

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 1353

DATE: April 8, 2011

Version: As introduced

Authors: Dittrich and others

Subject: Management of Permanent School Fund

Analyst: Tim Strom

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd.

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.

This bill creates an independent agency as of July 1, 2013, located within the DNR, to oversee Minnesota's permanent PSF lands. The agency is modeled closely on the Utah agency that was created in the early 1990s. The new agency is governed by a board of trustees that is appointed by the governor and confirmed by the senate whose names are forwarded by a nominating committee. The trustees are explicitly charged with managing the lands and revenues generated from the lands in the most prudent and profitable manner possible, and not for any purpose inconsistent with the best interests of the PSF.

- 1 Permanent School Fund Reporting.** Expands the recipients of the commissioner of management and budget's annual report on the status of the permanent school fund to include the trustees of the permanent school trust lands administration.
- 2 Forest trust lands.** Splits out the costs of management for permanent school fund trust lands from other trust lands for purposes of certifying management costs.
- 3 Permanent school fund authority; reporting.** Changes the reporter of information about the management of permanent school trust lands from the DNR to the director of the permanent school trust lands administration.

- 4 **Authority.** Shifts the authority to accept gifts on behalf of the permanent school fund land from the DNR commissioner to the trustee of the permanent school trust lands administration.
- 5 **Appraisers.** Authorizes the director of the permanent school trust lands administration to have any school trust lands appraised.
- 6 **Permanent school fund lands.** Adds the director of the permanent school trust lands administration to the parties involved in state land exchanges.
- 7 **State lands, date of sale.** Clarifies that once the permanent school trust lands administration is established, the ability of the commissioner of DNR to sell public lands does not apply to school trust fund lands.
- 8 **Minerals management account.** Keeps the minerals management account in place but requires approval by the director of the permanent school trust lands administration before the account proceeds may be spent on minerals management activities.
- 9 **Additional restrictions on school trust land.** Substitutes the trustees of the permanent school trust lands administration for the DNR when school trust fund lands are exchanged.
- 10 **Citation; permanent school trust lands administration act.** Allows chapter 128E to be cited as the Permanent School Trust Lands Administration Act.
- 11 **Policy and purpose.** States that the policy and purpose of the Permanent School Trust Lands Administration Act is to manage the lands and revenue of the school trust lands in accordance with the Minnesota Constitution. Requires the trustees to manage lands and revenue in the most prudent and profitable manner possible balancing short- and long-term interests.
- 12 **Definitions.** Defines terms used in chapter 128E.
- 13 **Governance.** Establishes the permanent school trust lands administration, locates the administration within the Department of Natural Resources, and requires the commissioner of natural resources to provide office space and administrative services to the administration unless the administration chooses to contract for administrative services from another state agency. Allows the permanent school trust lands administration to enter into joint ventures. Creates a seven-member board of trustees to oversee the agency. Allows members to serve six-year terms. Allows the governor to choose the trustees, subject to senate confirmation, from a list of nominees chosen by a nominating committee created in statute.
- 14 **Policies.** Requires the board of trustees to manage the permanent school trust lands and set policies consistent with the Minnesota Constitution and state law.
- 15 **Responsibilities of director.** Lists the responsibilities of the director.
- 16 **Attorney general.** Requires the attorney general to represent the board, director, and permanent school trust lands administration. Allows the permanent school trust lands administration to hire in-house counsel as well.
- 17 **Land exchange.** Authorizes the permanent school trust lands administration to enter into land exchanges.
- 18 **Forest and minerals management.** Vests all forest and minerals management with the board of trustees of the permanent school trust lands administration.
- 19 **Transfer of responsibilities.** Transfers responsibilities with respect to the permanent school fund from the DNR to the permanent school trust lands administration.

