

1.1 Kresha and Youakim from the Committee on Education Finance to which was referred:

1.2 H. F. No. 3900, A bill for an act relating to state government; proposing an amendment
1.3 to the Minnesota Constitution, article XI, section 8; modifying the permanent school fund
1.4 to calculate distributable earnings; amending Minnesota Statutes 2024, section 11A.16,
1.5 subdivisions 5, 6.

1.6 Reported the same back with the following amendments:

1.7 Delete everything after the enacting clause and insert:

1.8 "Section 1. **CONSTITUTIONAL AMENDMENT PROPOSED.**

1.9 An amendment to the Minnesota Constitution is proposed to the people. If the amendment
1.10 is adopted, article XI, section 8, will read:

1.11 Sec. 8. The permanent school fund of the state consists of (a) the proceeds of lands
1.12 granted by the United States for the use of schools within each township, (b) the proceeds
1.13 derived from swamp lands granted to the state, (c) all cash and investments credited to the
1.14 permanent school fund and to the swamp land fund, and (d) all cash and investments credited
1.15 to the internal improvement land fund and the lands therein. No portion of these lands shall
1.16 be sold otherwise than at public sale, and in the manner provided by law. All funds arising
1.17 from the sale or other disposition of the lands, or income accruing in any way before the
1.18 sale or disposition thereof, shall be credited to the permanent school fund. Within limitations
1.19 prescribed by law, the fund shall be invested ~~to secure the maximum return consistent with~~
1.20 ~~the maintenance of the perpetuity of the fund. The principal of the permanent school fund~~
1.21 ~~shall be perpetual and inviolate forever. This does not prevent the sale of investments at~~
1.22 ~~less than the cost to the fund; however, all losses not offset by gains shall be repaid to the~~
1.23 ~~fund from the interest and dividends earned thereafter. The net interest and dividends arising~~
1.24 ~~from the fund shall be distributed~~ and managed as a perpetual financial resource for the sole
1.25 purpose of apportioning money to the different school districts of the state. Management
1.26 of the fund shall be designed to provide annual distributions, minus necessary administrative

2.1 spending, while preserving the purchasing power of the fund over time and balancing the
2.2 needs of current and future beneficiaries. Administrative spending shall be in the manner
2.3 prescribed by law. The distribution policy shall be prescribed by law and consistent with
2.4 the aforementioned principles. Distributions from the fund shall be apportioned to the
2.5 different school districts of the state in a manner prescribed by law.

2.6 A board of investment consisting of the governor, the state auditor, the secretary of state,
2.7 and the attorney general is constituted for the purpose of administering and directing the
2.8 investment of all state funds. The board shall not permit state funds to be used for the
2.9 underwriting or direct purchase of municipal securities from the issuer or the issuer's agent.

2.10 Sec. 2. SUBMISSION TO VOTERS.

2.11 (a) The proposed amendment must be submitted to the people at the 2026 state general
2.12 election. The question submitted must be:

2.13 "Shall the Minnesota Constitution be amended to increase the funding going to all school
2.14 districts from the permanent school fund, which is a fund that supports school districts
2.15 without raising individual income or property taxes, effective July 1, 2027?

2.16 Yes

2.17 No "

2.18 (b) The title required under Minnesota Statutes, section 204D.15, subdivision 1, for the
2.19 question submitted to the people under paragraph (a) shall be: "Increasing funding to school
2.20 districts."

2.21 Sec. 3. Minnesota Statutes 2024, section 11A.16, subdivision 5, is amended to read:

2.22 Subd. 5. **Calculation of income distributable amount.** ~~As of the end of each fiscal~~
2.23 ~~year, (a) The state board shall calculate the investment income earned by distributable~~
2.24 ~~amount of the permanent school fund. The investment income earned by the fund distributable~~
2.25 ~~amount shall equal the amount of interest on debt securities, dividends on equity securities,~~
2.26 ~~and interest earned on certified monthly earnings prior to the transfer to the Department of~~
2.27 ~~Education. Gains and losses arising from the sale of securities shall be apportioned as~~
2.28 ~~follows: 4.5 percent of the average net asset value of the permanent school fund as of the~~
2.29 ~~end of the preceding three fiscal years.~~

2.30 ~~(a) If the sale of securities results in a net gain during a fiscal year, the gain shall be~~
2.31 ~~apportioned in equal installments over the next ten fiscal years to offset net losses in those~~

years. ~~If any portion of an installment is not needed to recover subsequent losses identified in paragraph (b) it shall be added to the principal of the fund.~~

~~(b) If the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered first from the gains in paragraph (a) apportioned to that fiscal year. If these gains are insufficient, any remaining net loss shall be recovered from interest and dividend income in equal installments over the following ten fiscal years.~~

(b) The director shall report by August 15 the distributable amount to the Legislative Permanent School Fund Commission established in section 127A.30 and the commissioner of education.

Sec. 4. Minnesota Statutes 2024, section 11A.16, subdivision 6, is amended to read:

Subd. 6. **Disposition of income distributable amount.** ~~Notwithstanding provisions of section 11A.12,~~ The income commissioner of management and budget shall transfer the distributable amount of the permanent school fund as calculated pursuant to subdivision 5; ~~shall be credited to the permanent school fund, and transferred to the school endowment fund as needed for payments made pursuant to section 127A.32.~~

Sec. 5. Minnesota Statutes 2024, section 127A.32, is amended to read:

127A.32 SCHOOL ENDOWMENT FUND; DESIGNATION.

For the purpose of aid to public schools, a school endowment fund is established.

The school endowment fund shall consist of the ~~income~~ distributable amounts from the permanent school fund. The commissioner may accept for and on behalf of the permanent school fund a donation of cash, marketable securities, or other personal property. A noncash donation, other than a donation of marketable securities, must be disposed of for cash as soon as the commissioner can obtain fair market value for the donation. Marketable securities may be disposed of at the discretion of the State Board of Investment consistent with sections 11A.16 and 11A.24. A cash donation and the cash receipts from a donation disposed of for cash must be credited immediately to the permanent school fund. Earnings from marketable securities are earnings of the permanent school fund.

Sec. 6. **EFFECTIVE DATE.**

Sections 1 to 5 are effective July 1, 2027, for aid payable in fiscal year 2028 if the constitutional amendment proposed in section 1 is adopted by the voters."

Delete the title and insert:

4.1 "A bill for an act

4.2 relating to state government; proposing an amendment to the Minnesota

4.3 Constitution, article XI, section 8; modifying the investment, management, and

4.4 distribution policy for the permanent school fund; amending Minnesota Statutes

4.5 2024, sections 11A.16, subdivisions 5, 6; 127A.32."

4.6 With the recommendation that when so amended the bill be re-referred to the Committee

4.7 on Rules and Legislative Administration.

4.8 This Committee action taken March 17, 2026

4.9, Co-Chair

4.10, Co-Chair