

House Research Act Summary

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TOPIC: Permanent School Fund; Authority vested in Legislative Commission

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Overview

The Permanent School Fund (PSF) of Minnesota consists of the proceeds of the lands granted to the state by the federal government for the use of schools, proceeds from swamp lands granted to the state, and cash and investments credited to the fund. While much of the initial land granted to the state has been sold, the state Department of Natural Resources (DNR) is responsible for managing about 2.5 million acres of school trust land. The net proceeds from the land management activities (timber sales, minerals activities, lease revenue, etc.) annually are added to the principal of the permanent school fund.

The state holds the land and accumulated revenues from the land in trust for the benefit of public schools in Minnesota. The State Board of Investment is responsible for investing the principal of the fund, subject to direction from the Constitution and the legislature. The interest and dividends arising from the fund are required by the Constitution to be distributed to the state's school districts according to the method described in statute.

This act establishes a school trust lands director, who is responsible for providing recommendations on the management of school trust lands and creates a 12-member Legislative Permanent School Fund Commission to recommend legislation affecting permanent school fund land. This commission replaces the current Permanent School Fund Advisory Committee.

- 1** **Group II salary limits.** Limits the salary for the school trust lands director to no more than 85 percent of the governor's salary.
- 2** **Permanent school fund reporting.** Requires the commissioner of management and budget's annual report on the status of the permanent school fund to be submitted to the new Legislative Permanent School Fund Commission.
- 3** **Forest trust lands.** Removes forest "protection" costs from costs eligible to be certified against the permanent school fund (including fire suppression costs). Requires certified costs to be presented to

the Legislative Permanent School Fund Commission and requires the certification to include an analysis.

- 4 **Permanent school fund authority; reporting.** Requires the commissioner of natural resources to biannually report to the Legislative Permanent School Fund Commission on the management of school trust lands. The report must include an inventory, in 2013, of school trust lands that are under a designation or policy that prohibits the long-term economic return, and future reports must include a status update. Modifies the goals of the commissioner when managing school trust lands. Requires the commissioner to give precedence to the long-term economic return of school trust lands when there is a conflict with the economic return and protecting natural resources and recreational values. Requires the compensation of the permanent school fund for designations or policies that prohibit the maximization of long-term revenue by July 1, 2018, and requires any school trust lands that have not been compensated to be compiled and submitted to the Legislative Permanent School Fund Commission.
- 5 **State lands on meandered lakes withdrawn from sale.** Amends § 92.45. Eliminates the prohibition on selling school trust lands bordering on or adjacent to meandered lakes and other public waters and watercourses.
- 6 **Additional restrictions on school trust land.** Requires the school trust lands director to be appointed as temporary trustee of school trust lands when they are exchanged.
- 7 **Legislative Permanent School Fund Commission.** Replaces the Permanent School Fund Advisory Committee (PSFAC) with a Legislative Permanent School Fund Commission established in the legislative branch. Places 12 members on the commission including six senators (three from each party) and six house members, three majority members appointed by the speaker of the house and three minority party members appointed by the house minority leader. Requires the commission to review statutes and recommend any changes necessary for provident utilization of school trust lands, and to report annually to the legislature with recommendations for management of school trust fund lands to secure long-term economic return for the permanent school fund.
- 8 **Policy and purpose.** States that the policy and purpose of the sections establishing the school trust lands director is to recommend management policies for school trust lands. States that as trustee, the state must manage the lands and revenues they generate according to the best interests of the beneficiaries as provided in the Minnesota Constitution. Requires the trustee to manage lands and revenue for current beneficiaries and future beneficiaries, balancing short- and long-term interests.
- 9 **Policy recommendations; duties.** Requires the Legislative Permanent School Fund Commission to recommend policies for the school trust lands director and the commissioner of natural resources. Requires the director and the commissioner to recommend to the governor and the commission statutory changes relating to school trust lands. States that it is the duty of the director to report an irreconcilable disagreement with the commissioner pertaining to the fiduciary responsibilities consistent with the school trust lands to the commission and governor.
- 10 **School trust lands director.** Requires the school trust lands director to be appointed by the governor, subject to the advice and consent of the senate. Establishes the qualifications, compensation, and duties of the director.
- 11 **Costs of school trust lands director and Legislative Permanent School Fund Commission.** States that the costs of the director and the commission are to be paid out of the state forest development account and the minerals management account in fiscal years 2014 and 2015. Requires the commission and director to submit a proposal to fund the operational costs of the commission and the director to the legislature in 2014.
- 12 **Effective date.** States that sections 1 to 10 are effective July 1, 2013.

