

HOUSE RESEARCH

Bill Summary

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Subject: Paying Permanent School Fund Revenue on Pupils Served

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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 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 Minnesota Constitution to be distributed to the state's school districts according to the method described in statute (see Minnesota Constitution, article XI, section 8).

Prior to the changes adopted by the 2008 Legislature, the earnings from the permanent school fund were simply offset against each district's general education aid. After the 2008 changes, which are first effective for fiscal year 2010, the general education aid offset is eliminated and instead, each school district is granted the corresponding amount of permanent school fund money on a resident pupil basis as additional revenue to use for any school purpose. For fiscal year 2010, the Department of Finance is estimating the distribution from the PSF to school districts at about \$23 million or \$28 per resident pupil.

This bill includes charter schools in the statutory definition of "school district" and changes the revenue distribution to pupils served, instead of resident pupils.

- 1** **Classes; number.** Requires the commissioner of education to include charter schools as a type of school district for purposes of defining school districts.

- 2 **School endowment fund; apportionment.** Changes the distribution of permanent school fund revenue from resident pupils to pupils served by each school district effective for revenue for fiscal years 2011 and later.