

**SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION**

S.F. No. 1988

(SENATE AUTHORS: RUUD)

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OFFICIAL STATUS
Introduction and first reading
Referred to Environment and Natural Resources Policy and Legacy Finance

1.1 A bill for an act
1.2 relating to natural resources; clarifying authority to compensate permanent school
1.3 fund; amending Minnesota Statutes 2018, sections 84.027, subdivision 18; 92.121;
1.4 92.50, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2018, section 84.027, subdivision 18, is amended to read:

1.7 Subd. 18. **Permanent school fund authority; reporting.** (a) The commissioner of
1.8 natural resources has the authority and responsibility ~~for the administration of~~ to administer
1.9 school trust lands under sections 92.121 and 127A.31. The commissioner shall biannually
1.10 report to the Legislative Permanent School Fund Commission and the legislature on the
1.11 management of the school trust lands that shows how the commissioner has and will continue
1.12 to achieve the following goals:

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

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

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

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

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

2.7 (6) maintain the integrity of the trust and prevent the misapplication of its lands and its
2.8 revenues.

2.9 (b) When the commissioner finds an irresolvable conflict between maximizing the
2.10 long-term economic return and protecting natural resources and recreational values on
2.11 school trust lands, the commissioner shall give precedence to the long-term economic return
2.12 in managing school trust lands. By July 1, 2018, the permanent school fund ~~shall~~ must be
2.13 compensated for all school trust lands included under a designation or policy provision that
2.14 prohibits long-term economic return. The commissioner shall submit recommendations to
2.15 the appropriate legislative committees and divisions on methods of funding for the
2.16 compensation required under this paragraph, including recommendations for appropriations
2.17 from the general fund, nongeneral funds, and the state bond fund. Any uncompensated
2.18 designation or policy provision restrictions on the long-term economic return on school
2.19 trust lands remaining after July 1, 2018, ~~shall~~ must be compiled and submitted to the
2.20 Legislative Permanent School Fund Commission for review.

2.21 (c) By December 31, 2013, the report required under paragraph (a) ~~shall~~ must provide
2.22 an inventory and identification of all school trust lands that are included under a designation
2.23 or policy provision that prohibits long-term economic return. The report ~~shall~~ must include
2.24 a plan to compensate the permanent school fund through the purchase or exchange of the
2.25 lands or a plan to manage the school trust land to generate long-term economic return to
2.26 the permanent school fund. Subsequent reports under paragraph (a) ~~shall~~ must include a
2.27 status report of the commissioner's progress in maximizing the long-term economic return
2.28 on lands identified in the 2013 report.

2.29 (d) When ~~future~~ management practices, policies, or designations ~~or policies~~ by the
2.30 commissioner diminish or prohibit the long-term economic return on school trust land, the
2.31 conflict ~~shall~~ must be resolved by ~~compensating the permanent school fund through an~~
2.32 ~~exchange or purchase of the lands before designation or application of the policy~~ as provided
2.33 in section 92.121.

3.1 Sec. 2. Minnesota Statutes 2018, section 92.121, is amended to read:

3.2 **92.121 PERMANENT SCHOOL FUND LANDS.**

3.3 (a) The commissioner of natural resources shall exchange permanent school fund land
3.4 as defined in the Minnesota Constitution, article XI, section 8, located in state parks, state
3.5 recreation areas, wildlife management areas, scientific and natural areas, or state waysides
3.6 or on lands managed by the commissioner as old growth stands, for other lands as allowed
3.7 by the Minnesota Constitution, article XI, section 10, and section 94.343, subdivision 1,
3.8 that are compatible with the goal of the permanent school fund lands in section 127A.31
3.9 when, as a result of management practices applied to the permanent school fund lands and
3.10 associated resources, revenue generation has been diminished or is prohibited and no
3.11 alternative has been put into effect to compensate the permanent school fund for the income
3.12 losses.

3.13 (b) When revenue generation of school trust land and associated resources is diminished
3.14 by management practices applied to the land and resources as determined by the
3.15 commissioner of natural resources, the commissioner shall compensate the permanent school
3.16 fund. When revenue generation of school trust land and associated resources is prohibited
3.17 by policies or designations applied to the land and resources as determined by the
3.18 commissioner of natural resources, the commissioner shall compensate the permanent school
3.19 fund before the designation or application of the policy. To compensate the permanent
3.20 school fund, the commissioner may use compensation methods that include exchange for
3.21 other lands that are compatible with the goal of the permanent school fund in section 127A.31
3.22 as allowed by sections 94.343, subdivision 1, and 94.3495 and the Minnesota Constitution,
3.23 article XI, section 10; leasing under section 92.50 with rental payments as compensation;
3.24 or condemnation of the lands under section 92.83 with payment of the amount of the award
3.25 and judgment.

3.26 Sec. 3. Minnesota Statutes 2018, section 92.50, subdivision 1, is amended to read:

3.27 Subdivision 1. **Lease terms.** (a) The commissioner of natural resources may lease land
3.28 under the commissioner's jurisdiction and control:

3.29 (1) to remove sand, gravel, clay, rock, marl, peat, and black dirt;

3.30 (2) to store ore, waste materials from mines, or rock and tailings from ore milling plants;

3.31 (3) for roads or railroads;

3.32 (4) to compensate the permanent school fund according to section 92.121; or

4.1 ~~(4)~~ (5) for other uses consistent with the interests of the state.

4.2 (b) The commissioner shall offer the lease at public or private sale for an amount and
4.3 under terms and conditions prescribed by the commissioner. Commercial leases for more
4.4 than ten years and leases for removal of peat that cover 320 or more acres must be approved
4.5 by the Executive Council.

4.6 (c) The lease term may not exceed 21 years except:

4.7 (1) leases of lands for storage sites for ore, waste materials from mines, or rock and
4.8 tailings from ore milling plants; or for the removal of peat for nonagricultural purposes may
4.9 not exceed a term of 25 years; and

4.10 (2) leases for commercial purposes, including major resort, convention center, or
4.11 recreational area purposes, may not exceed a term of 40 years.

4.12 (d) Leases must be subject to sale and leasing of the land for mineral purposes and
4.13 contain a provision for cancellation for just cause at any time by the commissioner upon
4.14 six months' written notice. A longer notice period, not exceeding three years, may be provided
4.15 in leases for storing ore, waste materials from mines, or rock or tailings from ore milling
4.16 plants. The commissioner may determine the terms and conditions, including the notice
4.17 period, for cancellation of a lease for the removal of peat and commercial leases.

4.18 (e) Money received from leases under this section must be credited to the fund to which
4.19 the land belongs.