Permanent School Fund Information and Guide

for Education Professionals

MINNESOTA'S PERMANENT SCHOOL FUND

Students First. Improve the Trust.

These materials have been created by the Minnesota School Boards Association in conjunction with the Association of Metropolitan School Boards, the Minnesota Association of School Administrators, and the Minnesota Rural Education Association.

Permanent School Fund **Information and Guide** for Education Professionals

This November, Minnesota voters will be asked to update our state's constitution by voting on an amendment to modernize how Minnesota's Permanent School Fund (PSF) distributes revenue to public schools.

Because education leaders are among the most trusted sources of information in their communities, school board members, superintendents, administrators, and communications professionals will likely receive questions about the amendment and its potential impact on local schools.

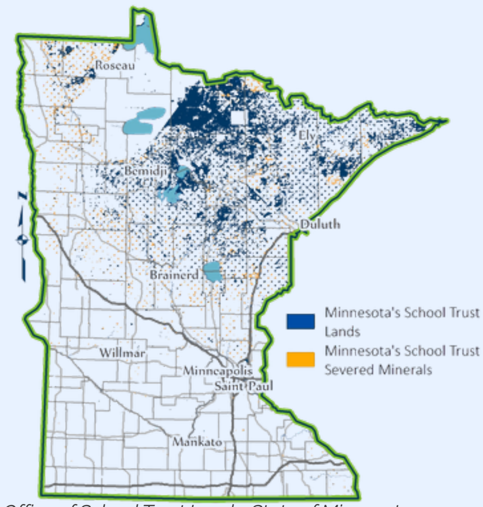
This guide provides background information, explains the proposed constitutional amendment, outlines the potential impact on school districts, and offers communications guidance for education leaders.

Understanding Minnesota's Permanent School Fund (PSF)

Minnesota's Permanent School Fund (PSF) is one of the oldest sources of funding for public education in our state. Constitutionally established in 1858 when public lands were set aside specifically to support public education, Minnesota's Permanent School Fund (PSF) is built upon proceeds from public lands. Rather than a one-time spending account, it acts as a permanent endowment, continually generating revenue from Minnesota's natural resources. In the late 1800's most of the land in southern Minnesota was sold to private interests to promote development and agriculture.

Today, over 2.5 million total acres plus 1 million acres used for mineral rights remain. Much of the land is intermingled with county, federal, tribal, private, and other state lands. Today, revenues generated from trust lands, including timber sales, mining activity, land leases, and other natural resource activities, continue to contribute to the fund. The fund's assets are invested by the State Board of Investment and managed to support both current and future generations of Minnesota students.

WHERE ARE THE SCHOOL TRUST PUBLIC LANDS?



Office of School Trust Lands, State of Minnesota

- 92% of trust lands are located in ten northern Minnesota counties due to state sale of most southern trust lands during the 1800's to promote agriculture.
- Lands include forests, grasslands, farmlands used for grazing and crop production, construction aggregate, and mineral production.
- A significant portion of of current trustlands are wetlands that are low-lying and inaccessible.

HOW IS THE FUNDING DISTRIBUTED TODAY?

Currently, the Minnesota Constitution allows distributions to schools primarily from interest and dividend earnings generated by the fund.

AS A RESULT:

- Annual distributions can fluctuate.
- Payments may not fully reflect the total value of the fund.
- Significant growth in the fund does not always translate into increased support for schools.

WHO MANAGES THE LANDS AND FUND?

Several state agencies work together to manage the Permanent School Fund.

MN Department of Natural Resources
Manages school trust lands and generates revenue from those lands.

State Board of Investment
Invests the assets of the Permanent School Fund.

Permanent School Fund: lands and trust

MN Department of Education
Distributes annual payments to public school districts and charter schools.

Together, these entities help ensure the trust remains productive while supporting Minnesota students.

THE FUND ITSELF

Strong investment returns and revenues from land management have doubled the Fund's value over the last 10 years.

FUND VALUE

2010 **$675 MILLION**

2025 **$2.3 BILLION**

DISTRIBUTIONS

$675 MILLION
TOTAL IN THE LAST TEN YEARS

$58 MILLION
AVERAGE TOTAL STATEWIDE ANNUAL PAYOUT

$58
AVERAGE ANNUAL PAYOUT PER PUPIL

The task force reported their recommendations to the Minnesota legislature in January, 2026, which resulted in the Minnesota legislature passing, in strong bipartisan fashion, a ballot question for Minnesota voters to amend the Minnesota constitution to update how the fund is distributed.

Unlike typical education funding increases that rely on local property tax referendums or income tax hikes, this constitutional amendment does not raise taxes. It simply unlocks and better leverages a substantial existing state asset that has been constitutionally dedicated to public schools since 1858.

Key elements for both education professionals and voters to understand are:

- **There is zero taxpayer cost.** Unlike typical education funding increases that rely on local property tax referendums or income tax hikes, this constitutional amendment does not raise taxes. It simply unlocks and better leverages a substantial, existing state asset that has been constitutionally dedicated to public schools since 1858.
- **It aligns with modern trust distribution best practices.** Overwhelmingly, large university endowments and foundations manage assets with the recommended method. It ensures the purchasing power of the trust is preserved over generations while maximizing current payouts.
- **The trust exists already.** The Permanent School Fund was created in 1858 and has supported public education for more than 165 years.
- **The proposal is designed to protect future generations.** The task force recommendation was specifically developed to preserve the long-term value of the fund while increasing support for current students.

The Proposed Constitutional Amendment

Despite the fund growing to over $2.3 billion, the way money is distributed to school districts is tightly restricted by historical rules inside the Minnesota Constitution. These rules have not evolved with modern accounting and trust distribution practices and are inhibiting disbursements to Minnesota's public schools. In May 2024, the Minnesota legislature created a task force to analyze the performance of the Permanent School Fund and report back with its results. The task force was charged with balancing two goals: protect the fund for future generations and maximize the benefits for today's students.

WHAT DID THE TASK FORCE RECOMMEND TO THE LEGISLATURE?

The non-partisan task force reported its findings and recommendations to the legislature in January, 2026. They recommended the following:

A 4.5% ANNUAL DISTRIBUTION

4.5% of the fund's three-year rolling average market value.

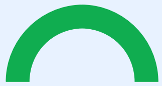
This approach is commonly used by major university endowments and charitable foundations throughout the country. The recommendation was designed to:

- Increase annual distributions
- Improve predictability
- Protect the long-term health of the fund

2026 LEGISLATIVE SESSION

The recommendations from the task force passed during the 2026 Minnesota legislative session.

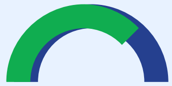
HOUSE OF REPRESENTATIVES



PASSED HOUSE OF REPRESENTATIVES 133-0

- Sponsored by Rep. Spencer Igo (R-Wabana Township), HF3900 asked to **increase the annual distribution from the fund to 4.5% of the three-year average net value of the fund beginning July 1, 2027.**

SENATE



PASSED SENATE 43-24

- Sponsored by Sen. Mary Kunesh (D-New Brighton), SF3593 asked to **increase the annual distribution from the fund to 4.5% of the three-year average net value of the fund beginning July 1, 2027.**

The Ballot Language

Passage in the Minnesota legislature was the only the first step in trying to update the trust distribution language. Since the trust distribution language is enshrined in the constitution, this now heads to Minnesota's voters as it requires the majority of Minnesota's voters for passage.

OFFICIAL BALLOT LANGUAGE

"Shall the Minnesota Constitution be amended to increase the funding going to all school districts from the permanent school fund, which is a fund that supports school districts without raising individual income or property taxes, effective July 1, 2027?"

CRITICAL VOTING RULE

LEAVING THE QUESTION BLANK IS A "NO" VOTE.

In Minnesota, constitutional amendments require a **majority of all voters casting ballots in that election** to pass.

WHAT DIFFERS

2-2.5% annual distribution	Estimated 4.5% annual distribution
Interests and dividends only	Includes full market value
Around $58 per pupil per school district	Approximately 40% increase per pupil per school district

PROCESS AND TIMING OVERVIEW

1858 THE FEDERAL GOVERNMENT GRANTED MILLIONS OF ACRES OF LAND TO THE STATE OF MINNESOTA FOR THE USE OF PUBLIC SCHOOLS. THESE LANDS CREATED THE **SCHOOL TRUST LANDS**.

1900 BY 1900, MANY OF THE ORIGINAL ACRES IN THE SOUTHERN PART OF THE STATE HAD BEEN SOLD. STATE POLICY THEN SHIFTED TO PRESERVING REMAINING LANDS FOR THE LONG-TERM INTEREST OF MINNESOTA'S PUBLIC SCHOOL STUDENTS.

2024 THE MINNESOTA LEGISLATURE ESTABLISHES A NON-PARTISAN TASK FORCE TO EVALUATE THE FUND AND MAKE POTENTIAL RECOMMENDATIONS TO THE FUTURE LEGISLATURE TO BALANCE SUPPORTING CURRENT STUDENTS AND MAINTAINING FUND BALANCE FOR THE FUTURE.

JAN 2026 THE PERMANENT SCHOOL FUND TASK FORCE REPORTED THEIR RECOMMENDATIONS TO THE LEGISLATURE.

MAY 2026 THE MINNNESOTA HOUSE OF REPRESENTATIVE AND SENATE PASSED LEGISLATION TO ASK VOTERS TO PASS A CONSTITUTIONAL AMENDMENT TO UPDATE HOW THE PERMENT SCHOOL FUND IS DISTRIBUTED.

SEPT 18 2026 EARLY VOTING BEGINS.

NOV 3 2026 ELECTION DAY.

Why This Matters for School Districts

- **Support for Communities Across Minnesota.** Because the amendment benefits every district, it has the potential to provide meaningful support to communities of every size and region.
- **Additional Funding without Raising Taxes.** Many districts continue to face financial pressures related to inflation, staffing, transportation, special education costs, facilities, and academic programming. This proposal would increase support for schools without requiring additional local property taxes or new state taxes.
- **Greater Predictability.** The proposed distribution model is intended to create more stable and predictable annual payments compared with the current method. More predictable funding helps districts improve long-term planning and budgeting.
- **Local Decision-Making Remains Local.** Funds distributed through the Permanent School Fund are not tied to a new state mandate. Local school districts retain authority to determine how funds best support students and district priorities.

Communications Advice for Education Leaders

School districts have an important responsibility to help voters understand issues affecting public education. Districts and district employees working in their official capacity may provide factual, balanced, and educational information about the Permanent School Fund and the proposed constitutional amendment. Districts should not use public resources to advocate for a particular election outcome. For the purposes of this document, education leaders are defined as those working for public school districts.

EDUCATION LEADERS CAN

Provide factual information.

- Explain what the Permanent School Fund is.
- Explain how it currently operates.
- Explain the proposed amendment.
- Share official ballot language.
- Share publicly available financial information.
- Explain potential district impacts.

Host informational meetings.

- Conduct informational presentations.
- Share educational materials.
- Include information in newsletters.
- Post information on district websites.

Correct misinformation.

District leaders may respond to inaccurate information by providing factual information and appropriate context.

Encourage civic participation.

Districts may encourage eligible citizens to vote and provide information about voting dates and procedures.

EDUCATION LEADERS SHOULD NOT

District resources should not be used to:

- Encourage a “yes” vote.
- Encourage a "no" vote.
- Produce campaign materials.
- Fund political advertising.
- Organize political campaign activities.

Employees should not engage in campaign advocacy while acting in their official district capacity.

District leaders should consult legal counsel regarding specific questions related to election communications.

Frequently Asked Questions

Is this a new funding source for schools?
No. The Permanent School Fund already exists and currently provides annual funding to every Minnesota public school district and charter school. The amendment would not create a new funding source; it would modernize how distributions are calculated from an existing trust fund that has supported public education since 1858.

Why is the fund being changed if it has been around for more than 165 years?
The fund itself is not being changed. The proposed amendment updates how annual distributions are calculated. The current constitutional language was written when investment practices were very different than they are today. The Task Force found that the existing formula no longer reflects modern trust management and endowment best practices.

Why doesn't the state simply leave the fund alone?
The Task Force found that the fund has grown dramatically - from approximately $675 million in 2010 to more than $2.3 billion today - but annual distributions have not grown proportionally because the Constitution restricts distributions to interest and dividend income. As a result, a significant portion of the fund's growth remains unavailable to support current students.

Does this raise taxes?
No. The amendment does not raise income taxes, property taxes, or sales taxes. It modifies the distribution formula for an existing education trust fund.

Who benefits?
All Minnesota public school districts, charter schools, and tribal schools receive distributions on a per-pupil basis.

Frequently Asked Questions

Why did the Task Force recommend a 4.5% distribution rate?
The Task Force reviewed historical fund performance, national endowment practices, and multiple financial projections. It concluded that a 4.5% annual distribution based on a three-year rolling average best balanced:

- Support for current students
- Long-term preservation of the fund
- Predictability for school districts
- Protection against market volatility

The recommendation was unanimous.

Why not distribute more than 4.5%?
The Task Force evaluated higher distribution rates but concluded that 4.5% provided a stronger balance between increasing distributions today and preserving the fund's long-term purchasing power for future generations.

Could the fund eventually run out of money?
The amendment is specifically designed to prevent that from happening. One of the Task Force's guiding principles was maintaining the Permanent School Fund as a perpetual financial resource for future generations. The recommended distribution model was selected because it preserves long-term purchasing power while increasing support for current students.

Is this proposal based on objective analysis?
Yes. The proposal emerged from a nonpartisan legislative task force composed of investment, trust, finance, legal, and education experts. The recommendation was adopted unanimously by the Task Force and passed the Legislature with strong bipartisan support.

How much money could this generate statewide?
Based on Task Force analysis, annual distributions are expected to increase significantly compared with the current formula and could nearly double over time depending on market performance.
You may want to add a district-specific calculator in your toolkit so local leaders can estimate impacts for their own communities.

Will some districts receive more than others?
Yes, based on enrollment. Like current Permanent School Fund distributions, funding is allocated on a per-pupil basis. Larger districts receive larger total distributions because they serve more students, but the funding formula treats students equally regardless of where they live.

How much additional funding could schools receive?
Task force estimates suggest annual distributions could increase approximately 40 percent, though actual distributions will depend on future fund performance and individual school district performance.

Is the fund protected?
Yes. The recommendation was developed to increase distributions while maintaining the long-term health and sustainability of the fund.

Why is a constitutional amendment required?
The current distribution language is included in the Minnesota Constitution. Constitutional changes require voter approval.

What happens if voters leave the question blank?
Under Minnesota election law, a constitutional amendment must receive a majority of all voters participating in the election. Leaving the amendment question blank effectively counts the same as a vote against passage.

This is a rare opportunity to strengthen a 165-year investment in Minnesota's public school students and provide schools with more predictable, sustainable support moving forward.

Final Message to Education Leaders

Minnesota's Permanent School Fund was created in 1858 with a simple purpose: support public education for generations of Minnesota students.

The 2026 constitutional amendment asks voters whether the state should modernize how that fund distributes revenue to schools while preserving the trust for future generations.

Most Minnesotans are unfamiliar with the Permanent School Fund and how it works. As trusted community leaders, education professionals can play an important role in helping voters understand the facts, ask informed questions, and make their own decisions at the ballot box.

More information will be provided to you, including communications materials you can use to educate your community on the Permanent School Fund. Please see your email for timing around these materials.

Get more information here:

www.mnmsba.org/advocacy/permanent-school-fund/

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Sources used: XXXX