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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 1735

02/27/2017 Authored by O'Driscoll, Swedzinski and Lueck
The bill was read for the first time and referred to the Committee on Environment and Natural Resources Policy and Finance

1.1 A bill for an act
1.2 relating to permanent school fund; transferring administration of school trust lands;
1.3 establishing the school trust management account; authorizing rulemaking;
1.4 amending Minnesota Statutes 2016, sections 16A.125, subdivision 5; 84.027,
1.5 subdivision 18; 84.085, subdivision 1; 92.01; 92.02; 92.025; 92.12, subdivision
1.6 1; 92.121; 92.13; 93.0015, subdivisions 1, 2; 93.05, subdivision 3; 93.055; 93.2236;
1.7 94.16, subdivision 3; 127A.30, subdivision 1; 127A.351; 127A.353, subdivision
1.8 4; proposing coding for new law in Minnesota Statutes, chapter 127A; repealing
1.9 Minnesota Statutes 2016, sections 92.83; 127A.352.

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

1.11 Section 1. Minnesota Statutes 2016, section 16A.125, subdivision 5, is amended to read:

1.12 Subd. 5. Forest trust lands. (a) ~~The term~~ "State forest trust fund lands" as used in this
1.13 subdivision; means public land in trust under the Minnesota Constitution set apart as "forest
1.14 lands under the authority of the commissioner" of natural resources as defined by section
1.15 89.001, subdivision 13, but excludes school trust lands as defined in section 92.025.

1.16 (b) The commissioner of management and budget shall credit the revenue from the state
1.17 forest trust fund lands to the forest suspense account. The account must specify the trust
1.18 funds interested in the lands and the respective receipts of the lands.

1.19 (c) After a fiscal year, the commissioner of management and budget shall certify the
1.20 costs incurred for forestry during that year under appropriations for the improvement,
1.21 administration, and management of state forest trust fund lands and construction and
1.22 improvement of forest roads to enhance the forest value of the lands. The certificate must
1.23 specify the trust funds interested in the lands. ~~After presentation to the Legislative Permanent~~
1.24 ~~School Fund Commission,~~ The commissioner of natural resources shall supply the
1.25 commissioner of management and budget with the information needed for the certificate.

2.1 The certificate shall include an analysis that compares costs certified under this section with
 2.2 costs incurred on other public and private lands with similar land assets.

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

2.5 (1) the amount of the certified costs incurred by the state for forest management, forest
 2.6 improvement, and road improvement during the fiscal year shall be transferred to the forest
 2.7 management investment account established under section 89.039;

2.8 ~~(2) the amount of costs incurred by the Legislative Permanent School Fund Commission~~
 2.9 ~~under section 127A.30, and by the school trust lands director under section 127A.353, shall~~
 2.10 ~~be transferred to the general fund;~~

2.11 ~~(3)~~ (2) the balance of the certified costs incurred by the state during the fiscal year shall
 2.12 be transferred to the general fund; and

2.13 ~~(4)~~ (3) the balance of the receipts shall then be returned prorated to the trust funds in
 2.14 proportion to their respective interests in the lands ~~which~~ that produced the receipts.

2.15 **EFFECTIVE DATE.** This section is effective July 1, 2018.

2.16 Sec. 2. Minnesota Statutes 2016, section 84.027, subdivision 18, is amended to read:

2.17 Subd. 18. ~~Permanent school fund authority; reporting School trust lands.~~ (a) ~~The~~
 2.18 ~~commissioner of natural resources has the authority and responsibility for the administration~~
 2.19 ~~of school trust lands under sections 92.121 and 127A.31. The commissioner shall biannually~~
 2.20 ~~report to the Legislative Permanent School Fund Commission and the legislature on the~~
 2.21 ~~management of the school trust lands that shows how the commissioner has and will continue~~
 2.22 ~~to achieve the following goals:~~

2.23 (1) ~~manage the school trust lands efficiently and in a manner that reflects the undivided~~
 2.24 ~~loyalty to the beneficiaries consistent with the commissioner's fiduciary duties;~~

2.25 (2) ~~reduce the management expenditures of school trust lands and maximize the revenues~~
 2.26 ~~deposited in the permanent school trust fund;~~

2.27 (3) ~~manage the sale, exchange, and commercial leasing of school trust lands, requiring~~
 2.28 ~~returns of not less than fair market value, to maximize the revenues deposited in the~~
 2.29 ~~permanent school trust fund and retain the value from the long-term appreciation of the~~
 2.30 ~~school trust lands;~~

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

3.4 ~~(5) optimize school trust land revenues and maximize the value of the trust consistent~~
 3.5 ~~with the balancing of short-term and long-term interests, so that long-term benefits are not~~
 3.6 ~~lost in an effort to maximize short-term gains; and~~

3.7 ~~(6) maintain the integrity of the trust and prevent the misapplication of its lands and its~~
 3.8 ~~revenues.~~

3.9 ~~(b) When the commissioner finds an irresolvable conflict between maximizing the~~
 3.10 ~~long-term economic return and protecting natural resources and recreational values on~~
 3.11 ~~school trust lands, the commissioner shall give precedence to the long-term economic return~~
 3.12 ~~in managing school trust lands. By July 1, 2018, the permanent school fund shall must be~~
 3.13 ~~compensated for all school trust lands included under a designation or policy provision that~~
 3.14 ~~prohibits long-term economic return. The commissioner shall of natural resources must~~
 3.15 ~~submit recommendations to the appropriate legislative committees and divisions on methods~~
 3.16 ~~of funding for the compensation required under this paragraph, including recommendations~~
 3.17 ~~for appropriations from the general fund, nongeneral funds, and the state bond fund. Any~~
 3.18 ~~uncompensated designation or policy provision restrictions on the long-term economic~~
 3.19 ~~return on school trust lands remaining after July 1, 2018, shall must be compiled and~~
 3.20 ~~submitted to the Legislative Permanent School Fund Commission for review.~~

3.21 ~~(c) By December 31, 2013, the report required under paragraph (a) shall provide an~~
 3.22 ~~inventory and identification of all school trust lands that are included under a designation~~
 3.23 ~~or policy provision that prohibits long-term economic return. The report shall include a plan~~
 3.24 ~~to compensate the permanent school fund through the purchase or exchange of the lands or~~
 3.25 ~~a plan to manage the school trust land to generate long-term economic return to the permanent~~
 3.26 ~~school fund. Subsequent reports under paragraph (a) shall include a status report of the~~
 3.27 ~~commissioner's progress in maximizing the long-term economic return on lands identified~~
 3.28 ~~in the 2013 report.~~

3.29 ~~(d)~~ (b) When future designations or policies by the commissioner prohibit the long-term
 3.30 economic return on school trust land, the conflict shall be resolved by compensating the
 3.31 permanent school fund through an exchange or purchase of the lands before designation or
 3.32 application of the policy.

3.33 **EFFECTIVE DATE.** This section is effective July 1, 2018.

4.1 Sec. 3. Minnesota Statutes 2016, section 84.085, subdivision 1, is amended to read:

4.2 Subdivision 1. **Authority.** (a) The commissioner of natural resources may accept for
4.3 and on behalf of the state any gift, bequest, devise, or grants of lands or interest in lands or
4.4 personal property of any kind or of money tendered to the state for any purpose pertaining
4.5 to the activities of the department or any of its divisions. Any money so received is hereby
4.6 appropriated and dedicated for the purpose for which it is granted. Lands and interests in
4.7 lands so received may be sold or exchanged as provided in chapter 94. The deed conveying
4.8 land or an interest in land to the state under this paragraph must clearly indicate whether
4.9 the state may resell the donated land or interest in land.

4.10 (b) When the commissioner of natural resources accepts lands or interests in land, the
4.11 commissioner may reimburse the donor for costs incurred to obtain an appraisal needed for
4.12 tax reporting purposes. If the state pays the donor for a portion of the value of the lands or
4.13 interests in lands that are donated, the reimbursement for appraisal costs shall not exceed
4.14 \$1,500. If the donor receives no payment from the state for the lands or interests in lands
4.15 that are donated, the reimbursement for appraisal costs shall not exceed \$5,000.

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

4.26 ~~(d) The commissioner may accept for and on behalf of the permanent school fund a~~
4.27 ~~donation of lands, interest in lands, or improvements on lands. A donation so received shall~~
4.28 ~~become state property, be classified as school trust land as defined in section 92.025, and~~
4.29 ~~be managed consistent with section 127A.31. When the commissioner proposes to accept~~
4.30 ~~a donation of land or an interest in land, the commissioner must notify the landowner of the~~
4.31 ~~option to express in the deed whether the state may resell the land.~~

4.32 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.1 Sec. 4. Minnesota Statutes 2016, section 92.01, is amended to read:

5.2 **92.01 STATE PUBLIC LANDS OR STATE LANDS.**

5.3 "State public lands" or "state lands" means ~~school, swamp, university, internal~~
 5.4 ~~improvement, and other~~ lands granted to the state by acts of Congress and other state-owned
 5.5 lands acquired by purchase, gift, bequest, or eminent domain, but does not include school
 5.6 trust lands.

5.7 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.8 Sec. 5. Minnesota Statutes 2016, section 92.02, is amended to read:

5.9 **92.02 AUTHORITY.**

5.10 Sales of state lands under this chapter must be conducted by the commissioner, a deputy
 5.11 of the commissioner, or a competent person employed by the commissioner.

5.12 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.13 Sec. 6. Minnesota Statutes 2016, section 92.025, is amended to read:

5.14 **92.025 SCHOOL TRUST LAND DEFINITION.**

5.15 For purposes of this chapter and chapter 94, "school trust land" means land granted by
 5.16 the United States for ~~use of~~ supporting public schools within each township, swampland
 5.17 granted to the state, and internal improvement land that are reserved for permanent school
 5.18 fund purposes under the Minnesota Constitution, article XI, section 8, and land exchanged,
 5.19 purchased, or granted to the permanent school fund.

5.20 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.21 Sec. 7. Minnesota Statutes 2016, section 92.12, subdivision 1, is amended to read:

5.22 Subdivision 1. **Appraisers.** The commissioner may have any ~~school trust or other~~ state
 5.23 lands appraised. The appraisals must be made by regularly appointed and qualified state
 5.24 appraisers. To be qualified, an appraiser must hold a state appraiser license issued by the
 5.25 Department of Commerce. The appraisal must be in conformity with the Uniform Standards
 5.26 of Professional Appraisal Practice of the Appraisal Foundation.

5.27 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.28 Sec. 8. Minnesota Statutes 2016, section 92.121, is amended to read:

5.29 **92.121 PERMANENT SCHOOL FUND LANDS.**

6.1 The commissioner of natural resources and the school trust lands director shall exchange
 6.2 permanent school fund land as defined in the Minnesota Constitution, article XI, section 8,
 6.3 located in state parks, state recreation areas, wildlife management areas, scientific and
 6.4 natural areas, or state waysides or on lands managed ~~by the commissioner~~ as old growth
 6.5 stands, for other lands as allowed by the Minnesota Constitution, article XI, section 10, and
 6.6 section 94.343, subdivision 1, that are compatible with the goal of the permanent school
 6.7 fund lands in section 127A.31 when, as a result of management practices applied to the
 6.8 permanent school fund lands and associated resources, revenue generation has been
 6.9 diminished or is prohibited and no alternative has been put into effect to compensate the
 6.10 permanent school fund for the income losses.

6.11 **EFFECTIVE DATE.** This section is effective July 1, 2018.

6.12 Sec. 9. Minnesota Statutes 2016, section 92.13, is amended to read:

6.13 **92.13 STATE LANDS, DATE OF SALE.**

6.14 The commissioner shall hold public sales of ~~school and other~~ state lands when it is
 6.15 advantageous to the state and to intending buyers and settlers.

6.16 **EFFECTIVE DATE.** This section is effective July 1, 2018.

6.17 Sec. 10. Minnesota Statutes 2016, section 93.0015, subdivision 1, is amended to read:

6.18 Subdivision 1. **Establishment; membership.** The Mineral Coordinating Committee is
 6.19 established to plan for diversified mineral development. The Mineral Coordinating Committee
 6.20 consists of:

- 6.21 (1) the commissioner of natural resources;
- 6.22 (2) the commissioner of the Minnesota Pollution Control Agency;
- 6.23 (3) the commissioner of Iron Range resources and rehabilitation;
- 6.24 (4) the director of the Minnesota Geological Survey;
- 6.25 (5) the dean of the University of Minnesota Institute of Technology;
- 6.26 (6) the director of the Natural Resources Research Institute; ~~and~~
- 6.27 (7) the school trust lands director; and

6.28 ~~(7)~~ (8) four individuals appointed by the governor for a four-year term, one each
 6.29 representing the iron ore and taconite, nonferrous metallic minerals, and industrial minerals
 6.30 industries within the state and one representing labor.

7.1 **EFFECTIVE DATE.** This section is effective July 1, 2018.

7.2 Sec. 11. Minnesota Statutes 2016, section 93.0015, subdivision 2, is amended to read:

7.3 Subd. 2. **Staffing.** The commissioner of ~~natural resources shall serve~~ Iron Range resources
7.4 and rehabilitation serves as chair of the committee. A member of the committee may
7.5 designate another person of the member's organization to act in the member's place. The
7.6 commissioner of Iron Range resources and rehabilitation shall provide staff and
7.7 administrative services necessary for the committee's activities.

7.8 **EFFECTIVE DATE.** This section is effective July 1, 2018.

7.9 Sec. 12. Minnesota Statutes 2016, section 93.05, subdivision 3, is amended to read:

7.10 Subd. 3. **Attorney general to institute condemnation.** (a) Upon written request of the
7.11 holder of any mineral lease from the state, not in default, with the approval of the
7.12 commissioner of natural resources or, for school trust lands, the school trust lands director,
7.13 the attorney general shall institute, in the name of the state, proceedings to acquire by
7.14 condemnation any lands, rights-of-way, drainage or flowage rights, easements or other
7.15 interests necessary in connection with prospecting for or mining the ore covered by the
7.16 lease. All costs and expenses of the proceedings and all damages awarded therein shall be
7.17 paid by the holder of the lease.

7.18 (b) In any eminent domain proceedings under this section, any value which the land
7.19 taken may have by reason of its location or availability for the depositing of stripping,
7.20 tailings or other wastes from general mining operations in its vicinity, or for the erection of
7.21 buildings or structures thereon in connection with such operations, shall be considered in
7.22 determining the damages to be awarded the owner of the land.

7.23 **EFFECTIVE DATE.** This section is effective July 1, 2018.

7.24 Sec. 13. Minnesota Statutes 2016, section 93.055, is amended to read:

7.25 **93.055 ACTION TO QUIET TITLE TO LANDS COVERED BY MINERAL**
7.26 **LEASE.**

7.27 Upon written request of the holder of any mineral lease from the state, not in default,
7.28 with the approval of the commissioner of natural resources or, for school trust lands, the
7.29 school trust lands director, the attorney general may institute proceedings to quiet the title
7.30 and determine adverse claims or to register the title of the state to the lands or interests

8.1 covered by the lease. All costs and expenses of the proceedings including compensation of
8.2 attorneys for the state shall be paid by the holder of the lease.

8.3 **EFFECTIVE DATE.** This section is effective July 1, 2018.

8.4 Sec. 14. Minnesota Statutes 2016, section 93.2236, is amended to read:

8.5 **93.2236 MINERALS MANAGEMENT ACCOUNT.**

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

8.9 (b) If the balance in the minerals management account exceeds \$3,000,000 on March
8.10 31, June 30, September 30, or December 31, the amount exceeding \$3,000,000 must be
8.11 distributed to ~~the permanent school fund,~~ the permanent university fund, and taxing districts
8.12 as provided in section 93.22, subdivision 1, paragraph (c). The amount distributed to each
8.13 fund must be in the same proportion as the total mineral lease revenue received in the
8.14 previous biennium from ~~school trust lands,~~ university lands, and lands held by the state in
8.15 trust for taxing districts.

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

8.20 **EFFECTIVE DATE.** This section is effective July 1, 2017.

8.21 Sec. 15. Minnesota Statutes 2016, section 94.16, subdivision 3, is amended to read:

8.22 Subd. 3. **Proceeds from natural resources land.** (a) Except as provided in paragraphs
8.23 (b) and (c), the remainder of the proceeds from the sale of lands classified as a unit of the
8.24 outdoor recreation system under section 86A.05 that were under the control and supervision
8.25 of the commissioner of natural resources shall be credited to the land acquisition account
8.26 in the natural resources fund.

8.27 (b) The remainder of the proceeds from the sale of administrative sites under the control
8.28 and supervision of the commissioner of natural resources shall be credited to the facilities
8.29 management account established under section 84.0857 and used to acquire facilities or
8.30 renovate existing buildings for administrative use or to acquire land for, design, and construct
8.31 administrative buildings for the Department of Natural Resources.

9.1 (c) The remainder of the proceeds from the sale of land not within a unit of the outdoor
 9.2 recreation system under section 86A.05 and not an administrative site, but under the control
 9.3 and supervision of the commissioner of natural resources, shall be credited to the school
 9.4 trust ~~lands~~ management account established under section ~~92.83~~ 127A.354.

9.5 **EFFECTIVE DATE.** This section is effective July 1, 2018.

9.6 Sec. 16. Minnesota Statutes 2016, section 127A.30, subdivision 1, is amended to read:

9.7 Subdivision 1. **Commission established; membership.** (a) The Legislative Permanent
 9.8 School Fund Commission of 12 members is established to advise ~~the Department of Natural~~
 9.9 ~~Resources and~~ the school trust lands director on the management of permanent school fund
 9.10 land, which is held in trust for the school districts of the state and to review legislation
 9.11 affecting permanent school fund land. The commission consists of the following persons:

9.12 (1) six members of the senate, including three majority party members appointed by the
 9.13 majority leader and three minority party members appointed by the minority leader; and

9.14 (2) six members of the house of representatives, including three majority party members
 9.15 appointed by the speaker of the house and three minority party members appointed by the
 9.16 minority leader.

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

9.19 (c) ~~The first meeting of the commission shall be convened by the chair of the Legislative~~
 9.20 ~~Coordinating Commission.~~ Members shall elect a chair, vice-chair, secretary, and other
 9.21 officers as determined by the commission. The chair ~~may~~ or vice-chair must convene
 9.22 ~~meetings as necessary~~ a meeting at least once each quarter to conduct the duties prescribed
 9.23 by this section.

9.24 **EFFECTIVE DATE.** This section is effective July 1, 2017.

9.25 Sec. 17. Minnesota Statutes 2016, section 127A.351, is amended to read:

9.26 **127A.351 POLICY AND PURPOSE.**

9.27 (a) The purpose of sections 127A.351 to 127A.353 is to establish a school trust lands
 9.28 director position to recommend and implement management policies for Minnesota's school
 9.29 trust lands ~~in accordance with~~ according to the provisions of the Minnesota Constitution,
 9.30 article XI, section 8.

10.1 (b) As trustee, the state must manage the lands and revenues generated from the lands
 10.2 consistent with the best interests of the trust beneficiaries as defined in the Minnesota
 10.3 Constitution, article XI, section 8. ~~When it is in the best interest of the school trust lands,~~
 10.4 ~~ecological benefits shall be taken into consideration.~~

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

10.9 (d) Sections 127A.351 to 127A.353 ~~shall~~ must be liberally construed to enable the school
 10.10 trust lands director ~~and the commissioner of natural resources~~ to faithfully fulfill the state's
 10.11 obligations to the trust beneficiaries.

10.12 **EFFECTIVE DATE.** This section is effective July 1, 2018.

10.13 Sec. 18. Minnesota Statutes 2016, section 127A.353, subdivision 4, is amended to read:

10.14 Subd. 4. **Duties; powers.** (a) The school trust lands director ~~shall~~ must:

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

10.16 (2) evaluate the school trust land asset position;

10.17 (3) determine the estimated current and potential market value of school trust lands;

10.18 (4) advise the governor, Executive Council, ~~commissioner of natural resources,~~ and the
 10.19 Legislative Permanent School Fund Commission on the management of school trust lands;
 10.20 ~~including;~~

10.21 ~~(i) Department of Natural Resources school trust land management plans;~~

10.22 ~~(ii) leases of school trust lands;~~

10.23 ~~(iii) royalty agreements on school trust lands;~~

10.24 ~~(iv) land sales and exchanges;~~

10.25 ~~(v) cost certification; and~~

10.26 ~~(vi) revenue generating options;~~

10.27 (5) propose to the Legislative Permanent School Fund Commission legislative changes
 10.28 that will improve the asset allocation of the school trust lands;

- 11.1 (6) develop a ten-year strategic plan and a 25-year framework for management of school
 11.2 trust lands, ~~in conjunction with the commissioner of natural resources~~, that is updated every
 11.3 five years and implemented by the ~~commissioner~~ director, with goals to:
- 11.4 (i) retain core real estate assets;
- 11.5 (ii) increase the value of the real estate assets and the cash flow from those assets;
- 11.6 (iii) rebalance the portfolio in assets with high performance potential and the strategic
 11.7 disposal of selected assets;
- 11.8 (iv) establish priorities for management actions; and
- 11.9 (v) balance revenue enhancement and resource stewardship;
- 11.10 (7) submit to the Legislative Permanent School Fund Commission for review an annual
 11.11 budget and management plan for the director; and
- 11.12 (8) keep the beneficiaries, governor, legislature, and the public informed about the work
 11.13 of the director by reporting to the Legislative Permanent School Fund Commission in a
 11.14 public meeting at least once during each calendar quarter.
- 11.15 (b) In carrying out the duties under paragraph (a), the school trust lands director ~~shall~~
 11.16 ~~have the authority to~~ may:
- 11.17 (1) direct and control money appropriated to the director;
- 11.18 (2) establish job descriptions and employ up to five employees in the unclassified service,
 11.19 within the limitations of money appropriated to the director;
- 11.20 (3) enter into interdepartmental agreements with any other state agency;
- 11.21 (4) enter into joint powers agreements under chapter 471;
- 11.22 (5) evaluate and initiate real estate development projects on school trust lands with the
 11.23 advice of the Legislative Permanent School Fund Commission in order to generate long-term
 11.24 economic return to the permanent school fund;
- 11.25 (6) serve as temporary trustee of school trust land for school trust lands subject to
 11.26 proposed or active eminent domain proceedings; ~~and~~
- 11.27 (7) submit recommendations on strategies for school trust land leases, sales, or exchanges
 11.28 to the ~~commissioner of natural resources and the~~ Legislative Permanent School Fund
 11.29 Commission;

12.1 (8) offer school trust lands at public auction when the director, in consultation with the
 12.2 Legislative Permanent School Fund Commission, determines it is advantageous for the
 12.3 school trust to divest of its real property assets;

12.4 (9) direct and control real estate transactions involving school trust lands, including land
 12.5 sales, leasing, licensing, and permitting;

12.6 (10) accept for and on behalf of the permanent school fund a donation of money, gifts,
 12.7 lands, interest in lands, or improvements on lands. A donation so received becomes state
 12.8 property, is classified as school trust land as defined in section 92.025, and must be managed
 12.9 consistent with section 127A.31. When the director proposes to accept a donation of land
 12.10 or an interest in land, the director must notify the landowner of the option to express in the
 12.11 deed whether the state may resell the land;

12.12 (11) have any school trust land or mineral asset appraised. Appraisers and real property
 12.13 appraisals must meet the requirements under section 92.12, subdivision 1. The director must
 12.14 coordinate any appraisal of school trust mineral assets, including severed mineral assets,
 12.15 with the Legislative Permanent School Fund Commission and Minerals Coordinating
 12.16 Commission; and

12.17 (12) adopt rules to ensure that school trust lands and mineral assets are efficiently and
 12.18 economically managed.

12.19 **EFFECTIVE DATE.** This section is effective July 1, 2018, except that paragraph (b),
 12.20 clause (8), is effective July 1, 2017.

12.21 **Sec. 19. [127A.354] SCHOOL TRUST MANAGEMENT ACCOUNT.**

12.22 Subdivision 1. **Account established; sources.** The school trust management account is
 12.23 created in the special revenue fund in the state treasury, and money in the account may be
 12.24 spent only for the purposes provided in subdivision 2. The following revenue must be
 12.25 deposited in the school trust management account:

12.26 (1) all revenues generated from school trust lands, including timber sale revenues and
 12.27 mineral lease royalties;

12.28 (2) money transferred to the account; and

12.29 (3) interest accruing from investment of the account.

12.30 Subd. 2. **Account purposes.** (a) Subject to appropriation by the legislature, money in
 12.31 the school trust management account may be spent only for the following purposes:

13.1 (1) for mineral resource management and projects to enhance future mineral income
 13.2 and promote new mineral-resource opportunities on school trust lands;

13.3 (2) for improving, administering, and managing forests on school trust lands and
 13.4 constructing and improving forest roads to enhance the forest value of school trust lands;

13.5 (3) real estate transaction costs for school trust lands, including valuation expenses, legal
 13.6 fees, and transactional staff costs; and

13.7 (4) the costs incurred by the Legislative Permanent School Fund Commission under
 13.8 section 127A.30 and by the school trust lands director under section 127A.353.

13.9 (b) The balance in the account exceeding \$..... must be transferred to the permanent
 13.10 school fund on June 30 each year.

13.11 **EFFECTIVE DATE.** This section is effective July 1, 2017.

13.12 **Sec. 20. TRANSFERRING SCHOOL TRUST LAND ASSETS AND AUTHORITY.**

13.13 Unless otherwise provided by law, the responsibilities of the commissioner of natural
 13.14 resources and other state agencies for administering or managing school trust lands as
 13.15 defined under Minnesota Statutes, section 92.025, are transferred to the school trust lands
 13.16 director.

13.17 **EFFECTIVE DATE.** This section is effective July 1, 2019.

13.18 **Sec. 21. TRANSITION RECOMMENDATIONS; REPORT.**

13.19 (a) By January 15, 2018, the commissioner of natural resources and the school trust
 13.20 lands director must submit a report to the chairs and ranking minority members of the house
 13.21 of representatives and senate committees and divisions with jurisdiction over education and
 13.22 environment and natural resources with recommendations for amending Minnesota Statutes
 13.23 and Minnesota Rules to implement the transfer of authorities over school trust lands provided
 13.24 under this act and for the transition of authority over all school trust lands to the school trust
 13.25 lands director by July 1, 2019.

13.26 (b) By January 15, 2019, the commissioner of natural resources and the school trust
 13.27 lands director must submit a report to the chairs and ranking minority members of the house
 13.28 of representatives and senate committees and divisions with jurisdiction over education and
 13.29 environment and natural resources with a transition plan and recommendations, including
 13.30 any management contract between the commissioner, director, and other entities, to transfer
 13.31 authority over school trust lands to the school trust lands director by July 1, 2019.

14.1 **EFFECTIVE DATE.** This section is effective July 1, 2017.

14.2 Sec. 22. **REPEALER.**

14.3 Minnesota Statutes 2016, sections 92.83; and 127A.352, are repealed.

14.4 **EFFECTIVE DATE.** This section is effective July 1, 2018.

92.83 CONDEMNATION OF SCHOOL TRUST LAND.

Subdivision 1. **Purpose.** The purpose of this section is to extinguish the school trust interest in school trust lands where long-term economic return is prohibited by designation or policy while producing economic benefits for Minnesota's public schools. For the purposes of satisfying the Minnesota Constitution, article XI, section 8, which limits the sale of school trust lands to a public sale, the commissioner of natural resources shall acquire school trust lands through condemnation, as provided in subdivision 2.

Subd. 2. **Commencement of condemnation proceedings.** When the commissioner of natural resources has determined sufficient money is available to acquire any of the lands identified under section 84.027, subdivision 18, paragraph (c), the commissioner shall proceed to extinguish the school trust interest by condemnation action. When requested by the commissioner, the attorney general shall commence condemnation of the identified school trust lands.

Subd. 3. **Payment.** The portion of the payment of the award and judgment that is for the value of the land shall be deposited into the permanent school fund. The remainder of the award and judgment payment shall first be remitted for reimbursement to the accounts from which expenses were paid, with any remainder deposited into the permanent school fund.

Subd. 4. **Account.** The school trust lands account is created in the state treasury. Money credited to the account is appropriated to the commissioner of natural resources for the purposes of this section.

127A.352 POLICY RECOMMENDATIONS; DUTIES.

Subdivision 1. **Recommendations.** The Legislative Permanent School Fund Commission shall recommend policies for the school trust lands director and the commissioner of natural resources that are consistent with the Minnesota Constitution, state law, and the goals established under section 84.027, subdivision 18.

Subd. 2. **Duties.** The commissioner of natural resources and the school trust lands director shall recommend to the governor and the Legislative Permanent School Fund Commission any necessary or desirable changes in statutes relating to the trust or their trust responsibilities consistent with the policies under section 127A.351.

Subd. 3. **Notice to commission and governor.** If the school trust lands director has an irreconcilable disagreement with the commissioner of natural resources pertaining to the fiduciary responsibilities consistent with the school trust lands, it is the duty of the director to report the subject of the disagreement to the Legislative Permanent School Fund Commission and the governor.