

SB

84

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/19/97

FURTHER:

DATE TURNED
IN TO OFFICE: 2-25-97

Finance Committee considered

SENATE BILL NO. 84

ASSETS OF THE UNIVERSITY OF ALASKA

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical change
 - new: SCR# _____

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>Lee Adams</i>	✓		
		<i>Stan R. Hamill</i>	✓		
		<i>Roll E. Steep</i>	✓		
		<i>Steve</i>	✓		
		<i>John Ferguson</i>	✓		
Co-Chair:		Co-Chair:			
Co-Chair: <i>Bob [Signature]</i>		Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
U of A	2/12/97		✓
DOR	2/14/97		✓

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

**STATE OF ALASKA
1997 LEGISLATIVE SESSION**

No. 1

Bill Version: SB94

(S) Publish Date: 2/19/97

Revision Date:
Title: **An act relating to fiscal management of endowment assets
of the University of Alaska**
Sponsor: **Senators Wilken, Sharp**
Requestor:

Department Affected: **University of Alaska**
BRU: **Systemwide**
Component:

COMPONENT SERIAL NO. 1296

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
TOTAL OPERATING	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

CAPITAL						
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REVENUE FD SOURCE						
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FUNDING: (Thousands of Dollars)

1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTIA						
1048 University Receipts	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
TOTAL FUNDING	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

This bill amends the definition of "university receipts" to include receipts attributable to amounts distributed from university endowments. These distributions, which will be transferred from the endowments to the university operating accounts to be used in support of educational programs, are estimated to be approximately \$1,000.0 annually. Any excess authority will lapse at the end of each fiscal year.

Prepared by: Marylou Burton Phone: 463-3086
 Division: Statewide Budget Office Date: 2/12/97
 Approved by: MB Marylou Burton, Director
 Agency: UA Statewide Budget Office Date: 2/12/97

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

Revision Date: _____ Dept. Affected: Revenue
 Title: Assets of the University of Alaska BRU: Revenue Operations
assets of the Univ of Alaska; Component: Treasury
 Sponsor: SENATORS WILKEN, Sharp
 Requestor: (S) HES COMPONENT SERIAL NO. 121

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	26.0	26.0	26.0	26.0	26.0	26.0
1005 GF/Program Receipts						
1001 CBRF						
1048 University of AK receipts	-35.0	-35.0	-35.0	-35.0	-35.0	-35.0
TOTAL	-9.0	-9.0	-9.0	-9.0	-9.0	-9.0

Estimate of any current year (FY97) cost \$ 2.0 per month from effective date

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

The Treasury Division currently manages the University of Alaska Trust Fund. This bill would transfer the \$36.6 million (as of 12/31/96) Trust to the University for management. The division's FY98 budget reflects the Trust Fund as a funding source for a share of the personal service costs and custodial costs of the division. Treasury would still incur these costs. This fiscal note includes the transfer of these costs to general fund funding.

There is also \$9.0 in direct investment management fees and performance measurement consulting fees which are specific to the Trust Fund and will not be incurred by Treasury if the Trust Fund is transferred.

Prepared by: Betty Martin, Comptroller Phone: 465-2350
 Division: Treasury Date: February 14, 1997
 Approved by Commissioner: Ross Kinney, Deputy Commissioner Date: February 14, 1997
 Agency: Department of Revenue

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SENATE BILL NO. 84

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY SENATORS WILKEN, Sharp

Introduced: 2/11/97

Referred: HESS, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to fiscal management of endowment assets of the University of
2 Alaska; amending the definition of 'university receipts' to include distribution from
3 university endowments and the total return from the University of Alaska's
4 endowment trust fund for land obtained under the Act of Congress of
5 January 21, 1929, as amended, and transferring responsibility for management and
6 investment of those assets; and making technical amendments to provisions relating
7 to federal grants and appropriations from federal land grant college fund sources
8 that must be paid to the state."

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

10 * Section 1. AS 14.40.280 is amended to read:

11 Sec. 14.40.280. Endowments and donations. [ALL MONETARY GIFTS,
12 BEQUESTS, OR ENDOWMENTS THAT ARE MADE TO THE UNIVERSITY OF
13 ALASKA FOR THE PURPOSE OF THE SEPARATE TRUST FUND CREATED

1 UNDER AS 14.40.400 SHALL BE TRANSFERRED TO THE DEPARTMENT OF
 2 REVENUE. THE DEPARTMENT OF REVENUE SHALL MANAGE THAT MONEY
 3 IN ACCORDANCE WITH AS 14.40.400.] Title to and control or possession of land,
 4 personal property, [AND ALL] money, and other property that [OTHER THAN
 5 THAT TRANSFERRED TO THE DEPARTMENT OF REVENUE, WHICH] is
 6 devised, bequeathed, or given to the university shall be taken by the university in its
 7 corporate capacity acting by and through the Board of Regents [REGENTS] or an
 8 authorized agent [,] and shall be entered in the perpetual inventory of the university
 9 established in AS 14.40.330.

10 * Sec. 2. AS 14.40.280 is amended by adding new subsections to read:

11 (b) All monetary gifts, bequests, or endowments that are made to the
 12 University of Alaska for the purpose of the separate endowment trust fund established
 13 under AS 14.40.400 shall be deposited into that endowment trust fund.

14 (c) Except as provided by (b) of this section, the monetary gifts, bequests, or
 15 endowments that are made to the University of Alaska shall be managed and invested
 16 by the Board of Regents. In carrying out its management and investment
 17 responsibilities under this subsection, the Board of Regents has the same power and
 18 obligations to carry out duties with respect to the endowments of the University of
 19 Alaska as are provided to and required of the Alaska State Pension Investment Board
 20 under AS 14.25.180.

21 * Sec. 3. AS 14.40.290(a) is amended to read:

22 (a) Federal grants and appropriations paid to the commissioner of revenue
 23 under AS 14.40.380, 14.40.410, or 14.40.430, or from a source described in
 24 AS 14.40.450, shall be transferred to the state treasury under AS 37.10.060 [THE
 25 UNIVERSITY OF ALASKA SHALL HOLD ALL PROPERTY ACQUIRED BY IT].
 26 The Department of Administration, upon requisitions by the Board of Regents signed
 27 by its president and secretary, shall pay to the treasurer of the Board of Regents all
 28 federal land grant college funds coming into the possession of the Department of
 29 Administration and subject to requisition by the Board of Regents and shall disburse
 30 federal funds in aid of land grant colleges in accordance with the federal statute
 31 providing for disbursement.

1 * Sec. 4. AS 14.40.360 is amended to read:

2 **Sec. 14.40.360. Board of Regents authorized to select and to sell or lease**
 3 **land granted by Act of Congress.** The Board of Regents may select the land granted
 4 to Alaska by the Act of Congress approved January 21, 1929, as amended, [AND]
 5 may sell or lease the land, and may deposit the net income as provided in
 6 AS 14.40.400(a) [PROCEEDS IN THE STATE TREASURY] in conformity with that
 7 Act.

8 * Sec. 5. AS 14.40.400(a) is amended to read:

9 (a) The Board of Regents [DEPARTMENT OF REVENUE] shall establish
 10 a separate endowment trust fund in which shall be held in trust in perpetuity

11 (1) all net income derived from the sale or lease of the land granted
 12 under the Act of Congress approved January 21, 1929, as amended; and

13 (2) [IN WHICH] all monetary gifts, bequests, or endowments made to
 14 the University of Alaska for the purpose of the fund [, SHALL BE HELD IN TRUST].

15 * Sec. 6. AS 14.40.400(b) is amended to read:

16 (b) The Board of Regents [COMMISSIONER OF REVENUE] is the fiduciary
 17 of the [TRUST] fund. The Board of Regents [AND] shall account for and invest the
 18 fund. In carrying out its investment responsibilities under this subsection, the
 19 Board of Regents has the same powers and duties with respect to the fund as are
 20 provided to and required of the Alaska State Pension Investment Board under
 21 AS 14.25.180 [AS SET OUT IN AS 37.14.110(c), 37.14.160, AND 37.14.170,
 22 EXCEPT THAT THE COMMISSIONER SHALL REPORT THE CONDITION AND
 23 INVESTMENT PERFORMANCE OF THE FUND TO THE BOARD OF REGENTS].

24 * Sec. 7. AS 14.40.400(c) is amended to read:

25 (c) The total return [NET INCOME] from the [TRUST] fund shall be used
 26 exclusively for the University of Alaska, as the successor under AS 14.40.030 of the
 27 Agricultural College and School of Mines.

28 * Sec. 8. AS 14.40.400(d) is amended to read:

29 (d) The [NO PART OF THE] proceeds arising from the sale or disposal of
 30 land granted under the Act of Congress approved January 21, 1929, as amended,
 31 [THIS GRANT] may not be used for the support of a sectarian or denominational

1 college or school.

2 * Sec. 9. AS 14.40.400 is amended by adding a new subsection to read:

3 (f) In this section,

4 (1) "fund" means the separate endowment trust fund established under
5 (a) of this section;

6 (2) "total return" means the total earning of the fund, including current
7 yield, gains, and capital appreciation, less all costs, expenses, losses, and capital
8 depreciation.

9 * Sec. 10. AS 14.40.491 is amended to read:

10 **Sec. 14.40.491. Definition of university receipts.** In AS 14.40.120 -
11 14.40.491, "university receipts" includes

12 (1) student fees, including tuition;

13 (2) receipts from university auxiliary services;

14 (3) recovery of indirect costs of university activities;

15 (4) receipts from sales and rentals of university property;

16 (5) federal receipts;

17 (6) gifts, grants, and contracts; [AND]

18 (7) receipts from sales, rentals, and the provision of services of
19 educational activities; and

20 (8) receipts attributable to amounts distributed from university
21 endowments established and managed under AS 14.40.280 and from the
22 endowment trust fund established and managed under AS 14.40.400.

23 * Sec. 11. AS 36.30.850(b)(15) is amended to read:

24 (15) a contract that is a delegation, in whole or in part, of investment
25 powers held by

26 (A) the commissioner of revenue under [AS 14.40.400,]
27 AS 14.42.200, 14.42.210, AS 18.56.095, AS 37.10.070, 37.10.071, or
28 AS 37.14;

29 (B) the Board of Regents of the University of Alaska under
30 AS 14.40.250 - 14.40.491;

31 * Sec. 12. AS 37.10.071(d) is amended to read:

1 (d) In exercising investment, custodial, or depository powers or duties under
 2 this section, the fiduciary or the fiduciary's designee is liable for a breach of a duty
 3 that is assigned or delegated under this section, or under AS 14.25.180, AS 14.40.255,
 4 14.40.280(c), 14.40.400(b) [AS 14.40.400(b)], AS 37.10.070, AS 37.14.110(c),
 5 37.14.160, 37.14.170, or AS 39.35.080. However, the fiduciary or the designee is not
 6 liable for a breach of a duty that has been delegated to another person if the delegation
 7 is prudent under the applicable standard of prudence set out in statute or if the duty
 8 is assigned by law to another person, except to the extent that the fiduciary or designee

9 (1) knowingly participates in, or knowingly undertakes to conceal, an
 10 act or omission of another person knowing that the act or omission is a breach of that
 11 person's duties under this chapter;

12 (2) by failure to comply with this section in the administration of
 13 specific responsibilities, enables another person to commit a breach of duty; or

14 (3) has knowledge of a breach of duty by another person, unless the
 15 fiduciary or designee makes reasonable efforts under the circumstances to remedy the
 16 breach.

17 * Sec. 13. AS 14.40.400(e) is repealed.

18 * Sec. 14. UNIVERSITY OF ALASKA ENDOWMENTS AND DONATIONS AND
 19 UNIVERSITY OF ALASKA ENDOWMENT TRUST FUND: TRANSITION. (a) A contract,
 20 right, liability, or obligation in effect on the effective date of this Act remains in effect
 21 notwithstanding the amendments to AS 14.40.280 or 14.40.400 made in secs. 1, 2, 5 - 9, and
 22 13 of this Act.

23 (b) Assets and liabilities of the University of Alaska endowment trust fund established
 24 in AS 14.40.400(a) held by the Department of Revenue on the effective date of this Act shall
 25 be transferred by the Department of Revenue to the University of Alaska to implement this
 26 Act.