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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3900

03/02/2026 Authored by Igo, Youakim, O'Driscoll, Clardy, Bakeberg and others
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to state government; proposing an amendment to the Minnesota
1.3 Constitution, article XI, section 8; modifying the permanent school fund to calculate
1.4 distributable earnings; amending Minnesota Statutes 2024, section 11A.16,
1.5 subdivisions 5, 6.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 ARTICLE 1
1.8 CONSTITUTIONAL AMENDMENT

1.9 Section 1. CONSTITUTIONAL AMENDMENT PROPOSED.

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

1.12 Sec. 8. The permanent school fund of the state consists of (a) the proceeds of lands
1.13 granted by the United States for the use of schools within each township, (b) the proceeds
1.14 derived from swamp lands granted to the state, (c) all cash and investments credited to the
1.15 permanent school fund and to the swamp land fund, and (d) all cash and investments credited
1.16 to the internal improvement land fund and the lands therein. No portion of these lands shall
1.17 be sold otherwise than at public sale, and in the manner provided by law. All funds arising
1.18 from the sale or other disposition of the lands, or income accruing in any way before the
1.19 sale or disposition thereof, shall be credited to the permanent school fund. Within limitations
1.20 prescribed by law, the fund shall be invested to secure the maximum return consistent with
1.21 the maintenance of the perpetuity of the fund. The principal of the permanent school fund
1.22 shall be perpetual and inviolate forever. This does not prevent the sale of investments at
1.23 less than the cost to the fund; however, all losses not offset by gains shall be repaid to the

2.1 ~~fund from the interest and dividends earned thereafter. The net interest and dividends arising~~
 2.2 ~~from the fund shall be distributed~~ and managed as a perpetual financial resource for the sole
 2.3 purpose of supporting the different school districts of the state. Management of the fund
 2.4 shall be designed to provide annual distributions while preserving the purchasing power of
 2.5 the fund over time and balancing the needs of current and future beneficiaries. The
 2.6 distribution policy shall be specified in law and consistent with the aforementioned principles.
 2.7 Distributions from the fund shall be apportioned to the different school districts of the state
 2.8 in a manner prescribed by law.

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

2.13 **Sec. 2. SUBMISSION TO VOTERS.**

2.14 The proposed amendment must be submitted to the people at the 2026 state general
 2.15 election. The question submitted must be:

2.16 "Shall the Minnesota Constitution be amended?"

2.17 Yes

2.18 No "

2.19 **ARTICLE 2**

2.20 **STATUTORY CHANGES**

2.21 Section 1. Minnesota Statutes 2024, section 11A.16, subdivision 5, is amended to read:

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

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

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

3.7 (b) After the end of the fiscal year, the director shall report the total distributable earnings
3.8 to the Legislative Permanent School Fund Commission established in section 127A.30 and
3.9 the commissioner of the Department of Education.

3.10 Sec. 2. Minnesota Statutes 2024, section 11A.16, subdivision 6, is amended to read:

3.11 Subd. 6. **Disposition of income distributable earnings.** Notwithstanding provisions
3.12 of section 11A.12, the income distributable earnings of the permanent school fund as
3.13 calculated pursuant to subdivision 5, shall be credited to the permanent school fund, and
3.14 transferred to the school endowment fund as needed for payments made pursuant to section
3.15 127A.32.

3.16 Sec. 3. **EFFECTIVE DATE.**

3.17 Sections 1 and 2 are effective January 1, 2027, if the constitutional amendment proposed
3.18 in article 1, section 1, is adopted by the voters.

APPENDIX
Article locations for 26-06719

ARTICLE 1 CONSTITUTIONAL AMENDMENT..... Page.Ln 1.7
ARTICLE 2 STATUTORY CHANGES..... Page.Ln 2.19