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Committee Assignments:

Member:

House Special Committee on Fisheries
House Special Committee on Education
House Transportation Committee
House Judiciary Committee



Dan Ogg
Representative

SPONSOR STATEMENT

House Bill 333

2/03/04

Session:
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"An Act relating to an endowment for public education; and providing for an effective date."

This bill would establish a separate education fund of the state. The principal of the fund would be created by sums transferred to the account by the commissioner of revenue each year. This sum would equal the total receipts derived from the management of state and University of Alaska lands as established in AS14.40.507. In addition, the principal of the fund would be augmented by the allowance of gifts, bequests, and contributions of cash or other assets from individuals. The principal of the fund shall be retained perpetually in the fund for investment. The net income of the fund may be appropriated annually by the legislature.

In essence, the state and the University would be "tenants in common," meaning that, for the intent and purposes of this bill, one percent of the land conveyance to the state under sections 6 (a) and (b) of the Alaska Statehood Act shall be conveyed to the "tenants" upon the effective date of this bill. The tenants would then accumulate one percent of all new amounts paid to the state as proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds, and federal mineral revenue-sharing payments or bonuses from the effective date of this bill.

The rights of management and development of land conveyed under this concept would be retained by the Department of Natural Resources (DNR). However, the heightened fiduciary duty to the University that is usually owed by a managing tenant in common to other tenants in common will not apply. This bill does not require additional consultation or review by the University of DNR's land management decisions.

A new board within the Department of Education and Early Development (EED), entitled the Education Fund Board is established by this bill and would be responsible for administering the funds. The board would be comprised of the President of the University, two current members of the Board of Regents, and two members of the State Board of Education, the commissioner of EED, and three public members.

With the exception of four states, all of the university land grants were settled before the end of the 19th century. Alaska is one of those states. The time has come for Alaska to endow its public education system with a grant of its land. Of all the states, Alaska's Land Grant University is 49th in acreage granted by the state or federal government. The only state university that has less of a land grant is Delaware. This is not a situation of unwillingness on the part of the state or federal government, but a situation of circumstances.

District 36 - Kodiak Island Borough/Lake & Peninsula Borough
Akhiok • Chiniak • Karluk • Kodiak • Larsen Bay • Old Harbor • Ouzinkie • Port Lions
Iguigig • Iliamna • Kokhanok • Levelock • Newhalen • Nondalton • Pedro Bay • Port Alsworth

In 1634, four years after the establishment of the Massachusetts Colony, the colony's founding fathers gave an island as a land grant to Dorchester, one of the colony's towns. Dorchester dedicated the income from the island to fund the first free school in America. Granting lands for funding education has been the case ever since. The Morrill Act of 1862 entitled each state a grant of federal lands the income from which would provide the financial base of operation for at least one college or university. The University of Alaska at Fairbanks is Alaska's Land Grant University.

During the territorial days, land transferred to the University was minimal since a prerequisite to any transfer was that the land had to be surveyed. Since most of Alaska was not surveyed, only about 112,000 acres were transferred before statehood. When Alaska became a state, the federal government granted Alaska 104 million acres. Many assumed the University's land grant would come out of the state lands. Since statehood four attempts have been made by the legislature to grant lands to the University. Legislation to grant lands was vetoed once by Governor Bill Egan and three times by Governor Tony Knowles. The last land grant was Senate Bill 7 of the 21st Legislature, which granted the University 250,000 acres. The veto by Knowles was subsequently overridden by the legislature with a two-third's vote.

The governor then challenged the validity of the veto asserting that the bill was an "appropriation" and required a three-quarter veto override. The legislature challenged the Knowles decision in court. The Alaska Supreme Court's recent decision ruled in favor of the legislature indicating that they had legally overridden Knowles' veto. Unfortunately, the court remanded the case to the state Superior Court to determine if giving state land to the University created an unconstitutionally dedicated fund.

Should the grant be found by the court to be a constitutional dedication, actual revenues going to the University will be a long time coming. In response to a legislator's question on January 22, 2004 inquiring how long before land is developed under Senate Bill 7, the University responded that under the best of circumstances, the University does not expect to make anything off that land for 10 years and it could well be 20 years.

Passage of this bill will accomplish the recession of Senate Bill 7, thus ending the remaining court battle over unconstitutional dedication. It will give the University and public education a land asset without the headache of land management. It will eliminate the lengthy need for selection and separate development and the costs attached thereto. It will develop an income stream from the endowment as soon as new revenues from new developments and new land sales occur. With HB333, the education endowment could begin now, instead of 10 to 20 years from now.

Consider the size of an endowment if 1% had been set aside since statehood. In fiscal year 2003 the cumulative total petroleum revenue from just oil over these intervening years is over \$53 billion. One percent of that figure is \$530 million. That number doesn't take into account that the revenue would have been compounded yearly adding to the principal of that endowment and the subsequent income stream to the University and K-12 education.

If enacted, this bill will affect only 1% of new income from new developed resources or the new sale of state lands. This will not impact existing income streams from resources or land sales. The endowment will build over time, so present and future generations will benefit educationally from our grant land asset.

Conceptual
AMENDMENT

OFFERED IN THE HOUSE SPECIAL COMMITTEE ON EDUCATION

BY REPRESENTATIVE OGG

TO: HB 333() 23-LS0991X

Page 7, line 30:

Insert new applicability section to read:

“* Sec. 7. Receipts as declared in AS 14.40.505 should be considered new receipts that begin with or after the effective date of this act.”

Renumber accordingly.

final note

23-LS0991\X

Bullock

3/8/04

CS FOR HOUSE BILL NO. 333()**IN THE LEGISLATURE OF THE STATE OF ALASKA****TWENTY-THIRD LEGISLATURE - SECOND SESSION****BY****Offered:****Referred:****Sponsor(s): REPRESENTATIVES OGG, COGHILL AND HOLM, Wilson****A BILL****FOR AN ACT ENTITLED**

1 "An Act relating to an endowment for public education and the University of Alaska;
2 relating to university land; establishing a trust fund for public education; and providing
3 for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. AS 14.40.170(a) is amended to read:

6 (a) The Board of Regents shall

7 (1) appoint the president of the university by a majority vote of the
8 whole board, and the president may attend meetings of the board;

9 (2) fix the compensation of the president of the university, all heads of
10 departments, professors, teachers, instructors, and other officers;

11 (3) confer such appropriate degrees as it may determine and prescribe;

12 (4) except as provided under AS 14.40.507, have the care, control,
13 and management of

14 (A) all the real and personal property of the university; and

1 (B) land

2 [(i)] conveyed to the Board of Regents by the
3 commissioner of natural resources in the settlement of the claim of the
4 University of Alaska to land granted to the state in accordance with the
5 Act of March 4, 1915 (38 Stat. 1214), as amended, and in accordance
6 with the Act of January 21, 1929 (45 Stat. 1091), as amended; [AND

7 (ii) SELECTED BY THE UNIVERSITY OF ALASKA
8 AND CONVEYED TO IT BY THE COMMISSIONER OF
9 NATURAL RESOURCES UNDER AS 14.40.365;]

10 (5) keep a correct and easily understood record of the minutes of every
11 meeting and all acts done by it in pursuance of its duties;

12 (6) under procedures to be established by the commissioner of
13 administration, and in accordance with existing procedures for other state agencies,
14 have the care, control, and management of all money of the university and keep a
15 complete record of all money received and disbursed;

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

18 (8) provide public notice of sales, leases, exchanges, and transfers of
19 the land of the university or of interests in land of the university;

20 (9) administer, manage, market, and promote a postsecondary
21 education savings program, including the Alaska Higher Education Savings Trust
22 under AS 14.40.802 and the Alaska advance college tuition savings fund under
23 AS 14.40.803 - 14.40.817.

24 * Sec. 2. AS 14.40.291(a) is amended to read:

25 (a) Notwithstanding any other provision of law, university-grant land, state
26 replacement land that becomes university-grant land on conveyance to the university,
27 [LAND SELECTED BY AND CONVEYED TO THE UNIVERSITY OF ALASKA
28 UNDER AS 14.40.365,] and any other land owned by the University of Alaska,
29 except for land transferred under AS 14.40.507, is not and may not be treated as
30 state public domain land. [LAND CONVEYED TO THE UNIVERSITY OF
31 ALASKA UNDER AS 14.40.365 SHALL BE MANAGED UNDER AS 14.40.365 -

1 14.40.368 AND POLICIES OF THE BOARD OF REGENTS OF THE UNIVERSITY
2 OF ALASKA.]

3 * Sec. 3. AS 14.40.400(a) is amended to read:

4 (a) The Board of Regents shall establish a separate endowment trust fund in
5 which shall be held in trust in perpetuity all

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

8 (2) receipts transferred to the fund under AS 14.40.505 [NET
9 INCOME DERIVED FROM THE SALE, LEASE, OR MANAGEMENT OF THE
10 LAND SELECTED BY AND CONVEYED TO THE UNIVERSITY OF ALASKA
11 UNDER AS 14.40.365]; and

12 (3) monetary gifts, bequests, or endowments made to the University of
13 Alaska for the purpose of the fund.

14 * Sec. 4. AS 14.40 is amended by adding new sections to read:

15 Sec. 14.40.495. Education trust and education trust fund established. (a)
16 The education trust and education trust fund are established as a trust and a separate
17 education trust fund of the state.

18 (b) The education trust corpus is composed of the undivided interest in lands
19 conveyed to it under AS 14.40.507.

20 (c) The principal of the education trust fund consists of

21 (1) sums transferred to the fund under AS 14.40.505; and

22 (2) gifts, bequests, and contributions of cash or other assets from a
23 person.

24 (d) The amount available for appropriation from the education trust fund shall
25 be calculated by the commissioner of revenue under AS 14.40.503.

26 Sec. 14.40.497. Powers and duties of the commissioner of revenue. The
27 commissioner of revenue is the treasurer of the education trust fund and has the power
28 and duty, subject to the oversight of the Education Trust Fund Board under
29 AS 14.40.501, to

30 (1) act as official custodian of the cash and investments belonging to
31 the education trust fund by securing adequate and safe custodial facilities;

1 (2) receive all items of cash and investments belonging to the
2 education trust fund;

3 (3) collect the principal and income from investments owned or
4 acquired by the education trust fund and deposit the amounts in the education trust
5 fund;

6 (4) invest and reinvest the assets of the education trust fund as
7 provided in this section and as provided for the investment of funds under
8 AS 37.14.170;

9 (5) exercise the powers of an owner with respect to the assets of the
10 education trust fund;

11 (6) maintain accounting records of the education trust fund in
12 accordance with investment accounting principles and AS 14.40.503;

13 (7) engage an independent firm of certified public accountants to
14 annually audit the financial condition of the education trust fund's investments and
15 investment transactions;

16 (8) enter into and enforce contracts or agreements considered
17 necessary for the investment purposes of the education trust fund;

18 (9) report to the board the condition and investment performance of the
19 education trust fund; and

20 (10) do all acts, whether or not expressly authorized, that the
21 commissioner of revenue considers necessary or proper in administering the assets of
22 the education trust fund.

23 **Sec. 14.40.499. Administration of the education trust fund; Education**
24 **Trust Fund Board established.** (a) The education trust fund shall be administered
25 by the Education Trust Fund Board.

26 (b) The Education Trust Fund Board is established in the Department of
27 Education and Early Development. The board is composed of

28 (1) two members of the State Board of Education and Early
29 Development, selected by the president of the board;

30 (2) the commissioner of education and early development or the
31 commissioner's designee; and

1 (3) two public members appointed by the governor; in appointing the
2 public members, the governor shall give a preference to persons who have experience
3 and expertise in education.

4 (c) Each public member of the board is appointed for a term of four years, and
5 may be reappointed.

6 (d) Members of the board are entitled to per diem and travel allowances as
7 provided by law for members of state boards and commissions.

8 **Sec. 14.40.501. Powers and duties of the Education Trust Fund Board.**
9 When acting as administrator of the education trust fund, the Education Trust Fund
10 Board shall

11 (1) hold regular and special meetings it considers necessary; the board
12 may hold meetings by teleconference;

13 (2) keep audio tape recordings of each meeting of the board to be made
14 available on request; and

15 (3) oversee the administration of the education trust fund by the
16 commissioner of revenue;

17 (4) submit to the governor and make available to the legislature by
18 February 1 each year a report describing the annual level of contributions to, income
19 of, and expenses of the education trust fund.

20 **Sec. 14.40.503. Use of education trust fund; percentage of market value.**
21 Up to five percent of the market value of the education trust fund, as established under
22 AS 14.40.495, may be annually appropriated by the legislature equally for the support
23 of public elementary and secondary education.

24 **Sec. 14.40.505. Funding from education trust and university lands.** By
25 November 15 of each year, the commissioner of revenue shall transfer to the principal
26 of the education trust fund created in AS 14.40.495 and to the University of Alaska
27 endowment trust fund created in AS 14.40.400 equal shares of a sum equal to the total
28 receipts derived from the management of state and University of Alaska land
29 described under AS 14.40.507, including amounts paid to the state as proceeds of sale
30 or annual rent of surface rights, mineral lease rentals, royalties, or royalty sale
31 proceeds from the previous fiscal year.

1 **Sec. 14.40.507. Education trust and university land endowment.** The
2 commissioner of natural resources shall separately convey to the University of Alaska
3 and the education trust created under AS 14.40.495, as tenants in common, an
4 undivided two percent interest in all lands conveyed under secs. 6(a) and 6(b), Alaska
5 Statehood Act (P.L. 85-508, 72 Stat. 339), which constitutes the education trust and
6 university land endowment. Notwithstanding the transfer of ownership, the rights of
7 management and development of land conveyed under this section shall be retained by
8 the Department of Natural Resources. The Department of Natural Resources,
9 however, does not owe a heightened fiduciary duty to the University of Alaska or the
10 education trust as a result of the management and development of land under this
11 section.

12 **Sec. 14.40.509. Definitions.** In AS 14.40.495 - 14.40.509,

13 (1) "board" means the Education Trust Fund Board;

14 (2) "fund" means the education trust fund established in AS 14.40.495.

15 * **Sec. 5.** AS 29.45.030(a) is amended to read:

16 (a) The following property is exempt from general taxation:

17 (1) municipal property, including property held by a public corporation
18 of a municipality, state property, property of the University of Alaska, or land that is
19 in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-
20 830, 70 Stat. 709, except that

21 (A) a private leasehold, contract, or other interest in the
22 property is taxable to the extent of the interest; however, an interest created by
23 a nonexclusive use agreement between the Alaska Industrial Development and
24 Export Authority and a user of an integrated transportation and port facility
25 owned by the authority and initially placed in service before January 1, 1999,
26 is taxable only to the extent of, and for the value associated with, those specific
27 improvements used for lodging purposes;

28 (B) notwithstanding any other provision of law, property
29 acquired by an agency, corporation, or other entity of the state through
30 foreclosure or deed in lieu of foreclosure and retained as an investment of a
31 state entity is taxable; this subparagraph does not apply to federal land granted

1 to the University of Alaska under AS 14.40.380 or 14.40.390, to other land
2 granted to the university by the state to replace land that had been granted
3 under AS 14.40.380 or 14.40.390, or to land conveyed by the state to the
4 university under AS 14.40.507 [AS 14.40.365];

5 (C) an ownership interest of a municipality in real property
6 located outside the municipality acquired after December 31, 1990, is taxable
7 by another municipality; however, a borough may not tax an interest in real
8 property located in the borough and owned by a city in that borough;

9 (2) household furniture and personal effects of members of a
10 household;

11 (3) property used exclusively for nonprofit religious, charitable,
12 cemetery, hospital, or educational purposes;

13 (4) property of a nonbusiness organization composed entirely of
14 persons with 90 days or more of active service in the armed forces of the United States
15 whose conditions of service and separation were other than dishonorable, or the
16 property of an auxiliary of that organization;

17 (5) money on deposit;

18 (6) the real property of certain residents of the state to the extent and
19 subject to the conditions provided in (e) of this section;

20 (7) real property or an interest in real property that is exempt from
21 taxation under 43 U.S.C. 1620(d), as amended;

22 (8) property of a political subdivision, agency, corporation, or other
23 entity of the United States to the extent required by federal law; except that a private
24 leasehold, contract, or other interest in the property is taxable to the extent of that
25 interest;

26 (9) natural resources in place including coal, ore bodies, mineral
27 deposits, and other proven and unproven deposits of valuable materials laid down by
28 natural processes, unharvested aquatic plants and animals, and timber.

29 * Sec. 6. AS 14.40.365, 14.40.366, 14.40.368, and 14.40.461 are repealed.

30 * Sec. 7. The uncoded law of the State of Alaska is amended by adding a new section to
31 read:

- 1 INITIAL TERMS OF PUBLIC MEMBERS. Of the two public members first
2 appointed under AS 14.40.499(b)(3), added by sec. 4 of this Act,
3 (1) one person shall serve a term of two years; and
4 (2) one person shall serve a term of four years.
5 * Sec. 8. This Act takes effect July 1, 2004.

Subject: Rep. Ogg's request - spreadsheet, States Land Grant stat.s comparison

Date: Thu, 11 Mar 2004 18:14:09 -0900

From: Joseph Beedle <joseph.beedle@alaska.edu>

To: Cliff Stone <Cliff_Stone@legis.state.ak.us>

CC: Pete Kelly <pete.kelly@alaska.edu>, Pat Pitney <pat.pitney@alaska.edu>,
Mari Montgomery <mari.montgomery@alaska.edu>,
"Greene, Meg" <meg.greene@alaska.edu>

Regarding the attached list, Alaska is last, with grant land only representing approximately one tenth of one percent of our state's land grant total going to our university. Only Delaware received less at 90,000 acres compared to UA's 112,000. If UA received the average percentage of all states (5.09% of state land grant total) we would have been awarded 5 million acres. In nominal terms, New Mexico received 1,346,546 acres and Oklahoma received 1,050,000 acres, etc. Some State's like Texas added much more acres to their university land grant from state lands.

Representative Ogg also asked for some other state examples of Land Grant Trusts for Education:

In Texas, the state added to their federal land grant. They created the Permanent University Fund (PUF) with 2,109,190 total acres with mineral receipts converted to investments equaling \$8 billion today. They pay out on a POMV basis 1/3 to A&M System and 2/3 to UT System.

For examples of states that favored K-12, like Arizona, their State Trust Land is distinguished from public lands (parks, forests, etc.). The Common Schools (K-12) are the largest beneficiary owning approximately 87% of the land and receiving close to 90% of the revenue. Their current permanent fund balance is \$1.1 billion.

In New Mexico, their Land Grant Permanent Fund (from royalties on State Lands and Income from Land Sales) is \$6.7 billion (\$11 billion with severance tax account) with \$300+ million annually distributed to public schools and 19 other specifically identified state institutions on POMV basis. K-12 receives about 82%, post secondary schools receive about \$10 million per year. Under New Mexico's Constitution, the State Land Office is responsible for administering 9 million acres of surface lands and 13 million acres of mineral rights for its beneficiaries. Each acre is designated to a specific beneficiary, with the state's public schools receiving about 82 percent of the total.

In Washington State, "Common School" (K-12) received 2.4 million acres, separate from the University Land Grant of 336,000 acres. Recognizing that UW & WSU systems received extremely valuable urban land.

Please note that the attached file does not include federal acres transferred for "common schools" (K-12) nor does the schedule include state grant of land to their universities. Therefore, I would argue that 2% each to K-12 and UA is extremely minimal when compared to other states!

Rep. Ogg's request - spreadsheet, States Land Grant stat.s comparison

Let me know if you need additional information.

I understand that your next hearing on HB333 is Tuesday, March 16 at 11 a.m. Please confirm that time and let me know how I can call in to listen and testify if necessary.

Joe Beedle
UA VP Finance

UNIVERSITY LAND GRANTS (IN ACRES)

State	University Land Grant	State Land Grant	% of Total Grant to State
New York	990,000	990,000	100.00%
Pennsylvania	780,000	780,000	100.00%
Massachusetts	360,000	360,000	100.00%
Tennessee	300,000	300,000	100.00%
Virginia	300,000	300,000	100.00%
Georgia	270,000	270,000	100.00%
North Carolina	270,000	270,000	100.00%
Maine	210,000	210,000	100.00%
Maryland	210,000	210,000	100.00%
New Jersey	210,000	210,000	100.00%
Connecticut	180,000	180,000	100.00%
South Carolina	180,000	180,000	100.00%
Texas	180,000	180,000	100.00%
New Hampshire	150,000	150,000	100.00%
Vermont	150,000	150,000	100.00%
West Virginia	150,000	150,000	100.00%
Rhode Island	120,000	120,000	100.00%
Delaware	90,000	90,000	100.00%
Kentucky	330,000	354,607	93.06%
Oklahoma	1,050,000	3,095,760	33.92%
Ohio	699,120	2,758,862	25.34%
Washington	336,080	3,044,471	11.04%
Indiana	436,080	4,040,518	10.79%
South Dakota	366,080	3,435,373	10.66%
North Dakota	336,080	3,163,552	10.62%
New Mexico	1,346,546	12,794,718	10.52%
Idaho	386,686	4,254,448	9.09%
Illinois	526,080	6,234,655	8.44%
Arizona	849,197	10,543,753	8.05%
Alabama	383,785	5,006,883	7.67%
Utah	556,141	7,501,737	7.41%
Montana	388,721	5,963,338	6.52%
Mississippi	348,240	6,097,997	5.71%
Missouri	376,080	7,417,022	5.07%
Nevada	136,080	2,725,226	4.99%
Nebraska	136,080	3,458,711	3.93%
Iowa	286,080	8,061,262	3.55%
Wisconsin	332,160	10,179,804	3.26%
Wyoming	136,080	4,342,520	3.13%
Colorado	138,040	4,471,604	3.09%
Michigan	286,080	12,142,846	2.36%
Louisiana	256,292	11,441,343	2.24%
California	196,080	8,825,508	2.22%
Kansas	151,270	7,794,669	1.94%
Oregon	136,165	7,032,847	1.94%
Arkansas	196,080	11,936,834	1.64%
Minnesota	212,160	16,422,051	1.29%
Florida	182,160	24,214,366	0.75%
Alaska	112,064	104,569,251	0.11%

Alaska = Florida

784,269

104,569,251

0.75%

Alaska = Average

5,322,575

104,569,251

5.09%

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB333-DNR-LSME-03-02-0
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Endowment for public education RDU Resource Development
Component Title Acquisition & Defense
Sponsor Rep. OGG
Requester (H) RES Component No. 2459

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	327.0	327.0	152.5	152.5	152.5	152.5
Travel	34.5	34.5	10.0	10.0	10.0	10.0
Contractual	58.8	58.8	20.0	20.0	20.0	20.0
Supplies	27.5	27.5	10.0	10.0	10.0	10.0
Equipment	12.0	12.0	5.0	5.0	5.0	5.0
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	459.8	459.8	197.5	197.5	197.5	197.5

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	459.8	459.8	197.5	197.5	197.5	197.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	459.8	459.8	197.5	197.5	197.5	197.5

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time	5	5	2	2	2	2
Part-time	1	1	2	2	2	2
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note is the minimum necessary for DNR to identify and convey land to the University of Alaska and State of Alaska. Costs could be higher depending on what lands are selected and the level of controversy relating to individual parcels. Most costs for the conveyance work must come from state funds.

HB 333 appears to be intended as a revenue bill but is in fact it is a lands bill as written. Should the bill be amended to eliminate the conveyance requirement and implement strictly the fiscal intent then the expenditures identified on this fiscal note will revert to zero(0).

It is impossible at this point to determine the negative revenue impact to the state's general fund. It could range from the state's entire revenue base (if all of Prudhoe Bay oil fields were conveyed) to nearly zero (if only lands in the Kuskokwim Flats area were conveyed).

Prepared by: Bob Loeffler, Director Phone 269-8600
Division Mining, Land and Water Date/Time 3/2/04
Approved by: Thomas Irwin, Commissioner Date 3/2/04
Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA 2004 LEGISLATIVE SESSION

BILL NO. HB333-DNR-LSME-03-02-04

ANALYSIS CONTINUATION

As written, this legislation requires the department to convey to itself and to the University of Alaska, as tenants in common, one (1) percent of all land conveyed to the state under the Alaska Statehood Act. These lands would include general grant lands, Community Grant Lands and National Forest Service Grant lands. To date 88.6 million acres out of the original 102.5 million acre entitlement have been conveyed to the state, one percent of these lands would be about 886,000 acres. Future conveyances to the state under the statehood act would also be subject to this requirement. Under the provisions of the bill the department would maintain the responsibility of managing the lands.

The bill requires that all the earnings derived from the management of these lands be annually deposited into a new Education Fund, for the benefit of the university.

The bill does not designate which lands are to be conveyed nor does it include a method or establish standards by which the department and the university would select these lands.

It is impossible to project how much revenue these conveyances will generate for the University, and will be lost to the state, without knowing exactly what lands will be transferred. However, it can be assumed the University will desire to select the most valuable parcels it can find. The effect is to divert a significant revenue stream out of the general fund, where it would have been available for those public purposes the Legislature deemed most important in a given year, into the newly established Education Fund for strictly university purposes. Also, by removing the most valuable parcels from the state's asset base, the bill reduces one of the most important incentives for local government to incorporate: the opportunity to select top-quality commercial, residential, and industrial land for municipal ownership under AS 29.65.

In developing this fiscal note certain assumptions were made concerning the methods by which this legislation would be implemented;

- DNR would be required to work with the university to determine which lands would be selected. This would include selections from the state's unencumbered current holdings and ongoing conveyances over the next 5 to 50 years as lands are acquired from the federal government.
- Any lands that may be conveyed would need to undergo title review to identify encumbrances and conflicts, develop legal descriptions and prepare conveyance documents.
- No additional survey work would be required as long as lands are conveyed by existing surveys, or aliquot part descriptions, or in their entirety as received by DNR.
- Land records systems would have to be modified and records updated to note ownership change and to track transactions and management of the land.
- All land management decisions would be reviewed through the University's lands department under a model similar to that employed in the interim Mental Health Trust Settlement management scheme.

Cost for Section AS 14.40.507 The new program requires selection and conveyance of a large amount of acreage initially with annual management of all properties and additional conveyances of future lands ongoing as the statehood entitlement is completed.

DNR estimates that the initial identification and conveyance portion of the program will require the following staff for two years:

- 1 NRM I - @\$66.0 = \$66.0
- 1 NRS II - @\$58.0 = \$58.0
- 1 NRS I - @\$52.0 = \$52.0
- 1/2 Land Survey Assistant II - @\$58.0/year = \$29.0
- 1 Cartographer II - @\$56.0 = \$56.0
- 1 Analyst programmer - @\$66.0 = \$66.0

This additional staff would require \$6,000 per position or \$36,000 for office space, \$3,000 per person or \$18,000 for space set up costs. These new positions would also require \$4,800 for phone services and \$12,000 for computer equipment, approximately \$34.5 for travel to the field and liaison work with UA land staff within the state, and \$27.5 is estimated annually for supplies.

Ongoing management of Education Fund lands and management of future conveyance efforts will require the following staff:

- 1 NRM I - @\$65.6 = \$66.0
- 1 NRS II - @\$58.0 = \$58.0
- 1/4 Land Survey Assistant II - @\$58.0 = \$14.5
- 1/4 Cartographer II - @\$56.0 = \$14.0

FISCAL NOTE

**STATE OF ALASKA
2004 LEGISLATIVE SESSION**

BILL NO. HB333-DNR-LSME-03-02-0

ANALYSIS CONTINUATION

This staff is required to be maintained in addition to existing staff because DNR must consult with and receive concurrence from UA for all land authorizations and also must continue to convey a one percent portion of all new lands conveyed by the feds under 6(a) and (b) of the Statehood Act.

Support costs would include expenses for travel, contractual supply and equipment expenses.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 333
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Education & Early Development
 Title "An Act relating to an endowment for public RDU Education Support Services
education; and providing for an effective date." Component Executive Administration
 Sponsor Representative Ogg
 Requester House Special Committee on Education Component No. 2736

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel	2.6	2.6	2.6	2.6	2.6	2.6
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	2.6	2.6	2.6	2.6	2.6	2.6

CAPITAL EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	2.6	2.6	2.6	2.6	2.6	2.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	2.6	2.6	2.6	2.6	2.6	2.6

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Cost estimates are based on a one-day meeting in Anchorage per year, with two Anchorage based participants, two Fairbanks based participants and two Juneau based participants. Assumptions used include 21-day advance notice and ticket purchase, off season hotel rates and no meeting room costs.

Prepared by: Eddy Jeans, School Finance Manager Phone 465-8679
 Division Education Support Services Date/Time 3/2/04 2:01 PM
 Approved by: _____ Date 3/2/2004
 Agency Education & Early Development

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB333
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Public School Endowment RDU Revenue Programs & Services
 Component Treasury Management
 Sponsor Representative Ogg
 Requester House Education Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual	45.0	90.0	135.0	180.0	225.0	270.0
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Debt Service		0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	45.0	90.0	135.0	180.0	225.0	270.0

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	45.0	90.0	135.0	180.0	225.0	270.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	45.0	90.0	135.0	180.0	225.0	270.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

For purposes of this fiscal note the endowment fund established with CSHB333 is assumed to accumulate \$10 million per year net of any appropriations. The cost of managing that amount is 45 basis points as shown above. The cost for amounts over \$10 million would drop to 16 basis points. The bill provides for separate principal and income accounts; the assumption is that this would not be necessary. The bill does not provide for money management fees; the assumption is that they would be provided from the fund. The bill provides for unspecified education fund board costs; the assumption is that those would come from DEED.

Our understanding is that fund income will become better defined as more about the bill becomes known.

Prepared by: Tom Boutin, Deputy Commissioner Phone 465-3750
 Division Treasury Division Date/Time 3/01/04, 4 PM
 Approved by: Landa Baily, Special Assistant Date 3/1/2004
 Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____

Bill Version: HB333 (version1)

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Title PUBLIC SCHOOL ENDOWMENT

Dept. Affected: UA

BRU _____

Component _____

Sponsor OGG, COGHILL, HOLM, Wilson

Requester _____

Component No. _____

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous	0.0	5.0	15.0	30.0	50.0	75.0
TOTAL OPERATING	0.0	5.0	15.0	30.0	50.0	75.0

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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (UA Receipts)	0.0	5.0	15.0	30.0	50.0	75.0
TOTAL	0.0	5.0	15.0	30.0	50.0	75.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

In the short term (6 years) this bill would provide very little operating revenue, due to the fact that the funding resulting from this bill is deposited into UA's Land Grant Trust Fund (LGTF, an endowment that has a payout policy similar to the POMV principles i.e. 5% of the prior five year endowment average), however in the long term, after substantial additions to the LGTF endowment UA can see modest operating revenue. In FY11 (yr7) UA would have \$100,000 of operating revenue and by FY14 (yr10) revenue would be \$175K - these figures are based on the following assumptions: 1) DNR does all the land development and transfers only the resulting funding, 2) DNR returns \$100 Million in eligible revenue, of which 3) UA deposits 0.5% (50% of the 1% for education) into its LGTF. Given assumption (1) above, the land development responsibility resides entirely with DNR, therefore the resulting operating revenue is available for UA priority programs. The spreadsheet in the attached worksheet labeled HB333 comparison and titled "HB333 comparison of version one and version two," shows the annual estimates FY05-FY14.

Prepared by: Pat Pitney
 Division: University of Alaska
 Approved by: Pat Pitney
 Agency: University of Alaska

Phone 474-5889
 Date/Time 3/15/04 3:38 PM
 Date 3/15/2004