



**MINNESOTA  
SCHOOL TRUST LANDS**

# House Education Finance

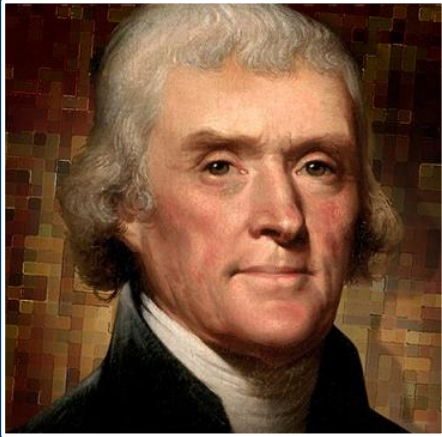
January 17, 2023



# Presentation Overview

1. School Trust Lands – Historic and Legal Foundations
2. School Trust Portfolio
3. 10-year Revenue Generation and Distributions
4. Office of School Trust Lands – Role and Responsibilities

# Historical and Legal Foundations



Thomas Jefferson had the idea

*Fund education by using income from land to supplement public school funding.*

1785 Land Ordinance made it a reality

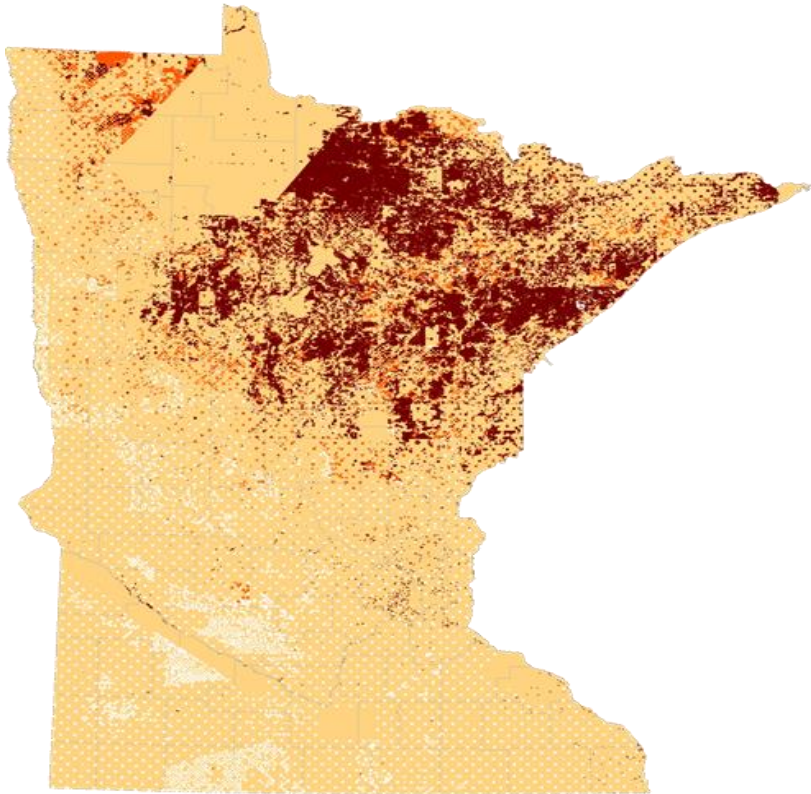
*Section 16 of each township (the “school section”)  
set aside for school purposes.*

*Section 36 later added as a school section in  
western states, including Minnesota.*

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

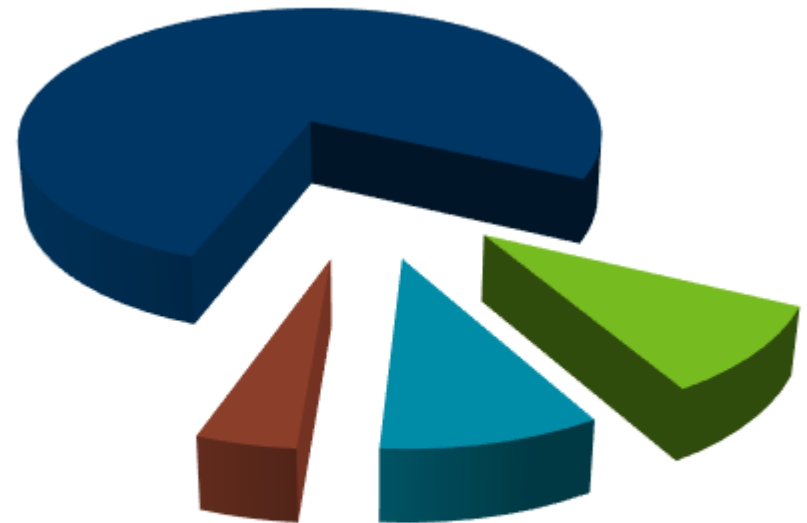
# School Trust Portfolio

## Real Property Assets



**2.5 million acres +  
1 million acres severed mineral rights**

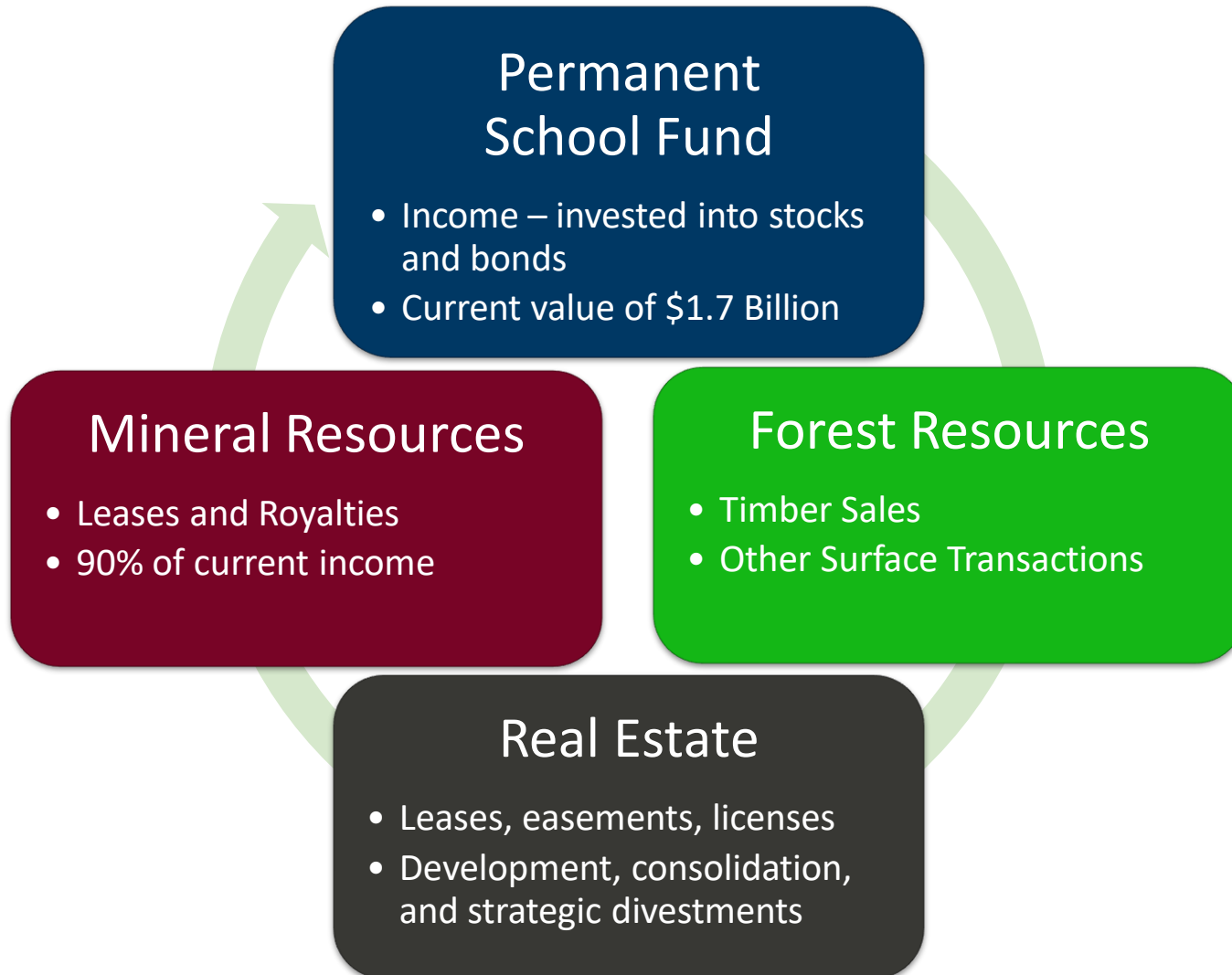
## Financial Assets



■ Minerals      ■ Forest products  
■ Real Estate      ■ Investments

**Current fund value of \$1.7 billion**

# School Trust Portfolio



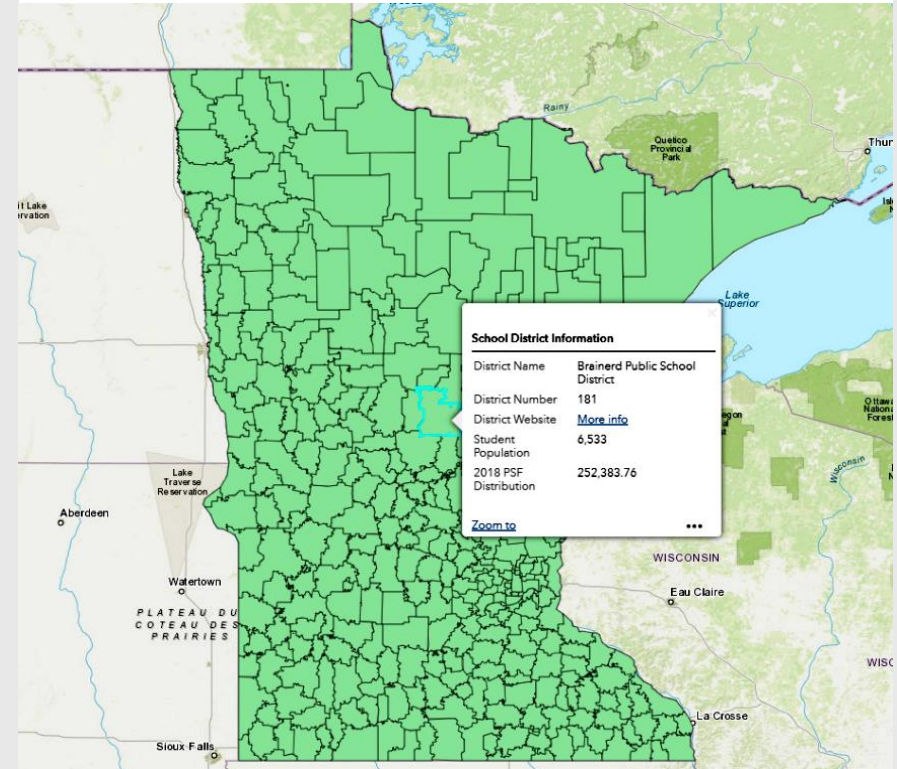
# Revenue Generation & Distributions (FY18)

## Revenue Generation



**\$17.4 million deposited into PSF**

## Distributions



**\$33 million distributed statewide**  
**\$38.57 per pupil – most ever**

# Minnesota Office of School Trust Lands

**Established by the Minnesota Legislature in 2012**

**First director appointed in 2015**

**Small staff (2.5 FTE) with significant responsibilities**

1. Advise the Governor, Executive Council, Legislative Permanent School Fund Commission and Department of Natural Resources on school trust management activities;
2. Work in conjunction with the LPSFC on legislation to improve school trust assets; and
3. Develop long range strategic plans to ensure school trust resources are optimally managed for each generation of beneficiaries.

# Asset Management Plan

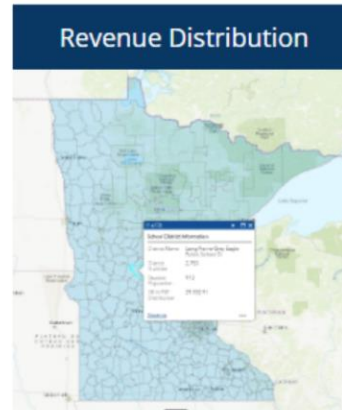
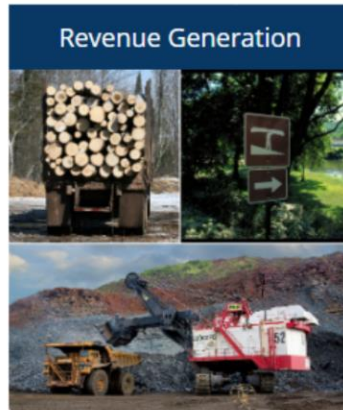
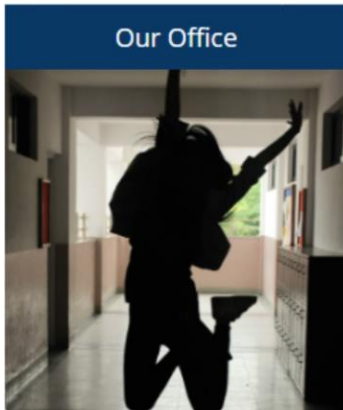
A written document describing the overall long-term vision, operating philosophy and general direction to be used in managing trust assets.

## Goals:



- Identify and retain core real estate assets;
- Increase the value of the real estate assets and the cash flow from those assets;
- Rebalance the portfolio in assets with high performance potential and the strategic disposal of selected assets;
- Establish priorities for management actions;
- Balance revenue enhancement and resource stewardship;
- Provide a clear commitment to create consistent and growing revenue streams to grow the trust corpus and increase annual distributions to schools.







**MINNESOTA**

OFFICE OF SCHOOL TRUST LANDS

**Thank You**

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[mn.gov/school-trust-lands](http://mn.gov/school-trust-lands)

# STOP

- ADDITIONAL SLIDES BELOW for
  - Strategic Planning
  - Legislative initiatives
  - BWCAW
  - AMP
  - OLA report
  - OSTL advice & recs
  - MAD reports

# BWCAW Land Exchanges



83,000 acres of school trust lands confined within the Boundary Waters Canoe Area Wilderness.

Two land exchanges currently in process to resolve this decades-old issue.

## State-Federal Exchange (31,000 acres)

- In final stages of federal NEPA process.
- Record of Decision expected in early 2020.

## State-Conservation Fund Exchange (52,000 acres)

- In appraisal stage; appraisal contract to be issued in spring of 2019.
- OSTL, DNR, and TCF recently signed memorandum of understanding which includes a division of project costs.

# Wetland Mitigation Banking



- Restores, enhances, or preserves wetland features on school trust lands
- Establishes wetland credits that can be sold as mitigation for projects that impair or remove wetland areas
- Creates new opportunity for generating revenue on economically unproductive lands
- Aligns the goals of sound natural resource conservation principles with the fiduciary obligation of revenue generation

# Legislative Initiatives

- Permanent School Fund Compensation (HF 152 / SF 617)
- Modification of BWCAW appropriation to OSTL (Laws of 2017, Chp. 93, Art. 1, Sec. 9(b))
- Modification of appropriation to OSTL (Laws of 2016, Chp. 189, Art. 3, Sec. 6)



# Asset Management Plan

Describes the overall long-term vision, operating philosophy and general direction used to manage school trust land assets.



# MAD Reports



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## Costs for School Trust Lands Management: Current Approaches, Issues, and Potential Alternatives

Office of School Trust Lands  
October 30, 2018

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## School Trust Lands Funds and Accounts

Office of School Trust Lands  
October 30, 2018

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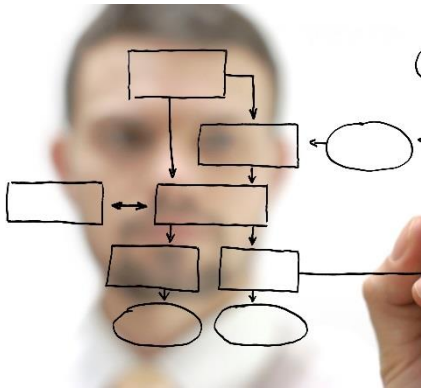


## Minnesota Office of the Legislative Auditor

**OLA** The auditor of Minnesota state government

- Special Review (not comprehensive Audit or Program Evaluation)
- Scope: Review current school trust land management structure
- Work commenced in March 2018
- Originally scheduled for completion in October 2018
- Current (targeted) completion in March 2019

# DNR Advice & Recommendations



School Trust  
Management  
Guidelines

Sustainable  
Timber  
Harvest  
Analysis

Mineral Lease  
Royalty  
Negotiations

Strategic Land  
Sales and  
Exchanges

# Q & A