

Permanent School Fund **Executive Summary** for Education Professionals

Students First. Improve the Trust.

This November, Minnesota voters will decide whether to modernize the way Minnesota's Permanent School Fund (PSF) distributes revenue to public schools through a proposed constitutional amendment. The amendment would not raise taxes, create a new tax, or establish a new funding source. Instead, it would update how revenue from an existing education trust fund is distributed to better support Minnesota students while preserving the fund for future generations.

What is the Permanent School Fund?

The Permanent School Fund was established in Minnesota's Constitution when the state was founded in 1858. The fund was created using lands granted to Minnesota specifically to support public education. Today, revenues generated from school trust lands - including timber, mining, leases, and other natural resource activities - are invested through the State Board of Investment, creating a permanent source of support for Minnesota's public schools.

Over the past decade, the fund has grown significantly - from approximately \$675 million in 2010 to more than \$2.3 billion today - yet constitutional restrictions written generations ago limit how much of that growth can be distributed to schools.

What is being Proposed?

Following a comprehensive review by a nonpartisan working group, the Minnesota Legislature approved a constitutional amendment that would allow annual distributions to schools to be based on 4.5% of the fund's three-year rolling average market value, rather than primarily on interest and dividend earnings alone. This modernized approach is widely used by university endowments, charitable foundations, and other long-term trusts because it:

- Increases annual distributions
- Provides more predictable funding
- Preserves the long-term health of the fund
- Protects future generations of students

Why Does It Matter?

If approved by voters, the amendment is expected to increase annual distributions to Minnesota public schools by approximately 40%, benefiting every public school district and charter school in the state on a per-pupil basis.

For Minnesota communities, the amendment offers several important benefits:

- ✓ Additional support for students without raising taxes
- ✓ Greater predictability for school district budgeting and planning
- ✓ Continued local control over spending decisions
- ✓ Equitable distribution to districts statewide based on student enrollment

What Voters Should Know.

This proposal is unique because it:

- Does not raise property taxes, income taxes, or sales taxes
- Does not create a new government program
- Does not change the purpose of the Permanent School Fund
- Uses an existing state asset more effectively for students
- Maintains protections for future generations