

2008 Changes to Permanent School Fund Advisory Committee &  
Associated Laws

Membership

- Previous membership of Permanent School Fund Advisory Committee (PSFAC) included:
  - Chairs of Education Policy Committees
  - Chairs of Senate Finance Committee & House Ways and Means Committee
  - Commissioner of Education
  - Two school district superintendents
  
- New Members Added to PSFAC as a result of 2008 legislation:
  - Chairs of K-12 Education Budget Committees
  - Chairs of Environment and Natural Resources Policy Committees
  - Chairs of Environment and Natural Resources Budget Committees
  - Expert in forestry
  - Expert in minerals and mining
  - Expert in real estate development
  - Expert in finance and land management
  - Expert in natural resource conservation
  
- 2008 Legislation requires the PSFAC to include a nonvoting member
  
- Members Appointed by:
  - Legislative Chairs are appointed by virtue of their position
  - Superintendents appointed by the Commissioner of Education (metro/nonmetro)
  - “Expert” members appointed by the Commissioner of Natural Resources with recommendations from the legislature.
  - Nonvoting member appointed by the Commissioner of Natural Resources

Existing Responsibilities of PSFAC

- Advise the Department of Natural Resources on the management of permanent school fund land.
  
- Recommend changes to statute, policy, and implementation to ensure “provident” utilization of school fund lands.

New Reporting Provisions

- The Commissioner of Finance (aka Minnesota Management and Budget) is required to report to the PSFAC and the Legislature on the management of the

fund and shows how the commissioner maximized the long-term economic return of the fund.

- Commissioner of Natural Resources is required to report to the PSFAC and the legislature on how the Department of Natural Resources has:
  - managed school trust land efficiently;
  - reduced the management expenditures of school trust land;
  - maximized revenues deposited in the school trust fund;
  - managed the sale, exchange, and lease of school trust fund land to maximize the revenues deposited in the PSTF; and
  - managed school trust fund land to maximize the long-term economic return of the PSTF while maintaining sound natural resource conservation and management principals.
- PSFAC must annually report recommendations for the management of school trust lands to the Legislature by January 15. The report is required to emphasize management of school trust fund land management to secure long-term economic return for the permanent school trust fund (PSTF). The annual report may include recommendations to:
  - manage school trust fund lands efficiently;
  - reduce management expenditures;
  - manage the sale, exchange, and commercial leasing of school trust lands to maximize revenues deposited in the PSTF; and
  - manage school trust lands to maximize the long-term economic return for the PSTF.

#### Other Requirements

- The Commissioner of Natural Resources must provide administrative support to the PSFAC
- Members of the PSFAC serve without compensation.
- Members of the PSFAC select the chair of the committee.

#### Changes in K-12 Education Finance Law

- Since 1971, revenue interest generated from the PSTF and credited to the school districts was subtracted from the general education formula.
- This subtraction reduced the revenue that school districts received and saved money in the state general fund.

- According to Laws 2008, Chapter 363, Article 2, section 52, paragraph (b), the PSTF subtraction from general education is repealed beginning in fiscal year 2010. As a result, school districts will see a net gain from the proceeds of the PSTF. This new dynamic means that districts will probably be closely paying attention to the PSTF and the management of lands which generate revenue that is deposited in the fund.

**Law Changes Related to Permanent School Advisory Committee**  
**Laws of Minnesota 2008, Chapter 357, Sections 1, 2, 36**

Section 1. Minnesota Statutes 2006, section 16A.06, is amended by adding a subdivision to read:

Subd. 10. **Permanent school fund reporting.** The commissioner shall biannually report to the Permanent School Fund Advisory Committee and the legislature on the management of the permanent school trust fund that shows how the commissioner maximized the long-term economic return of the permanent school trust fund.

Sec. 2. Minnesota Statutes 2006, section 84.027, is amended by adding a subdivision to read:

Subd. 18. **Permanent school fund authority; reporting.** The commissioner of natural resources has the authority and responsibility for the administration of school trust lands under sections 92.121 and 127A.31. The commissioner shall biannually report to the Permanent School Fund Advisory Committee and the legislature on the management of the school trust lands that shows how the commissioner has and will continue to achieve the following goals:

- (1) manage the school trust lands efficiently;
- (2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund;
- (3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and
- (4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principals.

Sec. 36. Minnesota Statutes 2006, section 127A.30, is amended to read:  
**127A.30 PERMANENT SCHOOL FUND ADVISORY COMMITTEE.**

Subdivision 1. **Membership.** A state Permanent School Fund Advisory Committee is established to advise the Department of Natural Resources on the management of permanent school fund land, which is held in trust for the school districts of the state. The advisory committee must consist of the following persons or their designees: the chairs of the education committees of the legislature, the chairs of the legislative committees with jurisdiction over the K-12 education budget, the chairs of the legislative committees with jurisdiction over the environment and natural resources policy and budget, the ~~chairs~~ chair of the senate Committee on Finance and the chair of the house Committee on Ways and Means, the commissioner of education, one superintendent from a nonmetropolitan district, ~~and~~ one superintendent from a metropolitan area district, one person with an expertise in forestry, one person with an expertise in minerals and mining, one person with an expertise in real estate development, one person with an expertise in renewable energy, one person with an expertise in finance and land management, and one person with an expertise in

natural resource conservation. The school district superintendents shall be appointed by the commissioner of education. The committee members with areas of expertise in forestry, minerals and mining, real estate development, renewable energy, finance and land management, and natural resource conservation shall be appointed by the commissioner of natural resources. Members of the legislature shall be given the opportunity to recommend candidates for vacancies on the committee to the commissioners of education and natural resources. The advisory committee must also include a nonvoting member appointed by the commissioner of natural resources. The commissioner of natural resources shall provide administrative support to the committee. The members of the committee shall serve without compensation. The members of the Permanent School Fund Advisory Committee shall elect their chairperson and are bound by the provisions of sections 43A.38 and 116P.09, subdivision 6.

Subd. 2. **Duties.** The advisory committee shall review the policies of the Department of Natural Resources and current statutes on management of school trust fund lands at least ~~semiannually~~ annually and shall recommend necessary changes in statutes, policy, and implementation in order to ensure provident utilization of the permanent school fund lands. By January 15 of each year, the advisory committee shall submit a report to the legislature with recommendations for the management of school trust lands to secure long-term economic return for the permanent school fund, consistent with sections 92.121 and 127A.31. The committee's annual report may include recommendations to:

- (1) manage the school trust lands efficiently;
- (2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund;
- (3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and
- (4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principles.

Subd. 3. **Duration.** Notwithstanding section 15.059, subdivision 5, the advisory committee is permanent and does not expire.

### **Laws of Minnesota 2008, Chapter 363, Article 2, Sections 52, paragraph (b)**

#### **Sec. 52. REPEALER.**

(a) Minnesota Statutes 2006, section 126C.21, subdivision 1, is repealed for revenue for fiscal year 2010 and later.

(b) Minnesota Statutes 2006, section 127A.45, subdivision 7a, is repealed.

(c) Laws 2007, First Special Session chapter 2, article 1, section 11, subdivisions 3, and 4, are repealed.

**Minnesota State Constitution**  
**Article XI, Section 8**

Sec. 8. **PERMANENT SCHOOL FUND; SOURCE; INVESTMENT; BOARD OF INVESTMENT.** The permanent school fund of the state consists of (a) the proceeds of lands granted by the United States for the use of schools within each township, (b) the proceeds derived from swamp lands granted to the state, (c) all cash and investments credited to the permanent school fund and to the swamp land fund, and (d) all cash and investments credited to the internal improvement land fund and the lands therein. No portion of these lands shall be sold otherwise than at public sale, and in the manner provided by law. All funds arising from the sale or other disposition of the lands, or income accruing in any way before the sale or disposition thereof, shall be credited to the permanent school fund. Within limitations prescribed by law, the fund shall be invested to secure the maximum return consistent with the maintenance of the perpetuity of the fund. The principal of the permanent school fund shall be perpetual and inviolate forever. This does not prevent the sale of investments at less than the cost to the fund; however, all losses not offset by gains shall be repaid to the fund from the interest and dividends earned thereafter. The net interest and dividends arising from the fund shall be distributed to the different school districts of the state in a manner prescribed by law.

A board of investment consisting of the governor, the state auditor, the secretary of state, and the attorney general is constituted for the purpose of administering and directing the investment of all state funds. The board shall not permit state funds to be used for the underwriting or direct purchase of municipal securities from the issuer or the issuer's agent. [Amended, November 6, 1984; November 3, 1998]