

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.

Under current statute, the earnings from the permanent school fund are simply offset against each district's general education aid. This bill eliminates the offset to general education aid and instead grants each district the corresponding amount of permanent school fund money on a per pupil basis to use for school technology purposes. For fiscal year 2009, the Department of Finance is estimating that the distribution from the PSF to school districts will be approximately \$29 million. This bill will therefore require an increase of \$29 million in general education aid while freeing up the \$29 million of PSF money for school technology purposes.

Section

- 1** **School endowment fund; use of revenue.** Authorizes a school district to use the money it receives from the permanent school fund for school technology purposes beginning in fiscal year 2009.
- 2** **Repealer.** Repeals the requirement that income from the permanent school fund endowment be offset against general education aid.