

HOUSE RESEARCH

Bill Summary

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Authors: Garofalo and others

Subject: Allocating Permanent School Fund Revenue to school districts and charter schools on the basis of pupils served

Analyst: Tim Strom

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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 were 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 distribution from the PSF to school districts was about \$23 million or \$28 per resident pupil. For fiscal year 2011, the distribution is expected to decline slightly to \$22.2 million or \$27.20 per resident pupil unit.

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 the resident pupils in each school district to the pupils served by each school district effective for revenue for fiscal years 2012 and later.