APPENDIX AE

History of the University of Alaska Endowment Trust Fund

On April 11, 1997, the Governor signed into law an amendment to the statutes governing this trust fund that replaces the Commissioner as the fiduciary of this trust with the Board of Regents of the University of Alaska. The University is now responsible for the management of this trust.

The University of Alaska Endowment Trust Fund is a non-expendable trust the income of which, under federal law, is dedicated to the benefit of the University of Alaska as the successor of the Agricultural College and the School of Mines. The market value of the principal of the Trust was $35,900,000 on January 1, 1997. Until the Spring of 1997, the Commissioner of Revenue (or the Commissioner’s Territorial predecessor) was the fiduciary of this trust fund. In the Spring of 1997, the Legislature transferred the fiduciary responsibility for this fund to the University Board of Regents.

The University of Alaska Endowment Trust Fund was created by the same Act of Congress that created the Public School Permanent Fund described in Section XII(D) of this publication. The March 4, 1915 Act of Congress that reserved sections 16 and 36 in each surveyed township in the Territory of Alaska for the support of schools in the Territory also reserved, under the same terms and conditions as the school lands, section 33 of each surveyed township in the Tanana Valley (defined as the land bounded by parallels 64 and 65 North latitude and by meridians 145 and 152 West longitude) for the support of a yet-to-be established Territorial agricultural college and school of mines. Section 1 of the 1915 Act of Congress required that the income from both the school lands and the college lands be invested in permanent funds in the Territorial treasury.

Section 2 of this same 1915 Act also reserved four sections of land in Fairbanks as a site for an agricultural college and school of mines. Act of March 4, 1915, Ch. 181, 38 Stat. 1214 (1915).

In 1917, the Territorial Legislature established the legislative framework for the Alaska Agricultural College and School of Mines. Ch. 62 SLA 1917. In order for the Territory to take title to the lands that the Congress had reserved for the benefit of an agricultural college and school of mines and to receive the Territory's share of certain funds Congress had dedicated for such colleges, federal law required the Territorial Legislature to formally accept the Congressional offer of land and money. The Territorial Legislature accepted these offers during the 1917 legislative session. Ch. 34 SLA 1917.

In 1919, the Territorial Legislature established procedures for leasing the Section 33 Tanana Valley land. Ch. 34 SLA 1919. Contemporaneously, arrangements were made for the Territorial Treasurer to receive the revenue from the reserved sections of the Tanana Valley land. By 1922, $39.50 had accumulated in the Agricultural College and School of Mines Permanent Fund.

In 1929, the Congress enlarged the land grant to the Alaska Agricultural College and School of Mines by granting the Territory the right to select an additional 100,000 acres of vacant non-mineral surveyed unreserved federal public land for the exclusive use and benefit of the college. Act of January 21, 1929, Ch. 92, 45 Stat. 1091 (1929). Section 6 of the 1929 Act required the Territory to establish a separate permanent fund in the Territorial treasury to receive the money derived from this land. Further, Section 6 of the Act required that all of the money in the fund be "invested in safe interest-bearing securities, which securities shall be approved by the Governor and Secretary of State of the Territory."

Three months after the Congress granted the Territory of Alaska the right to select the additional 100,000 acres of non-mineral public land for the college, the Territorial Legislature authorized the Board of Trustees of the College of Agriculture and School of Mines to select the land. Ch. 34 SLA 1929. The same legislation required the Territorial Treasurer to establish a separate fund in which all money derived from the sale or lease of the college lands was to be deposited and invested as specified under the provisions of section 6 of the Congressional Act.

In 1935, the Territorial Legislature rewrote the legislation pertaining to the Alaska College of Agriculture and School of Mines by establishing the University of Alaska. Ch. 49 SLA 1935. The University, which included the College of Agriculture and School of Mines, was to be governed by a Board of Regents. The Regents were authorized to exercise the 100,000 acre selection right granted by the 1929 Congressional Act and "cover the proceeds" to the Territorial treasury. The Territorial Treasury was then obligated to follow the investment practices prescribed in section 6 of the 1929 Act. By 1941, the funds in the University of Alaska Permanent Fund totaled $167.50.

When Alaska entered the Union in early 1959, the University's right under the 1915 Act to the section 33's in the Tanana Valley was limited to those townships that had been surveyed up to that time. Had all the designated land been surveyed, the University would have received over 250,000 acres in the Tanana Valley. Because the required surveys had proceeded so slowly, the University received less than 9,000 acres from the Section 33 Tanana Valley reservation. The University's right to complete its selection of 100,000 acres under the 1929 Act continued.

In 1966, Congress repealed section 6 of the 1929 Act, thus removing the federal requirement that the fund be invested in “safe interest-bearing securities... approved by the Governor.” Act of September 19, 1966, Ch. 588, 80 Stat. 811 (1966). However, the next year, the Alaska Legislature amended the Alaska statute pertinent to this fund (codified in 1962 as AS 14.40.400) to impose an almost identical restriction as a matter of State law. § 2 Ch. 68 SLA 1967. AS 14.40.400(b), after the 1967 amendment, provided:

> The trust fund shall be invested in interest-bearing securities as approved by the governor.

In 1978, the legislation that replaced the 180,000 acres school-land trust with a dedication of one half of one percent (.5%) of State land revenue (Ch. 182 SLA 1978) made the same arrangement available to the University of Alaska. The University Regents were given the option to surrender the 100,000 acres they had selected under the 1929 Congressional Act together with the section 33’s the University had received in the Tanana Valley under the 1915 Congressional Act in exchange for a dedication of one half of one percent (0.5%) of State land revenue. The Board of Regents decided to retain the land rather than accept the revenue dedication.

As with the Public School Trust, the 1988 comprehensive revision of the statutes governing State investments (Ch. 141 SLA 1988) changed considerably the charter of the University of Alaska Trust Fund by: 1) establishing the Fund as an endowment trust; 2) repealing the provision limiting investments of the Fund to “safe interest-bearing securities;” 3) subjecting the Trust to the Prudent Investor Rule and; 4) making the Commissioner of Revenue the fiduciary of the Trust and specifying the Commissioner’s duties accordingly. AS 14.40.400. The governing statutes, as they existed in early 1997, are set forth in Appendix AG.

During several legislative sessions in the 1990's, legislation has been proposed to transfer the fiduciary responsibility for this trust from the Commissioner of Revenue to the Board of Regents of the University. Such legislation passed the Legislature in 1996 but was vetoed by the Governor.[1] In 1997, similar legislation was finally enacted. A copy of the 1997 legislation is set forth in Appendix AG.

The Department of Revenue financial statement dated June 30, 1974 reflects that the balance in the Trust on that date was $2.3 million. At the time the University was given the chance to substitute a dedicated fund for the land in 1978, the balance was $2.8 million. And by June 30, 1981, that balance had grown to $5.3 million.

Contributions to the Trust principal over the years 1989-1996 have been:

Year	$ $ (millions)
1989	1.2
1990	1.1
1991	1.5
1992	2.3
1993	2.2
1994	6.5
1995	2.6
1996	1.4

Over the same time period, payments of Trust income to the University have been:

Year	$ $ (millions)
1989	1.1
1990	1.1
1991	1.2
1992	1.0
1993	1.3
1994	1.1

[1] The Governor had no objection to the transfer of the Trust. He vetoed the bill on the basis of collateral issues raised by the legislation.

1995	2.1
1996	2.4

The statutes formerly applicable to the Trust required that Treasury account for the Fund in a manner that distinguished between "principal" and "income." Treasury achieved that objective by establishing a "principal account" and an "income account" for the Fund. The principal was to be preserved; the income could be spent. AS 37.14.110 provided that income included only interest and dividends; capital gains and losses remained with the principal. AS 37.14.140 required Treasury to invest the income held in the income account until it was expended. All of these particular requirements were abolished when the fiduciary responsibility for the Trust was transferred to the Board of Regents in FY 97.