

## Fund Source Report

### 1099 ChildTrPrn Children's Trust Principal

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
1988		No	No	No	Designated General

No Appropriations during last 10 years

#### Legal Authority

AS 37.14.200

#### Source of Revenue

Consists of money appropriated from the legislature, gifts, contributions, and bequests to the Trust.

#### Restrictions on Use

AS 37.14.240 states that principal of the Trust and any capital gains shall be retained perpetually in the Trust and may not be used for awarding grants. Principal may, however, be used for Trust administration (\$150,000 annual limit).

#### Description and History

Chapter 19, SLA 1988 established the Trust and the Alaska Children's Trust Board to oversee the community based grant program supported by the Trust. The Trust was established as an endowment to address the problems of child abuse and child neglect. This code was established to comply with a statutory requirement to preserve the distinction between principal (to be retained) and earnings (to support grants).

In 1990, the Board was abolished and oversight of the grant program fell to the Commission on Children and Youth. That Commission was consolidated into the Human Relations Commission in 1993. Funding for that Commission was removed from the FY94 budget.

In FY96, a \$6 million appropriation (from the Investment Loss Trust Fund) was added to the \$11,000 in private contributions that had been donated to date. Governor Knowles signed Executive Order 96, reestablishing the Children's Trust Board. The Governor requested that 1) the Trust be invested in "tobacco free" holdings as a statement that tobacco use causes serious harm to Alaska's children and 2) grants could support community efforts to curb tobacco use in general, and more particularly, to curb tobacco use by Alaska's children.

As originally established, principal and capital gains were to be retained in perpetuity, and net income of the Trust could be awarded as grants. The 1996 changes allowed up to \$150,000 of principal to be used annually by the board for administrative expenses. There is no history of charging administrative costs to principal before FY07.

Until FY02, receipts from the sale of heirloom birth and marriage certificates were not appropriated to principal; they were spent as GF program receipts by Vital Statistics.

Investment losses during the recession of 2008/9 eliminated net income available for grants. Chapter 115, SLA 2010 changed the amount available

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for grants from net income to a percent of market value--set at five percent--in order to stabilize the flow of grant funds. Chapter 115 also established a grant account consisting of receipts from heirloom birth and marriage certificates, donations, and special license plate receipts in addition to the endowment payout.

Section 27, Chapter 43, SLA 2010 issued a grant of \$3 million from the Trust to the Friends of the Alaska Children's Trust. Section 16, Chapter 5, SLA 2011 appropriated the remaining balance of the Trust (estimated to be \$7.8 million, excluding the \$3 million appropriated in FY11) as a three-year grant to the Friends of the Children's Trust. Despite the stated term of the grant, the intent of the language was a permanent transfer of Trust assets to the Friends of the Alaska Children's Trust, and the only future legislative involvement was to be an annual appropriation of license plate and heirloom birth/marriage certificates to the grant account. An April 12, 2011 memo on this subject outlines legal concerns regarding the loss of state control of the endowment. In an effort to clarify the status of the endowment, Section 43, Chapter 17, SLA 2012 removed the three-year term of the grant.

July 2014

Corrected FY11 appropriation of \$3 million from code 1098 (interest) to 1099 (principal). Added document regarding the history of the Trust, which makes it clear that the Friends of the Alaska Children's trust believes the Trust has been privatized. Code deactivated--principal is now in private hands.

See 1098 Children's Trust Fund Earnings

See Children's Trust Fund Earnings (1098)