

HOUSE RESEARCH

Bill Summary

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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 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 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. Prior to fiscal year 2010, the earnings from the PSF were simply offset against each district's general education aid. Beginning in 2010, the offset was eliminated and school districts receive income from the PSF as additional state aid. The aid payments are distributed to school districts through the current formula, which provides two semiannual payments of aid to school districts based on each school district's count of resident pupils.

- 1 Calculation of income.** Clarifies that interest earned on the certified monthly earnings of the permanent school fund must be credited to the permanent school fund.