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History and Status of Alaska's Public School Trust Land

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A Research Paper

Third in a Series - Previous Papers:

The Alaska Public School Fund, A Permanent Fund for Education, 1984

*A Promise to Keep: The Alaska Public School Trust Fund,
A History of the Fund 1985-2004, 2005*

by

E. Dean Coon, Ed.D.
Assoc. Prof. of Education (Ret.)
University of Alaska Fairbanks

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Author's Notes

Agencies whose on-line property records management systems were accessed in preparing this paper included the Alaska Department of Natural Resources, Municipality of Anchorage, Kenai Peninsula Borough, Matanuska-Susitna Borough, Fairbanks North Star Borough, and the Bureau of Land Management. DNR records were most used, since it has the most detailed historical information on public school trust land. Financial information came from the Departments of Revenue and Administration, and the Legislative Finance Division. *Kasayulie v State of Alaska* documents were the primary information source for the litigation history. Other references came from my personal files as a result of monitoring the state's management of the school land and school trust for the past 25 years.

Several individuals who provided information deserve mention and thanks. They include Kathleen Sheehan-Dugan and Chester Murphy in the Department of Natural Resources, Karlee Gaskill and Lynn Van Horn in the Municipality of Anchorage Heritage Land Bank, Shane Horan, Kenai Peninsula Borough Assessor, and Tara Jeans in the Department of Administration.

Every effort has been made to present accurate and up-to-date facts and data. If there have been failures to achieve this, the responsibility is mine.

Persons interested in more information on the trust land and the trust fund are referred to two previous papers listed in Section One of this paper. Another valuable source is a web site established and maintained by the Alaska Parent and Teacher Association: www.alaskaschoollandtrust.com. See also a Partial List of Information Resources in the Appendix.

Comments or questions? Let me know.

E. Dean Coon, 11835 Spyglass Circle, Anchorage, AK 99515
Or email at dean.ak@gci.net

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Section One

Purpose of the Paper

This paper presents a brief history of Alaska's public school trust lands including the current status of these lands. Maps are included showing the first land grant of 1959, added lands claimed in the 1980's, and a new grant of 75,000 acres made by Alaska National Interest Land Claims Act (ANILCA). The final section presents options for the future and resolutions of groups interested in strengthening the trust and the fund for the benefit of Alaska's public school children.

This paper is intended to be of value to those persons and agencies interested in the public school trust land, in its management, and in the future and potential of this land to provide financial support to the public schools.

This paper does not review the Alaska Public School Trust Fund, although it is an equally important half of the school trust. Descriptions and status of this Fund will be found in these two papers:

The Alaska Public School Fund: A Permanent Fund for Education. A research paper by E. Dean Coon, University of Alaska Fairbanks, March 1984, 40 pp.

A Promise to Keep: The Alaska Public School Trust Fund: A History of the Fund - 1985-2004, research paper by E. Dean Coon, Anchorage, Alaska, May 2005, 55 pp.

A Short History of Alaska's School Trust Land

First Federal Grant of Public School Trust Land

At Statehood in 1959 Alaska received a federal grant of 104,000 acres of public school trust land. The land was scattered across the state in township sections 16 and 36 which had been surveyed. The income from this land was put in a public school permanent fund. Fund investment earnings were spent on support of public schools. This arrangement - land receipts to the fund, investment earnings to the public schools - was a trust to be continued in perpetuity.

Legislature Converts School Trust Land to General Grant Land

In 1978 the school trust land was redesignated and put into the pool of general grant lands by the legislature. There was no school trust land anymore. No longer would receipts from the school land be credited to the Public School Permanent Fund, which was renamed the Public School Trust Fund. To make up for the income loss to the Fund, the legislature specified an alternative source of income: one-half of one percent of the receipts of all general grant lands. The Fund also receives similar percentages of receipts from fines and forfeitures associated with these lands, as well as from the National Petroleum Reserve Special Revenue Fund.

Additional School Grant Land Patented

In the 1980's, the Department of Natural Resources found 2,850.18 acres of school lands which had not been conveyed to Alaska at Statehood due to pre-statehood federal withdrawals that had subsequently been removed. This land was then patented to the state between 1985 and 1992.

New School Trust Land Grant is Made

In 1980 the Alaska National Interest Lands Conservation Act (ANILCA) specified that the State was to receive an additional 75,000 acres of school land. This new land grant was in lieu of the land that Alaska was entitled to at Statehood but had been unable to select and patent. This land did not have to be in sections 16 or 36 and by 1992 four tracts of new school land totaling 74,930 acres had been selected.

Court Finds the State Breached the School Trust

Litigation (*Kasayulie vs. State of Alaska*; Case No. 3AN-97-3782 Civ) initiated in 1997 charged that the State of Alaska breached the school land trust by (1) redesignating the school lands as general grant lands and (2) failing to properly use and account for school trust funds. In 1999, the court agreed and stated that redesignation of public school lands into general grant lands is not permitted, and that a further breach of the state's obligation was that there was no valuation of the land prior to the action. The court called for an appraisal of the land, noting that without such a valuation it is premature to consider remedies. Nine years later this case is in hiatus as there has been no appraisal; the State and the plaintiffs have stopped discussions on how to conduct it.

Section Two

Alaska Public School Trust Land, 1959-2009

Federal Lands Reserved for Public School Support

An Act of Congress of March 4, 1915 reserved sections 16 and 36 in each surveyed township in Alaska from sale or settlement, and directed that the income from these reserved lands be put into a School Permanent Fund in the Territorial Treasury. The Act further specified that the investment income of the School Permanent Fund be used only for the benefit of the public schools. The Act stated, in part:

...when the public lands are surveyed ... sections numbered sixteen and thirty-six in each township ... (are) ... reserved from sale or settlement for the support of common schools in the Territory of Alaska ... (and) ... the entire proceeds or income derived by the United States from such sections ... and the minerals therein ... are hereby appropriated and set apart as separate and permanent funds in the Territorial treasury, to be invested and the income from which shall be expended only for the exclusive use and benefit of the public schools of Alaska . .

The land consisted of part or all of eligible acreages in Sections 16 and 36. Figure 1 below shows the size and layout of townships and sections.

Figure 1 -Township and Sections

Township					
6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Townships are 6 miles tall and 6 miles wide and are divided into 36 sections. Each section is one mile tall and one mile wide. The sections are numbered starting in the northeast corner and ending in the southeast corner. Each section contains 640 acres.

Even as additional land was surveyed the Public School Permanent Fund grew slowly. In 1958 the Fund's balance was \$161,700. School land acreage was estimated at 105,000 acres.

Alaska Gets a School Land Grant at Statehood

Changes were in store at Statehood. The Alaska Statehood Act, enacted July 7, 1958, stipulated that:

Grants previously made to the Territory of Alaska are hereby confirmed and transferred to the State of Alaska upon its admission. Effective upon the admission of the State of Alaska into the Union, Section 1 of the Act of March 4, 1915 (38 Stat. 1274; 48 U.S.C., sec. 353), as amended . . . (is) repealed and all lands herein reserved under provisions of Section 1 as of the date of this act, shall upon admission of said state into the Union be granted to such state for the purposes for which they were reserved (emphasis added).

On January 5, 1959, the federal school lands became state school lands. The lands and the fund were to be managed and used according to the original provisions of the 1915 legislation. This was the stipulation accepted by Alaska at Statehood.

In the first year of statehood, the legislature specified that state lands, including school lands, would be managed by the Division of Lands in the Department of Natural Resources (DNR). Its first big task would be to obtain Federal patents from the Bureau of Land Management for all the school land that had been surveyed. A patent is the instrument by which the United States Government conveys, or grants, the fee-simple title to public land to another. Most of the Federal patents for Alaska's school land were issued by 1961.

The Case File System

Management of school trust lands by DNR begins by assigning a Case File Number to each township. The Case File Number would be the identifier for all school lands within each township. For example: **Sch 13**. School land within a township usually includes a section 16 and a section 36, but it can be just a 16 or 36, or portions of both or either. It all depends upon what's available after prior claims are recognized and other factors.

As before, receipts from school land income were credited to the Public School Permanent Fund. The Fund's investment earnings were then posted to the state's General Fund. The contention was that since the investment earnings were less than the General Fund appropriation for support of schools then the intent of the law was met. The School Permanent Fund grew more rapidly during the next 20 years, and by 1978 showed a balance of \$8.5 million. Investment income in FY '78 exceeded \$560,000.

Inventory of Patented School Trust Acres

Table 1 below shows (1) the number of sections 16 and 36 at Statehood, (2) the number of those sections from which acreages could be selected, and (3) the number of acres ultimately patented prior to June 30, 1978. Table 1 does not show land obtained and then disposed of through sale or trade or lost for other reasons prior to 1978.

Table 1
Alaska School Land Grant Status
June 30, 1978

Meridian	Surveyed Sections 16 & 36	Sections Open for Selection	Acres Patented
Seward	287	105	52,714
Fairbanks	113	69	39,045
Copper River	108	22	9,861
Totals	508	196	101,620

Sources: (1) School Grant Audit, DNR, 11/17/98

(2) Acres of Land in School Trust Appraisal Project, DNR, Jan. 12, 1999

Sections open for selection are fewer than total sections because of federal withdrawals for a variety of reasons. For example, a substantial portion of the land in the Copper River Meridian was not available as it was in the Tongass National Forest, which was established in 1907. No school land was patented in the Umiat and Kateel River Meridians. Federal homestead lands were not eligible for designation at school land.

It is interesting to contemplate a "What if?" at this point. What if Alaska had received as school land the entire acreages of sections 16 and 36, which was the intent of the 1915 Federal law? The computation: 508 sections times 640 acres per section equals 325,120 acres. More than three times as much school grant land would have been obtained!

School Land Management Problems

During the early 1970's legislative audits revealed illegally executed school land leases and that some land rental income was not credited to the Fund. Over \$2 million was credited to the Fund in settlement of two of the cases. As a result of these happenings, the State Board of Education was named trustee of the school lands and was charged with approving every land transaction.

Because of these problems, and because of public and legislative pressure to make more state land available for sale to the public and for use by state and local agencies, major changes in the management of the lands and the fund were made by the Legislature in 1978.

The Legislature Takes the School Land

The legislature redesignated the school trust lands, some 103,000 acres (2,300 acres had been sold) as general grant lands (FCCS, CSSB 159, Sec. 4, Chapter 182, SLA, 1978). Thus the state school land "disappeared" into the pool of state grant lands; there was no legal challenge to this action.

To replace the lost school land receipts, the School Permanent Fund, now renamed the Public School Fund, was to be credited with one-half of one percent of total receipts from the management of all state grant lands. These lands, some 103 million acres, were granted by the Alaska Statehood Act. Selection of this vast acreage is still underway.

The new Public School Fund also would receive its percent of land fines and forfeitures as well as its percent of the National Petroleum Reserve special revenue fund. The Fund would be managed by the Department of Revenue with advice from a Public School Fund Advisory Board.

At the same time, the legislature sought to convert Mental Health Lands and University of Alaska lands to become general grant lands. Mental Health advocates fought this action in the courts and retained control of their land. The University of Alaska opted out of this land conversion. If anyone in the education community, including the State Department of Education, stood up for retaining the school trust land as school trust land they were unsuccessful.

New School Land Obtained

Despite losing the original school land, new school trust land would be obtained in two ways. The first would be to recover a small amount of land

the State was eligible for in 1959 but which could not be selected due to various withdrawals by the Federal government. The second way is from a new land grant authorized by the Alaska National Interest Land Conservation Act. This 1980 Federal law granted Alaska 75,000 additional acres of land for public school support. Descriptions and maps of the recovered land are presented in Section Three. The ANILCA grant, with maps, is described in Section Four.

State is Sued for Conversion of School Land

In 1998 the State of Alaska was charged with breaching the school land trust by redesignating the school lands as general grant lands and that it had failed to properly use and account for school trust funds. These allegations were added to *Kasayulie vs. State of Alaska*, Case No. 3AN-97-3782 CIV, filed in 1997, which charged that the state was failing to provide adequate educational facilities, especially in the rural areas.

Plaintiffs in this action included three sets of parents, six school districts, and an advocacy group named Citizens for the Educational Advancement of Alaska's Children. They were represented by two law firms, Jermain Dunnagan & Owen, and Middleton & Timme, P.C.

Soon after the school trust issue was added to the *Kasayulie* litigation, the Department of Natural Resources established new management criteria for the former school lands held with other general grant lands. Pending and future actions which would dispose of school land or resources must meet criteria in DNR Department Order 143, dated December 21, 1998, which stated, in part:

1. The action approved must be for full, Fair Market Value at the highest and best use of the parcel, or
2. The action must be a result of an existing contractual obligation (i.e., land sale contract, reappraisal of an existing lease, or a land settlement within a municipality)

This Order further required the DNR Commissioner to be notified of any pending action not meeting these criteria; the Commissioner will determine if the action may proceed. It also noted that conveyances to boroughs and municipalities do not meet the criteria. This last condition effectively prevented continuing municipal entitlements of former school land during the life of the litigation.

At the same time a notice of litigation was added to all school land case files and maps in the DNR land information system. The Attorney General also established an escrow account for the receipts from 21 school land sales underway. The FY '08 balance of this account, Fund 11162, was \$3,414,737.

Judge Reese Finds the State Breached the Trust

On September 1, 1999, Superior Court Judge John Reese found in favor of the plaintiffs: (1) failure by the state to provide adequate educational facilities, and (2) that the state had breached its duties as a trustee of the public school lands.

Judge Reese noted that redesignation of public school lands into general grant lands is not permitted, and that a further breach of the state's trust obligation was that there was no valuation of the land prior to that action. He called for the lands to be appraised, noting that without such a valuation it is premature to consider remedies.

Judge Reese's Rulings

Judge Reese's rulings were contained in an 18-page Order Regarding Motions for Partial Summary Judgment on Breach of Trust Issues. Significant content regarding the school trust and school land follow:

The court holds that the State has breached its duties as a trustee of the public school lands. The purpose of the trust was to create a permanent source of revenue for the exclusive benefit of State schools.

Redesignation of the school lands into general grant land is not permitted.

There was no valuation of the land before the State redesignated it in 1978. That was a breach of the State's trust obligations.

There followed a discussion as to whether the state paid fair market value for the land at redesignation. The plaintiffs contended there has been no determination, or indication in the statutes, that the 1/2% paid from state lands is full compensation, that the state did not commit to contribute for any set time or for any specific amount, and that the 1/2% is illusory as it could be revoked at any time. The State contended that the 1/2% of receipts from management of state land is compensation for up to the fair market value.

The court finds that it is impossible to know if the fair market value has been paid (through the contribution of 1/2% from state land revenues to the school trust fund) without an appraisal. The lands must be appraised or otherwise valued before any acts subsequent to the redesignation will be judged.

There followed discussion regarding revenues from the ANILCA 906(b) lands. This is a 75,000-acre grant of additional federal land in lieu of school lands never received under the 1915 Act of Congress. The land was finally selected in 1992, 12 years after the grant was made. Plaintiffs contend the school trust fund should get 100 percent of revenues generated by this land through leases, gravel sales, etc. The State says it has set up a separate agency trust fund especially for the ANILCA land revenues.

The court holds that it is not clear from the record that adequate separation and accounting has occurred (with respect to the ANILCA land). An appraisal must take place before the court will be prepared to rule on this issue.

The court finds that aside from breaches of trust duties, appraisal of the res of the trust is an appropriate trust expenditure. The fund should bear the appraisal expense ultimately. However, the State should front it as the land cannot be properly defined until the appraisal and remedies are accomplished.

There followed a discussion on the premise that State expenditures on education set off, or compensated for, the interest on the unpaid balance due the fund. Plaintiffs contend the State failed to account for or pay interest or capital gains on the unpaid balance due the schools after the 1978 redesignation. The State asserts that any money owed the fund for interest on the unpaid balance is set off by the large sums the State pay to the schools each year, and that after the appraisal the interest can easily be determined.

The court holds that an amount equal to what properly enumerated, valued, and managed trust assets would have produced could be set off.

The court holds that the State has not commingled the trust assets by depositing the funds into the general fund. The assets are deposited into the general fund late in the fiscal year for an appropriation from the legislature to the Department of Education.

There followed a discussion regarding an accounting of the trust. The plaintiffs contend they are entitled to an annual accounting. The State contends it has provided an adequate accounting of the trust activities and assets.

(The court says) Therefore, resolution of this issue, if needed, will occur at a later date.

(With regard to the use of trust funds by the Department of Revenue) The court finds that reasonable fees for the management of the fund are appropriate. This policy encourages the trustees to continue to administer the fund even after a breach.

There followed a discussion regarding the 1/2% of total receipts derived from state land use. The State contends that after the State pays back the value of the land, the 1/2% would be a constitutionally prohibited dedicated fund. Plaintiffs do not agree, and say this was a grant of public school land which was to exist in perpetuity, that the State's actions do not change the nature of the trust, and if the 1/2% is compensation, it is to be the trust's permanent and primary funding scheme. Art. IX, Sec. 7 of the Alaska Constitution reads in part: "This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska."

The court holds that there is no violation of the dedicated funds provision. Education funding is required by the federal government for State

participation in federal programs and the assets are dedicated to schools by federal law. Furthermore, the trust fund and the purposes therefore existed prior to ratification of the Alaska Constitution.

*There followed a discussion about requests by both parties for instructions regarding the 1/2% contribution as compensation for the full market value of the land taken, as applied to the dedicated fund provision. Plaintiffs contend the State wants to value the land to determine if payments have exceeded the fair market value of the land taken, whereby the excess would be prohibited as contributions to a dedicated fund and could be withdrawn from the fund. The State asks the court to use the remedy used in *Weiss v. State*, 706 P.2d 681 [Alaska 1985], and that if there is a breach the State wants to pay full market value, instead of reconstituting the land.*

The court holds that without a valuation of the trust violations, it is premature to consider remedies. Therefore the parties' request for instructions is DENIED at this time.

Land Appraisal Hiatus

As noted earlier, the State should have conducted an appraisal when the school lands were redesignated as general grant lands in 1978. Then in 1999 the Superior Court ruling previously referenced ordered that there be an appraisal. Remedies in *Kasayulie vs. State of Alaska* cannot be considered without an appraisal, the Court said. *Nine years later there has been no appraisal.* A new judge, Mark Rinder, has been assigned this case.

There has been considerable dialogue between the State and the plaintiffs on this matter. Draft versions of a Request for Proposals (RFP) to conduct the appraisal have been circulated back and forth. There has been no activity on this matter for several years. The Department of Natural Resources ultimately will issue the RFP and will be responsible for the appraisal.

There has been no lack of funds to pay for the appraisal. Legislative appropriations from the School Trust Investment Earnings Account totaling \$737,525 have been made to DNR. Of this amount, \$580,325 is unexpended and has appeared in the DNR operating budget through FY '09; it is not in the operating budget request for FY '10. The plaintiffs have received \$110,900 from the same account for expenses associated with planning for the appraisal.

Maps of School Trust Lands, by Area

The maps which follow show school trust lands patented to Alaska within a few years following Statehood, those added shortly after 1985, and those granted by the Alaska National Interest Lands Claim Act of 1980.

Maps of School Trust Lands, by Area

.....
Fairbanks • Glennallen • Wasilla/Palmer
Kenai Peninsula • Southeast

The Department of Natural Resources has three case types for school trust land. The maps that follow show each school section or tract in the color which identifies its type. They are:



Case Type 107

Case type 107 consists of school sections 16 and 36 surveyed prior to Statehood. As explained earlier, a case file number is the identifier for all school trust lands within a township (with some exceptions). These are the public school trust lands that were changed to general grant lands by the legislature in 1978.

Also included as case type 107 are sections or part sections surveyed prior to Statehood, but not confirmed as school trust land until after 1978. There are six such cases, some with two sections and each is described in this paper. These are described in Section Three of this paper.



Case Type 112

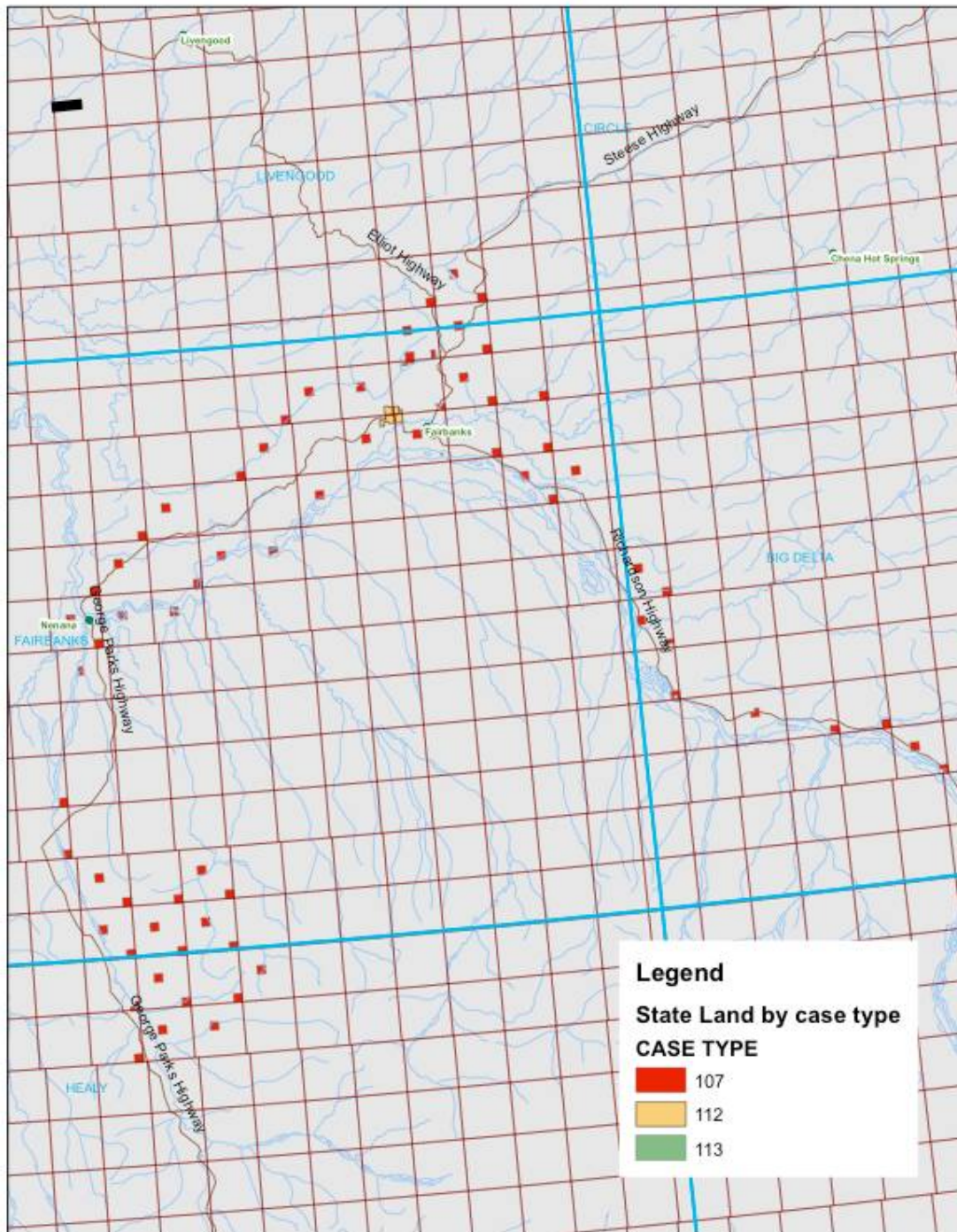
Territorial grants are included in this case type. But only a single territorial grant included an eligible public school section 36. It was TG 3 and by the time it was confirmed as school trust property, it consisted of only the mineral rights on 160 acres. It is described in Section Three of this paper.



Case Type 113

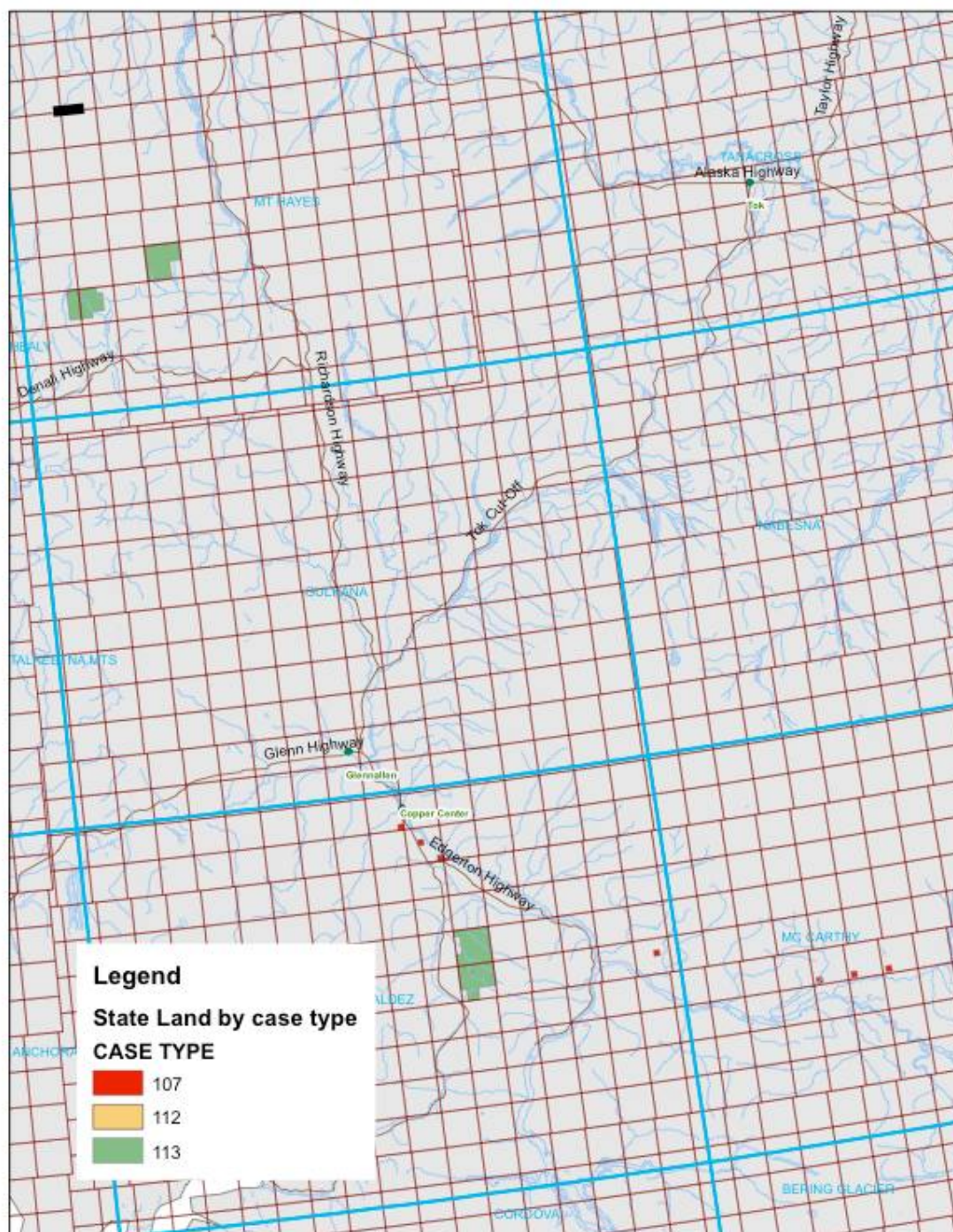
Case type 113 consists of 75,000 acres of land granted to Alaska in 1980 under provisions of Section 906(b) of ANILCA. The grant was made in lieu of school trust lands not vested prior to Statehood. Three of these tracts will be found on the Wasilla/Palmer area map and one on the Southeast area map.

School Trust Lands Fairbanks Area



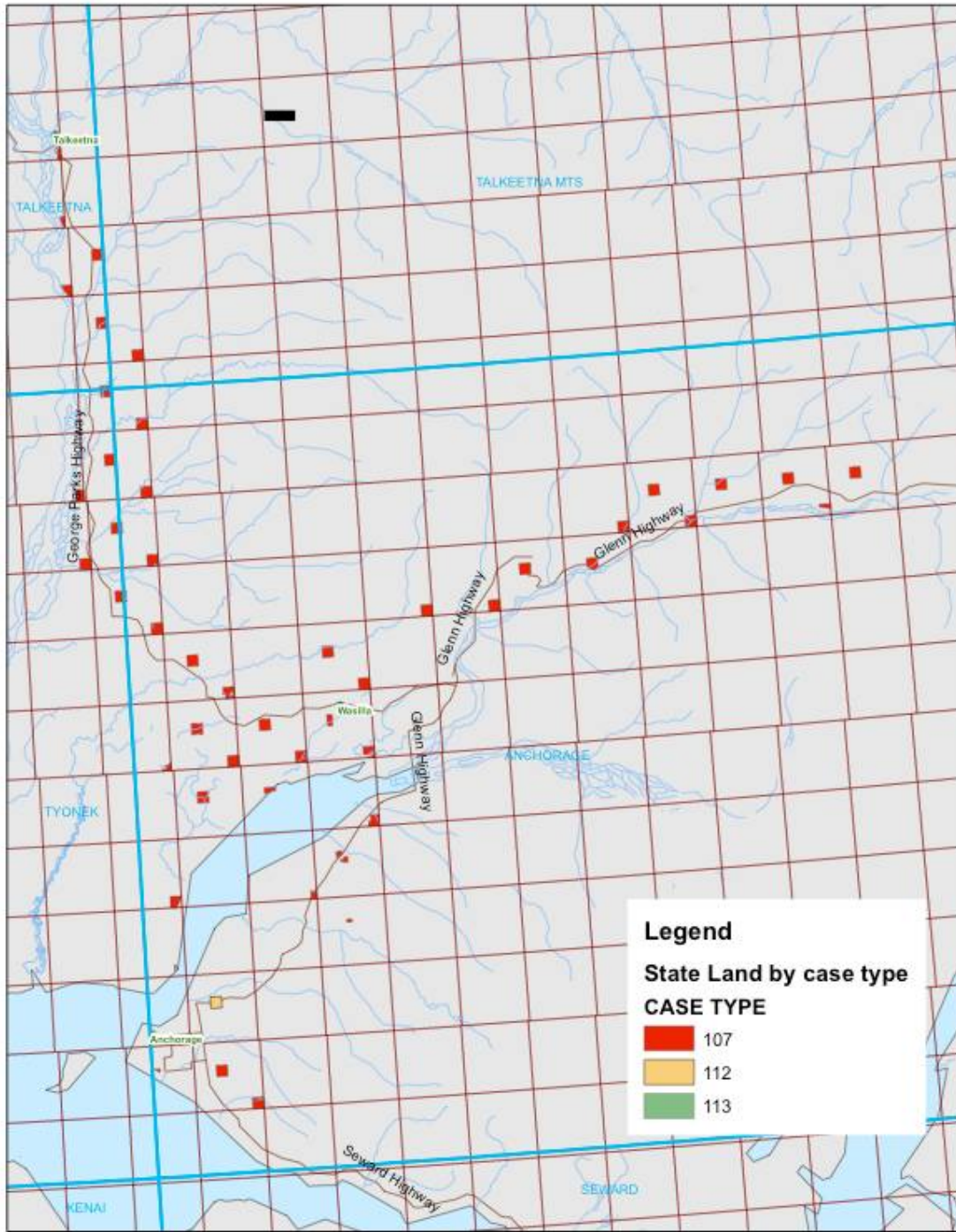
See the large Territorial Grant, Case Type 112, near Fairbanks. That is TG 2 and it was granted in 1946 as a site for the Fairbanks Agricultural Experiment Station.

School Trust Lands Glennallen Area

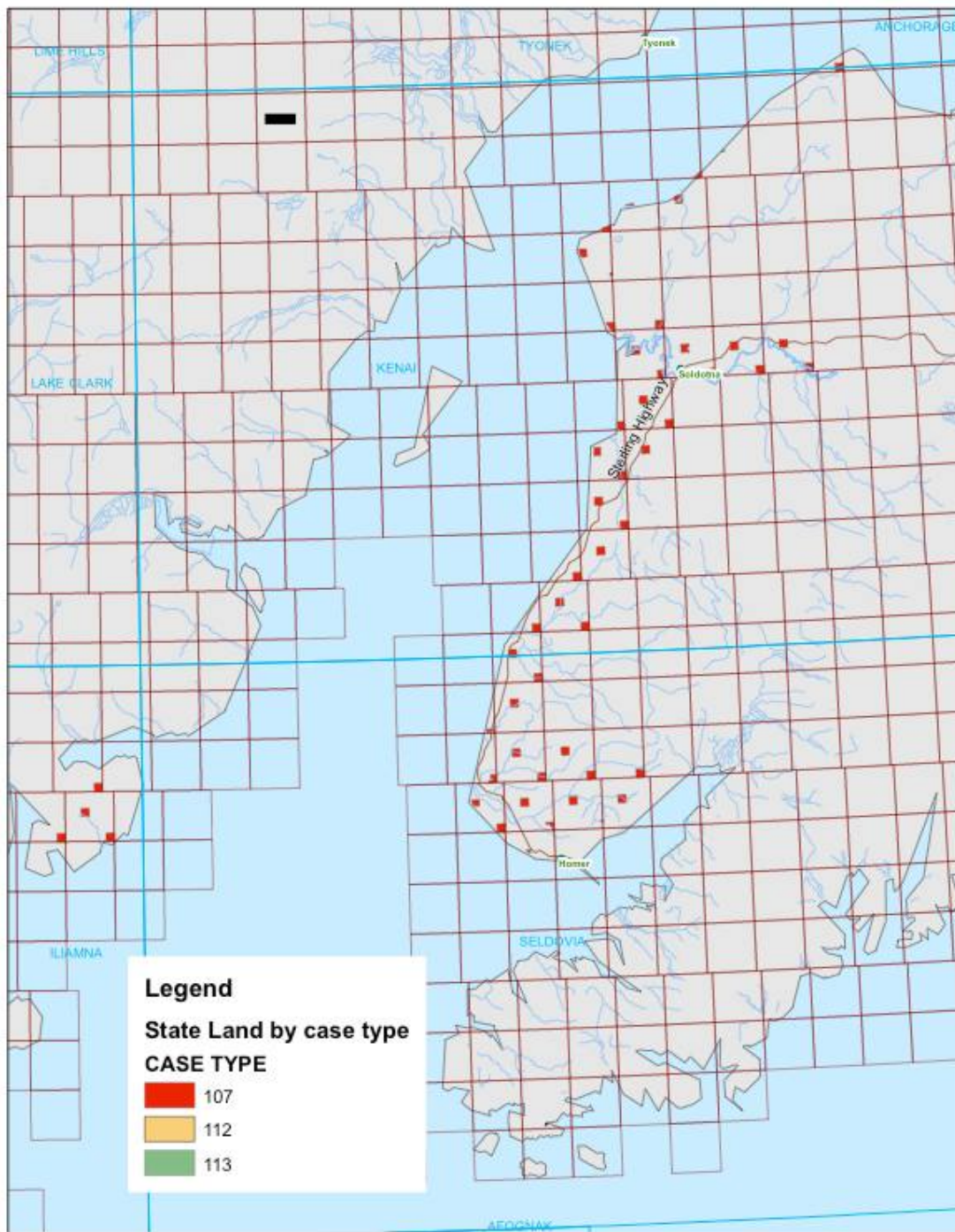


The three large green tracts are ANILCA land grants.

School Trust Lands Wasilla/Palmer Area

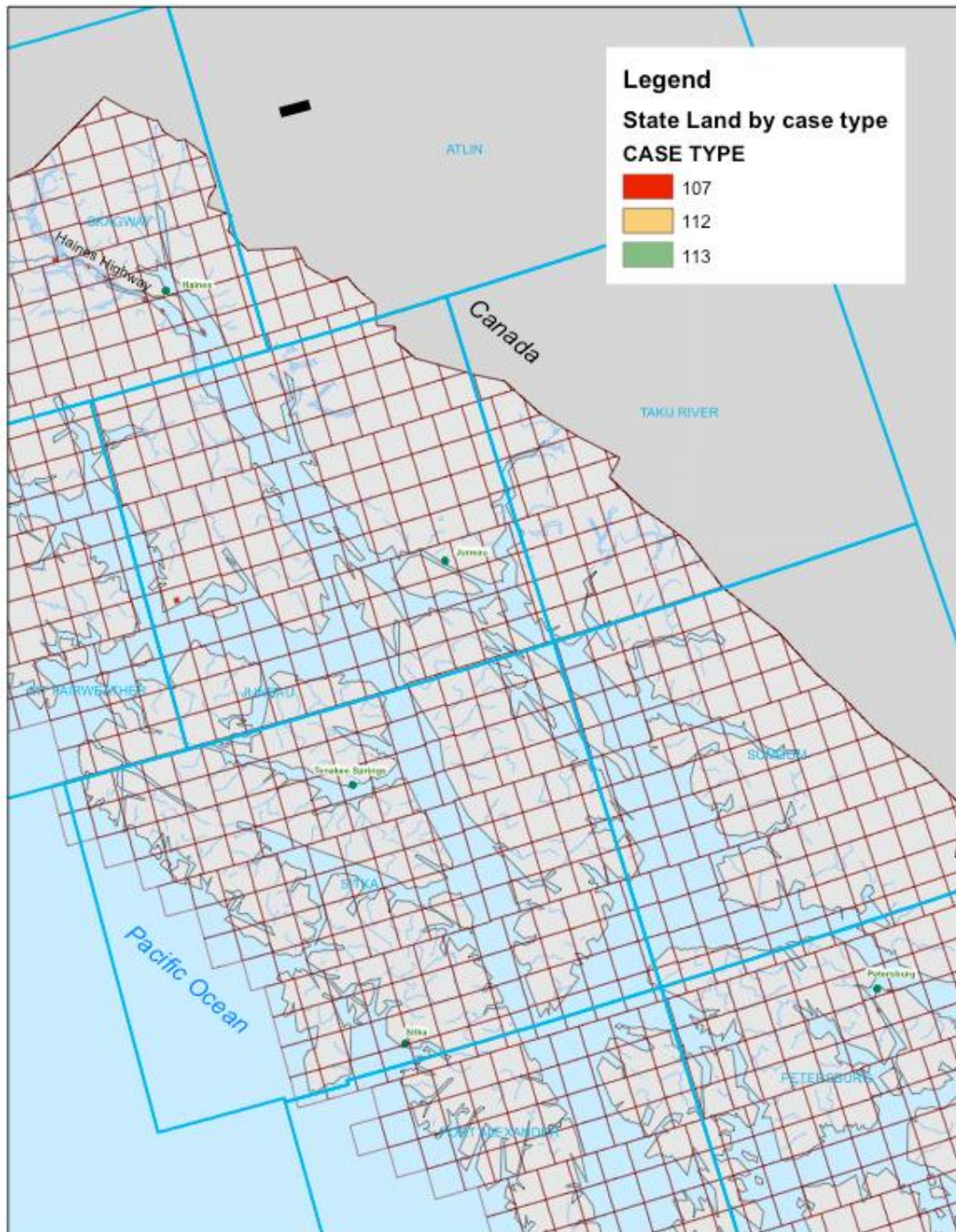


School Trust Lands Kenai Peninsula Area



One school section in Seward does not show as it is outside the east border of the Kenai Peninsula Borough map.

School Trust Lands Southeast Area



Several school sections near Haines are only partially shown. A tiny tract near Gustavus is not visible on the map. The green square near Tenakee Springs is not an ANILCA tract.

Section Three

Additional Grant Land Confirmed

During the 1980's, audits by the Department of Natural Resources revealed that some of the 1959 school land withdrawals by the Federal government had been reversed. Audit results were reported by Carol Shobe, Chief of Realty Services, Land Division, DNR (Affidavit of Carol Shobe, *Kasayulie v. State of Alaska*, Nov. 16, 1998). Excerpts from this Affidavit follow:

This audit determined which lands had not been conveyed to the State at statehood due to pre-statehood federal withdrawals that had been subsequently removed. BLM indicated that it would convey such lands to the state . . . As a result of the audit . . . the state obtained an additional 2,850.18 acres of school trust land after the enactment of ANILCA in 1980 . . . These lands are in addition to those land conveyed under 906(b) of ANILCA.

According to the *School Land Trust Appraisal Project*, a Department of Natural Resources report issued early in 1999, there were seven cases totaling 3,010 acres which were confirmed between October 8, 1985 and February 2, 1992. These cases:

Seward Meridian:	Sch 13, Sch 230, Sch 231A. and TG 3.
Fairbanks Meridian:	Sch 232.
Copper River Meridian:	Sch 233 and Sch 235.

TG 3 was a Territorial Grant of a section 36 made in 1957, according to the DNR report previously cited. By the time it was confirmed in 1991 prior claims had reduced school trust ownership to 160 acres of mineral rights.

These seven cases were confirmed as school trust land after 1985 and so could not be included in the 1978 redesignation of school trust lands. Thus they have status as school trust land, with 100 percent of receipts from use to be credited to the Public School Trust Fund.

Current Status of the Added School Land

Several of the school trust tracts are not whole anymore and have been put to other uses. Here is a brief report of the current status of each case.

Sch 13 (Sections 16 and 36 southeast of Sterling): Cook Inlet Region Inc. acquired 812 acres in a trade; Seldovia Native Association acquired 15 acres in the same trade. The balance is still owned by the State,

Sch 230 (a section 36 north of Anchorage): The state first leased a small tract. Later the Municipality of Anchorage acquired a large portion under the municipal entitlement program and then deeded some to the Eklutna Native Association. In 1996 DNR reclassified Sch 230 as general grant lands.

Sch 231A (part of a section 36 in southeast Anchorage): Obtained by MOA under the municipal entitlement program.

Sch 232 (a section 36 southeast of Fairbanks): Intact. Still owned by the State.

Sch 233 (part of a section 36 east of Chitna): Intact. Still owned by the State.

Sch. 235 (small portion of a section 36 on Admiralty Island): is part of a school site for the City of Angoon.

TG 3 (mineral rights on a portion of a section 36 near Anchor Point): Currently leased for oil and gas exploration.

Income Prospects

As will be revealed, only one of these tracts, TG 3, is receiving mineral lease receipts for the school trust fund. The amount could increase considerably if it became a gas producer. One other tract, Sch 13, has a lot of valuable Kenai River Front lots. But will they ever sell at the assessed values due to development constraints of being in the Kenai River Special Management Area?

Descriptions and Maps

The balance of this section presents a detailed description and historical account of each of these cases along with a map of each.

SCH 13

Size: 1,215.97 acres

Title Confirmation: February 3, 1992

Legal Description: Seward Meridian, Township 5 N, Range 8 W, Section 16, and Section 36 Lots 1-9 inclusive, NE4, N2NW4, S2W4. See USGS Kenai C-2 and B-2 Quadrangle Maps.

How to get there: Section 16 is two miles east of Sterling in the Kenai Peninsula Borough. The Sterling Highway crosses the upper portion. The Kenai River's Naptowne Rapids are a few hundred feet south of Section 16.

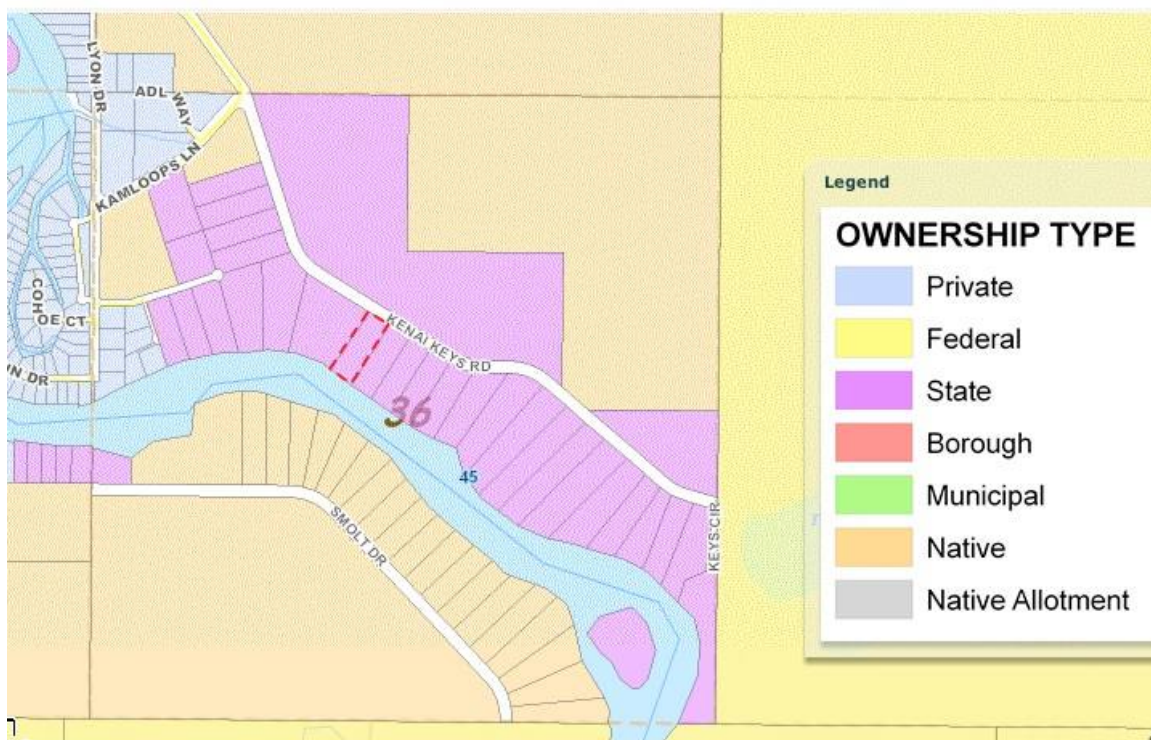
Section 36 is six miles southeast of Sterling; or two and one-half miles south of the Sterling Highway. Feuding Land Road and Kenai Keys Road connect the Sterling with Section 36. The Kenai River crosses the southwest portion.

Ownership of Section 16: Cook Inlet Region, Inc. (492 acres); State of Alaska (145 acres); Seldovia Native Ass'n, Inc. (15 acres). Bing's Landing State Recreation Site, the State-owned tract shown in purple, is also a Kenai River Special Management Area. The small tract above it across the Sterling Highway is owned by the Seldovia Native Association. KPBI Parcel Viewer Map.



Ownership of Section 36: Cook Inlet Region, Inc. owns about half of the land, which includes 20 lots on the south side of the Kenai River. Borough appraised value of these lots totals \$1,472,200, or an average of \$73,000 per lot. Average lot size is 3.51 acres.

The State of Alaska owns a bit less of Section 36 than CIRI but has 23 larger lots on the north side of the Kenai River. Total assessed value of these 23 lots in 2008: \$9,549,200. The lots range in size from 2.61 acres to 6.99 acres. Average assessed value per lot: \$415,183. Average assessed value per acre of the state-owned riverfront lots: \$99,730.



Map source: Kenai Peninsula Borough ID Parcel Viewer.

Section 36 of Sch 13 showing Private, Native (CIRI), and State ownership. Platted lots described earlier are shown on each side of the Kenai River. There are 13 small lots in private ownership in the Stephenkie Subdivision on the west edge of the section; some lots border the Kenai River.

Most of the State land above the Kenai River is in the Kenai River Special Management Area. This special use area has many restrictions intended to protect the habitat. The Alaska Department of Fish and Game manages the KRSMA.

History: Cook Inlet Region, Inc. and the Seldovia Native Ass'n acquired their holdings in a reconveyance and exchange agreement dated June 29, 1979. In this exchange, or trade, the state then acquired Native land holdings and allotments in other areas of the state.

This was part of a larger trade in which CIRI acquired 14,714 acres of former school trust land, some of it unpatented as school trust land, in 45 sections in the Seward Meridan. The exchange was a bit complicated: first, the state returned ownership of the land to the Bureau of Land Management; next, BLM patented the land to Native regional and village corporations in the Cook Inlet Region. To complete the trade the State acquired Native-owned land in other locations.

Sch 13 was vested January 3, 1959. But title confirmation of Sections 16 and 36 as school trust land came long after portions of these sections were traded or put to other uses.

Income: None.

Taxes: The tracts owned by CIRI and the Seldovia Native Association are not taxed by KPB. KPB is mandated under Alaska State Statute (29.45.030) and Federal Law (ANCSA) to exempt such undeveloped lands from taxation.

SCH 230

Size: 549.45 acres

Title Confirmation: October 8, 1985

Legal Description: Seward Meridian

Township 16 N, Range 1 W, Section 36 Lots 2 and 3. E2. E2W2.

See USGS Anchorage B7 and C7 Quadrangle Maps.

How to get there: From Anchorage go northeast about 23 miles on the Richardson Highway; take Paradis Ramp or Mirror Lake exit south between Birchwood and Eklutna; the tract borders Lake Edmund.

Owners: Eklutna Inc., 320 acres; Municipality of Anchorage. 200 acres; Alaska Council of Boy Scouts of America, 29 acres; Private ownership, 40 acres.

History: The State's April 13, 1960 application for patent (as Sch 36) was rejected by BLM because Section 36 was withdrawn by Secretarial Order of October 36, 1936 for possible inclusion in an Indian Reservation. In 1965 this land was released from the Secretarial Order. (DNR Sch. 36 Case Abstract)

In 1969 the State leased Lot 2 for 55 years to the Carlquist Howell Foundation, Inc. In 1979 the lease was amended from \$885 per year to \$2,302 per year. Lease administration was transferred from the State to the Municipality of Anchorage on November 11, 1986. (ADL File No. 41777) This lease is now being paid by the Great Alaska Council of Boy Scouts of America.

The MOA first sought this land on July 1, 1978, only to find that the State did not yet have title to it. So it was not until January 28, 1987 that MOA acquired this land as a municipal entitlement under provisions of the Mandatory Borough Act of 1963. Then on June 29, 1987, MOA conveyed 320 acres via Quit Claim Deed to Eklutna Inc. This conveyance was done according to MOA's North Anchorage Land Agreement which settled land issues between MOA and Eklutna Inc. (ADL File No. 201183 Case Abstract)

Sch 230 was school trust land when it was conveyed to MOA. On March 27, 1996 the Department of Natural Resources reclassified Sch 230 as general grant land. (ADL 201183 Case Abstract)

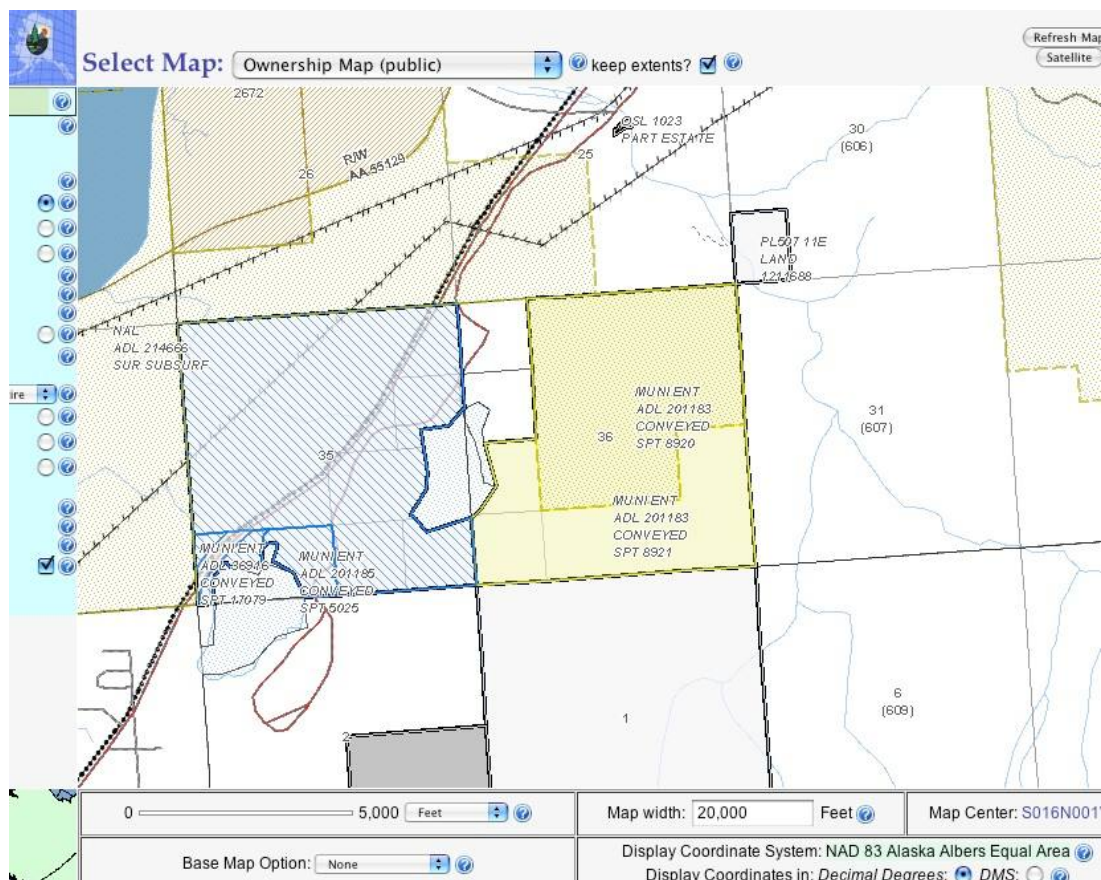
On September 11, 2000 the Great Alaska Council of Boy Scouts of America purchased Lot 3 of this property from the MOA. Appraised value of the 29

acres in 2007 was \$799,000. It was given a chartable exemption in 2008. It is the site of Camp Carlquist, and is used by the Boy Scouts, Girl Scouts, and other community groups. (MOA Property Appraisal System, Parcel 052-041-01--000)

Income: Unknown.

General Information Sources: Alaska Department of Natural Resources on-line Land Administration System, including the Alaska Mapper; DNR School Grant Audit, November 17, 1998; Municipality of Anchorage on-line Property Appraisal System, MOA Heritage Land Bank.

Sch 231 is the yellow portion of Section 36 in the map below. The darker yellow tract is owned by Eklutna Inc.; the balance is State, Great Alaska Council of Boy Scouts of America, and privately owned. The heavy black dotted line starting at the lower left corner of the map is the Richardson Highway.



Map source: Alaska Mapper.

SCH 231A

Size: 160 acres

Title Confirmation: March 31, 1988

Legal Description: Seward Meridian
Township 12 N, Range 3 W, Section 36 N2 N2
See USGS Anchorage A-8 Quadrangle Map

How to get there: In South Anchorage take Rabbit Creek Road east from the New Seward Highway for three and one-half miles. At that point Rabbit Creek Road crosses the northwest corner of Sch. 231A. East 140th Avenue borders it on the north; Hosken Street borders it on the west.

Owner: Except for a 2.9 acre tract, Section 36 is owned by the Municipality of Anchorage. Initially it was managed by the Heritage Land Bank, and now by the Parks and Recreation Department.

History: Sch 231A, the north one-quarter of Section 36, was obtained by the MOA December 15, 1988 under provisions of the state's municipal land entitlement program. Sch 231A was school trust land when it was conveyed to MOA.

Sch 2, the 480 acre balance of Section 36, had been patented to the State August 26, 1964. Then it was converted from school trust land to general grant land by the legislature in 1978. MOA received ownership August 25, 1980, under the municipal entitlement program.

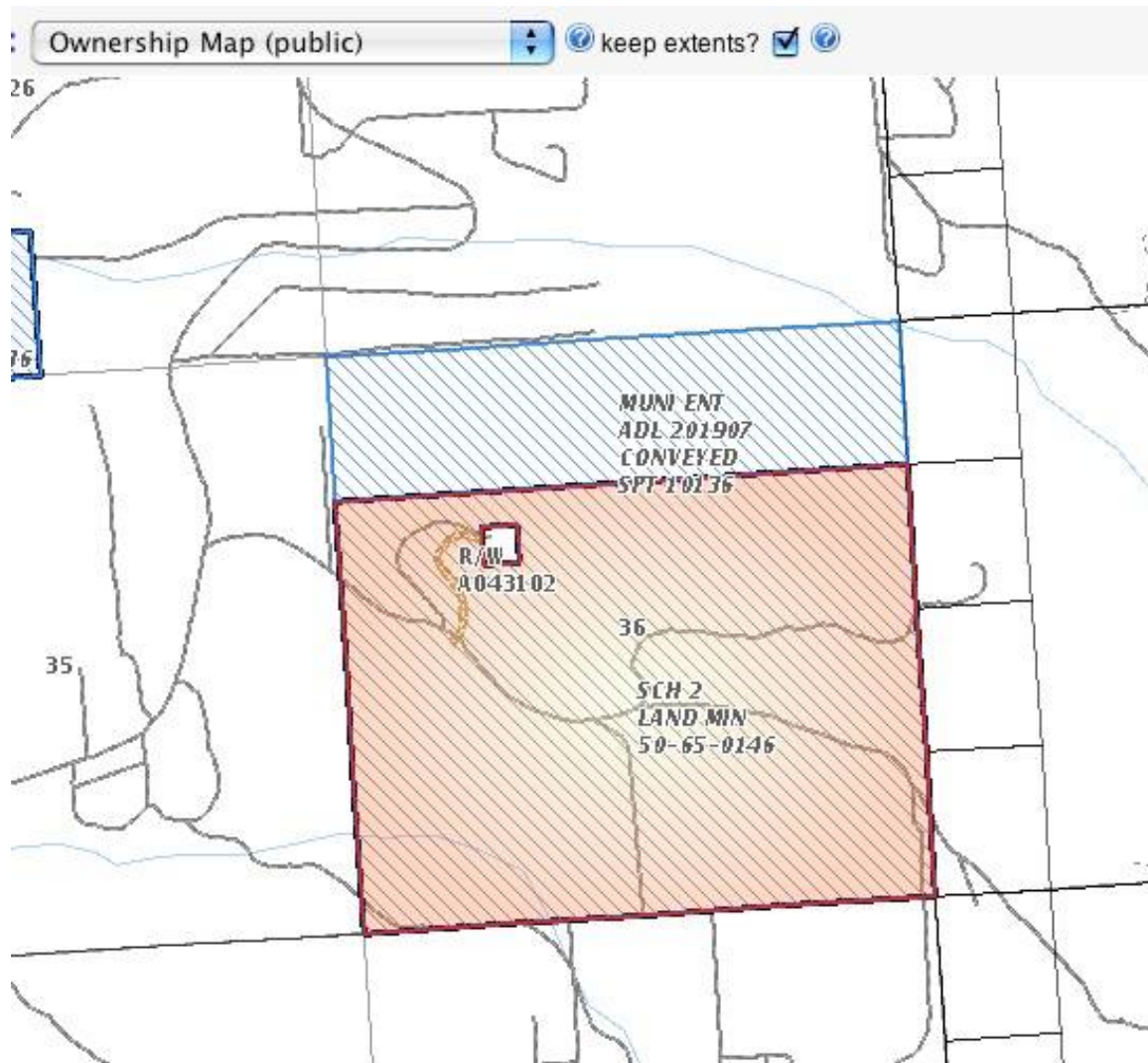
Even before MOA obtained ownership of the entire Section 36, residents of the Rabbit Creek and Bear Valley areas began discussions on public and private use of the land. Many issues came up and many plans were proposed. Current plans for Section 36 to be a public park, with provisions for recreation and wildlife habitat, were approved in 2007, and the property has been platted.

An Air Force Radio Relay Station was constructed in 1955-56 on this part of Section 36. This property, 2.9 acres, was later acquired by ALSCOM which still owns it.

Income: None

Sch 231A is the blue-lined upper one-fourth of Section 36 below. The brown-lined lower three-fourths is Sch 2. The tiny square in Sch 2 is the ALSCOM site. Clark's Road crosses Sch 2 and connects to the Bear Valley Subdivision.

Map source: DNR Alaska Mapper



SCH 232

Acres: 640

Title Confirmation: March 12, 1990

Legal Description: Fairbanks Meridian, T 4 S, R 4 E, Section 36
See USGS Fairbanks C-1 and Big Delta C-6 Quadrangle Maps. Or for the township location only see USGS Big Delta Topographic Series Map, Scale 1:250,000.

How to get there: Sch 232 is in the Fairbanks North Star Borough approximately 30 miles southeast of Fairbanks and five miles east of the Richardson Highway. It is six miles south of Eielson Air Force Base.

History: On April 12, 1961 the State sought acquisition of Section 36 as part of its general grant land entitlement. This was rejected by BLM.

On February 24, 1972 application for patent as school land was submitted. Time passes. Title was confirmed on March 12, 1990.

The Little Salcha River meanders across this section on its way to the Tanana River. A public use trail (right of way), which originates at the Richardson Highway, also crosses this section just north of the river. The Trans Alaska Pipeline is two miles west of Section 36.

Income: None



Sch 232. The right-of-way is shown in purple; the real trail is in black. The Little Salcha River (in blue) flows from east to west.

Map source: Alaska Mapper, DNR

SCH 233

Size: 280 acres

Title Confirmation: February 1, 1990

Legal Description: Copper River Meridian
Township 5S, Range 11E, Section 36 S2 NE4, SE4 SW4, SE4.
See USGS McCarthy B7 Quadrangle Map.

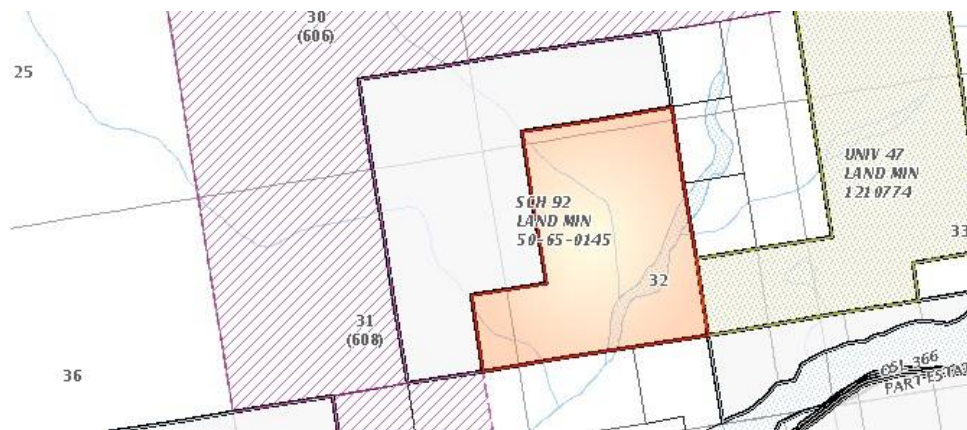
How to get there: Sch 233 is in the Copper River Valley about 38 miles east of Chitina via the road to McCarthy. At that point it is one mile north of the McCarthy Road and two miles north of the Chitina River.

History: Application for Section 36 to be patented as a school section was made to BLM April 15, 1960. This was rejected in part as 280 acres had already been withdrawn under PSR 684. The 360 acre balance of Section 36 was patented August 8, 1964 as school land and designated Sch 92.

On February 24, 1972, patent application on the rejected 280 acres was made again to BLM. Time passes. On February 2, 1990 this land was confirmed as school trust land and was designated Sch 233.

Sch 92, 360 acres, lost its status as school trust land in 1978 when it was classified by the legislature as general grant land. Sch 233, 280 acres, is still school trust land, as it was confirmed to the State after 1978.

Income: None



Sch 233 is the beige colored tract numbered 32 in the center of the map. Former Sch 92 is the white portion of that section. Long Lake and the McCarthy Road are shown at the lower right. Sch 92 and Sch 233 are not shown in Section 36, the usual school section, due to location differences in surveyed land (colored tracts) and unsurveyed data (township and section grids).

Map source: DNR Alaska Mapper

SCH 235

Acres: 4.76

Title Confirmation: August 22, 1989

Legal Description: Copper River Meridian
T 50 S, R 67 E, Section 36, Lot 8
See USGS Sitka B-2 and C-2 Quadrangle Maps

How to get there: Go to Admiralty Island in Southeast Alaska; then to the City of Angoon. Section 36 is on the west edge of Angoon and is bordered by Chatham Strait.

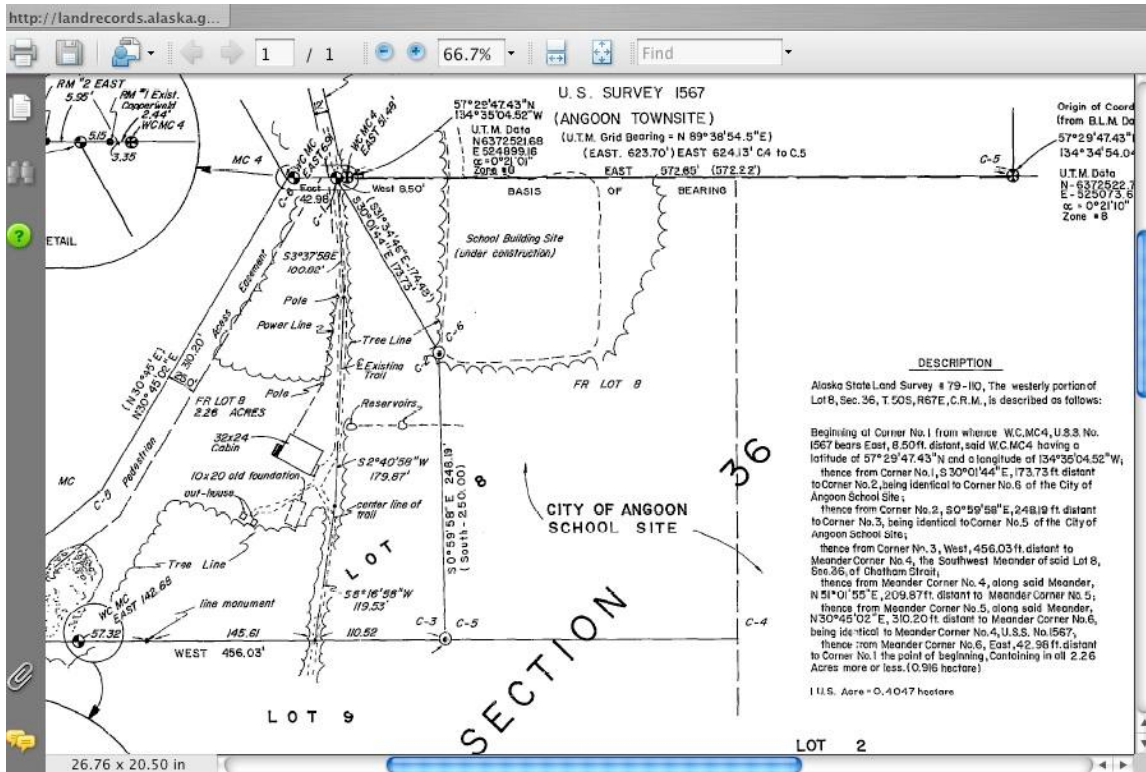
History: The State first sought patent for Lots 2-7 of Section 36, then designated as Sch 118, June 27, 1960. This application was rejected as the land had been withdrawn for Tongass National Forest purposes.

Then on February 11, 1975 school land status as Sch 235 was sought for Lots 2,4,5,8, 9 and a portion of Lot 7 in Section 36. Only Lot 8 was held for approval. The other lots were rejected because they were within Tongass National Forest. Final approval did not occur until August 22, 1989, when BLM confirmed the title.

Lot 8 is a part of the City of Angoon school site. A school building was constructed on it in 1979.

Section 36 totals some 150 acres; the balance of what would be Section 36 is covered by the waters of Chatham Strait.

Income: None



Sch 235 is shown above. It is Lot 8 in Section 36. The U.S Survey 1567 of January 17, 1980 was only on the westerly portion of Lot 8. The U.S. Survey was based on a DNR plat of the area prepared September 30, 1979. This survey was accessed using DNR's Alaska Mapper.

TG 3

Size: 160 acres

Title Confirmation: December 30, 1991

Legal Description: Seward Meridian, Township 4 S, Range 15 W
Section 36 W2NW4, N2SW4 (minerals only),
See USGS Seldovia D-5, D-6 Quadrangle Maps

Location: Territorial Grant 3 is in the Kenai Peninsula Borough 1 & 1/2 miles east of Anchor Point, a small community on the Sterling Highway north of Homer.

History: On February 19, 1957 title was vested to the State of Alaska for all minerals in this 160-acre tract. The surface rights were already privately owned since the land was homesteaded.

The rest of Section 36, 480 acres, became Sch 77 when on June 20, 1961 BLM granted a patent to the State of Alaska. Then in 1978 Sch 77 lost its status as school trust land when the legislature redesignated it as general grant land. On June 29, 1979, the former Sch 77 was acquired by Cook Inlet Region, Inc. in a reconveyance-exchange agreement with the State of Alaska

Then on December 30, 1991 the State received confirmation of title for TG 3 as school trust land (minerals only).

Oil and Gas Leases: TG 3 was first leased for oil and gas in 1968 and again in 1996. In 2003 the lessees were Aurora Gas LLC and ConocoPhillips Alaska. Since June 1, 2005, it has been under lease by the Union Oil Company of California (UNOCAL).

The 1996 lease of 1,575 acres included TG 3's 160 acres, which is 10.2 percent of the total. TG 3 would have been credited with 10.2 percent of lease income for the entire leased area.

UNOCAL's current lease covers 2,348 acres. TG 3's 160 acres is 6.8 percent of the total acreage. So TG 3's share of any lease income would be 6.8 percent. If there should be production on this lease, royalty income to TG 3 would be 6.8 percent of 12.5 percent of the royalty amount. UNOCAL, of course, would retain the balance of 87.5 percent net of royalty.

Lease Income:

Year	Total Lease	Est. Amount to TG 3
1996	\$ 5,673 (deposit)	\$ 579
1997	24,341 (bonus bid)	2,483
1998	5,516	563
1999	3,940	402
2000	4,728	482
2002	4,728	482
2003	4,728	482
2004	15,876 (bonus bid)	1,080
2006	3,524	240
2007	4,698	319
2008	5,872	396



TG 3. The school land trust owns the mineral rights of the blue 160-acre tract of Section 36 shown above. The surface rights of this tract are privately owned. The small lots were subdivided from two 80-acre homesteads.

The brown portion of Section 36 is owned by Cook Region Inlet, Inc. CIRI has both surface and mineral rights of its 480-acre tract. This tract is not included in the oil and gas lease.

Anchor Point and the Sterling Highway are one and one-half miles west of this section.

Map source: KPB Parcel Viewer

Section Four

A New School Trust Land Grant

The Alaska National Interest Lands Conservation Act (ANILCA), P.L. 96-487, Dec. 2, 1980, 94 Stat. 2371, specified that Alaska was to receive an additional 75,000 acres of school land. Provisions for the new land grant was in Section 906(b), which read in part:

SCHOOL LANDS SETTLEMENT.-- (1) In full and final settlement of any and all claims by the State of Alaska arising under the Act of March 4, 1915 (38 Stat. 1214), as confirmed and transferred in §6(k) of the Alaska Statehood Act, the State is hereby granted seventy-five thousand acres which it shall be entitled to select until January 4, 1994, from vacant, unappropriated, and unreserved public lands. In exercising the selection rights granted herein, the State shall be deemed to have relinquished all claims to any right, title, or interest to any school lands which failed to vest under the above statutes at the time Alaska became a State (January 3, 1959), including lands unsurveyed on that date or surveyed lands which were within Federal reservations or withdrawals on that date.

(3) Lands selected and conveyed to the State under this subsection shall be subject to the provisions of subsections (1) and (k) of §6 of the Alaska Statehood Act.

Reasons for the New School Land Grant

Alaska received this additional school land because it was unable to select and patent all land to which it was entitled in 1959. That is, part or all of many sections 16 and 36 could not be conveyed to the State due to pre-statehood federal withdrawals including territorial homestead entries, inclusion in a national forest, territorial grants, federal public land orders, mining claims, and conveyances for territorial use. One report indicates that of some 181,000 acres eligible for selection as school land, only 104,000 acres were ultimately patented (School Grant Audit, DNR, Revised Updated, November 17, 1998).

By 1986 the Alaska Department of Natural Resources (DNR) had not yet selected any the new school land. According to DNR the delay was necessary to clear up conflicts in conveyances on related land transfers, and because of an ongoing audit of sections 16 and 36 to determine if Alaska received all the school trust land to which it was entitled under the 1915 Act of Congress. As previously noted, lifting of pre-statehood federal withdrawals on some trust land allowed Alaska to now claim school sections it was originally denied. Such action had to be taken before selecting ANILCA Sec. 906(b) lands.

Land Status in 1986

The status of the new school land grant was stated by DNR that year (Letter from Tom Hawkins, Director, Division of Land and Water Management, to E. Dean Coon, December 16, 1986) which stated, in part:

As you are aware, on July 1, 1978, the legislature redesignated all trust land as general grant land, which included approximately 103,000 acres of school land. However, the redesignation does not affect land approved for conveyance after July 1, 1978. Sec. 906(b) of ANILCA states that “lands selected and conveyed to the State under this subsection shall be subject to the provisions of subsection (j) and (k) of Section 6 of the Alaska Statehood Act.” These particular subsections of the Statehood Act related to the confirmation of title to the State of Alaska and removed land and monetary management restrictions.

Once the Sec. 906(b) land is selected and title is obtained, this agency will manage the land as general grant land is managed. We will also insure that a trust account is established so that revenues derived from this land will be placed in the public school fund. *Emphases added.*

Criteria for ANILCA Grant Land Selection

The Department of Natural Resources established criteria for selecting the new school land. Resource value of the land would be a major criterion, and was detailed in a DNR document (E. ANILCA School Grant, prepared by Dick Mylius, Manager, Division of Land, Resource Assessment and Development Section, n.d.). An excerpt follows:

Selections should be for land capable of earning revenue for the state. The desire was to limit the number of parcels to four or less to reduce management and survey costs. Because the grant is small, it was desired that all of the selections be conveyable, that is, the grant would not be used to topfile on lands selected by ANCSA corporations, currently withdrawn, or encumbered with federal mining claims.

Very few of the lands available for selection had high enough surface values that could be turned into revenue with certainty, so the steering committee decided to select land with subsurface values or with both surface and subsurface potential for this grant. It was determined that this acreage was too small to use to acquire land in speculative oil and gas areas. Areas with known and accessible sand and gravel were identified by DGGs (Division of Geological and Geophysical Services), but determined not to be available. As a result, the use of this grant focused on land with potential mineral deposits or a mix of mineral and surface values.

The Land is Selected

The land ultimately selected on May 21, 1993 comprised three large tracts as well as part of one section. Locations of these ANILCA 906(b) lands:

Copper River Meridian: 38,647 acres southeast of Tonsina, located in Township 3 South, Range 2 East, and T. 4 S., R. 2 E.

Fairbanks Meridian: 17,190 acres north of the Denali Highway in the Clearwater Mountain Range, located in T. 19 S., R. 5 E., and T. 19 S., R. 6 E.

Fairbanks Meridian: 19,027 acres south of Black Rapids Glacier within the Alaska Range, located in T. 18 S., R. 8 E.

Copper River Meridian: 66 acres southeast of Gustavus Airfield.
Section 16, Lot 2, T. 40 S., R. 59 E.

Acres patented: 74,930

The Mylius document, previously cited, estimates acreages in the Fairbanks Meridian have good economic prospects for mineral development, noting they contain “. . . the Zackly gold-copper skarn deposit with estimated reserves of 1.25 million tons of 2.6% copper and greater than 6 grams of gold per ton . . . with a high potential for metamorphic gold veins and moderate potential for placer gold and basalt-related copper deposits . . .”

Trust Income

The ANILCA grant land is “school land” and all receipts from its use, such as gravel sales, mineral leases, rent, etc., is being held in a DNR escrow account due to the current litigation. Ultimately it will be credited to the Public School Trust Fund. DNR Commissioner Tom Irwin, in a letter to State Representative Bob Roses (8/14/07) stated that “. . . from December 21, 1998, to the present, 100% of revenues generated from these lands have been accounted for within a separate DNR account. As of August 14, 2007, this account contains \$1,715,355.”

Descriptions and Maps

The Department of Natural Resources designated the ANILCA land case identification ANISS, for Alaska National Interest School Selections. Descriptions, tract income, and maps of the four ANISS cases follow.

ANISS 1

Size: 38,647 acres

Patented to the State: Sept. 10, 1999

Legal Description: Copper River Meridian

T.3 S, R.2 E. Sections 1-6, 8-17, 20-36.

T.4 S, R.2 E. Sections 1-22 inclusive excluding Native allotment application AA-7242, Parcel A in Sections 8 & 9

T. 4 S, R. 2 E, Sections 23 and 24, 28 and 29, 32, 33, W2,W2NE4

See USGS Valdez C-3 and C-4 Quadrangle Maps

How to get there: ANISS 1 is in Southcentral Alaska 80 miles northeast of Valdez. The northwest corner is one mile southeast of Tonsina. Midpoint of the western border is three and one-half miles east of Milepost 75 on the Richardson Highway. Dust Creek and Bernard Creek traverse Township 3 from NW to SE. Kimball Pass Trail traverses north to south in both townships.

Mineral Lease Activity: There were a number of claims closed after the land was patented. Claims generated approximately \$16,375 in lease rent.

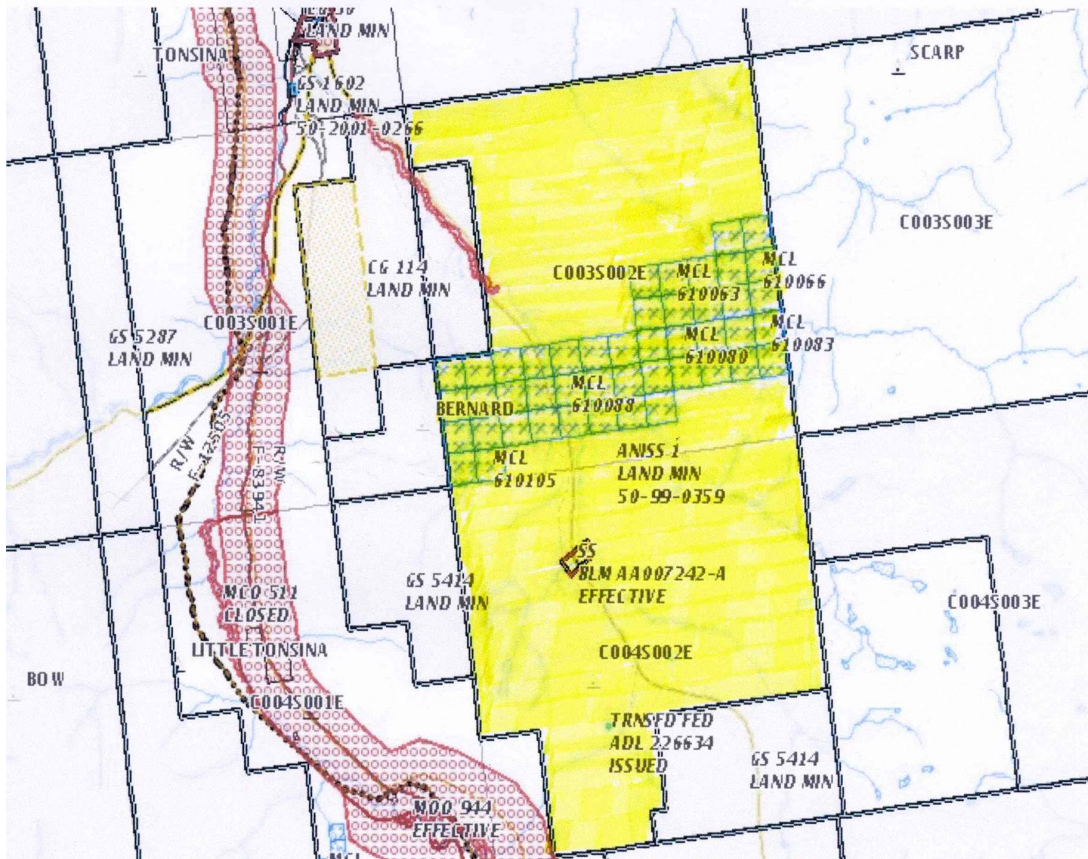
There are now 46 160-acre active mining leases in Township 3 S, all based on mineral discovery claimed as of May 15, 2006. They are in Sections 13 and 22 through 34 and encompass 7,360 acres. Rental lease on each quarter section is \$100 per year (rate for the first five years).

The mineral leases are now held by Pacific North West Capital Corp., Vancouver, B.C., Canada. It bills itself as an explorer/project generator in the search for Platinum Group Metals (PGM) and Nickel in North America. This is Pacific North West's Tonsina Project, one of 11 mining projects it has in the United States and Canada. According to a 2007 company statement, nickel, copper, and platinum mineralization have been found there. According to an affidavit filed with the Department of Natural Resources, the company spent \$119,905 on geologic mapping, geochemical sampling, hand trenching, and sampling in the 12-month period ending August 31, 2007.

In addition to the active mining claims there are two placer mine permits and one active temporary water use permit on ANISS 1. No revenues from these three permits were found.

Income: \$ 16,375 from early claims now closed
 \$ 9,200 from 1995 through 2006.
 \$ 11,500 for leases in 2007-2008

ANISS 1 in yellow. Town of Tonsina is at the upper left.
Blue Squares with X's are quarter sections leased for minerals.
The Red Column with circles is the Richardson Highway.



Map source: DNR Alaska Mapper

ANISS 2

Size: 17,190 acres

Patented to the State: May 15, 1999

Legal Description: Fairbanks Meridian

T 19 S, R 5 E, Sections 1 and 2, 11 to 14 inclusive, and 23 to 26 inclusive

T 19 S, R 6 E, Sections 4 to 10 inclusive, 15 to 22 inclusive, 29-30

See USGS Mt. Hayes B-6 and A-6 Quadrangle Maps

How to get there: ANISS 2 is in the northern part of the Matanuska-Susitna Borough between the west fork of the Maclaren River and upper tributaries of the east fork of the Maclaren River. The south border of ANISS 2 is nine miles north of the Denali Highway. There is a winter trail from the Denali Highway to an old mine site at the east border of Range 6 E.

Mineral Leases: There were a number of claims after the land was patented to the state, but these have been closed for several years. There are no active claims at the present time.

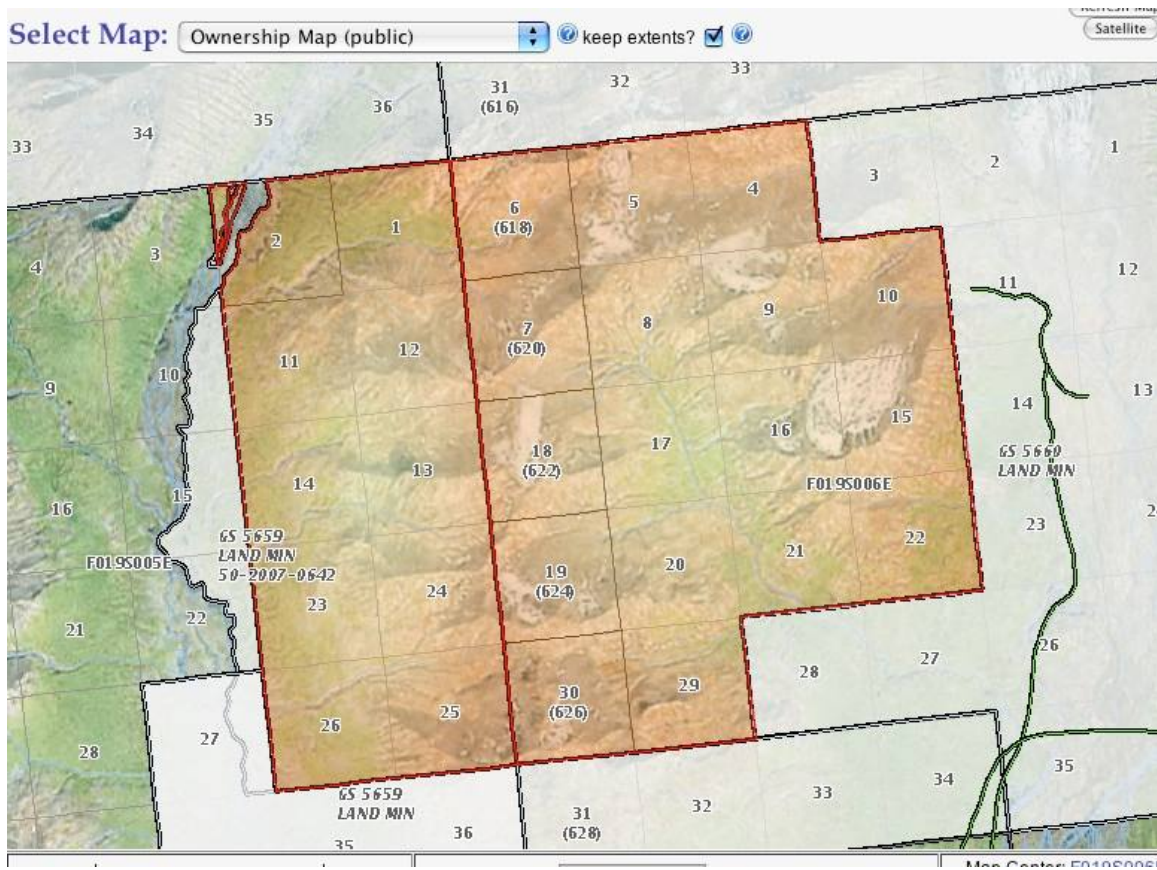
There is a abandoned mine one-half mile from the east border of ANISS 2. It is on Section 10 of T 19 S, R 6 E and there is an airstrip nearby.

According to DNR documents this acreage has good economic prospects for mineral development, specifically noting it contains ". . . the Zackly gold-copper skarn deposit with estimated reserves of 1.25 million tons of 2.6% copper and greater than 6 grams of gold per ton . . . with a high potential for metamorphic gold veins and moderate potential for placer gold and basal-related copper deposits . . ."

The land is classified by DNR as "'public recreation and wildlife habitat."

Income: \$ 3,235 from claims now closed.

ANISS 2, shown below, is devoid of any mineral prospecting. There are mineral claims on several sections bordering the bottom of this tract.



Map source: DNR Alaska Mapper with satellite imagery.

ANISS 3

Size: 19,027 acres

Patented to the State: May 14, 1999

Legal Description: Fairbanks Meridian

Township 18 South, Range 8 East, Sections 1-22, and 27-34

See Mt. Hayes B-5 Quadrangle Map

How to get there: ANISS 3 is in the northern part of the Matanuska-Susitna Borough about 160 miles south of Fairbanks. It is about 12 miles north of the Denali Highway which may be accessed from either the Parks Highway (west) or the Richardson Highway (east). It is northwest of Tangle Lakes.

Mineral leases on 5,040 acres. There are 126 currently active leases in ANISS 3. Sections with active claims in T 18S. R 8E are: 13 (south half), 19 (south half), 27 (south half), 28 (south half), 29 (560 acres), 30, 31, 32, 33, and 34. There are 170 closed mining claims in ANISS 3.

Mineral lease holder: Pure Nickel Inc., 95 Wellington Street West, Suite 900, Toronto, Ontario, Canada. Pure Nickel's MAN Alaska Project encompasses almost 280 square miles in south central Alaska. The ANISS 3 township is near the northwestern edge of this huge leased area.

Pure Nickel bought the MAN Alaska Project leases from Nevada Star Resources in February 2007. Prospecting expenses of \$1,461,172 were reported on 1,840 claims in the 12-month period ending September 31, 2008. On November 5, 2008 ITOCHU, a Japanese conglomerate, offered \$40 million for 75 percent ownership of Pure Nickel's MAN Alaska Project.

According to a Nevada Star news release dated August 17, 2005, exploration of this large area began in 1995 and findings were characterized by extremely high nickel and gold concentrations in surface samples. More recent exploration results indicate potential for significant discoveries of nickel, platinum-group elements, gold and copper.

Income from Leasing:

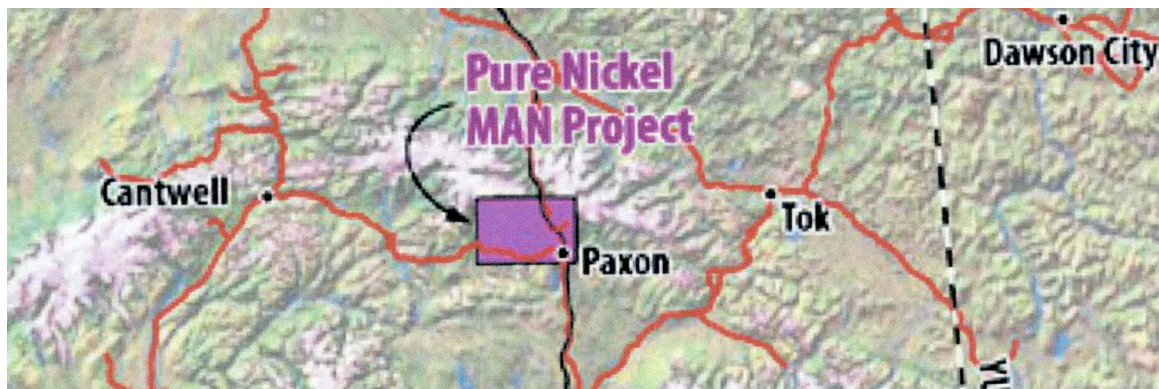
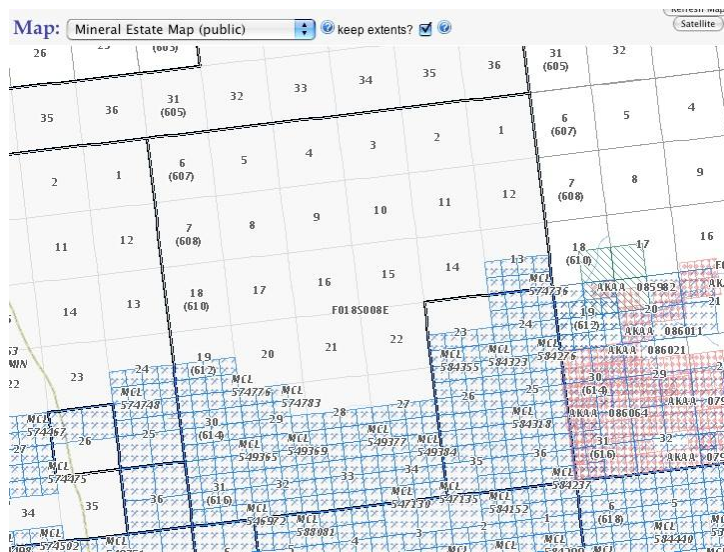
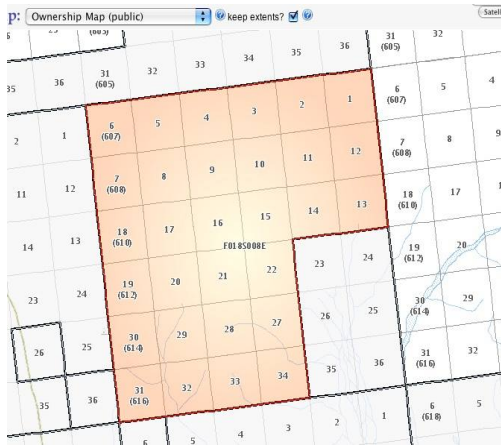
\$ 2,424 from closed claims; 2006 or earlier

\$ 40,820 from active claims in FY '07 and FY '08

\$ 111,750 from all claims since their filings; includes income through FY '08.

(Note: some income may be from leases active prior to May 23, 1994.)

ANISS 3 (upper map). ANISS 3 mineral claims; blue portion (middle of page). Pure Nickel MAN Project location (bottom of page).



ANISS 4

Size: 66.63 acres

Patented to the State: May 24, 1994

Legal Description: Copper River Meridian
Township 40 South, Range 59 East, Section 16, Lot 2 NW4 NW4.
See USGS Juneau B-6 Quadrangle Map.

How to get there: ANISS 4 is in Southeast Alaska and on the southeast edge of Gustavus just south of the Gustavus Airport. The south and southeastern edge of this tract borders Icy Strait tidal flats. It is about a mile southeast of the Gustavus School of the Chatham REAA District. The Gustavus Rink Trail traverses this tract.

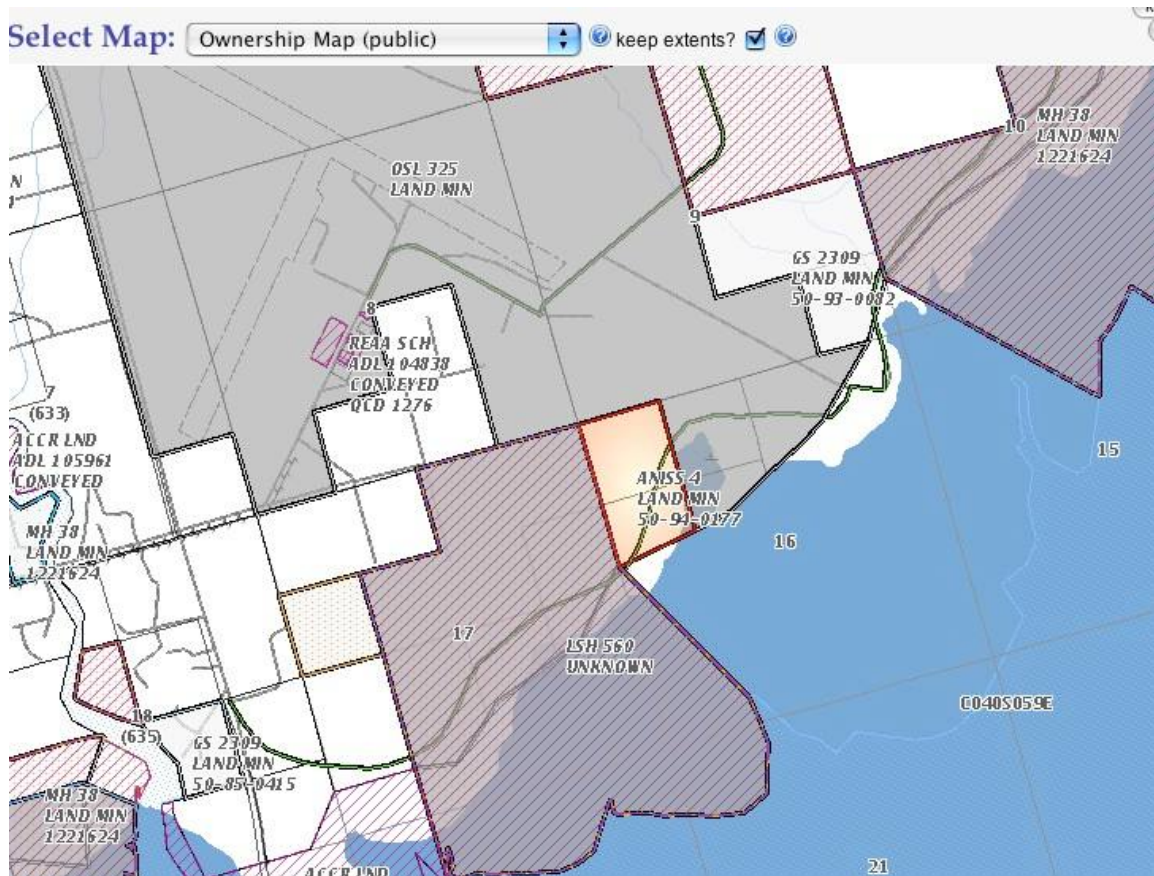
History: On June 27, 1960 the State applied for 168.15 acres of Section 16 (the balance was in the tidal flats and/or under the waters of Icy Strait). This application was rejected by BLM. Eventually 101.5 acres was patented as school trust land and designated as Sch 114.

Later, 66.63 acres of this section adjacent to Sch 114 was reserved by BLM for use of the Civil Aeronautics Administration (now the FAA). This Federal reservation was withdrawn in 1989 and the State applied for a patent as school land. This was rejected. Then, according to the DNR Case File Abstract, the land was to be converted from GS-2309 (General Grant Land) or filed for under Section 906(b) of ANILCA. The ANILCA option was chosen and this small tract, 66.63 acres, became ANISS 4.

ANISS 4 does not meet the criteria for selection as an ANISS property. It appears not to have minerals or other income potential at this time.

Income: None

ANISS 4 is the small light colored rectangle in the center of the map below. Gustavus is to the west. The airport runways are above ANISS 4. Gustavus, directly west of Juneau, is at the entrance to Glacier Bay National Park and Preserve.



Map source: DNR Alaska Mapper

The Future

Less than Fair Market Value!

*"Decision made to issue a .315 lease at less than fair market value due to the fact that the land applied for was "school land."**

*Notation in the DNR case file abstract 6/26/68 regarding lease of public school trust land to the Alaska Department of Transportation for a Fairbanks district depot (South of Airport Way and east of Peger Road). The lease of 34 acres at \$40 per year for 55 years was approved.

The lease transaction cited above seems to sum up the attitude that Alaska has taken toward the public school trust land. Certainly no one was "minding the store" when the legislature in 1978 took all the school trust land and made it general grant land. Did anyone consider the trust beneficiaries – the public school students. Did anyone speak for them?

The potential income-producing value of this land, situated as most of it was throughout the populated areas, seemed to have been ignored. Now the land trust is land poor. Can, or should, this situation "be fixed."

Assessing the Situation

Here are the current assets of the Public School Trust:

- 3,010 acres of land patented or confirmed after 1978, although examination will show very little of this is left to produce income for the Fund. Lease income for 2007 and 2008: \$ 715 (est).
- 74,930 acres of a new land grant under the Alaska National Interest Land Claims Act; most are large tracts that have some mineral lease income but no producing mines. Lease income for 2007 and 2008: \$ 53,320.
- A share of income from the State's general grant lands (.5% of the annual receipts) which amounts to an average of \$ 11 million per year; this is credited to the Public School Trust Fund principal. Soon there will be more than 100 million acres of state grant lands.

- A Fund balance on 1/30/09 of \$ 318 million which earns, on the average, approximately \$12 million per year. This investment income becomes part of the school foundation monies distributed to school districts. Its identity as school trust money is lost.

Isn't Everything O.K.?

So what if the school trust has very little land. And that the school land it has is earning very little. It does have a steady source of other income for the trust fund principal. The investment earnings of the Fund are going to the public schools via the foundation program. Even the litigation has not crippled this process (although several million dollars are being held in escrow pending the outcome of the court case).

What is the matter with that? Does anything need to be fixed?

Yes, Fix It!

“Yes,” say several Alaska groups, who contend there are a number of important changes that must be made to enable the school land trust to regain its original purpose and achieve its potential. A "reconstitution" of the Trust is often mentioned as the only sure way to "cure" the breach of the Trust.

The groups are the Alaska Parent Teacher Association, the Alaska Association of School Boards, and the Citizens for the Educational Advancement of Alaska's Children. The PTA and AASB have issued strong resolutions about the trust; these are included in the Appendix.

Some of the changes would require legislative action. Here are a few of the recommended actions and changes proposed by these groups and others:

- *Kasayulie vs. State of Alaska* must be settled. If there must be an appraisal of school land, do it or abort it by mutual agreement of the plaintiffs and the State. (Expense funds for both the State and the plaintiffs to plan the appraisal have already been drawn from the trust fund investment earnings account; this practice can be resumed if there is agreement to conduct the appraisal). Then the long awaited court-specified review of financial management of Fund and land assets can be conducted. The court can then determine the consequences to the State of breaching the trust as well as ordering needed changes.

- There should be reconstitution and active management of the land trust and fund. The nature of this would be determined by additional research and with participation of the beneficiaries or representatives of the beneficiaries. This could call for additional state land to be set aside for public school support. A complete multi-year audit of land and fund management must be conducted. A strong state-level advisory committee must be created. This historic land trust must be allowed to fulfill the purpose for which it was originally created.

- Do not credit the Fund's investment income to the foundation program. The investment earnings must be used in a productive and visible manner by every school in every district. Some alternative uses:

- (1) Use it for local school programs or activities specified by local school advisory committees (district-wide or one for each school). The money would be 'on top' of the regular school budget. Such things as school activities, student travel, or library and media are examples. Distribution to the districts would be on a weighted student basis.

- (2) Or the money could be used for a state-wide school construction bond program. Current investment income could easily pay for a \$250 million 25-year bond issue.

Diverting the Fund's investment earnings from being put in the foundation program, where it is a very small percent of the total, is crucial to getting the time and support of the groups interesting in "fixing it."

What's Next?

Who can best represent the beneficiaries – the public school students – in this endeavor to restore the Public School Land Trust and Public School Trust Fund to positions of strength and growth? An endeavor which will enable the State to renew the promise it made at Statehood.

Who will spearhead the necessary actions and when will the ongoing modest effort be expanded? Do the current interested parties agree on the desired goals? Are the financial resources available to pay for legal and other expenses which will be required? Are there other agencies with interest and resources which could help?

These challenges must be met if the Public School Trust Land and the Public School Trust Fund are to achieve their potential.

APPENDIX

School Trust Land and Funds

Alaska PTA Resolution

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Reconstitution and Active Management of the Public School Land Trust and Permanent Fund

Alaska Association of School Boards' Resolution

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Partial List of Information Resources Alaska Public School Land Trust and Fund

School Trust Lands and Funds

Adopted by Alaska PTA Convention, April 29, 2005

- Whereas; Early in our nations history the import and support of public education was established by the granting of school trust lands in every state and the establishment of corresponding permanent school funds; and
- Whereas; In 1915, 106,000 acres were transferred by the Alaska School Lands Bill to the Alaska Public School Lands Trust in the original school trust land grant; and
- Whereas; In 1978, The Alaska State Legislature converted the school trust land to “state lands” to be compensated by .5% of all of the income generated by all general state lands; and
- Whereas; The conversion was made without the beneficiaries or representative of the beneficiaries consent; and
- Whereas; The income derived from these lands must be used to support the public school children of Alaska as the beneficiaries of the trust; and
- Resolved; That Alaska PTA shall provide information to parents, educators, policy makers and the public about school and institutional trust lands and permanent school funds; and be it further
- Resolved; That Alaska PTA shall support management of the Alaska Public School Lands Trust that is consistent with legally recognized trust principles of sound financial management to provide maximum benefit to the children in public schools who are the beneficiaries of that trust; and be it further
- Resolved; That Alaska PTA supports compensation for unfulfilled legally binding commitments made by state and federal governments to the Alaska Public School Lands Trust; and be it further
- Resolved; That Alaska PTA urges state and federal lawmakers to support public schools by ensuring that the historic trusts are allowed to fulfill the purpose for which they were originally created.

Alaska Association of School Boards

Resolutions: FUNDING

2.27 RECONSTITUTION AND ACTIVE MANAGEMENT OF THE PUBLIC SCHOOL LAND TRUST AND PERMANENT FUND

AASB supports additional research into reconstitution of the Alaska Public School Land Trust, active management of the trust and working with Alaska PTA and other educational stakeholders to that end.

Rationale. A promise was made to Alaska public school children on March 4, 1915, when “An Act to reserve lands to the Territory of Alaska for educational uses, and for other purposes,” (38 Stat. 1214, Public Law 63-330/Chapter 181, 63 Congress, Session 3) was approved by Congress and signed by President Woodrow Wilson. PL 63-330 requires when federal lands are surveyed, Sections 16 and 36 in each township shall be and were reserved for the support of common schools in Alaska.

Adopted 2007

Partial List of Information Resources

Alaska Public School Land Trust & Fund

March 2009

State Agencies

1. Alaska Department of Revenue

Commissioner Patrick Galvin

550 W. 7th Ave., Suite 1820, Anchorage, AK 99501

Treasury Division, Pam Green, Comptroller

P.O. Box 11405, Juneau, AK 99811-0400

Investment Policies and Procedures, Version 2.2 Released January 21, 2005

(Get later edition)

Section XII C: Public School Trust Fund - Investment Policy Statement

Available online at <http://www.revenue.state.ak.us/treasury/default.asp>

An excellent source; besides investment policies it has historical and financial data.

2. Alaska Department of Natural Resources (DNR)

Commissioner Tom Irwin

400 Willoughby Ave 5th Floor, Juneau AK 99801-1724, or

550 West 7th Ave, Ste 1400, Anchorage AK 99501-3554

Fiscal information: Division of Support Services

Land information: Division of Mining, Land and Water, online at

<http://plats.landrecords.info/index.html>

Select: Research DNR Case Files Land Administration System (LAS)

Case type for the new school land is 113 ANISS, ANILCA School Select, files 1-4.

Case type for former school land is 107 SCH, files 1-232 (need 1999 DNR audit nos.)

Or for sections 16/36 anywhere enter the following abstract information: meridian, township, range, section, and case type.

3. Alaska Department of Education and Early Development (DEED)

Commissioner Larry LeDoux, or Eddie Jeans, School Finance Director

801 W. 10th St., Ste 200, Juneau AK 99801-1894

4. Alaska Superior Court, Third Judicial District, Anchorage

Judge Mark Rinder

825 W. 4th Avenue, Anchorage, AK 99501-2004

Judge Rinder is assigned to handle Kasayulie vs. State of Alaska. He succeeds Judge John Reese, who retired in 2004.

5. Department of Law, Office of the Attorney General

Labor and State Affairs Section - Anchorage
 Brian Bjorkquist, Senior Assistant Attorney General
 1031 W. 4th Ave, Ste 200, Anchorage, AK 99501-1994

6. Public School Fund Advisory Board (per AS 37.14.120)

c/o Alaska Department of Revenue, Treasury Division

This Board has five members, currently Commissioner of Revenue Patrick Galvin, Commissioner of Education and Early Development Larry LeDoux, and State Board of Education members Phillip Schneider, Patrick Shier, and one to be named.

Other valuable information sources, all accessible via the State of Alaska website, include the Legislative Finance Committee and the Department of Administration, which compiles the Comprehensive Annual Financial Report (available every January).

Plaintiffs and Counsel - *Kasayulie vs. State of Alaska*

7. Parents. Willie and Sophie Kasayulie, Akiachak; Paul and Mary Mike, Kotlik; and Arthur and Ruth Heckman, Pilot Station.

8. School Districts. Bering Strait S.D., Unalakleet; Iditarod S.D., McGrath; Kashunamut S.D., Chevak; Lower Kuskokwin S.D., Bethel; Lower Yukon S.D., Mountain Village; and Yupiit S.D., Akiachak.

9. Citizens for the Educational Advancement of Alaska's Children

CEAAC is a broadly based association of Alaska school districts.

Joe Beckford, President (Superintendent, Aleutian Region Schools)

Spike Jorgenson, Executive Director

c/o Harold Webb Associates Alaska, P.O. Box 132, Tok AK 99780

10. Counsel.

Jermain Dunnagan and Owens, P.C.

Attorney Howard S. Trickey

3000A Street, Suite 300, Anchorage, AK 99503

Trust Fund History and Analysis

11. *The Alaska Public School Fund: A Permanent Fund for Education*, a research paper by E. Dean Coon, University of Alaska Fairbanks, March 1984, 40 pp.

12. *A Promise to Keep: The Alaska Public School Trust Fund: A History of the Fund - 1985-2004*, a research paper by E. Dean Coon, Anchorage, AK, January 2005, 50 pp.

These papers are in the State Library in Juneau and at Loussac, UAA and UAF. A Promise to Keep may be accessed on the PTA web site. Abstracts of these papers, and copies of the following two documents, are available from the author at dean.ak@gci.net.

13. **Timeline, Alaska School Trust Land and Trust Fund, Major and minor facts and events of the past 90 years, Fall 2005**, by E. Dean Coon. 3 pp.

14. **Partial List of Information Resources, Alaska Public School Land Trust & Fund**, March 2009, by E. Dean Coon. 2 pp.

Advocacy Groups

15. **Alaska Parents and Teachers Association**

President, Al Tamagni

Alaska Public School Land Trust Committee, Suellen Appellof, chair
(past president)

555 West Northern Lights- Ste 204 (or Box 201496)
Anchorage, Alaska 99520-1496

Web site: <http://www.alaska.net/~akpta/>

Web site: <http://www.alaskapublicschooltrust.org/>

16. **Children's Land Alliance Supporting Schools - CLASS**

675 East 500 South, Suite 340, Salt Lake City, Utah 84102

www.childrenslandalliance.com

CLASS is a 501c 3 beneficiary organization formed in 2001 for the purpose of educating and training education leaders and the public about school trust lands.