

## **DISTRIBUTION AND USE OF REVENUE TO THE PERMANENT UNIVERSITY FUND**

Minnesota received two grants of permanent university lands from the federal government for the use and support of the state university. Subsequently many of the lands were sold, with the minerals reserved in the later sales.

Permanent university lands are managed by the Department of Natural Resources (DNR). Currently, the land base is 25,910 acres of surface and minerals, and 21,070 acres of minerals only.

Revenue generated from the permanent university lands for the permanent university fund (PUF) is distributed among the following three accounts: the endowed chair account, the endowed mineral research account, and the endowed scholarship account.

All revenue from a sale of PUF land is deposited into the endowed chair account. Timber sale and surface lease revenue from PUF lands set aside as state forests is deposited into the forest suspense account. The DNR may annually assess the account costs incurred for protection, improvement, administration and management of state forest PUF lands and costs for construction and improvement of forest roads to enhance the forest value of the lands. The remaining revenue is deposited into the endowed chair account. (Minn. Stat., sec. 16A.125, subd.5)

All revenue received after July 1, 1992 from royalties for mining permanent university fund lands under state mineral leases is split equally between the mineral research account and the endowed scholarship account. (See Table 1) After revenue to the mineral research account reaches \$25,000,000, all royalties for mining under such state leases will be distributed to the endowed scholarship account. (Minn. Stat., sec. 137.022, subd. 4)

The interest from the Permanent University Fund accounts is used as follows:

ENDOWED CHAIR ACCOUNT interest is used to provide endowment support for professorial chairs in academic disciplines.

ENDOWED MINERAL RESEARCH ACCOUNT interest is allocated to the Duluth and Coleraine facilities of the Natural Resources Research Institute for mineral and mineral-related research, including mineral-related environmental research. Income was first distributed to NRRI for Fiscal Year 1994. (See Table 2)

ENDOWED SCHOLARSHIP ACCOUNT interest is distributed each year through the Iron Range Scholarship Program. The scholarships are distributed for scholastic achievement to freshman, who are Minnesota residents, attending any of the four campuses of the University of Minnesota. The amount of money for each campus is pro-rated based on the number of Minnesota resident students enrolled on each campus. (See Table 3)

Distributions to the Permanent University Fund (Table 1)

Mineral Lease Revenue Distributions by Account*			
Fiscal Year	Endowed Scholarship Account	Endowed Mineral Research Account	Total
FY 1992	\$1,485,903.50	\$1,485,903.50	\$2,971,807.00
FY 1993	\$2,003,975.50	\$2,003,975.50	\$4,007,951.00
FY 1994	\$1,931,548.50	\$1,931,548.50	\$3,863,097.00
FY 1995	\$2,636,377.00	\$2,636,377.00	\$5,272,754.00
FY 1996	\$2,712,847.00	\$2,712,847.00	\$5,425,694.00
FY 1997	\$1,216,724.00	\$1,216,724.00	\$2,433,448.00
FY 1998	\$806,960.00	\$806,960.00	\$1,613,920.00
FY 1999	\$671,109.00	\$671,109.00	\$1,342,218.00
FY 2000	\$416,364.00	\$416,364.00	\$832,728.00
FY 2001	\$1,020,555.00	\$1,020,555.00	\$2,041,110.00
Totals	\$14,902,363.50	\$14,902,363.50	\$29,804,727.00

\* Revenue generated in a fiscal year is received in the PUF in the subsequent fiscal year. For example, FY1996 revenue was received in FY1997.

Endowed Mineral Research Account (Table 2)

Income Distribution	
Fiscal Year 1994	\$312,779
Fiscal Year 1995	\$259,340
Fiscal Year 1996	\$388,017
Fiscal Year 1997	\$475,156
Fiscal Year 1998	\$660,394
Fiscal Year 1999	\$826,732
Fiscal Year 2000	\$1,030,296
Fiscal Year 2001	\$1,225,881

Distribution of Iron Range Merit Scholarship Revenue (Table 3)

Campus	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	Total
Twin Cities	\$58,635	\$116,080	\$232,573	\$323,094	\$458,013	\$572,418	\$715,901	\$852,635	\$3,329,348
Duluth	\$19,517	\$ 38,637	\$ 79,341	\$111,072	\$158,751	\$198,404	\$247,050	\$293,796	\$1,146,567
Morris	\$ 4,922	\$ 9,743	\$21,112	\$ 29,820	\$41,883	\$51,501	\$60,879	\$71,261	\$291,121
Crookston	\$ 1,782	\$ 3,528	\$ 7,491	\$11,173	\$16,888	\$21,951	\$27,333	\$32,505	\$122,651
Grand Total:	\$84,856	\$167,988	\$340,517	\$475,159	\$675,535	\$844,274	\$1,051,163	\$1,250,198	\$4,889,687

\*\*FY 1993 revenue of \$18,832 was returned to the principal.

## **Mineral Lease Revenue - Management Costs**

Except for Fiscal Year 1997 and until Fiscal 2002, all the revenue from state mineral leases covering permanent university trust fund lands was deposited into the corpus of PUF. For Fiscal Year 1997, there was a one-time appropriation of \$250,000 from the university lands and minerals suspense account for activities of the commissioner of natural resources to protect, improve, administer, manage and otherwise enhance the value of the university lands.

In 1995, the Minnesota Legislature created the university lands and minerals suspense account. For Fiscal Years 1996 and 1997, all revenue from minerals leases on university lands was credited to this account. Money in the account was then transferred annually to the PUF, except for amounts appropriated to cover the reasonable costs of the DNR to manage the minerals in the university lands.

In 1995, the Minnesota Legislature made a one-time appropriation of \$500,000 for Fiscal Year 1997 from the university lands and minerals suspense account for the commissioner's management of the minerals in the university lands. This appropriation of \$500,000 was not an increase in biennial appropriation to the division; the general fund appropriation to the division was reduced by \$500,000. The board of regents was directed to discuss options with the commissioner of natural resources for a method to calculate reasonable costs of the commissioner to maintain the university trust lands

In 1996, the Minnesota Legislature repealed the university lands and minerals suspense account effective June 30, 1997 and also reduced the Fiscal Year 1997 appropriation to \$250,000 from the university lands and minerals suspense account. The legislature accounted for the \$250,000 reduction in appropriation by appropriating \$250,000 from the general fund for minerals management.

Starting in fiscal year 2002 for a five year period, an administration and management fee is being certified against revenue from state taconite leases covering the school and university fund lands. The 2001 law enacted by the Minnesota Legislature provides that 20% of the annual payments received under state taconite leases covering school and university fund lands is transferred to the general fund, with the remaining payments transferred to the corpus of the permanent school fund and permanent university fund. This law also provides that an amount of money equal to such money transferred to the general fund is appropriated to the commissioner of natural resources and the board of regents of the University of Minnesota for grants to the taconite mining companies to improve taconite pellet production, value-added production of taconite, and cost-savings production improvements at Minnesota's taconite plants.

Laws of MN 1995, Ch.220, sec. 5, subd.2 (biennial appropriation to the minerals division);

Laws of MN 1995, Ch.220, sec. 26 (university lands and minerals suspense account), to be codified as Minn. Stat., sec. 16A.125, subd. 6a;

Laws of MN 1995, Ch.220, sec. 26, also repealed by amendment Minn. Stat., sec. 116A.125, subd. 6 - the state lands and minerals suspense account that was created in 1955 to allow management costs to be applied against mineral lease revenues from trust fund lands, this statute was found to be unconstitutional by the Attorney General's office in 1955;

Laws of MN 1996, Ch. 395, secs. 17 (a) and 19 ( repeal of university lands and minerals suspense account); and

Laws of MN 1996, Ch. 407, sec. 3 (reduction in appropriation from university lands and minerals suspense account and replacement by general fund appropriation for minerals management).

Laws of Minnesota 2001, First Special Session, Chapter 6, Sections 1-3 (mineral lease suspense accounts and taconite mining grant programs, amending Minn. Stat., sec. 93.22 and creating Minn. Stat., secs. 93.223 and 93.2235)

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