR BILLS INTRODUCED IN PREVIOUS LEGISLATURES:

RESPONSES FROM INTERESTED PERSONS/GROUPS:

OTHER STATE OR FEDERAL PRECEDENTS, REGULATIONS, LAWS:

HEARING PREPARATION:

CHAIRMAN BRIEFED:

DATE AND PLACE SET:

STAFF MEMO TO COMMITTEE:

TELECONFERENCE:

BACKGROUND MATERIAL DISTRIBUTED:

PSA/PRESS RELEASE:

LIST OF WITNESSES:

SUGGESTED AMENDMENTS/COMMITTEE
SUBSTITUTES DRAFTED:

SENATE JUDICIARY COMMITTEE

LETTER OF INTENT

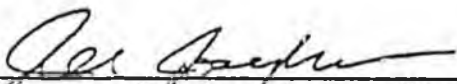
CSSB 41 (Resources) am

It is our intent that the University of Alaska Board of Regents utilize at least 40% of its Land Grant Trust Fund income for the University Land-grant mission of capital projects and teaching support for agricultural, forestry, fishing and mineral development and education.

Furthermore, as indicated by our amendment to the Resources Committee substitute for Senate Bill 41, it is our intent to require annual reports from the Board of Regents, to be submitted within 10 days of the start of each legislative session, setting forth details as to the Board's past, present and future compliance with the above-stated legislative intent.



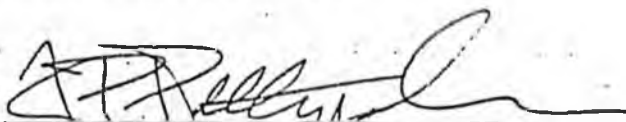
Senator Bill Ray - Chairman



Senator Joe Josephson - Vice Chairman



Senator Richard Eliason



Senator Fritz Pettvjohn



Senator Robert H. Ziegler

Amendment # 3

to SB 41

PROPOSED AMENDMENT

Add a new Section 8 to read as follows:

Section 8. Nothing in this act precludes or prejudices negotiations between plaintiffs and the defendants in the Verne T. Weiss v. State of Alaska, Case No. 4FA82-2208 or prejudices or otherwise affects the pursuit or outcome of that litigation or diminishes or otherwise affects the rights or interests of the plaintiffs or the defendants in that litigation.

Renumber existing Section 8 as Section 9.

Explanation - This amendment, which is similar to the disclaimer contained in Section 7, basically states that SB 41 has no impact on matters pertaining to the Mental Health Trust lawsuit recently filed by Steve Cowper. It has been reviewed by Tom Koester of the Attorney General's office, who is one of the attorneys handling the case for the State.

Section 5, Paragraph(7)

adopt reasonable rules [for the management of the land of the university;] providing for prudent trust management for long-term financial and educational benefit to the University of Alaska, and providing for adequate public notice of all sales, leases, exchanges or other dispositions of university grant lands, or interests therein."

New Section 8 (Existing Section 8 will become Sec. 9)

Within ten days of the convening of the first session of the Fourteenth Legislature, the Board of Regents of the University of Alaska will submit a report to the legislature on the goals, objectives and plans of the University for the management of the trust lands.



Official Business

Alaska State Legislature

Senate Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Memo

To: Bettye

From: Pat

Subject: Amendments to SB 41, UA/State Land Agreement

AMENDMENT NO. 1 (University proposed)

Amend Paragraph (7) of Section 5 as follows:

" (7) adopt reasonable rules [for the management of the land of the university;] providing for prudent trust management, and providing for adequate public notice of all sales, leases, exchanges or other dispositions of university-grant lands, or interests therein."

AMENDMENT NO. 2 (University proposed)

Omit the following Paragraph (8) of Section 5 (redundant):

" [(8) provide public notice of sales, leases, and transfers of the land of the university or of interests in land of the university.] "

AMENDMENT NO. 3 (University proposed)

Replace Section 6 with the following:

" Sec. 6. AS 14.40.290 is amended by adding a new paragraph as follows:
(d) Notwithstanding any other provisions of law, neither university-grant lands, state replacement lands which become university-grant lands upon conveyance to the University, nor any other lands owned by the University of Alaska shall be deemed to be or treated as state public domain lands; provided, however, that no title or interest to such lands may be acquired by adverse possession or prescription, or in any other manner except by conveyance from the University; provided further that such lands shall be subject to condemnation for public purposes in accordance with applicable law."

(the final clause was added by us to clarify that condemnation possible.)

AMENDMENT NO. 4 (Kerttula proposed)

Add a new Section 8 to read as follows:

" Sec. 8. Nothing in this Act precludes or prejudices negotiations between plaintiffs and the defendants in the Verne T. Weiss v. State of Alaska, Case No. 4FA82-2203 or prejudices or otherwise affects the pursuit or outcome of that litigation or diminishes or otherwise affects the rights or interests of the plaintiffs or the defendants in that litigation.



Official Business

Alaska State Legislature

Senate Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Memo

To: Bettye, Mark

From: Pat

Subject: Questions, Amendments to SB 41, UA Land Settlement

The University is proposing a couple of "clarifying" amendments. A final sentence on one of these amendments would exempt all University lands from condemnation. Because we are dealing with not only remote grant lands but also downtown Anchorage campus lands you might want to have the following question answered:

Amendment #1

- 1) Exempting all University lands from condemnation raises several questions which we need to be sure about before acting on this. First, is any particular class of lands in the State, except for federal lands, exempt from condemnation? Second, what would happen, if for example the State DOT wanted to construct a freeway along Tudor Road (which has been proposed) in Anchorage which might require the use of adjacent University lands. Could the University conceivably hold up such a project by refusing to sell or convey its lands to the State?

Amendment #2

- 2) If these lands are no longer to be considered "trust" lands, what would be the basis for wanting to keep these lands exempt from what would normally be a state prerogative of condemnation recognizing that condemnation involves just compensation and not a taking of land like happened with UA trust lands in the past?

For the record the following questions should also be asked.

- 1) Are any University lands owned or to be conveyed to the University involved in the North Anchorage ("Eklutna") Land Agreement? (believed "no")
- 2) If yes, are there any plans for joint ventures between UA and Eklutna on development of these lands?

A-5

Sturgulewski has indicated she wants to propose two amendments. One would add in Section 5, Paragraph (7) that rules governing land management would "provide for long-term financial and educational benefit". This seems to be a good amendment which clarifies intent.

A second amendment would require that the Regents report back to the Legislature on its management plan for UA lands. This raises a couple of questions:

- 1) What are the UA plans for developing a land management plan? Could a copy of that plan be easily provided to the Legislature or would a special plan have to be done if the Legislature would require submission of a plan by , say, next year?

- 2) If UA lands are truly to be non-trust type lands and managed as if they were private lands, should the Legislature be requiring such things as management reports from the University ? (This question obviously relates to the handling of condemnation exemption).

January 28, 1983

TO: Mark Boyer
c/o Senator Bettye Fahrenkamp

FROM: Merry Tuten *MT 1-28-83*
Land Management, University of Alaska

RE: SB 41

Per our telephone discussion here are the changes to SB 41:

Section 5 Paragraph (7) should be replaced with:

(7) adopt reasonable rules providing for prudent trust management, and providing for adequate public notice of all sales, leases, exchanges or other dispositions of university-grant lands, or interests therein.

Section 5 Paragraph (8) should be omitted because its contents are included in the new Paragraph (7) above.

Section 6 should be replaced with:

AS 14.40.290 is amended by adding a new paragraph as follows:

(d) Notwithstanding any other provisions of law, neither university-grant lands, state replacement lands which become university-grant lands upon conveyance to the University, nor any other lands owned by the University of Alaska shall be deemed to be or treated as state public domain lands; provided, however, that no title or interest to such lands may be acquired by adverse possession or prescription, or in any other manner except by conveyance from the University.

Mark, these changes will insure that future legal liabilities are minimized and, hopefully, will clarify which lands are involved. Please also note that the Department of Law changed the TITLE of the bill. Although this does not legally affect us, it is not as clear as we had hoped. The title now refers to "trust lands" (they are university-grant lands); it drops "replacement lands" which we thought clarified that there are different kinds of lands involved; and it now transfers "ownership" rather than "legal title". We do not need to change the title but I wanted to let you know that we think it read better the original way. If you have questions please call me at work or at home. I will be at the Sheraton Anchorage Sunday night.

Thanks for making sure that we are excluded from the state forests-- the language used in HCS CSSSSB 796 should be copied for any new forest bills. See you Monday!



Official Business

Alaska State Legislature

Senate Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Amendment to #2

Memo

To: Bettye

From: Pat

Subject: Amendment to University "Clarifying" Amendment --UA/State Land Settlement

The University has proposed the following clarifying amendment:

"...provided, however, that no title or interest to such lands may be acquired by adverse possession or prescription, or in any other manner except by conveyance from the University."

This language could be construed as prohibiting the State from exercising its right of condemnation on University lands. I would suggest the following language be added to the above sentence:

".... from the University; provided further that such lands shall be subject to condemnation for public purposes in accordance with applicable law."



University of Alaska
Statewide Office of Land Management
3354 College Road
Fairbanks, Alaska 99701
474-7421

February 8, 1983

The Honorable Jalmar Kerttula
President
Alaska State Senate
Pouch V
Juneau, AK 99811

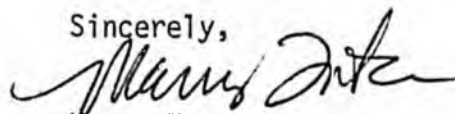
Dear Senator Kerttula:

I appreciated the opportunity to speak with you and Anna about the University lands bills, SB40 and SB41. As I mentioned, this year's bills are much better because they identify all lands involved and the actual and total cost of the settlement. Last year's bills only included a process for calculating costs and identifying lands and had many unknown variables. As a result of this settlement the State receives thousands of acres for parks and roads; the leasing problems are resolved and the University receives lands which could provide income in the long-term and a small amount of cash to replace revenues which inadvertently were not collected by the State. There is no "fat" in this settlement; all calculations were conducted by independent appraisers and reviewed by the Department of Natural Resources and the University, and the entire process was reviewed by the Department of Law. Although the University could have asked for liquidated damages and increased the overall value of the settlement, the intent is to resolve this longstanding issue by reaching a reasonable settlement. We believe this is the best solution and one which warrants legislative support.

I have several comments about allocating a portion of the interest earnings of the University Land Grant Trust Fund by geographic region. As a land manager, I am concerned that this could result in the inability to manage University lands according to their highest and best use and according to actual market conditions. Instead, such wise management principles could be precluded by internal and external pressures to emphasize the development of certain geographic regions. There would also seem to be little relationship between educational needs and the availability of funds. The attached chart shows the geographic breakdown of existing funds for which we have data (1979 - 1982). It appears that the Copper Center area, with virtually no students or University programs, would be entitled to nearly five times as much money each year as the Fairbanks, Mat-Su and Southeast areas would receive together. Based on this conclusion we question whether a geographic distribution program would be equitable or meet the needs of the communities we have the responsibility to serve with educational programs.

Although I can understand your concerns about the land settlement from a historical perspective, I can only hope that the work we have accomplished in the past year and the Board of Regents' decision not to seek damages or calculate the compensation at a higher rate is sufficient to warrant your support. I hope that we can lay to rest this issue as soon as possible so that we can get on with developing the University's lands for education and income producing purposes for the ultimate benefit of all Alaskans, most especially our students.

Sincerely,



Merry Tuten
Director

MT/cr

cc: President Jay Barton
Vice President Carter

Attachments

UNIVERSITY PERMANENT FUND DEPOSITS BY
GEOGRAPHIC AREA
1979 - 1982

1979 - 1982 **	Total	Anchorage Bowl		Fairbanks		Glennallen Copper Center		Southeast Alaska		Kenai Peninsula		Mat-Su Valley	
		\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Timber	\$65,874	0	0	0	0	\$27,810	42%	0	0	\$38,064	58%	0	0
Land Sales	\$1,963,500	\$1,947,500	99.2%	0	0	\$1,000	.05%	0	0	\$15,000	.75%	0	0
Leases	\$375,726	\$15,029	4%	\$93,931	25%	\$37,573	10%	0	0	\$33,815	9%	\$195,378	52%
Oil & Gas	\$110,453	0	0	0	0	\$55,226	50%	0	0	\$55,227	50%	0	0
Gravel	\$11,530	0	0	0	0	\$6,559	56%	\$4,971	44%	0	0	0	0
Total	\$2,527,083	\$1,962,529	77%	\$93,931	4%	\$128,168	5%	\$4,971	.2%	\$142,106	6%	\$195,378	7.8%
All But Leases	\$2,151,357	\$1,947,500	90%	0	0	\$90,595	4.4%	\$4,971	.2%	\$108,291	5.4%	0	0

General Information

1. Mat-Su District currently generates 7.8% of the total income to the Permanent Fund. (Based on the funds receipts from 1979 - 1981).
2. After the leases are sold back to the State the Mat-Su district will contribute 0% of the total income to the fund. Thus, no money would be distributed to the Mat-Su district under a geographically oriented spending plan.
3. Most of the money is generated by the Anchorage Bowl and the Kenai and Copper Center areas. Thus, under a geographically oriented spending plan Fairbanks, the entire southeast and the Mat-Su valley would together only receive .2% of the proceeds from the Permanent Fund (after leases are sold). Copper Center, with virtually no students or university programs would be entitled to almost five times as much money each year as the Fairbanks, Mat-Su, and southeast Alaska areas would receive together.

** Specific data available only since 1979

PROPOSED CHANGE
FOR APRIL 1983
BOARD MEETING

PART V

FINANCE AND BUSINESS MANAGEMENT

DRAFT

CHAPTER VII

GIFTS AND SPECIAL FUNDS

Permanent Fund (LAND GRANT TRUST FUND)

05.07.01

Funds available as provided by Alaska Statutes 14.40.400 are restricted and may not be expended for any purpose other than for land management activities without the approval of the Board of Regents.

Unrestricted Gifts

05.07.02

The University administration shall transfer immediately all unrestricted gifts, received and accepted by the University of Alaska, to the University of Alaska Foundation, and shall report gifts so transferred to the Board at least annually.

Acceptance of Gifts

05.07.03

The President of the University is authorized to accept gifts on behalf of the University when acceptance of the gift does not subject the University to any continuing, substantial budgetary commitments beyond the current fiscal year.

Revolving Fund

05.07.04

Interest earnings on plant funds other than bond monies will be set aside as a revolving fund for campus and long-range facilities planning. Monies spent on such planning will be restored to the account from specific project funds as they become available for that purpose.

(09-30-80)

Such expenditures may include, with specific regents' approval in each case, required funding of an emergency nature, the provision of a margin of support over and above what would otherwise be possible through underlying funding provided by the state to enhance the quality of the university's fisheries, agricultural, forestry and other academic programs, and money for faculty development, to improve the quality of the faculty and to keep faculty members up-to-date.

10/07/80

05.07.04

P12
#12 SYMPTUTEN Thu Feb 10 12:14 (19) C

TO: ~~WENDY PERMAN~~

FROM: ~~MERRY TUTEN~~

THANKS FOR THE TELEPHONE UPDATE THE OTHER DAY. MARK BOYER JUST CALLED
~~ME AND TOLD ME THAT:~~

1) JOSEPHSON WAIVED SB40 THROUGH HESS, KERTTULA SENT IT TO JUDICIARY,
BUT SAID SOMETHING ABOUT "THERE BEING A LOT OF INTEREST IN THE BILLS AND
~~HE WAS SURE THAT JUDICIARY WOULD DEAL WITH THEM SOON"~~ — WHATEVER THAT
MEANS.

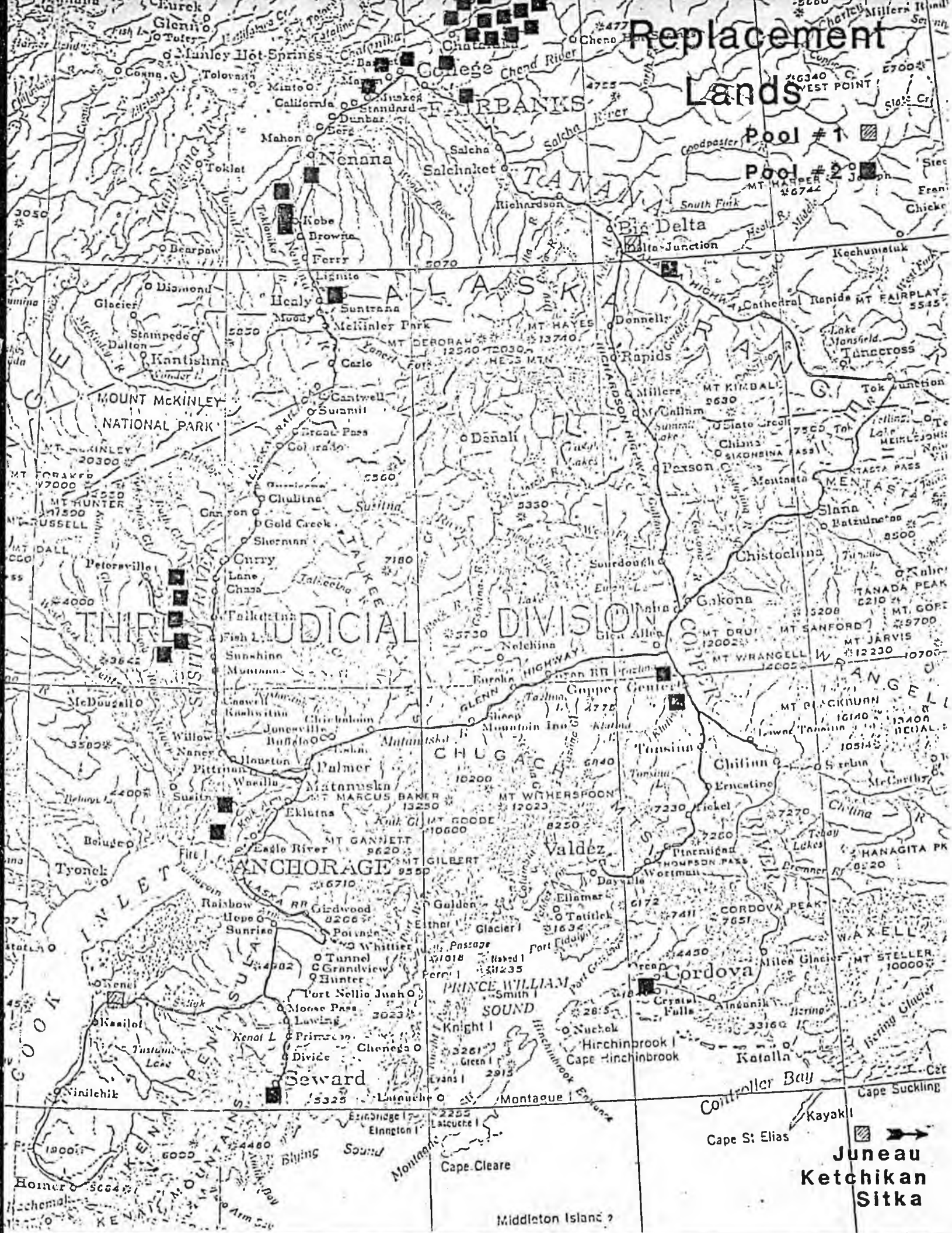
2) HE (MARK BOYER) WAS THINKING ABOUT TAGGING THE NEW DEPARTMENT OF LAW
~~SUPPLEMENTAL APPROPRIATIONS BILL WITH THE \$4.2 MILLION AS SETTLEMENT OF~~
LITIGATION. THE MONEY WOULD BE EARMARKED FOR TRANSFER TO THE UA'S LAND
GRANT TRUST FUND. HE WANTED TO DO THIS AS A BACKUP. I TOLD HIM TO
~~BE CAREFUL BECAUSE OF SENSITIVITY FROM THE GOVERNOR'S OFFICE AND THAT HE~~
SHOULD TALK TO YOU. SUGGEST YOU STOP BY AND CHAT WITH HIM SOON.

I SENT YOU A COPY OF MY LETTER TO KERTTULA IN RESPONSE TO HIS REQUEST
~~FOR INFORMATION. PLEASE LET ME KNOW IF YOU GET ANY FEEDBACK.~~

HOPE ALL IS GOING WELL WITH YOU. LET ME KNOW WHAT'S NEW WHEN YOU
HAVE TIME.

CC: ~~PRESIDENT BARTON~~

Replacement Lands



Juneau
Ketchikan
Sitka

Middleton Island

ALASKA STATE LEGISLATURE - SENATE

SENATOR RICHARD I. ELIASON



LABOR AND COMMERCE COMMITTEE, CHAIRMAN
RESOURCES COMMITTEE
JUDICIARY COMMITTEE
FISHERIES SUB-COMMITTEE

P.O. BOX 143
SITKA, ALASKA 99835

POUCH V
JUNEAU, ALASKA 99811
(907) 465-4016

MEMORANDUM

TO: Senator Bill Ray, Chair
Senate Judiciary Committee

FROM: Senator Dick Eliason *Dick Eliason*

DATE: March 10, 1983

RE: CSSB 41(Res) --- "An Act relating to the transfer of the ownership and management of University of Alaska trust land..."

As requested, I reviewed the above-referenced bill and I am now reporting my findings to you.

Under two congressional Acts, in 1915 and 1929, the University of Alaska was granted 110,000 acres of land which were to be held in trust and were reserved for the exclusive use and benefit of the University for the support of higher education in Alaska. Upon statehood, the State of Alaska accepted trustee responsibility for these "grant" lands.

It is the University's contention that the land was improperly managed, disposed of and leased by the State. The University of Alaska initiated two law suits which asked for the return of the land and for monetary compensation. In 1981, the Alaska Supreme Court rendered "that University grant lands are for the exclusive use and benefit of the University, and that such lands cannot be taken without compensation."

Following the Supreme Court's ruling, the University entered into negotiations with the State Departments of Natural Resources, Administration, and Revenue. After 13 months of negotiation, a settlement agreement was reached. CSSB 41 ratifies this document.

Senator Kerttula has indicated his interest in proposing an amendment which would state that 33% of all income generated from the trust lands shall be apportioned to renewable resource instruction and related facilities. A proposed draft is attached.

At my request, Esther Wunnicke, Commissioner of the Department of Natural Resources, met with the Attorney General's office to review the technical language in CSSB 41. All parties involved are satisfied with the language.

CSSB 41 will resolve the question of ownership and management of these "grant" lands. I recommend that this matter be taken care of as expeditiously as possible.

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

POUCH M
JUNEAU, ALASKA 99811
PHONE:

(907) 465-2400

February 10, 1983

The Honorable Richard I. Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811


Dear Senator Eliason:

As you requested, we have reviewed the Resources Committee Substitute for Senate Bill 41 in consultation with the Attorney General's Office, and are satisfied with the language of the CS.

On January 31, we testified in support of the bill before a joint meeting of the House and Senate Resources Committees. The Agreement which SB 41 ratifies was signed by the Commissioner of Revenue, Administration and Natural Resources in March of 1982. This department has consistently supported the Agreement as an equitable resolution of the questions raised by the State's prior management of University grant lands, and of the 1981 Alaska Supreme Court decision on that subject.

Please let me know if you have any comments or questions.

Sincerely,


Esther C. Wunnicke
Commissioner

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y. STATE CAPRO,
JUNEAU, ALASKA 99811
907-465-3826

MEMORANDUM

March 14, 1983

SUBJECT: SB 41 amendments

TO: Senator Jalmar M. Kerttula

FROM: Richard A. Bradley
Legislative Counsel

After our conversation Tuesday, I reviewed the laws relating to the University and its funding. The context of your question derives from your earlier request that the University be required to apportion no less than one-third of the income received by the University from the so-called trust land to "the agricultural experiment station and to agricultural, fishery, and forestry instruction enrichment and to related research programs."

The only problem with that approach was that it violated the prohibition against dedicated funds. Article IX, section 7, Alaska Constitution.

After discussing the matter with you in the latter part of last week, I agreed to draft bill language, presumably for inclusion into SB 41, that would limit the University to the expenditure of the income from the trust lands only under an appropriation made by law.

I may say that this amendment should be considered unnecessary. The income from assets of the state, whether they go to the "general fund" or some other fund, should be understood to be covered under Article IX, section 13, which provides that: "No money shall be withdrawn from the treasury except in accordance with appropriations made by law". Since the University is a part of the state government, the requirement clearly applies to them.

* Sec. AS 14.40.290(a) is amended to read:

(a) The University of Alaska shall hold all property acquired by it. The Department of Administration,

Senator Jalmar M. Kerttula
Page 2
March 14 1983

upon requisitions by the Board of Regents signed by its president and secretary if consistent with an appropriation made to the University of Alaska by the legislature, shall pay to the treasurer of the Board of Regents all federal land grant college funds coming into the possession of the Department of Administration and subject to requisition by the Board of Regents and shall disburse federal funds in aid of land grant colleges in accordance with the federal statute providing for disbursement and with an appropriation made to the University of Alaska by law.

* Sec. . . AS 14.40.400(c) is amended to read:

(c) The income from the trust fund shall be used exclusively for the Agricultural College and School of Mines under appropriations made by law.

If I may assist further, please advise.

PAB:ljb
1/040



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senator Richard Elias

FROM: Senator Jay Kerttula
Senate President

A handwritten signature in black ink, appearing to read "J. Kerttula".

RE: amendment to SB 41, concerning the University of Alaska Trust
Land Settlement Agreement.

In the spirit of the 1862 federal legislation creating land grant institutions, I feel the University of Alaska should allocate a percentage of its income from the land trust to renewable resource instruction and their related facilities.

Legal Services is drafting an amendment to SB 41 stating that 33% of all income generated from these trust lands shall be apportioned to the Experimental Farm and Agriculture, Fisheries, and Forestry instruction enrichment and their related research programs.

cc: Bill Berrier, Legal Services

JK:ak:jdk

STATE OF ALASKA
THE LEGISLATURE

ALASKA LEGISLATURE
LEGISLATIVE AGENCIES
ANCHORAGE, ALASKA

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 28, 1983

SUBJECT: Amendment for SB 41

TO: Senator Jalmar M. Kerttula

FROM: Richard A. Bradley *B*
Legislative Counsel

Your letter to Senator Eliason stated that we are drafting an amendment to SB 41; because your request did not specify a particular version of SB 41 and Anna did not suggest a particular bill, it seems that the best answer is simply to provide you with suggested language and then at a later time we may insert it into a bill.

I may say that the subject of the use of university land is slightly outside the narrow subject of SB 41 and CSSB 41 (Resources), which is the ". . . transfer of the ownership and management of University of Alaska trust land" If you wish to be prudent on this subject, I suggest "An Act relating to University of Alaska trust land; and providing for an effective date." in place of the existing language.

As far as the particular substantive language to achieve your goal, I suggest:

* Sec. . AS 14.40 is amended by adding a new section to read:

Sec. 14.40.445. INCOME FROM TRUST LAND. No less than one-third of the income received by the Board of Regents from the management or disposal of land conveyed to the Board of Regents under AS 14.40.- 170(a)(4)(B) may be apportioned to the agricultural experiment station and to agricultural, fishery, and forestry instruction enrichment and to related research programs.

If I may be of further assistance, please advise.

RAB:ljb
9/022

*not proposed
or acted upon*

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800


MEMORANDUM

February 3, 1983

FEB 3 1983

SUBJECT: University land transfer
(CSSB 41 (Resources))

TO: Senator Bettye Fahrenkamp
Chairman, Senate Resources Committee

FROM: Richard A. Bradley 
Legislative Counsel

The bill is prepared as requested.

Certain features of the bill should be noted.

Because the material proposed for addition to AS 14.40.290 did not really fit within the section, I proposed a new section immediately following sec. 290. Note that while we all understand the terms used within the section ("university-grant land" and "state replacement land"), the terms are not defined within AS 14 or elsewhere. Since this is permanent law that the legislature is considering, someone reviewing this law in the future may be confused by the use of the terms.

But more to the point, the use of undefined terms add nothing to the law. The new draft says, after the undefined terms are passed, that "any . . . land" of the university is not and may not be treated as state public domain land. In these circumstances, the use of the undefined terms is awkward at best as well as unnecessary.

And, as a matter of law, the section is unnecessary.

They are included in the draft because the committee requested them.

And note also that the draft provided to me for the amendment to AS 14.40.170(a)(7) would have deleted the phrase "for the management of the land of the university". Since the paragraph would have no meaning with the language

Senator Bettye Fahrenkamp
Page 2
February 3, 1983

deleted, I have redone the section to make clear that it is
the land of the university that is being considered.

If I may be of further assistance, please advise.

RAB:ljb

Enclosure

THE UNIVERSITY OF ALASKA

Jay Barton, President

Briefing Paper

UNIVERSITY LANDS SETTLEMENT AGREEMENT

November, 1982

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EXECUTIVE SUMMARY

The Settlement Agreement provides a method for calculating compensation due the University as a result of improper management of University grant land. Compensation is provided for:

- easements and rights of way granted by the State without University approval or compensation
- residential, utility, commercial, agricultural, and private recreation leases let and administered at less than fair market value
- material (gravel/sand) removed for use by state agencies without payment to the University
- uncollected revenues from state sales of resources such as coal, oil and gas, and timber
- free use permits, land management transfers, reserved use requests, and special land use permits issued without University approval or compensation
- legislative withdrawals of University lands for parks and preserves without University approval or compensation
- land exchanges which have only been partially completed without the University receiving its share of the land to be exchanged

To compensate the University for these actions, the Settlement Agreement provides for the transfer of title, management, and control of University grant lands from the State to the University. The State and University agree that the University would more properly manage these lands to produce income and support the University. The Settlement Agreement also provides for the appropriation of funds and/or the conveyance of state "replacement" lands to equal the dollar value of the compensation owed the University. The Settlement Agreement provides a detailed method for calculating the compensation for items above and results in a total dollar amount.

BACKGROUND

The University of Alaska originally received its lands from the Federal Government by two Acts of Congress, in 1915 and 1929. These Acts were extensions into the Territory of Alaska of the Land Grant College concept pioneered by the Morrill Act of 1862 which established Land Grant Universities throughout the Continental United States. Under these two congressional Acts the University was granted 110,000 acres of land which were to be held in trust and were reserved for the exclusive use and benefit of the University of Alaska for the support of higher education in Alaska.

Upon statehood the new State of Alaska accepted the trustee responsibility for these "grant" lands. Since the purpose of the federal grant was to produce income to support the University the State should have actively managed and developed these lands. Instead, the State treated the University Grant Lands as though they were State lands and made them available at less than fair market value. In addition, the legislature passed laws that transferred University lands into nonprofit making uses such as state parks and wildlife withdrawals without compensating the University. As a result of these legislative and administrative actions the University lost considerable acreage and income. During the twenty years of State management only \$2.7 million in income was produced from the entire 110,000 acre federal land grant. These proceeds were deposited into the University of Alaska Permanent Fund and the interest earnings were used to support University programs.

In 1978 the University intervened in litigation between a private company and the State questioning the State's right to withdraw University grant land into state parks without compensating the University. While this lawsuit proceeded through the court system the University filed a second suit against the State in order to clarify the ownership and trustee responsibilities surrounding all University grant lands.

In 1981 the Alaska Supreme Court rendered a decision on the first lawsuit in which the University had intervened. The court reaffirmed that University grant lands are for "the exclusive use and benefit of the University, that such lands cannot be taken without compensation," and

that the State is required by the federal legislation conveying the land grant "to manage said University lands to effect the purpose of the trust, which is the production of income for the benefit of the University."

The second lawsuit is still pending in Superior Court. However, following the Supreme Court's ruling in favor of the University on the first lawsuit, the University entered into negotiations to settle all litigation with the State Departments of Natural Resources, Administration, and Revenue and, after 13 months of negotiation, reached an out-of-court settlement (enclosed).

During the 1981 - 1982 legislative session the State and University sought the legislature's ratification of this out-of-court settlement. Although both the House and Senate passed the initial bill unanimously, other issues unrelated to the land settlement question were added to the final bill and it was consequently defeated in committee. The legislature did, however, appropriate \$500,000 to the University and the State in order to implement the terms of the Agreement. The State and University will be seeking ratification of the Settlement Agreement during the 13th Alaska Legislature.

ISSUES

1. Why should the University own land and be in the land management business?

The federal government granted trust land for the exclusive use and benefit of the University of Alaska. The Alaska Supreme Court has held that the university's grant lands must be managed "to effect the purposes of the trust, which is the production of income for the benefit of the university." However, the state manages and disposes of its lands for purposes other than to maximize earnings. Accordingly, the purposes for managing university trust lands and state-owned lands are completely different. Furthermore, the state has disposed of university trust land and products therefrom at less than current market value. For these reasons, the university's board of regents has felt compelled to assume direct responsibility for the control and management of university trust lands.

2. What will the University do with the money it receives from its trust lands?

Income produced by the university's lands is deposited into the university's permanent fund which is held and managed by the state Department of Revenue. The state informs the university how much investment income it will receive from its permanent fund and the university informs the state how that income will be used. No change in this procedure or in legislation governing the university permanent fund is required at this time. For further information on the university's permanent fund and its use, the reader's attention is invited to the university briefing paper entitled "University of Alaska Permanent Fund."

3. Does the Settlement Agreement benefit the state?

Yes. The agreement resolves a long standing legal issue at minimal cost to the public, clarifies Department of Natural Resources responsibilities, and provides the university with its original federal endowment. The settlement will also benefit the state by enabling its university to become a better, higher quality university, at lower cost to the state, than would be possible without the federal endowment.

4. Why does the State "owe" the university any compensation since the legislature funds the university every year?

The Alaska Supreme Court held that the university is entitled to compensation for takings by the state of university trust land at less than fair market value. This compensation is a single "one-time" payment stemming from a judicial decision. This payment is necessary to re-establish the land grant trust endowment provided by the Congress to provide financing in perpetuity to help support the university. Congress intended that this endowment funding be provided in addition to, not simply to replace, annual general fund support of the university by the state.

5. If the legislature appropriates funds and land as compensation for past actions, will the university be able to support itself from land revenues?

No, investment earnings will not be large enough in the foreseeable future to have any significant influence on the amount of general funds needed to support the university.

RECOMMENDATIONS

Calculations of compensation due the university under the terms of the settlement agreement are shown on the next page. Accordingly, the university now recommends that: the terms of the out-of-court settlement between the university and the state Department of Natural Resources be ratified by the legislature.* Specifically, the university recommends that:

1. It be granted title, management, and control of its federally granted trust lands.

2. It receive cash and land compensation from the state in accordance with the closing statement shown below.

3. Alaska statutes be corrected to reflect the transfer of university trust lands from public ownership to management by the university's board of regents.

* Under the terms of the settlement agreement, the state Department of Natural Resources must review the university's calculation of compensation to determine whether or not it agrees with the grand total so derived. This review has not, as of this writing, been completed.

12/20/82

CLOSING STATEMENT

Compensation due the University of Alaska computed in accordance with the settlement agreement--

<u>SOURCES OF COMPENSATION</u>	<u>IN LAND*</u>	<u>IN CASH</u>
Leased Lands	\$ 15,364,693	
Uncollected Revenues		\$ 154,454
Material Sales		42,418
Rights of Way		2,177,763
Liquidated Damages	0	
Back Pay for Leases		2,344,676
Legislative Withdrawals	6,085,536	
Conveyances & Incomplete Land Exchanges	112,859	
TOTALS:	\$ 21,563,088	\$ 4,719,311
		\$ 26,282,399 **

*For land compensation, the university will exchange its previously withdrawn and encumbered lands, for which compensation is due, for unencumbered state lands of equal value placed into replacement pools for this purpose by the Department of Natural Resources.

The university relinquishes:

- Category
- Leased Lands
 - Conveyances and Incomplete Land Exchanges
 - Legislative Withdrawals
 - Municipal Selections (only if agreement is reached with the Municipality)

The university gains:

- Replacement Pool Parcels
- Replacement Pool #1 - All parcels
 - Replacement Pool #2 - (previously approved by BOR on 9/30/82) Parcel as needed to equal the fair market value of lands relinquished to the state

** This number may change slightly during the process of concluding negotiations. However, regardless of the total amount of compensation, the categories to be taken in cash and in land will be as specified above.

THE UNIVERSITY OF ALASKA

Jay Barton, President

Briefing Paper

"UNIVERSITY OF ALASKA LAND GRANT TRUST FUND"

December, 1982

For further information, contact: Sherman Carter
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EXECUTIVE SUMMARY

Congressional acts in 1915 and 1929 granted the University of Alaska about 113,000 of land for its exclusive use and benefit. In 1967 the Alaska legislature directed the state Department of Revenue to establish a separate fund in which all money derived from these university trust lands would be deposited. As of June 30, 1982, the fund totaled \$5,462,670.

Investment earnings from this University of Alaska land grant trust fund, also referred to as the university's "permanent fund", are made available to the university for use as specified by the university's Board of Regents. During the current year, such earnings are being used for land management, rental charges for office space, legal expenses and rental charges for computer hardware. No problems have arisen with respect to the use of such income. However, questions have been asked regarding what will be done with this income if it increases as a result of the pending land settlement.

The land settlement is expected to result in equal value land being transferred to the university by the state to replace university trust land previously withdrawn by the state for other uses. Any cash paid by the state to the university as a result of the settlement would pass to the state Department of Revenue for deposit into the University of Alaska land grant trust fund invested and managed by that department.

The principal in this fund will increase over time. However, the investment earnings will not be large enough in the foreseeable future to have any significant influence on the amount of general funds requested to support the university. Falling interest rates will require a larger principal balance for investment than now exists in the fund just to sustain the current flow of investment earnings.

Currently, the state informs the university how much investment income it will receive from its permanent fund and the university informs the state how that income will be used. No change in this procedure or in legislation governing the University of Alaska land grant trust fund is indicated at this time.

BACKGROUND

The financial history of the University of Alaska land grant trust fund is shown below:

<u>Fiscal Year Ending</u>	<u>Fund Balance</u>	<u>Income Additions to the Fund (1)</u>	<u>Investment Income (2)</u>
June 30, 1960	16,256.03		
June 30, 1961	620,726.03	604,470.00	7,120.14
June 30, 1962	819,685.89	198,959.86	17,468.21
June 30, 1963	976,684.86	156,968.47	27,214.92
June 30, 1964	1,149,978.39	173,324.03	36,844.50
June 30, 1965	1,177,158.03	27,179.64	39,614.61
June 30, 1966	1,201,666.03	24,508.00	48,967.84
June 30, 1967	1,216,652.43	14,986.40	48,849.89
June 30, 1968	1,282,732.91	66,080.48	48,834.88
June 30, 1969	1,375,217.02	92,484.11	52,169.75
June 30, 1970	1,430,702.00	55,485.00	67,801.90
June 30, 1971	1,489,083.00	58,381.00	63,158.00
June 30, 1972	1,646,536.76	157,453.76	85,595.23
June 30, 1973	1,821,277.76	174,741.00	83,407.00
June 30, 1974	2,077,520.77	256,243.01	134,087.58
June 30, 1975	2,220,163.04	142,642.27	164,022.28
June 30, 1976	2,362,805.04	142,642.00	184,105.00
June 30, 1977	2,543,394.00	180,588.96	178,873.00
June 30, 1978	2,690,576.00	147,182.00	223,117.00
June 30, 1979	2,930,925.96	240,349.00	210,112.00
June 30, 1980	4,903,352.73	1,972,426.77(3)	316,919.72
June 30, 1981	5,240,946.91	337,594.18	525,365.13
June 30, 1982	5,462,670.29	221,723.38	611,779.04(4)

Footnotes

1. University grant lands generate income as a result of leases, easements and materials sales (e.g., timber, gravel, oil). Income cannot be used directly by the university but instead goes into the University of Alaska "permanent fund" managed by the State Department of Revenue.
2. Investment income from the fund is made available to the university quarterly, for use as specified by the university's Board of Regents.
3. In September 1979, the fund was increased by \$1,761,500 as a result of the sale of a right-of-way across university land in the Anchorage area.
4. Additionally, in FY82, \$70,575.00 in interest was earned on unexpended land grant trust fund income.

The effect of state legislation pertaining to the University of Alaska land grant trust fund is summarized below:

A.S. 14.40.400 provides that, "The Department of Revenue shall establish a separate fund in which all monies derived from the sale or lease of lands granted under Act of Congress approved January 21, 1929¹ shall be held in trust. The trust fund shall be invested in interest bearing securities as approved by the Governor. The income from the trust fund shall be used exclusively for the agricultural college and school of mines...² The Department of Administration shall disburse the income from the trust fund upon vouchers approved by the president and treasurer of the university specifying the purpose for which the money is to be used and showing it is to be used in conformity with this section."

The principal of this fund is a non-expendable trust. Receipts to the fund include land lease rentals, mineral lease rentals, sale of lands, sale of resources, bonus mineral leases, and royalties on minerals. Disbursements from the fund by the Department of Revenue are made for the purchase of investments and to distribute investment earnings to the University of Alaska.

Pertinent federal legislation is summarized below:

The University of Alaska did not receive grant lands under initial land grant legislation in 1862; however, language in that legislation indicates the intent of congress with respect to trust lands it provided to help support land grant colleges and universities. That legislation includes the following:

"All monies derived from the sale of lands. . . shall be invested. . . The monies so invested shall constitute a perpetual fund, the capital of which shall remain forever undiminished. . . and the interest of which shall be inviolably appropriated. . . to the endowment support and maintenance of at least one college where the leading object

¹ The University of Alaska also received about 13,000 acres of land grant trust land in the Tanana Valley from the federal government in 1915, income from which has been handled the same way as from federal land grant trust land received in 1929.

² In 1935 the Territorial Legislature passed a law which indicated that, "All obligations, rights, privileges, and all real and personal property whatsoever belonging or appertaining to the Board of Trustees of the Alaska Agricultural College and School of Mines are hereby transferred to the Board of Regents of the University of Alaska and the University of Alaska." Thus, the present reference to the Agricultural College and School of Mines in A.S. 14.40.400 (c) seems to be an historical anomaly.

shall be, without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanical arts, in such manner as the legislatures of the states may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions of life."

Federal legislation enacted in 1929, through which the University of Alaska received the bulk of its trust land, includes the following:

"The college and school provided for in this section shall forever remain under the exclusive control of the said Territory, and no part of the proceeds arising from the sale or disposal of any lands granted herein shall be used for the support of any sectarian or denominational college or school.

"A fund shall be established in the Territorial treasury to carry out the purposes of this section, and whenever any money shall be in any manner derived from any of the land granted same shall be deposited in the Territorial treasury in the fund. The Territorial treasurer shall keep all such money invested in safe interest-bearing securities. . . The income from said fund may and shall be used exclusively for the purposes of such Agricultural College and School of Mines: Provided, That no portion of said income shall be applied, directly or indirectly, under any pretense whatever, to the purchase, erection, preservation, or repair of any building or buildings."

The paragraph cited immediately above, which specifies that "no portion of said income shall be applied directly or indirectly, under any pretense whatsoever, to the purchase, erection, preservation or repair of any building or buildings" was repealed in 1966. Currently, there is no such restriction. The first quoted paragraph above, however, including the point that "no part of the proceeds arising from the sale or disposal of any lands granted herein shall be used for the support of any sectarian or denominational college or school" remains in effect.

ISSUES

1. To what extent shall income from the University of Alaska's permanent fund reduce general fund appropriations to the university?

The endowment lands were not expected to replace state funding but were provided to permit a margin of support over and above what would otherwise be possible through underlying funding provided by the state. Consequently, while the University of Alaska expects to provide full disclosure to the state with respect to how endowment earnings from the university's trust land are being used, such earnings should not simply result in comparable reductions in general fund appropriations to support the university. That approach already is followed with respect to such university receipts as tuition and indirect cost recovery. The legislative and executive branches of the state retain fiscal control over the university by deciding how much general fund support to make available for the university, considering, among other things, university needs and all of the university's sources of funds, to include endowment earnings.

2. Shall some of the investment earnings on the University of Alaska permanent fund be reserved to "inflation-proof" the fund?

Such a reservation of funds is not necessary. The University of Alaska permanent fund constitutes an "endowment on an endowment." That is, the university is permitted to use essentially, only "the earnings on the earnings" on the trust land. Since those earnings do not lapse but are kept invested until they are expended, the regents may elect only to spend part of such earnings and thus keep the rest invested to cover future needs. Accordingly, even following extremely conservative financial management practices, there is no need to prescribe in advance that only some part of the earnings received may be expended, with the rest being reinvested to augment the endowment principal. That will increase automatically over the years, as it has in the past, with increasing revenue derived from the university's trust lands.

3. On what might endowment earnings from the University of Alaska permanent fund be spent?

The Board of Regents may authorize use of the endowment income however the board determines that such income can best help the university. Legislators have suggested that the

university use income from its permanent fund to cover the cost of land management activities rather than to request general fund support to pay for managing the university's trust land, and that has been done. As mentioned previously, endowment earnings are being used this year also to pay rental charges for computer hardware as well as other rental costs and to pay certain legal expenses. As endowment earnings increase, money may be available to enhance the university's fisheries, agriculture, forestry and other academic programs, and to pay for such things as special instructional equipment, sabbaticals and other faculty development.

4. How are land grant endowments for colleges and universities controlled and expended in other states?

The University of Alaska conducted a survey in the fall of 1982 to answer the above question. Questionnaires were sent to the 72 land grant colleges and universities in the United States and its territories, and 66 of the 72, or 90% of the institutions, responded. Questions asked and the responses are shown in the appendix contained in this briefing packet. In summary, 44% of the institutions manage directly their land grant properties; only 11% of the respondents must deposit land grant income to their respective state general fund; state general support is not offset by land grant income for 56% of the responding institutions; and, for 67% of the responding institutions, their respective governing boards have final approval authority for expenditures of land grant endowment revenue.

RECOMMENDATION- that no change be made in existing procedures or legislation governing the University of Alaska permanent fund at the present time.

APPENDIX

A survey was made in the fall of 1982 to determine how land grant endowment income for other colleges and universities is controlled and expended.

Below are listed the institutions that responded to the survey. Following that listing are the specific questions asked in the survey and the responses thereto.

Land grant institutions that responded to the survey:

Alabama A & M University	Auburn University
University of Arizona	University of Arkansas, Fayetteville
University of California	University of Arkansas, Pine Bluff
Colorado State University	University of Connecticut
Delaware State College	University of the District of Columbia
University of Florida	Fort Valley State College
University of Georgia	University of Hawaii
University of Idaho	University of Illinois
Purdue University	Iowa State University
Kansas State University	Kentucky State University
University of Kentucky	Louisiana State University
University of Maine	University of Maryland, Eastern Shore
University of Maryland	Massachusetts Institute of Technology
University of Massachusetts	Michigan State University
University of Minnesota	Alcorn State University, Mississippi
Mississippi State University	Lincoln University, Missouri
Montana State University	University of Missouri System
University of Nebraska	University of New Hampshire
New Mexico State University	Rutgers, The State University
Ohio State University	New Mexico State University
Langston University, Okalahoma	Cornell University, New York
Oklahoma State University	North Carolina State University
Pennsylvania State University	North Dakota State University
Oregon State University	Pennsylvania State University
University of Puerto Rico	University of Rhode Island
South Carolina State College	Clemson University, South Carolina
South Dakota State University	Scarritt College, Tennessee
University of Tennessee	Prairie View A&M University, Texas
Texas A&M University	Utah State University
College of the Virgin Islands	University of Vermont & State Agricultural College
Virginia State University	Virginia Polytechnic Institute and State University
Washington State University	University of Wyoming
West Virginia University	
University of Wisconsin	

Questions asked and summaries of the responses:

1. Does your institution derive income from land grant properties?

	<u>Responses</u>	<u>Percent</u>
Yes	36	55
No	29	46
	<u>35</u>	<u>100</u>

Seven schools noted that lands granted had been sold long ago and current income is, in fact, derived from investments of land, sale, revenue or, that a financial grant was made in lieu of a land grant. This may be the case for many of the schools which answered "no" to the first question as well. However, the "no" schools did not answer the remaining questions on the survey. Therefore, the tabulations following reflect only those schools which answered "yes" and completed the survey.

2. What types of activities produce income from your land grant property? (Check all that apply):

<u>Real Estate</u>	<u>Responses</u>	<u>Percent*</u>
Sale of Unimproved Property	14	39
Commercial Leasing	13	36
Industrial Leasing	8	22
Residential Leasing	7	19
Sale of Improved Property	6	17
Other	13	36
<u>Natural Resources Development</u>		
Grazing Land	23	64
Cropland	22	61
Timber	20	56
Oil/Gas	17	47
Hardrock Minerals	9	25
Other	4	11

*Percent of 36 schools responding

"Other" real estate income above includes nine responses (25%) which noted some type of agricultural activity, and additional comments made suggest that most of this income results from the sale of surplus agricultural research products. Most of these respondents also checked cropland and grazing land. "Other" natural resource development includes right-of-ways, surface leases, water, and coal/geothermal.

3. What is the approximate proportion of land grant property used for:

<u>Education/Research</u>	<u>Income</u>	<u>Responses</u>	<u>Percent</u>
Under 10%	Over 90%	11	31
11-89%	89 - 11%	2	5
Over 90%	Under 10%	13	36
Not answered	Not answered	10	28
		<u>36</u>	<u>100</u>

Interpreting the answers to this question is not straightforward. Remember that six of the respondents presently have endowment income only; land was sold off long ago, or never existed. If their answers are excluded, the responses are:

<u>Education/Research</u>	<u>Income</u>	<u>Responses</u>	<u>Percent</u>
Under 10%	Over 90%	9	31
11-89%	89 - 11%	2	7
Over 90%	Under 10%	12	41
Not answered	Not answered	6	21
		<u>29</u>	<u>100</u>

Almost one quarter of the respondents did not answer this question which must make us hesitate to draw firm conclusions. We can say that land use is fairly evenly divided between education/research and income production for the schools answering the question. More specifically, we see that each school tends to use property for one purpose or the other, but not both. (Only one respondent noted overlapping use wherein subsurface oil and leases coexist with surface agricultural research.)

4. Does your institution manage its land grant property directly?

	<u>Responses</u>	<u>Percent</u>
Yes	16	44
No	15	42
Not answered	5	14
	<u>36</u>	<u>100</u>

If no, how is its land grant property managed?

State land department or commission	11
Educational lands board or commission	3
Governing board	1
	<u>15</u>

The first two titles above are generic phrases meant to indicate the difference between state agencies which are assumed to manage all state lands, and commissions which appear to administer only lands associated with educational institutions.

5. How is the income from land grant property transactions accounted for? (Check all that apply):

Income utilized directly for university operations	20	56
Income deposited to University Endowment or Trust Funds	13	36
Income is deposited to State General Fund	4	11
Other	3	3
Not answered	3	8

"Other" includes depositing revenue in a special state fund with expenditure restrictions: appropriation by legislature, debt service, bond indentures or capital construction expenditures only.

6. Is income derived from land grant property transactions available for expenditure by your institution?

	<u>Response</u>	<u>Percent</u>
Yes	32	89
No	1	3
Not answered	3	8
	<u>36</u>	<u>100</u>

If yes, who is the final approving authority?

	<u>Response</u>	<u>Percent*</u>
President	5	14
Governing Board	26	72
Governor's Office	3	8
Legislature	9	25
Other	4	11

*Percent of 36 responses.

There was no explanation provided for the lone "no" response. In the second part of the question, some schools checked off several "final" approvals. This appears to be due to the fact that land revenues are handled differently depending upon the origin of the property. For example, revenue from private gifts of land are probably at the disposal of the university while state or federally donated land revenues may require approval from a state agency. Three schools which utilize university endowment/trust funds (question #5) noted here that legislative approval was required before expenditure.

7. If land grant property income is deposited to an endowment or trust fund, how much is available for expenditure? (Check all that apply):

	<u>Responses</u>	<u>Percent*</u>
Principal (Income from real property transactions deposited in fund)	3	8
Interest (Income from <u>investment</u> of principal)	19	53
Other	4	11
Not answered	14	39

*Percent of 36 responses.

Questions #5 and this one refer to endowment funds. Seven schools noted the use of endowment or trust funds here, but not in question #5. Analysis of narrative answers to these and other questions suggests that these seven schools were differentiating between a university-controlled fund (question #5) and an endowment fund controlled by another state agency (this question).

8. If available for expenditure, are restrictions placed upon the types of expenditures made from land grant property income?

	<u>Response</u>	<u>Percent</u>
Yes	18	50
No	15	42
Not answered	3	8
	<u>36</u>	<u>100</u>

Expenditure restrictions for the "yes" responses described fall into the following broad categories:

	<u>Responses</u>	<u>Percent</u>
Legislative approval before expenditure	5	27
Agricultural uses	4	22
Capital-related expenditures	3	17
Land grant legislation restrictions	3	17
Bond indentures, debt service	<u>3</u>	<u>17</u>

9. From largest to smallest, rank the primary types of expenditures made from land grant property income:

The following categories are summarizations of answers. Most schools did not rank more than two or three items; seven schools did not answer the question.

<u>Expenditure Type</u>	<u>Responses</u>				
	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>
Education/general*	11	2	1	3	0
Agricultural programs	6	3	1	0	0
Capital projects	5	3	4	0	0
Salaries	3	1	0	0	0
Land management, acquisitions	2	1	1	0	0
Facilities maintenance, improvements	2	5	2	0	0
Debt Service	1	0	1	0	1
Non-recurring expenses	0	0	1	0	0
	<u>30</u>	<u>15</u>	<u>10</u>	<u>3</u>	<u>1</u>

*Teaching, research, not specifically identified as agricultural or salaries. Unfortunately, these raw figures give us no clue as to patterns of expenditures. Let us examine the combinations of expenditure rankings. Considering only the first, second and third ranked items on each questionnaire, there appears to be no discernable pattern for the eight items listed above. If we combine these categories into two larger groupings of expenditures, however, such as "operating" and "other":

- Operating
 - Education/General
 - Agricultural Programs
 - Salaries

- Other
 - Capital projects
 - Land management, acquisitions
 - Facilities maintenance
 - Debt service
 - Non-recurring expenses

a pattern does emerge. Each school's response was tallied in one of these two groups only if all of the top three items listed fell within that group. A response which included expenses in both groups was tallied as "Combined":

<u>Expenditure type</u>	<u>Response</u>	<u>Percent</u>
Operating	16	55
Other	8	28
Combined	5	17
	<u>29</u>	<u>100</u>

In other words, 55% of the responding schools spend the income from land grant or other property on general operating items and 28% use this revenue for capital projects, land

acquisitions, debt service and so on. Of the 17% which divide expenditures between the two groups, general operating expenses were ranked first in four of the five responses.

10. Is land grant property income used to offset or decrease state general fund support?

	<u>Response</u>	<u>Percent</u>
Yes	14	39
No	20	56
Not answered	2	5
	<u>36</u>	<u>100</u>

Ten schools noted that land grant revenue directly offsets state appropriations in the current year or is considered a projected revenue source in next year's budget requests. One school uses the income to fund capital expenses not allowed from legislative appropriations. Another noted that while not directly offsetting general funds, the income doubtless has an effect on appropriations. At Louisiana State University, land grant revenues are not included in the state's budget formula and therefore are an addition to not reduce the formula budget appropriations. The non-formula centers receive appropriations equal to the authorized level of expenditures less land grant and other revenues. Finally, one school noted that such revenue does not reduce the levels of state appropriations but there are "rumbles in some quarters" that it should.

11. Are specialized financial or activity reports required for land grant property transactions beyond the institution's annual financial statements?

	<u>Response</u>	<u>Percent</u>
Yes	8	22
No	25	70
Not answered	3	8
	<u>36</u>	<u>100</u>

Required reports range from one line in the annual financial reports to extensive parcel-by-parcel descriptions. Special reports are prepared only as requested at several institutions.

Two schools noted that they are required to submit a report of Land Grant or Supplementary Morrill Funds to the Department of Health, Education and Welfare. In fact, this report is required of any school granted land under the 1862 Land Grant Fund, or funds from land grants made in lieu of the 1862 grant, and Supplementary Morrill Funds.

B. If yes, to whom are special reports made?

Responses

Governing Board	4
Governor's Office	2
Legislature	1
Bond holders	<u>1</u>
	8

Letter of Intent to Accompany Senate Bill No. ;
an Act Relating to the Transfer of Legal Title to and
Management of University of Alaska Grant Lands

Sections 1 - 4 of this Bill relate to the settlement of certain claims by the University of Alaska against the State of Alaska, Departments of Natural Resources, Administration and Revenue. The twelfth legislature appropriated \$500,000 to the University and the Department of Natural Resources (through the Department of Law) to calculate the compensation due the University by the State according to the out-of-court settlement of Case No. 3AN-79-2801 Civ., Third Judicial District. The results of those calculations, completed by the University and the Department of Natural Resources, are indicated on the attached "closing statement."

The total value of the out-of-court settlement is approximately \$26,000,000. The Bill asks that the legislature appropriate \$4,200,000 of that compensation to the University in the form of cash to be deposited in the University Permanent Fund. The remainder of the compensation due is requested in the form of an equal value land exchange. The University relinquishes approximately \$21,800,000 of its state encumbered grant lands to the State in return for an equal value of unencumbered state replacement lands to be deeded to the University. The state replacement lands have been set aside for university selection by the Department of Natural Resources and are identified in Appendix O of the aforementioned Settlement Agreement. The University has placed its land selections from this pool in priority order. Land will be conveyed to the University in this order until the value of the land conveyed is equal to the value of the land relinquished. All lands involved have been appraised by an independent appraiser mutually selected by the University and the State Department of Natural Resources. When \$4,200,000 in cash and \$21,800,000 in land have been appropriated to the University the total \$26,000,000 in compensation claim will have been settled. This Bill also conveys title management and control of existing university grant lands to the University.

Sections 5 and 6 of this Bill appropriate \$148,000 to the Department of Law for distribution to the Department of Natural Resources, Division of Technical Services, and the University, in order to effect conveyance of the lands involved in the settlement.

Sections 7 - 9 of this Bill amend state statutes in such a way as to insure that proper management practices are adopted by the University of Alaska, Board of Regents, as trustees for the land conveyed to the University.



SB 40+41 file-

University of Alaska
Statewide Office of Land Management
8864 College Road
Fairbanks, Alaska 99701
474-7421

May 18, 1983

Mark Wittow
Commissioner's Office/Automatic Telex: 465-2408
Department of Natural Resources
Juneau, AK

Dear Mr. Wittow:

As per our previous conversations, what follows is the Letter of Intent to accompany the University Lands Bill currently in the House Finance Committee. We are hoping that it will not be added to our legislation, but if it must, this wording has so far been acceptable to all parties.

If you have any questions, please call me at 474-7421. I will be in Juneau on Thursday, May 19, 1983, to assist Wendy Redman in representing the University's position on our bill. I hope to see you then.

Sincerely,

Scott Taylor
Manager, Income Properties

ST/11

cc: Merry Tuten
Mark Boyer

HOUSE _____ COMMITTEE
LETTER OF INTENT
CSSB 41 (RESOURCES) AM

It is our intent that the University of Alaska, the Municipality of Anchorage and the State Department of Natural Resources reach an agreement concerning the disposition of University Grant Lands in Anchorage which have been selected by the Municipality under the Municipal Entitlements Act. This agreement will finally resolve all issues outstanding in litigation (case no. 3AN-79-2801 Civil, Third Judicial District) currently pending between the parties.

As required by AS 29.18.201-213, and in recognition of the limited availability of prime land in Anchorage to both the Municipality of Anchorage and the University of Alaska it is our intent that the Department of Natural Resources assist in the resolution of this issue by providing a new pool of lands to the negotiation process.

Further more it is our intent that the University of Alaska, the Municipality of Anchorage, and the State Department of Natural Resources report to the Legislature within 30 days of the start of the 1984 Legislative Session, detailing the terms of their agreement.

This Letter of Intent should not be construed as any impediment to the immediate approval of legislation ratifying the Settlement Agreement between the University of Alaska Board of Regents and the State Departments of Natural Resources, Administration, and Revenue, nor should it in any way hinder the anticipated prompt and orderly transfer of lands and compensation to the Board of Regents and Department of Revenue, respectively, pursuant to such legislation.

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITAL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

MEMORANDUM

TO: Senate Judiciary Committee Members

FROM: Senator Bettye Fahrenkamp *[Signature]*

RE: Committee consideration of SB 41

DATE: March 21, 1983

As prime sponsor of SB 40 and 41, legislation to transfer title, management and control of university lands to the University and making appropriations for prior disposal or use of these lands, I am concerned that we not change the original intent of their permanent fund.

SB 40 would appropriate \$4.2 million to the University's permanent fund. Prior to 1935 the income from this permanent fund was held in trust by the Department of Revenue and be expended exclusively for the agricultural school at the school of mines. In 1935 the Territorial Legislature passed a law giving the University's Board of Regents the exclusive right to determine how the income from the permanent fund would be spent while maintaining the fund itself in trust.

Any effort to take this prerogative from the Board of Regents is counter to the original federal Trust Law which was the basis for constitutionally dedicating this fund. It has never been intended that the Legislature should make these decisions and currently is not the practice.

It is my concern that should the Committee decide to act favorably on SB 40 and 41 that they would maintain the integrity of the existing permanent fund by allowing the University to manage and control their own lands and the interest proceeds from the aggressive and productive management of these lands.

Original sponsors: Fahrenkamp, Bennett,
Moss, et al

not adopted

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE BILL NO. 41 (Judiciary)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 THIRTEENTH LEGISLATURE - FIRST SESSION
5

6 A BILL

7 For an Act entitled: "An Act relating to the transfer of the ownership and
8 management of University of Alaska trust land from
9 the Department of Natural Resources to the Board of
10 Regents of the University of Alaska and to the
11 management of that land; and providing for an
12 effective date."

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

14 * Section 1. PURPOSE. The purpose of this Act is to provide for the
15 settlement of certain claims and litigation and to transfer ownership and
16 management of certain land from the Department of Natural Resources to the
17 Board of Regents of the University of Alaska.

18 * Sec. 2. RATIFICATION. The terms of the document entitled "Settlement
19 Agreement between the Department of Natural Resources, the Department of
20 Revenue, and the Department of Administration and the University of Alaska
21 and the Board of Regents, as trustees for the University of Alaska", which
22 was submitted to the Alaska State Legislature on March 26, 1982, as amend-
23 ed, are ratified as to the duties and obligations of the State of Alaska
24 and Board of Regents of the University of Alaska.

25 * Sec. 3. CONVEYANCE. The commissioner of natural resources is direct-
26 ed to convey to the Board of Regents of the University of Alaska the right,
27 title, and interest of the state in and to

28 (1) the land identified in Appendix N of the Settlement Agree-
29 ment described in sec. 2 of this Act; and

(2) that state land listed in Appendix O of the Settlement

1 Agreement described in sec. 2 of this Act, in the priority order stated in
2 appendix O of the Settlement Agreement, which equals in appraised value the
3 total compensation due the University of Alaska under Appendix M of the
4 Settlement Agreement described in sec. 2 of this Act less the compensation
5 appropriated to the University of Alaska in an Act making appropriations to
6 implement the Settlement Agreement described in sec. 2 of this Act.

7 * Sec. 4. AS 14.40.170(a)(4) is amended to read:

8 (4) have the care, control and management of

9 (A) all the real and personal property of the univer-
10 sity; and

11 (B) land conveyed to the Board of Regents by the
12 commissioner of natural resources in settlement of the claim of
13 the University of Alaska to land granted to the state in accor-
14 dance with the Act of March 4, 1915 (38 Stat. 1214), as amended
15 and in accordance with the Act of January 21, 1929 (45 Stat.
16 1091) as amended;

17 * Sec. 5. AS 14.40.170(a) is amended by adding new paragraphs to read:

18 (7) adopt reasonable rules for the prudent trust management
19 and the long-term financial benefit to the university of the land of
20 the university;

21 (8) provide public notice of sales, leases, exchanges and
22 transfers of the land of the university or of interests in land of the
23 university.

24 * Sec. 6. AS 14.40.290(a) is amended to read:

25 (a) The University of Alaska shall hold all property acquired by
26 it. The Department of Administration, upon requisitions by the Board
27 of Regents signed by its president and secretary if consistent with an
28 appropriation made to the University of Alaska by the legislature,
29 shall pay to the treasurer of the Board of Regents all federal land

1 grant college funds coming into the possession of the Department of
2 Administration and subject to requisition by the Board of Regents and
3 shall disburse federal funds in aid of land grant colleges in accor-
4 dance with the federal statute providing for disbursement and with an
5 appropriation made to the University of Alaska by law.

6 * Sec. 7. AS 14.40 is amended by adding a new section to read:

7 Sec. 14.40.291. LAND OF THE UNIVERSITY OF ALASKA NOT PUBLIC
8 DOMAIN LAND. Notwithstanding any other provision of law, university-
9 grant land, state replacement land that becomes university-grant land
10 on conveyance to the university, and any other land owned by the
11 University of Alaska is not and may not be treated as state public
12 domain land. Title or interest to land described in this section may
13 not be acquired by adverse possession, prescription, or in any other
14 manner except by conveyance from the university. The land is subject
15 to condemnation for public purpose in accordance with law.

16 * Sec. 8. AS 14.40.400(c) is amended to read:

17 (c) The income from the trust fund shall be used exclusively for
18 the Agricultural College and School of Mines under appropriations made
19 by law.

20 * Sec. 9. Nothing in this Act precludes or prejudices negotiations
21 between the Municipality of Anchorage and the University of Alaska to
22 settle Case Number 3AN-79-2801 Civil, Third Judicial District, State of
23 Alaska, or prejudices or otherwise affects the pursuit or outcome of that
24 litigation or diminishes or affects the rights or interests of the Univer-
25 sity of Alaska or the Municipality of Anchorage in that pending litigation.

26 * Sec. 10. Nothing in this Act precludes or prejudices negotiations
27 between plaintiffs and the defendants in the case entitled Verne T. Weiss
28 v. State of Alaska, Case No. 4FA82-2208, or prejudices or otherwise affects
29 the pursuit or outcome of that litigation or diminishes or otherwise

1 affects the rights or interests of the plaintiffs or the defendants in that
2 litigation.

3 * Sec. 11. Within 10 days of the convening of the first session of the
4 Fourteenth Legislature, the Board of Regents of the University of Alaska
5 will submit a report to the legislature on the goals, objectives, and plans
6 of the university for the management of the trust lands.

7 * Sec. 12. This Act takes effect immediately in accordance with AS 01.-
8 10.070(c).
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STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

BILL SHEFFIELD, GOVERNOR

POUCH M
JUNEAU, ALASKA 99811
PHONE: 907-465-2400

MAY 9 - 1983

May 4, 1983

Senator Bettye Fahrenkamp
State Capitol
Pouch V
Juneau, AK 99811

Dear Senator Fahrenkamp:

Thank you for your letter concerning University lease lands and Senate Bill 40 and 41. We agree with your statement that no amendment to the legislation is required. Most of the leases in question will be bought back by the State under the University Lands Settlement Agreement. When the State acquires the leases, it can continue to administer them as State leases, or negotiate a purchase under existing statutory provisions.

Please let me know if you have further questions.

Sincerely,



Esther C. Wunnicke
Commissioner

cc: Tom Hawkins

SENATE BILL 40

APPROPRIATES \$4.2 MILLION AS A SETTLEMENT FOR CLAIMS OF THE UNIVERSITY AGAINST THE STATE.

APPROPRIATED \$148,000 OF UNEXPENDED/UNOBLIGATED FY 82 APPROPRIATIONS TO UNIVERSITY TO THE DEPARTMENT OF LAW TO IMPLEMENT THE TRANSFER OF LANDS TO THE UNIVERSITY.

IF THERE ARE NO LAPSING FUNDS, APPROPRIATED \$148,000 FROM GENERAL FUND.

THE EFFECTIVE DATE IS THE EFFECTIVE DATE ON THE PASSAGE OF SB 41.

SB 40 WAS WAIVED BY H&SS.

RECEIVED AN ADDITIONAL REFERRAL TO JUDICIARY WHERE IT RECEIVED A LETTER OF INTENT.

SENATE BILL 41

PROVIDES FOR THE SETTLEMENT OF CLAIMS AGAINST THE STATE BY THE UNIVERSITY.

RATIFIES THE SETTLEMENT AGREEMENT BETWEEN THE DNR, REVENUE, ADMINISTRATION AND THE UNIVERSITY BOARD OF REGENTS.

CONVEYS TO THE BOARD OF REGENTS THE RIGHT, TITLE AND INTEREST IN LANDS NOT RELINQUISHED AND ALSO LANDS SELECTED FROM THE REPLACEMENT POOLS IN PRIORITY ORDER ACCORDING TO THEIR APPRAISED VALUE TO TOTAL \$21,800,000.

PROVIDES THAT IN THE EVENT NO APPROPRIATION IS MADE AS PER SB 40, ADDITIONAL LANDS MAY BE SELECTED TO TOTAL THE \$4.2 MILLION.

PROVIDES THAT THE UNIVERSITY ADOPT RULES ON THE MANAGEMENT OF THE LANDS.

REQUIRES PUBLIC NOTICE OF SALES, LEASES, EXCHANGES AND TRANSFERS.

SECTION 7 INSURES THAT SETTLEMENT OF THE CLAIMS OF THE UNIVERSITY AGAINST THE STATE WILL NOT PREJUDICE CURRENT NEGOTIATIONS BETWEEN THE UNIVERSITY AND THE MUNICIPALITY OF ANCHORAGE CONCERNING THE MUNICIPAL ENTITLEMENT ACT.

SECTION 8 INSURES NO PREJUDICE OF WEISS CASE (MENTAL HEALTH LANDS)

REQUIRES REPORT TO 14th LEGISLATURE ON GOALS, OBJECTIVES AND PLANS FOR MANAGEMENT OF THESE TRUST LANDS.

JUDICIARY COMMITTEE AMENDMENT AND LETTER OF INTENT:

- CHANGES REPORT TO A YEARLY ONE AND MAKES IT FINANCIAL IN NATURE (HOW WAS MONEY SPENT)

- JUDICIARY COMMITTEE LETTER OF INTENT REQUIRES 40% OF INCOME FROM TRUST LAND BE USED FOR CAPITAL PROJECTS AND TEACHING SUPPORT OF AGRICULTURE, FORESTRY, FISHERIES, AND MINERAL DEVELOPMENT EDUCATION.

I attached a copy of our letter to DNR and their response regarding the question of requiring that the relinquished leases be made available for purchase by the current leasees and 1977 lease rates.

SENATE BILL NO. 41 was referred to the Judiciary Committee and the Finance Committee.

SB 41

SENATE JOURNAL - PAGE 469- 1 3/23/83

The Judiciary Committee considered SENATE BILL NO. 41 (transfer of the ownership and management of the University of Alaska trust land from the Department of Natural Resources to the Board of Regents of the University of Alaska) and the committee recommended do pass the Resources Committee Substitute with the following Amendment No. 1:

Page 2, line 22: Delete all material and insert:
"university"

(9) report each year within the first 10 days of the convening of a regular session of the legislature on the expenditures made during the preceding fiscal year from the funds of the University of Alaska that are derived from sales, leases, exchanges, or transfers of the land of the university or of interests in land of the university that were conveyed to the University of Alaska in settlement of the claim of the University of Alaska to land granted to the state in accordance with the Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance with the Act of January 21, 1939 (45 Stat. 1091), as amended."

The committee further attached the following:

"SENATE JUDICIARY COMMITTEE
LETTER OF INTENT
CSSB 41 (Resources) am

It is our intent that the University of Alaska Board of Regents utilize at least 40% of its Land Grant Trust Fund income for the University Land-grant mission of capital projects and teaching support for agricultural, forestry, fishing and mineral development and education.

Furthermore, as indicated by our amendment to the Resources Committee Substitute for Senate Bill 41, it is our intent to require annual reports from the Board of Regents, to be submitted within 10 days of the start of each legislative session, setting forth details as to the Board's past, present and future compliance with the above-stated legislative intent.

/s/ Bill Ray
Senator Bill Ray - Chairman

/s/ Joe Josephson
Senator Joe Josephson - Vice Chairman

Alaska State Legislature

Senate

Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Settje Fahrenkamp
Chairman

January 31, 1983
3:10 p.m.

Senate Finance Room

With the House Resources Committee

MEMBERS PRESENT

SENATE

Senator Fahrenkamp, Chairman
Senator Ziegler, Vice Chairman
Senator Eliason
Senator Paul Fischer
Senator Vic Fischer
Senator Mulcahy
Senator Sturgulowski

HOUSE

Representative Ringstad, Chair.
Representative Shultz, Co-chair.
Representative Cowdery
Representative Larson
Representative Uehling
Representative Vaska

Hearing: SB 40 and SB 41 ... University of Ak. Lands Settlement

Esther Wunnicke, Commissioner, Department of Natural Resources gave background information on the University of Alaska Lands Agreement between the University and the State of Alaska.

Merry Tuten, Director of Lands, University of Alaska explained the need and land selection rationale for Senate Bill 41. The bill provides for the transfer of the management of the University of Alaska trust land from DNR to the Board of Regents of the University and the selection of State lands by the University to settle a lawsuit.

Ms. Tuten described the process by which the University undertook to select 45,000 acres of state land. Two pools were established under the settlement agreement. Pool 1 is state lands which the University has been using. There are roughly 400 acres worth 1.6 million dollars in Pool 1. Pool 2 started with 150,000 acres of state lands which the state identified and put into the pool for the University to select. The University and the State had these lands appraised to determine highest and best use and the current fair market value, and then went through a process of putting the 150,000 acres in priority order. The three major value categories are: (1) education, (2) natural resources and (3) ability to produce income from other than natural resources.

Once in priority order, the University returned to the settlement agreement to determine total compensation and found that damages came to 26 million dollars. Roughly 4.2 million dollars in the settlement are for damages not compensated by lands; i.e. damages as a result of uncollected revenues on the part of the State. The University of Alaska went back to the replacement pool in priority order and identified 22 million dollars worth of damages. The University has identified 10 parcels

of land which will be developed in the next two years. Areas of development include land development, the sale of gravel and other materials, continued participation in State oil and gas lease sales, and an in-depth look at mineral resources.

Senator Sturgulewski moved and asked unanimous consent for amendments No. 1, 2, 3, 4, and 5. There were no objections.

Amendments number 1 - 3 were proposed by the University to clarify that rules be adopted to provide for prudent trust management of the lands and adequate notice of land actions, that University lands are not to be treated as state public domain lands, and that the lands are not subject to adverse possession. Senator Kerttula proposed an amendment which would clarify that the bill would not adversely affect an on-going court suit involving the State of Alaska. Senator Sturgulewski proposed an amendment to one of the University's amendments clarifying that management of the lands would be for the financial benefit of the University and another amendment requiring a report to the Legislature on management plans for the lands involved.

Senator Sturgulewski moved and asked unanimous consent that SB 41 be moved from committee with individual recommendation. There were no objections.

S.B. 40 is an appropriation bill which is divided into two parts: (1) The appropriation of 4.2 million dollars to the University of Alaska permanent fund will be held in trust and invested by the Department of Revenue. The University of Alaska Board of Regents may expend only the interest earnings. \$148,000 is appropriated from the unexpended funds of the University. (2) Of the \$148,000 appropriated to the Department of Law which was the amount assigned to implement the settlement agreement, \$69,000 will go to the University of Alaska and \$79,000 to DNR to hire qualified people. There will be only one massive title transfer. The University will quitclaim deed certain interests to the State and the State will quitclaim deed certain lands to the University. This is thoroughly reviewed by DNR and the University so that there is no infringement upon any third party interests.

Senator Sturgulewski moved and asked unanimous consent that SB 40 be moved from committee with individual recommendation. There were no objections.

Meeting adjourned at 3:40 p.m.



Alaska State Legislature

Senate Resources Committee

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business
Senator Bettye Fahrenkamp
Chairman

January 21, 1983
1:30 p.m.

Beltz Room
Room 211 Capitol

With the House Resources Committee

MEMBERS PRESENT

SENATE

Senator Fahrenkamp
Senator Sturgulewski
Senator Ziegler
Senator Mulcahy
Senator Eliason
Senator Paul Fischer
Senator Vic Fisher

HOUSE

Rep. Rings'ad
Rep. Liska
Rep. Larson
Rep. Uehling

Briefing on University of Alaska Lands Settlement

Dr. Jay Barton, Pres., University of Alaska introduced members of the Board of Regents.

Merry Tuten, Director of Lands, University of Alaska summarized past negotiations with the State of Alaska, Department of Natural Resources regarding University of Alaska trust lands. It is the University of Alaska's contention that the land was improperly managed, disposed of and leased by the State. The University of Alaska initiated two law suits which asked for return of land and for monetary compensation. The Alaska Supreme Court ruled in favor of the University on one lawsuit. At this point the University and DNR agreed to negotiate and an agreement was reached.

Ms. Tuten stated that two bills will be before the legislature this session. (1) An appropriation bill for 4.2 million dollars to the U of A plus \$148,000 to transfer deed to keep clear title. (2) A bill to ratify the agreement, to transfer compensatory land to the U of A and to transfer management of all U of A lands to the University.

Senator Sturgulewski inquired about DNR reviewing the University's calculation on compensation to determine whether or not it agrees with the grand total. Ms. Tuten replied they were close to agreement. Sen. Sturgulewski also asked about the intervention of the Municipality of Anchorage into the law suit. Ms. Tuten replied that the Municipality of Anchorage intervened in the second law suit to protect its interest in selecting University lands under the Municipal Entitlement Act. The Municipality is not a party to negotiations with the State of Alaska.

Senate Resources Committee

January 21, 1983

Page 2

Merry Tuten concluded by saying the role of the legislature is to approve the agreement and appropriate the settlement monies and lands.

Mark Wittow, DNR, stated that the report by Merry was factual and correct.

The meeting was adjourned at 2:00 p.m.

COMMITTEE REPORT

SENATE

1/18/83

FURTHER: ~~Health, Ed. Soc. Ser.~~
Finance

Date: 1-31-83

Mr. President:

The Committee on RESOURCES has had SENATE BILL NO 41

An Act relating to the transfer of the ownership and management of the University of Alaska trust land from the Department of Natural Resources to the Board of Regents of the University of Alaska; eff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s) same title
- replace with CS for _____ new title
- and recommends Do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Bob Mulcahy

[Signature]

V. Joseph

[Signature]

[Signature]

[Signature]

[Signature]
CHAIRMAN

Bill Sumner

LEGISLATIVE RELIEF FOR STATE LEASEHOLDERS

A Factual Summary of Apparent Legislative Oversight in Granting Relief to Leaseholders

During 1975 and 1976 severe problems arising from unprecedented increases in rental rates on state leases administered by the Division of Lands came to the attention of the Legislature. The problems noted by the Legislature were also examined by a special task force appointed by the governor to explore the administration of state leases. The findings of the special task force as well as the findings of an administrative appeal panel appointed by the director of the Division of Lands confirmed the existence of the difficulties previously noted. Illustrative was the fact that the appeals panel appointed by the Division of Lands unanimously sustained virtually every complaint by appealing leaseholders with respect to defects in the Division of Lands' own reappraisal techniques.

The problems recognized by the Legislature included such matters as the refusal of commercial lending institutions to lend funds for the development of state lease premises due to the terms of the lease and the method of administration by the Division of Lands. Of significant concern was the fact that rental adjustments in 1975 and 1976 arising from the five year reappraisals provided in the lease generated inequitable lease rental increases which in many cases were as much as 400 to 300 percent over previous rates. The Legislature responded by enacting Ch. 138, SLA 1977, allowing

leaseholders the option of converting to a lease containing a more commercially reasonable provision for rental adjustment. Further legislative action the following year (Ch. 182, SLA 1978) was necessary to block an attempt by the Division of Lands to evade the intent of the 1977 act.

Both of the above referenced acts were premised upon the belief of the Legislature that all of the offending rental increases arose from reappraisals made by the Division of Lands after January 1, 1975. This factual assumption was based on the best information which the leaseholders' representatives had been able to obtain from the Division of Lands. The Division of Lands throughout was less than cooperative in providing the leaseholders with information concerning the identity of persons holding state leases that might be affected as well as data necessary to draft legislation and inform legislators of the form of relief necessary.

It is now known that some of the grossly inequitable rental increases addressed by the Legislature in 1977 and 1978 resulted from appraisals made by the Division of Lands during the second half of 1974 and thereby slightly preceded the January 1, 1975 reappraisal date utilized by the Legislature in the 1977 and 1978 acts. Legislative oversight action is necessary to provide equal treatment for leases whose rentals were subjected to inequitable increases in rates which arose from similar reappraisals performed during 1974. There presently exists a situation where the holder of state leases reappraised in the second half of 1974

experienced a rental increase of 600 percent while an adjacent leaseholder whose lands happened to be appraised after January 1, 1975 received substantial relief from the 1977 and 1978 legislation.

The particular circumstances referred to above include the following case.

A single leaseholder was the legal or beneficial holder of three contiguous leases within the Municipality of Anchorage. Two of his leases, ADL Nos. 02846 and 03135 came due for five year rental adjustments and the five year reappraisal was completed in July of 1974 with the following results.

The preceding five year reappraisal completed in 1970 (Exhibit 1) for ADL 02846 established a quarterly rental of \$597.50. A copy of a quarterly rental billing for this parcel is attached as Exhibit 2. The five year reappraisal report completed July 31, 1974, Appraisal No. 1111, (Exhibit 3) resulted in a decision from the Division of Lands that effective January 1, 1975 ADL 02846 would have a quarterly rental of \$3,045.00 for a percentage increase of approximately 600 percent. A copy of the notice is Exhibit 4.

A similar adjustment was made on ADL 03135. The gross inequity for which the legislative oversight relief is presently requested is illustrated by the fact that the same leaseholder's third contiguous lease was not due for five year reappraisal until a year later and accordingly this

third lease was afforded the legislative relief provided in the 1977 and 1978 acts.

Two types of relief appear to be necessary in order to correct the oversight which presently results in grossly disproportionate treatment for leases reappraised in the latter half of 1974 as compared to those reappraised after January 1, 1975.

First, an amendment is needed in the language of Sec. 21, Ch. 182, SLA 1978, to provide that the fair market value used to establish the fixed base annual rent for the initial period should be based on the last appraisal performed prior to July 1, 1974. Present law refers to the utilization of the last appraisal performed prior to January 1, 1975. It is believed that this change would sufficiently reflect the legislative intent to support funding for the second phase of relief necessary.

Second, funds should be reallocated within the contemplated appropriations to the Municipality of Anchorage to accomplish the intended relief. The necessity for the utilization of funds arises from the following circumstance.

Fee title to many of the leaseholds for which relief was provided by the 1977 and 1978 acts was conveyed to the Municipality of Anchorage as a result of the municipal selection completed during 1979. Thus, the Municipality of Anchorage became the landlord to many of the leaseholders affected including the leaseholder for which oversight relief is now sought. Anchorage then enacted Municipal

Ordinance AO No. 79-73, authorizing the sale of the fee title to the affected leaseholders. The sales price by the Municipality of Anchorage was derived from the relevant preceding state appraisals then in effect as a result of state law. Accordingly, most leaseholders were able to purchase from the Municipality of Anchorage at prices based on appraisals made effective by the 1977 and 1978 state legislation. That legislation had eliminated from utilization offending reappraisals made by the Division of Lands after January 1, 1975. In this case the offending appraisal was made between July 1, 1974 and January 1, 1975 and the effect of these appraisals was not eliminated by the Legislature. Accordingly, the sales price from the Municipality of Anchorage to the subject leaseholder was approximately 600 percent greater than it would have been if this leaseholder had been within the ambit of the 1977 and 1978 legislation as intended.

The proposal made for granting oversight relief to the excluded leaseholder (now a contract purchaser from the Municipality) does not include any direct remuneration to the leaseholder. The proposed avenue of relief merely suggests the allocation of a portion of the Municipality's share of the current budget legislation be conveyed to the Municipality of Anchorage by application of the leaseholder-purchaser's purchase money obligation so as to reduce that purchaser's obligation to the Municipality by the amount

that his purchase price exceeded what it would have been if his leaseholds had been picked up by the original legislation. Proposed language for the budget bill is attached as Exhibit 5.

5-YEAR REAPPRAISAL REPORT ON
Rail-Air Industrial Park Inc.
Anchorage Area

Date: July 17, 1970
Appraisal No. 771
ADL Nos. 02846, 03135

To: Kenneth H. Hallback
Chief, Lands Section

Dates of Inspection: July 8 and July 10, 1970

Purpose of Appraisal: To estimate Fair Annual Rental.

Legal Description: PARCEL 1 - ADL No. 02846, Lot One(1) of the north 230 feet of the SE $\frac{1}{4}$ NW $\frac{1}{4}$, Sec. 36, T13N, R4W, S.M. Commencing at the NW 1/16 corner of Sec. 36; thence N89°52'20"E 1027.69 feet; thence S21°15'20"E 32.16 feet to Corner #1, the actual point of beginning; thence from Corner #1, by metes and bounds, S14°01'W 206.25 feet to Corner #2; thence N89°52'20"E 30.42 feet to Corner #3; thence N17°21'36"E 145.19 feet to the Alaska Railroad right-of-way; thence N21°15'20"W 66 feet to Corner #1, the actual point of beginning, containing 0.138 acres, more or less; and

Lot Two(2) of the north 230 feet of the SE $\frac{1}{4}$ NW $\frac{1}{4}$, Section 36, T13N, R4W, S.M. Commencing at the NW 1/16 corner of Section 36; thence S00°07'40"E 30.00 feet to Corner No. 1, the actual point of beginning; thence from Corner No. 1 by metes and bounds, S00°07'40"E 200.00 feet to Corner No. 2; thence N89°52'20"E 927.00 feet to Corner No. 3; thence N14°01'E 206.25 feet to Corner No. 4; thence S89°52'20"W 977.40 feet to Corner No. 1, the actual point of beginning, containing 4.372 acres, more or less, subject to a 20-foot wide public use easement along the westerly boundary of this tract. This description is based on a survey made in 1960 by Gustav V. Johnson, Registered Engineer.

Total area of this parcel is 4.510 acres: Lot 1=0.138 acres; Lot 2=4.372 acres.

PARCEL 2 - ADL No. 03135 - That certain parcel and piece of land starting at the NW 1/16 corner of Sec. 36, T13N, R4W, S.M.; thence S0°07'40"E 230 feet to the point of beginning, being Corner No. 1; thence N89°52'20"E 1019.30 feet to Corner No. 2; thence S17°21'36"W 209.74 feet to Corner #3; thence S89°52'20"W 956.08 feet to Corner No. 4; thence N0°07'40"W 200 feet to Corner No. 1, the point of beginning, which is a tract of land containing 4.535 acres, more or less, and is situated lying and being in the north 430 feet of the SE $\frac{1}{4}$ of the NW $\frac{1}{4}$ of Section Thirty-Six(36), Township Thirteen(13) North, Range Four(4) West, of the Seward Meridian, State of Alaska, subject to a road easement, which is described as follows: Beginning at the Northwest sixteenth(1/16) corner of Section 36, T13N, R4W, S.M.; thence S0°07'40"E 230.00 feet; thence N89°52'20"E 927.00 feet to the point of beginning, being Corner No. 1; thence N89°52'20"E 61.88 feet to Corner No. 2; thence S14°01'W 206.25 feet to Corner No. 3; thence S89°52'20"W 61.88 feet to Corner No. 4; thence N14°01'E 206.25 feet to Corner No. 1, the point of beginning, which is a tract of land containing 0.28 acres, more or less, and is situate, lying, and being in the north 430 feet of the SE $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section Thirty-Six(36), Township Thirteen(13) North, Range Four(4) West of the Seward Meridian. This parcel is also subject to a 20-foot wide public use easement along its westerly boundary.

Ex 1

General Description: These two parcels are located west of the Alaska Railroad right-of-way and north of International Airport Road, approximately 3 miles south of the city center, in an area which is developing into an industrial park. This trend should accelerate with the completion of the new Spenard throughway.

Reference Material: Land Status Records
Land Planning Report #197
ADL Appraisal Nos. 15, 87 and 503
Comparable Data maintained within the Department
Onsite Inspection
Various Maps

Classification: Industrial
Classification Order 351
Land Planning Report 197

Estimated Highest and Best Use: Industrial (see General Description)

Method of Appraisal: Market Approach using comparative data

Remarks: The Spenard Throughway has necessitated the reduction in size of both parcels for right-of-way purposes, and also has blocked off Parcel #2 from the Alaska Railroad right-of-way. This latter should not be a factor in the value of this parcel, however, as a spur track would be needed for utilization of the railroad potential. There is still an adequate area for this spur's future construction (see photograph) on the partial railbed not utilized through the first years of this lease. This railroad spur it appears is not necessary to the operation of this facility as its raw materials and finished products are oriented to highway usage.

<u>Estimated Fair Annual Rental:</u>	<u>Area</u>	<u>Fair Annual Rental</u>
Parcel #1	4.51 acres	\$2390.00
Parcel #2	4.535 acres	\$2170.00
TOTALS	2 9.045 acres	\$4560.00

Qualifying Statements: I certify I have no personal financial interest in the subject or adjacent properties; that I believe to be correct all estimates and information used for this appraisal; that no pertinent information known to me was wilfully or knowingly omitted from my analysis; that no compensation is contingent upon the value found; and that I have personally inspected the subject property. No responsibility is assumed for condition of title, legal matters, the survey, or for information supplied by others.

W Bruce Atkinson
Appraiser: W. Bruce Atkinson

Reviewed by:

Alvin G. Olson

ACCEPTED BY Kenneth W. Hurler THIS 21 DAY OF Sept,
19 71, which is the effective date of this appraisal.

DATE	QUANTITY	SERIAL NUMBER A/C	CUSTOMER ID	SUBJECT	ACCT NO
07-31-74	2	C02946-4	41514	LAND LEASE	751896

PAYOR

DAYSIDE LAND, INC
 P O BOX 208
 BELLEVUE WA 98009

ack 29874 for 3948.75

PURPOSE	FROM	PERIOD	TO	AMOUNT
QUARTERLY RENTAL	09-15-74		12-15-74	597.50

RECEIVED BY	DATE	RECEIPT AMOUNT	AMOUNT
jb	10/9/74	597.50	597.50

REMARKS

MAIL OR DELIVER TO:

RETURN THIS COPY WITH YOUR REMITTANCE

DIVISION OF LANDS
323 EAST 4TH AVENUE
ANCHORAGE, ALASKA 99501

~~NOT A RECEIPT~~

DO NOT ACCEPT THIS COPY AS A RECEIPT
THIS IS A BILL OR NOTICE

DEPARTMENT OF REVENUE

CASE FILE

cc of this to
Bill Sumner

David Allen
312-346-7400
Box 243-8476 265-7316
Graveland

Ex 2

125

5-YEAR REAPPRAISAL REPORT ON
3 Miscellaneous Leases
Section 36, T13N, R4W, S.M.
Southwest Anchorage

Date: July 31, 1974
Appraisal No. 1111
ADL Nos. 02846
03135
22595

To: KENNETH H. HALLBACK
Chief, Lands Section

Date of Inspection: July 17, 1974

Purpose of Appraisal: To estimate Market Value in fee simple without Mineral Rights. Market value is hereby defined as "the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used" (A.I.R.E.A. Appraisal Handbook, page 131).

Legal Description:

PARCEL 1 - ADL 02846 - A parcel of land located within the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 36, T13N, R4W, S.M., and within the Anchorage Recording District, Third Judicial District, State of Alaska, and more particularly described by metes and bounds as follows:

Beginning at the NW 1/16 Corner position of Section 36, T13N, R4W, S.M., as shown on a plat of survey dated May 14, 1962, ADL File No. 15-31; thence on a record bearing and distance of S00°07'40"E, along the W 1/16 line of Section 36 a distance of 30.00' to the northwesterly corner of the here-in-after described parcel and the true point of beginning; thence continuing on record bearings and distances of S00°07'40"E along the here-in-before mentioned W 1/16 line, a distance of 200.00' to the southwesterly corner; thence parallel with the N 1/16 line of Section 36 N89°52'20"E, a distance of 927.00' to the southeasterly corner; thence N14°01'E, a distance of 206.25' to the northeast corner; thence parallel with the N 1/16 line of Section 26 S89°52'20"W, a distance of 977.40' to the point of beginning containing 4.37 acres more or less.

PARCEL 2 - ADL 03135 - A parcel of land located within the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 36, T13N, R4W, S.M., and within the Anchorage Recording District, Third Judicial District, State of Alaska, and more particularly described by metes and bounds as follows:

Beginning at the NW 1/16 corner position of Section 36, T13N, R4W, S.M., as shown on a plat of survey dated May 14, 1962, ADL File No. 15-31; thence on a record bearing and distance of S00°07'40"E, along the W 1/16 line of Section 36 a distance of 230.00' to the northwesterly corner of the here-in-after described parcel and the true point of beginning; thence continuing on record bearings and distances of S00°07'40"E along the here-in-before mentioned W 1/16 line a distance of 200.00' to the southwesterly corner; thence N89°52' parallel

with the N 1/16 line of said Section 36, a distance of 727.91±' to the southeasterly corner, said point intersecting a curve and being on the westerly right-of-way of the Alaska Railroad as shown on State of Alaska, Department of Highways, plat of Project S-0545(4); thence in a northeasterly direction on a computed curve to the left having a R-831.47', Δ 17°58'10", T-131.46', and Arc Length of 260.77±' along the here-in-before mentioned right-of-way to the northeasterly corner; thence S89°52'20"W parallel with the N 1/16 line of Section 36, a distance of 893.56±' to the northwesterly corner and the point of beginning containing 4.14 acres more or less.

PARCEL 3 - ADL 22595 - Lot 4, Block 1, International Way Alaska Subdivision, located within Section 36, T13N, R4W, S.M., containing 1.27 acres.

General Description: The subject three leases are located within Section 36, T13N, R4W, S.M.; approximately 3 miles southwest of Anchorage's City center and 2¼ miles east of the International Airport Terminal building.

Classification: Parcels 1 and 2: Industrial
Classification Order No. 351
Land Planning Report No. 197

Parcel 3: Commercial-Industrial
Classification Order No. 5
Land Planning Report No. 5

Estimated Highest and Best Use: As classified.

Reference Material: ADL Files
Appraisal Nos. 767, 771, 911 and 993-1
Status Plats
GS Map
Comparable Sales Data
Plats of Highway Projects S-0545(4) and
QF-042-1(46) (E-87112)

Remarks: The legal description of subject Parcel 1 (ADL 02846) and subject Parcel 2 (ADL 03135) as used in this report were completed by the Engineering Department and do not read the same as the legal description given in the above ADL Files.

In order to clarify the exact lands being appraised, it was considered more appropriate to describe the lands with an accurate legal description, rather than to attempt to use the description as given in the ADL Files and then exclude the taking by Highway Project #F-012-1(24) and the area contained within ILMT 59551.

Estimated Market Value:

<u>Parcel</u>	<u>ADL No.</u>	<u>Gross Acres</u>	<u>Market Value</u>
1	02846	4.37	\$203,000
2	03135	4.14	\$164,000
3	22595	1.28	\$69,500
TOTALS	3 Parcels	9.79	\$436,500

Handwritten notes: 2.232, 3 164,000, 06, 4,000, 4014

Qualifying Statements: I certify I have no personal financial interest in the subject or adjacent properties; that I believe to be correct all estimates and information used for this appraisal; that no pertinent information known to me was wilfully or knowingly omitted from my analysis; that no compensation is contingent upon the value found; and that I have personally inspected the subject property. No responsibility is assumed for condition of title, legal matters, the survey, or for information supplied by others.

Ben Rudisill
Appraiser: Ben Rudisill

Reviewed by:

Bruce Robinson

ACCEPTED BY *Kenneth A. Hubbard* THIS 12 DAY OF Aug 19 74, which is the effective date of this appraisal.

SUBJECT: Location: 1.00
 (Key Unit) Size : 55,757 SF
 Parcel 3 Frontage: Yes
 Access : 1.00
 Phys.Char. ~~XXXXX~~ : 1.00
 Util. of Use: 1.00

CORRELATION CHART - PHASE II

Sale No.	Unit Price Per SF	Time of Sale	Cash or Terms	Square Feet XXXXXXX	Frontage	Adjustments from Comparable to Subject						Indicated Value of Subj. Unit Per SF	XXXXXX XXXXXX	XXXXXX XXXXXX	
						Time	Loc.	Size	Phys.	Access	XXXXX				Avail. of Utils.
1	\$2.95	7/73	T	18,326	Yes	1.15	.90	.80	1.00	.80	.90	.80	\$2.36		
2	\$1.10	5/73	T	49,838	Yes	1.17	1.00	1.00	.95	1.00	.95	1.06	\$1.17		
3	\$1.25	5/73	T	19,678	3 sides Yes	1.17	1.10	.80	.95	.90	.95	.84	\$1.05		
4	\$1.91	6/73	T	20,175	Yes	1.10	1.10	.80	.90	.90	.90	.74	\$1.41		
5	\$2.33	4/73	T	22,500	2 sides Yes	1.18	.90	.80	.90	.80	.90	.55	\$1.28		
6	\$1.56	3/73	C	27,262	Yes	1.20	1.10	.90	.95	.90	1.00	1.02	\$1.59		
7	\$3.86	2/73	T	22,043	Yes	1.21	.65	.80	1.10	.80	.90	.50	\$1.93		

CONCLUSION TO VALUE - PHASE II

The seven comparables indicate a value range to the subject of \$1.05 to \$2.36 per square foot.

Comparables 1 and 7 indicate a high limit of value to the subject; Comp 1 because of its location on International Airport Road near the intersection of Arctic Boulevard, and Comp 7 because of its Tudor Road frontage.

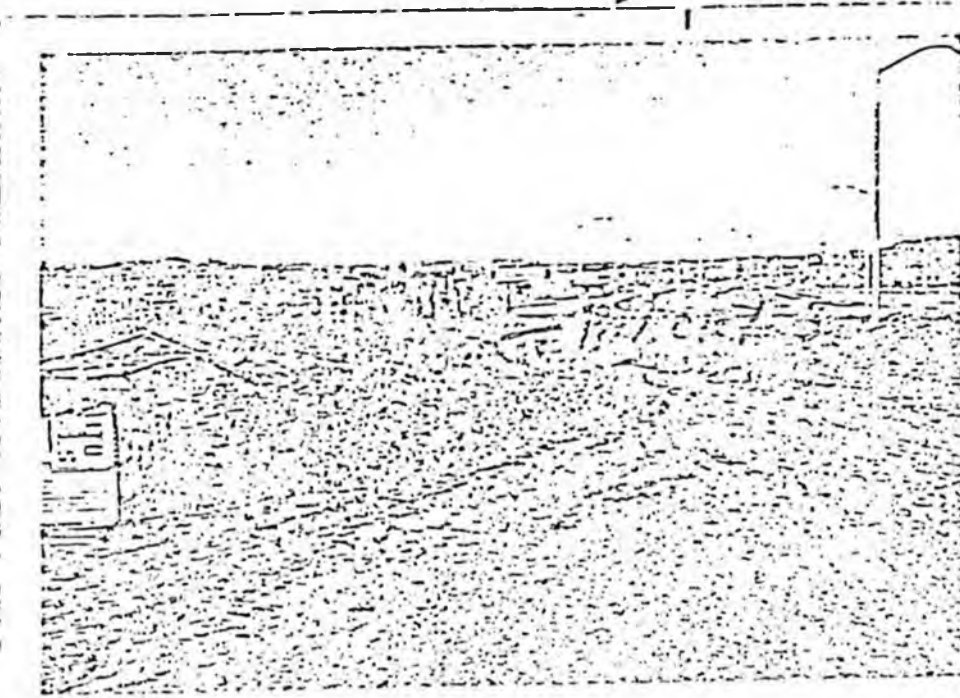
The remaining comparables indicate a fairly tight value range of \$1.05 to \$1.59 PSF.

The appraiser will conclude the estimated value of subject Parcel 3 to be \$1.25 PSF.

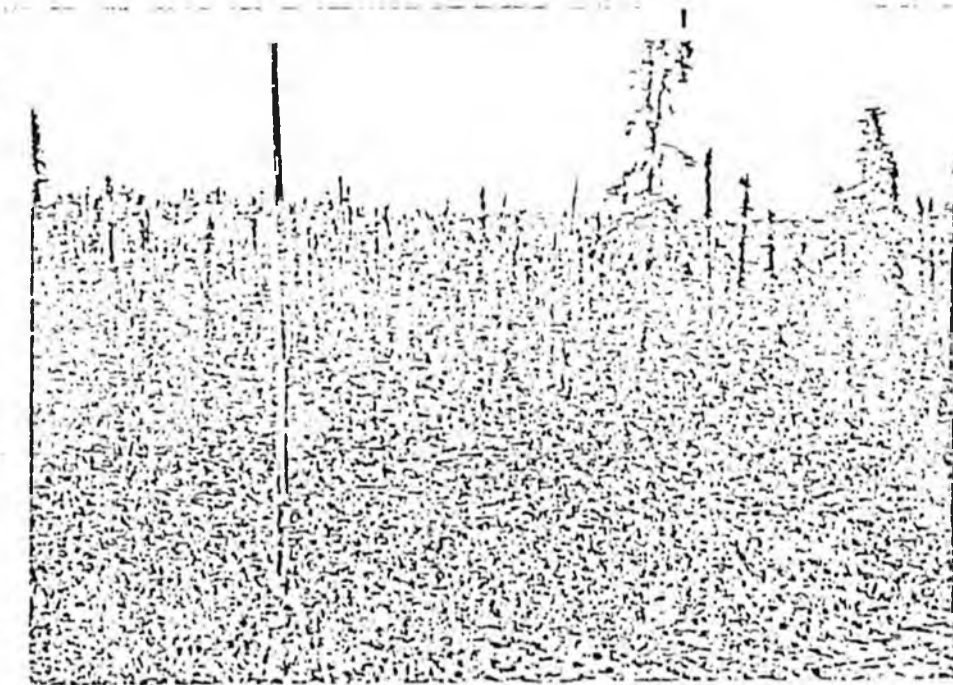
55,757 SF x \$1.25 PSF = Market Value of \$69,696,
rounded to: \$69,500.

SUBJECT PHOTOS

PHASE II



Subject Parcel 3
Facing westerly along
International Airport
Road.



Subject Parcel 3
Head-on view

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

WILLIAM A. EGAN, GOVERNOR

DIVISION OF LANDS

323 E. 4TH AVENUE
ANCHORAGE 99501

August 15, 1974

ADL 2846 - Lease of Alaska Land- Quarterly payments

Bayside Land, Inc.
P.O. Box 308
Bellevue, Wa 98009

Qter of 9-15-75 to 12-15-74 will remain the same
Qter of 12-15-74 to 3-15-75 will reflect the new appraisal, Qterly payments
of \$3,045.00.

Enclosed billing notice is for the rental of your lease. We are presently reappraising the property to determine the adjusted annual rental in accordance with AS 38.05.105 and the provisions of the lease. The current lease rental will apply until such time as you are billed at the new rental rate. This new rate will then remain in effect for the balance of the regular 5-year period of the lease.

Ex-4

1. The sum of \$600,000 is hereby appropriated from the general fund to the Department of Natural Resources to be disbursed to municipalities for the reduction of purchase money obligations due to such municipalities from persons who were formerly the legal or beneficial holders of leaseholds of State lands and can demonstrate to the Department of Natural Resources by written application:

a) That the applicant applied for and received a converted lease from the State of Alaska pursuant to Sec. 12, Ch. 138 SLA 1977 as amended by Sec. 21, ch. 182 SLA 1978 wherein the fair market value used to establish the fixed base annual rent for the initial period was based on an appraisal performed between January 1, 1974 and January 1, 1975, and

b) That the lands subject to the converted lease were subsequently conveyed to a municipality and thereafter sold by a municipality to the applicant which sale created the purchase money obligations to be reduced by these funds, and,

c) That the lease rentals to the State and the municipality and the downpayment and purchase price to the municipality have exceeded what they would have been if Sec. 12, Ch. 138 SLA 1977 as amended had originally referred to fair market values as the parcels were last appraised on or before January 1, 1974 instead of January 1, 1975.

2. The amounts to be disbursed to municipalities under this appropriation and applied to reduction of the applicant's obligation to such municipalities shall be determined by the Department of Natural Resources using its established conversion methods by calculating the difference between the aggregate of the applicant's rental payments to the State and municipality, the down payment and purchase price actually agreed to be paid and the amounts of those payments and obligations as they would have been determined if Sec. 12, Ch. 138 SLA 1977 as amended had referred to appraisals made before January 1, 1974 instead of before January 1, 1975.