

**Permanent School Fund Advisory Committee
August 23, 2011
State Office Building – Basement Hearing Room**

Minutes

Present: Carol McFarlane (Chair), John Carlson, Denise Dittrich, Mark Johnson, Grace Keliher, Gene Merriam, Gen Olson, Claire Robling

Absent: Steve Betzler, Keith Downey, Christina Gosack, John Herman, Robert Krepps, Denny McNamara, Ron Nargang, Patty Phillips, Joe Silko

Chair Carol McFarlane called the meeting to order at 10:11 AM, August 23, 2011 in the Basement Hearing Room.

Minutes

A quorum was present and Mark Johnson moved that the minutes from the meeting on June 10, 2011, be adopted. **THE MOTION PREVAILED AND THE MINUTES WERE ADOPTED.**

Presentation on trust fund

Howard Bicker (State Board of Investment) presented on the types of trust funds available. The recommendation by staff at the State Board of Investment is to change the School Trust Fund's authority to an endowment fund. This can be done with a constitutional amendment. This change would increase the spendable income through allowing spending on the principal or interest and eliminate accounting troubles. The current structure allows the schools to collect between \$20 and \$25 million, approximately, according to the Minnesota Management and Budget office. The type of investment structure will depend on the objectives of the committee.

Children's Land Alliance Supporting Schools (CLASS)

Denise Dittrich presented on the CLASS conference she attended. CLASS is a nation-wide organization that monitors school trust land progress around the nation and supports states in

their objectives. CLASS helps states become aligned and share best practices, management models, and possibilities of what to do with the land.

Metallic mineral leases

Kathy Lewis (DNR) presented on metallic mineral leases. Opposition to the leasing program has come from the Sierra Club, which organized a writing campaign to oppose non-ferrous mineral mining in Minnesota. Lewis explained the rental rate on mineral land, and that it could generate billions of dollars of revenue in the future. Two parties that are bringing forward an issue on severed mineral lands, but the revenue is not for school trust lands. Severed mineral interest law is very common in Minnesota, dating from the 1880s. Severed mineral lands comprise more than 50% of the land in northern Minnesota, but are not common in southern Minnesota.

Grace Keliher made a motion to write a letter to the State Exec Board and commissioner explaining their responsibilities to the school trust fund, and reminding them of the constitutional responsibility to the fund. The motion passed.

BWCA Update

The DNR and U.S. Forest Service created a map of 41,000 acres. There are no glaring concerns with the map, but further information will be forthcoming.

DNR Commissioner's Order

Mary McConnell presented on the commissioner's order that is being developed. It will set a clear priority that the school trust lands should be managed to achieve maximum revenue. The DNR will create a new position to manage the lands and utilize business best practices. The final meeting with round table of leaders will put a draft together to present to the Permanent School Fund Advisory Committee.

Appropriation from Forest Suspense Account for the acceleration of Aggregate Leasing, Sales, and Exchanges

Dan Roark presented on this appropriation from the forest suspense account. This presentation provided an accounting of how the funds have been used.

The meeting was adjourned at 12:25 PM.

Charge of the PSFAC:

The Permanent School Fund Advisory Committee shall review the policies of the Department of Natural Resources and current statutes on management of school trust fun lands at least annually and shall recommend the necessary changes in statutes, policy, and implementation in order to ensure provident utilization of the permanent school fund lands. (Minnesota Statutes § 127A.30, Subd. 2)

Representative Carol McFarlane, Chair

Committee Legislative Assistant

Melissa Hackenmueller