

State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. **2244**

02/13/2012 Authored by O'Driscoll, Dittrich, Persell, Erickson, Kiel and others
The bill was read for the first time and referred to the Committee on Education Finance

02/22/2012 Adoption of Report: Pass as Amended and re-referred to Environment, Energy and Natural Resources Policy and Finance

02/23/2012 Adoption of Report: Pass and re-referred to the Committee on Government Operations and Elections

03/08/2012 Adoption of Report: Pass as Amended and re-referred to the Committee on Ways and Means

03/14/2012 Adoption of Report: Pass as Amended and Read Second Time

03/19/2012 Calendar for The Day, Amended
Read Third Time as Amended
Passed by the House as Amended and transmitted to the Senate to include Floor Amendments

1.1 A bill for an act

1.2 relating to the permanent school fund; changing the Permanent School Fund

1.3 Advisory Committee into a legislative commission; establishing a permanent

1.4 school fund board; granting the board authority to employ a director to oversee,

1.5 manage, and administer school trust lands; amending Minnesota Statutes 2010,

1.6 sections 16A.06, subdivision 11; 16A.125, subdivision 5; 84.027, subdivision

1.7 18; 84.085, subdivision 1; 92.12, subdivision 1; 92.121; 92.13; 93.2236; 94.342,

1.8 subdivision 5; 127A.30; 477A.11, subdivisions 3, 4, by adding a subdivision;

1.9 477A.12, subdivisions 2, 3; Minnesota Statutes 2011 Supplement, section

1.10 477A.12, subdivision 1; proposing coding for new law in Minnesota Statutes,

1.11 chapter 127A.

1.12 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.13 Section 1. Minnesota Statutes 2010, section 16A.06, subdivision 11, is amended to read:

1.14 Subd. 11. **Permanent school fund reporting.** The commissioner shall annually

1.15 report to the Permanent School Fund ~~Advisory Committee~~ Board, and the legislature the

1.16 amount of the permanent school fund transfer and information about the investment of the

1.17 permanent school fund provided by the State Board of Investment. The State Board of

1.18 Investment shall provide information about how they maximized the long-term economic

1.19 return of the permanent school fund.

1.20 **EFFECTIVE DATE.** This section is effective July 1, 2014.

1.21 Sec. 2. Minnesota Statutes 2010, section 16A.125, subdivision 5, is amended to read:

1.22 Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used

1.23 in this subdivision, means public land in trust under the Constitution set apart as "forest

1.24 lands under the authority of the commissioner" of natural resources as defined by section

1.25 89.001, subdivision 13, but excludes school trust lands as defined in section 92.025.

2.1 (b) The commissioner of management and budget shall credit the revenue from the
2.2 forest trust fund lands, excluding school trust lands defined under section 92.025, to the
2.3 forest suspense account. The account must specify the trust funds interested in the lands
2.4 and the respective receipts of the lands.

2.5 (c) After a fiscal year, the commissioner of management and budget shall certify the
2.6 total costs incurred for forestry during that year under appropriations for the protection,
2.7 improvement, administration, and management of state forest trust fund lands and
2.8 construction and improvement of forest roads to enhance the forest value of the lands.
2.9 The certificate must specify the trust funds interested in the lands. The commissioner of
2.10 natural resources shall supply the commissioner of management and budget with the
2.11 information needed for the certificate.

2.12 (d) After a fiscal year, the commissioner shall distribute the receipts credited to the
2.13 suspense account during that fiscal year as follows:

2.14 (1) the amount of the certified costs incurred by the ~~state~~ Department of Natural
2.15 Resources for forest management, forest improvement, and road improvement during the
2.16 fiscal year shall be transferred to the forest management investment account established
2.17 under section 89.039;

2.18 (2) the balance of the certified costs incurred by the ~~state~~ Department of Natural
2.19 Resources during the fiscal year shall be transferred to the general fund; and

2.20 (3) the balance of the receipts shall then be returned prorated to the trust funds in
2.21 proportion to their respective interests in the lands which produced the receipts.

2.22 **EFFECTIVE DATE.** This section is effective July 1, 2014.

2.23 Sec. 3. Minnesota Statutes 2010, section 84.027, subdivision 18, is amended to read:

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

2.31 (1) manage the school trust lands efficiently;

2.32 (2) reduce the management expenditures of school trust lands and maximize the
2.33 revenues deposited in the permanent school trust fund;

3.1 (3) manage the sale, exchange, and commercial leasing of school trust lands to
3.2 maximize the revenues deposited in the permanent school trust fund and retain the value
3.3 from the long-term appreciation of the school trust lands; and

3.4 (4) manage the school trust lands to maximize the long-term economic return for the
3.5 permanent school trust fund while maintaining sound natural resource conservation and
3.6 management principles.

3.7 **EFFECTIVE DATE.** This section is effective July 1, 2014.

3.8 Sec. 4. Minnesota Statutes 2010, section 84.085, subdivision 1, is amended to read:

3.9 Subdivision 1. **Authority.** (a) The commissioner of natural resources may accept for
3.10 and on behalf of the state any gift, bequest, devise, or grants of lands or interest in lands or
3.11 personal property of any kind or of money tendered to the state for any purpose pertaining
3.12 to the activities of the department or any of its divisions. Any money so received is hereby
3.13 appropriated and dedicated for the purpose for which it is granted. Lands and interests in
3.14 lands so received may be sold or exchanged as provided in chapter 94.

3.15 (b) When the commissioner of natural resources accepts lands or interests in land,
3.16 the commissioner may reimburse the donor for costs incurred to obtain an appraisal needed
3.17 for tax reporting purposes. If the state pays the donor for a portion of the value of the
3.18 lands or interests in lands that are donated, the reimbursement for appraisal costs shall not
3.19 exceed \$1,500. If the donor receives no payment from the state for the lands or interests in
3.20 lands that are donated, the reimbursement for appraisal costs shall not exceed \$5,000.

3.21 (c) The commissioner of natural resources, on behalf of the state, may accept and
3.22 use grants of money or property from the United States or other grantors for conservation
3.23 purposes not inconsistent with the laws of this state. Any money or property so received
3.24 is hereby appropriated and dedicated for the purposes for which it is granted, and shall
3.25 be expended or used solely for such purposes in accordance with the federal laws and
3.26 regulations pertaining thereto, subject to applicable state laws and rules as to manner
3.27 of expenditure or use providing that the commissioner may make subgrants of any
3.28 money received to other agencies, units of local government, private individuals, private
3.29 organizations, and private nonprofit corporations. Appropriate funds and accounts shall
3.30 be maintained by the commissioner of management and budget to secure compliance
3.31 with this section.

3.32 ~~(d) The commissioner may accept for and on behalf of the permanent school fund a~~
3.33 ~~donation of lands, interest in lands, or improvements on lands. A donation so received~~
3.34 ~~shall become state property, be classified as school trust land as defined in section 92.025,~~
3.35 ~~and be managed consistent with section 127A.31.~~

4.1 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.2 Sec. 5. Minnesota Statutes 2010, section 92.12, subdivision 1, is amended to read:

4.3 Subdivision 1. **Appraisers.** The Permanent School Fund Board may have any
4.4 school trust land appraised. The commissioner may have any ~~school trust or~~ other state
4.5 lands appraised. The appraisals must be made by regularly appointed and qualified state
4.6 appraisers. To be qualified, an appraiser must hold a state appraiser license issued by
4.7 the Department of Commerce. The appraisal must be in conformity with the Uniform
4.8 Standards of Professional Appraisal Practice of the Appraisal Foundation.

4.9 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.10 Sec. 6. Minnesota Statutes 2010, section 92.121, is amended to read:

4.11 **92.121 PERMANENT SCHOOL FUND LANDS.**

4.12 The Permanent School Fund Board and the commissioner of natural resources shall
4.13 exchange permanent school fund land as defined in the Minnesota Constitution, article
4.14 XI, section 8, located in state parks, state recreation areas, wildlife management areas,
4.15 scientific and natural areas, or state waysides or on lands managed by the commissioner
4.16 as old growth stands, for other lands as allowed by the Minnesota Constitution, article
4.17 XI, section 10, and section 94.343, subdivision 1, that are compatible with the goal of
4.18 the permanent school fund lands in section 127A.31 when, as a result of management
4.19 practices applied to the permanent school fund lands and associated resources, revenue
4.20 generation has been diminished or is prohibited and no alternative has been put into effect
4.21 to compensate the permanent school fund for the income losses.

4.22 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.23 Sec. 7. Minnesota Statutes 2010, section 92.13, is amended to read:

4.24 **92.13 STATE LANDS, DATE OF SALE.**

4.25 The commissioner shall hold public sales of ~~school and other~~ state lands other than
4.26 school trust lands when it is advantageous to the state and to intending buyers and settlers.

4.27 **EFFECTIVE DATE.** This section is effective July 1, 2014.

4.28 Sec. 8. Minnesota Statutes 2010, section 93.2236, is amended to read:

4.29 **93.2236 MINERALS MANAGEMENT ACCOUNT.**

5.1 (a) The minerals management account is created as an account in the natural
 5.2 resources fund. Interest earned on money in the account accrues to the account. Money in
 5.3 the account may be spent or distributed only as provided in paragraphs (b) and (c).

5.4 (b) If the balance in the minerals management account exceeds \$3,000,000 on June
 5.5 30, the amount exceeding \$3,000,000 must be distributed to ~~the permanent school fund~~
 5.6 ~~and the permanent university fund. The amount distributed to each fund must be in the~~
 5.7 ~~same proportion as the total mineral lease revenue received in the previous biennium~~
 5.8 ~~from school trust lands and university lands.~~

5.9 (c) Subject to appropriation by the legislature, money in the minerals management
 5.10 account may be spent by the commissioner of natural resources for mineral resource
 5.11 management and projects to enhance future mineral income and promote new mineral
 5.12 resource opportunities.

5.13 (d) Beginning July 1, 2014, no revenue from school trust lands, including revenue
 5.14 from severed minerals interests, shall be deposited in the minerals management account.

5.15 **EFFECTIVE DATE.** This section is effective July 1, 2014.

5.16 Sec. 9. Minnesota Statutes 2010, section 94.342, subdivision 5, is amended to read:

5.17 Subd. 5. **Additional restrictions on school trust land.** School trust land may
 5.18 be exchanged with other Class A land only if the ~~Permanent School Fund Advisory~~
 5.19 ~~Committee is appointed as temporary~~ Permanent School Fund Board is serving as trustee
 5.20 of the school trust land for purposes of the exchange. The ~~committee~~ director shall provide
 5.21 independent legal counsel to review the exchanges.

5.22 **EFFECTIVE DATE.** This section is effective July 1, 2014.

5.23 Sec. 10. Minnesota Statutes 2010, section 127A.30, is amended to read:

5.24 **127A.30 LEGISLATIVE PERMANENT SCHOOL FUND ADVISORY**
 5.25 **COMMITTEE COMMISSION.**

5.26 Subdivision 1. **Commission established; membership.** ~~A state~~ (a) The Legislative
 5.27 Permanent School Fund Advisory Committee Commission of 12 members is established
 5.28 to advise ~~the Department of Natural Resources~~ the Permanent School Fund Board on the
 5.29 management of permanent school fund land, which is held in trust for the school districts
 5.30 of the state and to review legislation affecting permanent school fund land. The ~~advisory~~
 5.31 ~~committee must consist~~ commission consists of the following persons ~~or their designees:~~
 5.32 ~~the chairs of the education committees of the legislature, the chairs of the legislative~~
 5.33 ~~committees with jurisdiction over the K-12 education budget, the chairs of the legislative~~

6.1 ~~committees with jurisdiction over the environment and natural resources policy and budget,~~
6.2 ~~the chair of the senate Committee on Finance and the chair of the house of representatives~~
6.3 ~~Committee on Ways and Means, the commissioner of education, one superintendent~~
6.4 ~~from a nonmetropolitan district, one superintendent from a metropolitan area district, one~~
6.5 ~~person with an expertise in forestry, one person with an expertise in minerals and mining,~~
6.6 ~~one person with an expertise in real estate development, one person with an expertise~~
6.7 ~~in renewable energy, one person with an expertise in finance and land management,~~
6.8 ~~and one person with an expertise in natural resource conservation. The school district~~
6.9 ~~superintendents shall be appointed by the commissioner of education. The committee~~
6.10 ~~members with areas of expertise in forestry, minerals and mining, real estate development,~~
6.11 ~~renewable energy, finance and land management, and natural resource conservation shall~~
6.12 ~~be appointed by the commissioner of natural resources. Members of the legislature shall~~
6.13 ~~be given the opportunity to recommend candidates for vacancies on the committee to the~~
6.14 ~~commissioners of education and natural resources. The advisory committee must also~~
6.15 ~~include a nonvoting member appointed by the commissioner of natural resources. The~~
6.16 ~~commissioner of natural resources shall provide administrative support to the committee.~~
6.17 ~~The members of the committee shall serve without compensation. The members of the~~
6.18 ~~Permanent School Fund Advisory Committee shall elect their chair and are bound by the~~
6.19 ~~provisions of sections 43A.38 and 116P.09, subdivision 6.~~

6.20 (1) six members of the senate, including three members from the majority party
6.21 and three members from the minority party, appointed by the senate Subcommittee on
6.22 Committees of the Committee on Rules and Administration; and

6.23 (2) six members of the house of representatives, including three majority party
6.24 members appointed by the speaker of the house and three minority party members
6.25 appointed by the minority leader.

6.26 (b) Appointed legislative members serve at the pleasure of the appointing authority
6.27 and continue to serve until their successors are appointed.

6.28 (c) The first meeting of the commission shall be convened by the chair of the
6.29 Legislative Coordinating Commission. Members shall elect a chair, vice-chair, secretary,
6.30 and other officers as determined by the commission. The chair may convene meetings as
6.31 necessary to conduct the duties prescribed by this section.

6.32 (d) The Legislative Coordinating Commission shall provide administrative support
6.33 for the commission.

6.34 Subd. 2. **Duties.** ~~The advisory committee commission shall review the policies of~~
6.35 ~~the Department of Natural Resources and current statutes on management of school trust~~
6.36 ~~fund lands at least annually and shall recommend necessary changes in statutes, policy,~~

7.1 and implementation in order to ensure provident utilization of the permanent school fund
 7.2 lands. By January 15 of each year, the ~~advisory committee~~ commission shall submit
 7.3 a report to the legislature with recommendations for the management of school trust
 7.4 lands to secure long-term economic return for the permanent school fund, consistent with
 7.5 sections 92.121 and 127A.31. The ~~committee's~~ commission's annual report may include
 7.6 recommendations to:

7.7 (1) manage the school trust lands efficiently;

7.8 (2) reduce the management expenditures of school trust lands and maximize the
 7.9 revenues deposited in the permanent school trust fund;

7.10 (3) manage the sale, exchange, and commercial leasing of school trust lands to
 7.11 maximize the revenues deposited in the permanent school trust fund and retain the value
 7.12 from the long-term appreciation of the school trust lands; ~~and~~

7.13 (4) manage the school trust lands to maximize the long-term economic return for
 7.14 the permanent school trust fund while maintaining sound natural resource conservation
 7.15 and management principles; and

7.16 (5) make recommendations concerning the asset allocation of the school endowment
 7.17 fund.

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

7.20 **EFFECTIVE DATE.** This section is effective January 2, 2013.

7.21 Sec. 11. **[127A.3011] POLICY AND PURPOSE.**

7.22 (a) The purpose of sections 127A.3011 to 127A.3020 is to establish a board and a
 7.23 director to oversee, manage, and administer Minnesota's school trust lands in accordance
 7.24 with the provisions of the Minnesota Constitution, article XI, section 8.

7.25 (b) As trustee, the state must manage the lands and revenues generated from the
 7.26 lands in the most prudent and profitable manner possible, and not for any purpose
 7.27 inconsistent with the best interests of the trust beneficiaries as defined in the Minnesota
 7.28 Constitution, article XI, section 8.

7.29 (c) The trustee must be concerned with both income for the current beneficiaries
 7.30 and the preservation of trust assets for future beneficiaries, which requires a balancing of
 7.31 short-term and long-term interests so that long-term benefits are not lost in an effort to
 7.32 maximize short-term gains.

7.33 (d) Sections 127A.3011 to 127A.3020 shall be liberally construed to enable the
 7.34 board and the director to faithfully fulfill the state's obligations to the trust beneficiaries.

8.1 **EFFECTIVE DATE.** This section is effective July 1, 2014.

8.2 Sec. 12. **[127A.3012] DEFINITIONS.**

8.3 Subdivision 1. **Scope.** For purposes of sections 127A.3011 to 127A.3020, the
8.4 definitions have the meanings given.

8.5 Subd. 2. **Board.** "Board" means the Permanent School Fund Board.

8.6 Subd. 3. **Director.** "Director" means the director of trust lands and mineral assets.

8.7 Subd. 4. **School trust land.** "School trust land" means land granted by the United
8.8 States for use of schools within each township, swampland granted to the state, and
8.9 internal improvement land that are reserved for permanent school fund purposes under the
8.10 Minnesota Constitution, article XI, section 8, and land exchanged, purchased, or granted
8.11 for the benefit of the permanent school fund.

8.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

8.13 Sec. 13. **[127A.3013] PERMANENT SCHOOL FUND BOARD.**

8.14 Subdivision 1. **Membership.** The Permanent School Fund Board is composed of
8.15 five members. The governor must appoint the members with the advice and consent of
8.16 both the senate and the house of representatives acting separately. If either house fails to
8.17 confirm the appointment of a board member within 45 legislative days after appointment
8.18 or by adjournment sine die, whichever occurs first, the appointment terminates on the day
8.19 following the 45th legislative day or on adjournment sine die, whichever occurs first. If
8.20 either house votes not to confirm an appointment, the appointment terminates on the day
8.21 following the vote not to confirm.

8.22 Subd. 2. **Qualifications.** In making appointments, the governor shall consider
8.23 geographic balance, gender, age, ethnicity, and varying interests. Members must
8.24 have practical experience or expertise or demonstrated knowledge in renewable or
8.25 nonrenewable resource management or development, real estate, business, finance, trust
8.26 administration, asset management, environmental science, or the practice of law in the
8.27 areas of natural resources or real estate. Registered lobbyists must not be members of
8.28 the board.

8.29 Subd. 3. **Terms, compensation, removal.** Membership terms, compensation,
8.30 removal of members and filling of vacancies are as provided in section 15.0575.

8.31 Subd. 4. **Conflict of interest.** (a) A board member may not be an advocate for
8.32 or against a board action or vote on any action that may be a conflict of interest. A
8.33 conflict of interest must be disclosed as soon as it is discovered. The board shall follow

9.1 the policies and requirements related to conflicts of interest developed by the Office of
9.2 Grants Management under section 16B.98.

9.3 (b) For the purposes of this section, a "conflict of interest" exists when a person has
9.4 an organizational conflict of interest or direct financial interests and those interests present
9.5 the appearance that it will be difficult for the person to impartially fulfill the person's
9.6 duty. An "organizational conflict of interest" exists when a person has an affiliation with
9.7 an organization that is subject to board activities, which presents the appearance of a
9.8 conflict between organizational interests and board member duties. An "organizational
9.9 conflict of interest" does not exist if the person's only affiliation with an organization is
9.10 being a member of the organization.

9.11 Subd. 5. **No transfers.** The commissioner of administration may not use section
9.12 16B.37 to transfer duties of the board.

9.13 **EFFECTIVE DATE.** This section is effective July 1, 2013.

9.14 Sec. 14. **[127A.3014] DUTIES.**

9.15 Subdivision 1. **Management.** (a) The board shall manage all school trust lands
9.16 within the state, and shall provide policies for the director and for the management
9.17 of trust lands and assets.

9.18 (b) The board may enter into an agreement with the commissioner of natural
9.19 resources for administration and management of trust lands. This agreement must specify
9.20 the services that the Department of Natural Resources will provide to the board and
9.21 the fees the department will charge for providing these services. If the board and the
9.22 commissioner of natural resources cannot reach an agreement satisfactory to both parties,
9.23 the board may contract with an outside entity for these services.

9.24 (c) If, after July 1, 2014, the board determines that receiving administrative and
9.25 management services from the commissioner of natural resources is not the best way
9.26 to manage lands in the most prudent and profitable manner, the board may move these
9.27 services to another agency or outside entity.

9.28 Subd. 2. **Joint ventures.** The board may enter into joint ventures to develop trust
9.29 lands and minerals.

9.30 **EFFECTIVE DATE.** This section is effective July 1, 2014.

9.31 Sec. 15. **[127A.3015] POLICIES.**

9.32 Subdivision 1. **Management.** The board shall establish policies for the director of
9.33 trust lands and mineral assets. The policies shall:

- 10.1 (1) be consistent with the Minnesota Constitution and state law;
10.2 (2) reflect undivided loyalty to the beneficiaries consistent with fiduciary duties;
10.3 (3) require the return of not less than fair market value for the use, sale, or exchange
10.4 of school trust assets;
10.5 (4) seek to optimize trust land revenues and increase the value of trust land holdings
10.6 consistent with the balancing of short-term and long-term interests, so that long-term
10.7 benefits are not lost in an effort to maximize short-term gains; and
10.8 (5) maintain the integrity of the trust and prevent the misapplication of its lands
10.9 and its revenues.

10.10 Subd. 2. **Duties.** The board and the director shall recommend to the governor and
10.11 the legislature any necessary or desirable changes in statutes relating to the trust or their
10.12 trust responsibilities. The board shall develop policies for the long-term benefit of the trust
10.13 utilizing the broad discretion and power granted to it in sections 127A.3011 to 127A.3015.

10.14 Subd. 3. **Policies continued unless changed.** Policies adopted by the Department
10.15 of Natural Resources prior to the effective date of this act regarding school trust lands
10.16 shall remain in effect until amended or repealed by the board. The board shall be the
10.17 named party in substitution of the Department of Natural Resources or its predecessor
10.18 agencies with respect to all documents affecting trust lands with respect to duties
10.19 transferred to the board.

10.20 Subd. 4. **Accept land and property.** The board may accept for and on behalf of the
10.21 permanent school fund a donation of lands, interest in lands, or improvements on lands.
10.22 A donation so received shall become state property, be classified as school trust land as
10.23 defined in section 92.025, and be managed consistent with section 127A.31.

10.24 **EFFECTIVE DATE.** This section is effective July 1, 2014.

10.25 Sec. 16. **[127A.3016] DIRECTOR.**

10.26 Subdivision 1. **Term.** The board shall select a director on the basis of outstanding
10.27 professional qualifications pertinent to the purposes and activities of the trust. The director
10.28 serves in the unclassified service at the pleasure of the board.

10.29 Subd. 2. **Compensation.** The board shall establish the compensation of the director.
10.30 The compensation and performance of the director shall be examined each year as part of
10.31 the board's budget review process.

10.32 **EFFECTIVE DATE.** This section is effective July 1, 2013.

10.33 Sec. 17. **[127A.3017] RESPONSIBILITIES OF DIRECTOR.**

11.1 Subdivision 1. **Duties and budget review.** In carrying out the policies of the board
11.2 and in establishing procedures and rules, the director shall:

11.3 (1) take an oath of office before assuming any duties as the director;

11.4 (2) adopt procedures necessary for the proper administration of matters entrusted to
11.5 the director by state law and commission policy;

11.6 (3) faithfully manage the administration under the policies established by the board;

11.7 (4) submit to the board and for public inspection an annual management budget
11.8 and financial plan for operations of the administration and, after approval by the board,
11.9 submit the budget to the governor;

11.10 (5) direct and control the budget expenditures as finally authorized and appropriated;

11.11 (6) establish job descriptions and employ, within the limitation of the budget, staff
11.12 necessary to accomplish the purposes of the director's office;

11.13 (7) maintain appropriate records of trust activities to enable the legislative auditor to
11.14 conduct periodic audits of trust activities;

11.15 (8) provide that all leases, contracts, and agreements be submitted to legal counsel
11.16 for review of compliance with applicable law and fiduciary duties prior to execution and
11.17 utilize the services of the attorney general as provided in section 127A.3018;

11.18 (9) keep the board, beneficiaries, governor, legislature, and the public informed
11.19 about the work of the director and board by reporting to the board in a public meeting at
11.20 least once during each calendar quarter; and

11.21 (10) respond in writing within a reasonable time to a request by the board for
11.22 responses to questions on policies and practices affecting the management of the trust.

11.23 Subd. 2. **Additional responsibilities.** (a) The director may:

11.24 (1) contract with other public agencies or other public or private entities for
11.25 personnel management services; and

11.26 (2) with the approval of the board, enter into joint ventures and other business
11.27 arrangements consistent with the purposes of the trust.

11.28 (b) The director shall obtain revenue from permits granted on school trust lands
11.29 within the Boundary Waters Canoe Area as defined in section 84.523 by obtaining a
11.30 reimbursement agreement with the federal government. Revenue generated under this
11.31 paragraph shall be deposited into the school trust lands suspense account under section
11.32 127A.3021.

11.33 **EFFECTIVE DATE.** This section is effective July 1, 2014.

11.34 Sec. 18. **[127A.3018] ATTORNEY GENERAL.**

12.1 The attorney general shall: represent the board, director, or administration in any
12.2 legal action relating to trust lands; review leases, contracts, and agreements submitted
12.3 for review prior to execution; and undertake suits for the collection of royalties, rental,
12.4 and other damages in the name of the state.

12.5 **EFFECTIVE DATE.** This section is effective July 1, 2014.

12.6 Sec. 19. **[127A.3019] LAND EXCHANGE.**

12.7 The board may enter into land exchange agreements with the commissioner of
12.8 natural resources according to the provisions of section 92.121.

12.9 **EFFECTIVE DATE.** This section is effective July 1, 2014.

12.10 Sec. 20. **[127A.3020] FOREST AND MINERALS MANAGEMENT.**

12.11 Subdivision 1. **Control.** All forest and minerals management on school trust lands
12.12 is vested with the board according to the provisions of sections 127A.3011 to 127A.3020.

12.13 Subd. 2. **May contract.** The board may contract with any public or private entity to
12.14 make improvements to or upon trust lands and to carry out any of the responsibilities of
12.15 the office, so long as the contract requires strict adherence to trust management principles
12.16 and applicable law.

12.17 **EFFECTIVE DATE.** This section is effective July 1, 2014.

12.18 Sec. 21. **[127A.3021] SCHOOL TRUST LANDS SUSPENSE ACCOUNT.**

12.19 A school trust lands suspense account is established as an account in the special
12.20 revenue fund. The director shall credit all revenue from the school trust lands to the
12.21 school trust lands suspense account. After a fiscal year, the director shall certify that
12.22 year's costs for oversight, protection, improvement, administration, and management of
12.23 school trust lands against the account and distribute the balance of the revenue to the
12.24 permanent school fund.

12.25 **EFFECTIVE DATE.** This section is effective July 1, 2014.

12.26 Sec. 22. **[127A.3022] AUDIT BY LEGISLATIVE AUDITOR.**

12.27 Beginning July 1, 2019, if approved by the Legislative Audit Commission, the
12.28 legislative auditor shall conduct a financial and program audit of the Permanent School
12.29 Fund Board's performance of its duties and report to the Legislative Audit Commission
12.30 and the Legislative Permanent School Fund Commission. If the board has an agreement

13.1 with the Department of Natural Resources under section 127A.3014, the audit shall
13.2 include the services provided by the Department of Natural Resources. After the audit
13.3 conducted under this section, periodic audits and evaluations may be performed by the
13.4 legislative auditor as authorized under section 3.971, subdivisions 5 and 6.

13.5 Sec. 23. Minnesota Statutes 2010, section 477A.11, is amended by adding a
13.6 subdivision to read:

13.7 Subd. 1a. **Board.** "Board" means the Permanent School Fund Board established
13.8 under section 127A.3013.

13.9 **EFFECTIVE DATE.** This section is effective July 1, 2014.

13.10 Sec. 24. Minnesota Statutes 2010, section 477A.11, subdivision 3, is amended to read:

13.11 **Subd. 3. Acquired natural resources land.** "Acquired natural resources land"
13.12 means:

13.13 (1) any land presently administered by the commissioner or the board in which the
13.14 state acquired by purchase, condemnation, or gift, a fee title interest in lands which were
13.15 previously privately owned; and

13.16 (2) lands acquired by the state under chapter 84A that are designated as state parks,
13.17 state recreation areas, scientific and natural areas, or wildlife management areas.

13.18 **EFFECTIVE DATE.** This section is effective July 1, 2014.

13.19 Sec. 25. Minnesota Statutes 2010, section 477A.11, subdivision 4, is amended to read:

13.20 **Subd. 4. Other natural resources land.** "Other natural resources land" means any
13.21 other land presently owned in fee title by the state and administered by the commissioner
13.22 or the board, or any tax-forfeited land, other than platted lots within a city or those lands
13.23 described under subdivision 3, clause (2), which is owned by the state and administered by
13.24 the commissioner or the board or by the county in which it is located.

13.25 **EFFECTIVE DATE.** This section is effective July 1, 2014.

13.26 Sec. 26. Minnesota Statutes 2011 Supplement, section 477A.12, subdivision 1, is
13.27 amended to read:

13.28 Subdivision 1. **Types of land; payments.** (a) As an offset for expenses incurred
13.29 by counties and towns in support of natural resources lands, the following amounts are
13.30 annually appropriated to the commissioner of natural resources from the general fund for
13.31 transfer to the commissioner of revenue. The commissioner of revenue shall pay the

14.1 transferred funds to counties as required by sections 477A.11 to 477A.14. The amounts
14.2 are:

14.3 (1) for acquired natural resources land, \$5.133 multiplied by the total number
14.4 of acres of acquired natural resources land or, at the county's option three-fourths of
14.5 one percent of the appraised value of all acquired natural resources land in the county,
14.6 whichever is greater;

14.7 (2) \$1.283 multiplied by the number of acres of county-administered other natural
14.8 resources land;

14.9 (3) \$1.283 multiplied by the total number of acres of land utilization project land; and

14.10 (4) 64.2 cents multiplied by the number of acres of ~~commissioner-administered~~
14.11 noncounty-administered other natural resources land located in each county as of July
14.12 1 of each year prior to the payment year.

14.13 (b) The amount determined under paragraph (a), clause (1), is payable for land
14.14 that is acquired from a private owner and owned by the Department of Transportation
14.15 for the purpose of replacing wetland losses caused by transportation projects, but only
14.16 if the county contains more than 500 acres of such land at the time the certification is
14.17 made under subdivision 2.

14.18 **EFFECTIVE DATE.** This section is effective July 1, 2014.

14.19 Sec. 27. Minnesota Statutes 2010, section 477A.12, subdivision 2, is amended to read:

14.20 Subd. 2. **Procedure.** Lands for which payments in lieu are made pursuant to
14.21 section 97A.061, subdivision 3, and Laws 1973, chapter 567, shall not be eligible for
14.22 payments under this section. Each county auditor shall certify to the Department of
14.23 Natural Resources during July of each year prior to the payment year the number of acres
14.24 of county-administered other natural resources land within the county. The Department of
14.25 Natural resources may, in addition to the certification of acreage, require descriptive lists
14.26 of land so certified. The commissioner of natural resources shall determine and certify to
14.27 the commissioner of revenue by March 1 of the payment year:

14.28 (1) the number of acres and most recent appraised value of acquired natural
14.29 resources land, excluding any administered by the board within each county;

14.30 (2) the number of acres of commissioner-administered natural resources land within
14.31 each county;

14.32 (3) the number of acres of county-administered other natural resources land within
14.33 each county, based on the reports filed by each county auditor with the commissioner
14.34 of natural resources; and

14.35 (4) the number of acres of land utilization project land within each county.

15.1 The Permanent School Fund Board shall determine and certify to the commissioner
15.2 of revenue by March 1 of the payment year the number of acres of land and the appraised
15.3 value of the land administered by the board subject to payments under this section.

15.4 The commissioner of transportation shall determine and certify to the commissioner
15.5 of revenue by March 1 of the payment year the number of acres of land and the appraised
15.6 value of the land described in subdivision 1, paragraph (b), but only if it exceeds 500 acres.

15.7 The commissioner of revenue shall determine the distributions provided for in this
15.8 section using the number of acres and appraised values certified by the commissioner of
15.9 natural resources and the commissioner of transportation by March 1 of the payment year.

15.10 **EFFECTIVE DATE.** This section is effective July 1, 2014.

15.11 Sec. 28. Minnesota Statutes 2010, section 477A.12, subdivision 3, is amended to read:

15.12 Subd. 3. **Determination of appraised value.** For the purposes of this section, the
15.13 appraised value of acquired natural resources land is the purchase price for the first five
15.14 years after acquisition. The appraised value of acquired natural resources land received as
15.15 a donation is the value determined for the commissioner of natural resources or the board
15.16 by a licensed appraiser, or the county assessor's estimated market value if no appraisal is
15.17 done. The appraised value must be determined by the county assessor every five years
15.18 after the land is acquired.

15.19 **EFFECTIVE DATE.** This section is effective July 1, 2014.

15.20 Sec. 29. **TRANSFER OF ASSETS AND BUDGET RESPONSIBILITY.**

15.21 Unless otherwise provided by statute, the responsibilities of the Department of
15.22 Natural Resources and any other state agency with respect to the permanent school fund
15.23 lands are transferred to the Permanent School Fund Board. Minnesota Statutes, section
15.24 15.039, subdivisions 1 to 6, apply to this transfer.

15.25 **EFFECTIVE DATE.** This section is effective July 1, 2014.

15.26 Sec. 30. **REPORT.**

15.27 The Permanent School Fund Board must meet with the commissioner of natural
15.28 resources to discuss potential agreements with the commissioner for administration and
15.29 management of trust lands, including services that the Department of Natural Resources
15.30 will provide to the board and the fees the department will charge for these services. The
15.31 board must report to the legislature by January 15, 2014, on the result of these discussions,

16.1 including any statutory changes needed to implement agreements between the board and
16.2 the commissioner.

16.3 Sec. 31. **REVISOR'S INSTRUCTION.**

16.4 (a) The revisor of statutes shall recode Minnesota Statutes, section 84.027,
16.5 subdivision 18, as section 127A.3014, subdivision 3.

16.6 (b) By January 15, 2013, the revisor of statutes, in consultation with the
16.7 commissioner of natural resources shall identify and report to the legislature on statutes
16.8 related to management of school trust fund lands and transfer of functions in this act.