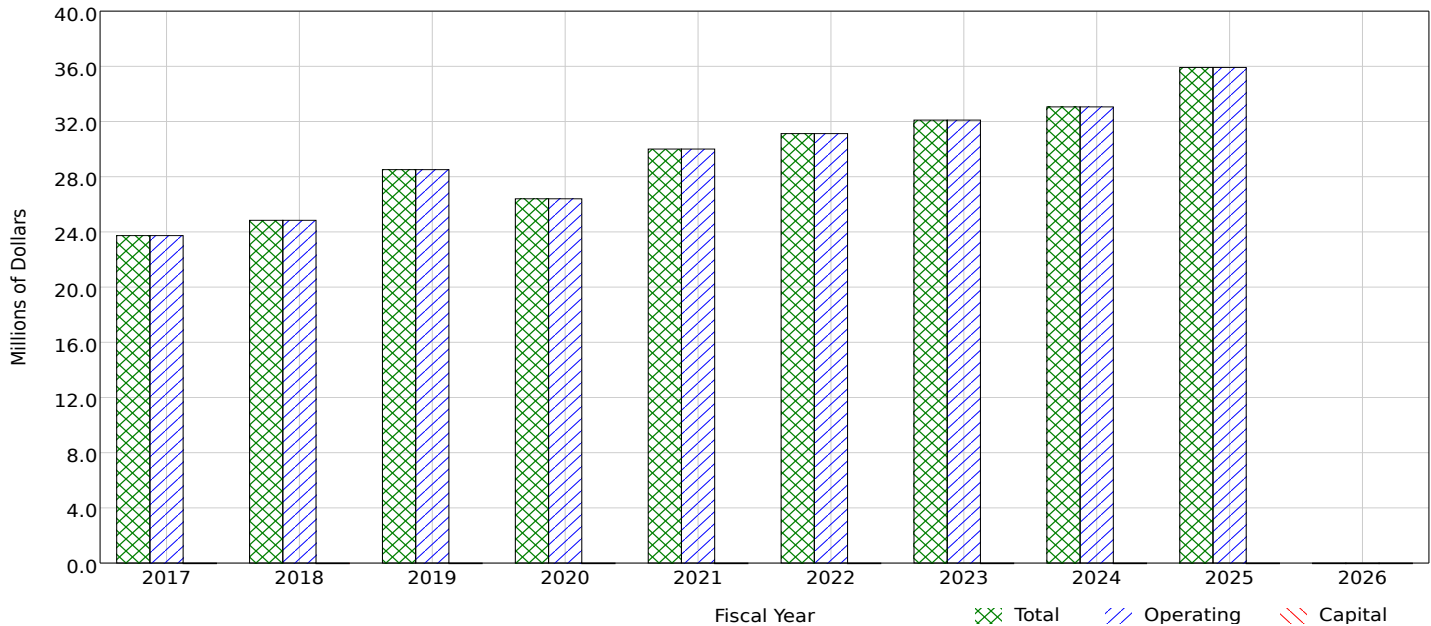


Fund Source Report

1066 Pub School Public School Trust Fund

Year Authorized 1978 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Other Designated

Operating and Capital Appropriations



Legal Authority

AS 37.14.110, AS 37.05.146(c)(8)

Source of Revenue

The fund consists of the balance of the public school permanent fund on July 1, 1978 and 1/2 of 1% of the receipts derived from the management of state land. These receipts include sale or rent of surface rights, mineral lease rentals, royalties, royalty sale proceeds and federal mineral revenue sharing payments or bonuses.

Restrictions on Use

Net income (excluding capital gains) of the trust may not be appropriated for a purpose other than support of the state public school program.

Description and History

The Public School Permanent Fund was originally created by an act of Congress on March 15, 1915. The legislation reserved sections 16 and 36 in each surveyed township in the Territory of Alaska for the support of public schools in the Territory. The Statehood Act amended this grant so that those reserved school lands included only the sections in townships that had been surveyed before Alaska became one of the United States. Upon statehood, these school trust lands consisted of a little more than 105,000 acres.

In 1988 the legislature, in its comprehensive revision of the statutes governing the state's investments (Chapter 141, SLA 88), modified the chapter affecting the Trust by establishing it as an endowment trust and changed the name to the Public School Trust Fund. The statutes dedicate the payment of one half of one percent of State land revenue to the Public School Trust Fund. Despite changes to mechanics, the Attorney General declared the trust to be a dedication predating statehood.

The Trust Fund is an endowment, with principal and capital gains perpetually retained. The Commissioner of Revenue is the fiduciary of the Trust, the net income of which may be used only for support of the state public school program.

November 2012

The Budget Clarification Project changed this fund code classification from "Other Dedicated" to "Designated General Funds." The dedicated classification is optional based on the timing of its creation. Per attached documents, the legislature is not bound by this dedication and can use the fund for any purpose (thereby breaking the dedicated classification). This fund, and others with similar "pre-date statehood" status as grounds for dedication, were classified as "Designated General Fund" because use of the fund is at the discretion of the legislature.

October 2016

Fund Source Report

Legislative Finance Division changed the fund code classification from "Designated General Funds" back to "Other Dedicated" due to a Legal Services Memorandum dated January 20, 2016 which determined that the dedicated status of the fund owes its origins to a federal land grant rather than to a pre-statehood, grandfathered dedication of revenue. The confidential memorandum is attached to the fund code file. Other legal opinions during the past 40 years concluded that the federal grant does not constitute a trust, and that the dedication of revenue to the trust should stop when deposits reach the 1978 value of the school lands. A May 5, 1995 internal Department of Natural Resources memo concluded that deposits to date exceeded the value of the land. The situation involves complicated and unresolved legal questions. Resolution of legal questions may have little practical impact because appropriations from the trust supplant, rather than supplement, general fund appropriations for K-12 support.

December 2023

Ch. 80, SLA 18 (HB 213) converted the Public School Trust Fund into an endowment with a percent of market value draw. The bill consolidated the dual-account structure into a single-account structure and established a draw of up to five percent of the monthly average value of the fund for the previous five fiscal years preceding the previous fiscal year.