[MUSIC PLAYING]

NINA MOINI: On your ballot in November, Minnesotans, you'll be asked to vote on a constitutional amendment which would make changes to what's called the Permanent School Fund. This fund is a trust that supports every single public and charter school student in the state. Lawmakers are now asking taxpayers to vote to change the calculation of how much money is distributed to schools. This would allow schools to get access to more funding without raising individual or property taxes.

Joining me to explain is Denise Dittrich. She's the director of government relations for the Minnesota School Board Association and a former Democratic state representative. Thanks for your time this afternoon.

DENISE DITTRICH: Thank you. It's a pleasure to be here.

NINA MOINI: It's so important that we really take the time to dive in on these ballot issues, these questions so that people don't get to the polls and feel like what is this. What am I answering? So we do appreciate your time, and we'll continue to dive into all of this. But the Permanent School Fund was created when Minnesota became a state-- folks may not know-- back in 1858. Can you talk about where the money comes from for this fund?

DENISE DITTRICH: Sure. As you mentioned, the Permanent School Fund is a trust fund, and it is a-- to be treated as a private trust fund. It isn't for the benefit of government. It is only for the benefit of Minnesota Public Schools. And it is a trust fund.

So the revenue for that was deposited throughout the years, the 160-some years, has come from many different sources, and it includes timber leases, mining leases, easements, rentals, that type of thing. And a lot of it has been land sales. And as anybody who takes a look at a map of where we have existing permanent school trust lands right now, you'll see that most of them are in the northern part of the state because the lands that were in the southern part of the state in the metro area have basically been sold. There are a few pieces that are still in-- held as school trust lands, but most of them have been sold.

So when Minnesota first became a state, we were granted 8.6 million acres of land to be held in trust in other words to generate revenue to benefit public schools. And over the years, as we just mentioned, some of that land has been sold, and so we have 2.5 million acres left. Plus we have 1 million acres in mineral rights only left. That money has been and continues to be deposited into the Permanent School Fund, where the interest and dividends from that fund is distributed annually to the school districts of the state.

And that is where in lies the issue is because right now it says interest and dividends can be distributed, and that is outlined in the Minnesota State Constitution. Because about as you could imagine, when Minnesota became a state, most of the investments were probably bonds and dividends. And so the funding portfolio of the Permanent School Fund has changed. And now we have half stocks and half bonds around, and that changes from year to year as needed to get the best benefit for the trust fund.

But right now the capital gains cannot be distributed to the fund because the Constitution says only interest in dividends can be distributed to the school districts. So therein lies the problem. The school districts are not benefiting from the full value of their trust fund.

NINA MOINI: Why do you think now is the time lawmakers felt in a bipartisan largely effort that it was time to put this before Minnesotans? We know that a lot of school districts are struggling more than ever. But why is it the time now, and are you concerned that this change could deplete the funds?

DENISE DITTRICH: That's two different questions. So I'm going to answer them in two different ways. So the-- first of all is that why now. Why now is because there was what we-- the 2024 legislature created a permanent school fund task force, and that task force were a bunch of school trust lands, permanent school funds, fiscal otherwise education advocates who met for over a year.

And what they did was they studied, and they-- the permanent school fund. They looked at the historical performance of the fund. They looked at the projections. They looked at different ways that the fund could be distributed and what would those projections be and how would that affect the fund. They looked at other education endowments, and they learned that Minnesota is and the school trust fund is a-- is one of the few that still just relies on interest and dividends.

We also looked into-- hired research investment groups who actually advise people on permanent school funds and endowments. And what-- after all of this research, what the permanent school fund task force concluded was that the interest and dividends was an outdated way of distributing revenue to the school districts in the state. And so they made the recommendation or first I should say, they researched other options, and as they researched-- during their research, they concluded that most-- the best practices right now for endowment funds would be to go to an annual percentage of market value.

And so that would embrace the whole fund, look at the market value we would take the previous three years, average them out, and then determine a percentage to-- of market value in order to distribute to the funds. So when we were in doing our research, what we learned was that a-- any endowment can benefit today's beneficiaries and the future beneficiaries, in other words, remain perpetual into the future if they-- if their percentage is anywhere between 4% and 5%. Well, the task force decided, which I was a member of decided to be conservative and we went with 4.5%.

So what the task force-- in summary, what they did was that they decided that the or they recommended to the legislature in a report that capital gains should be represented in the payout to the school districts and so that we should go from interest and dividends to a percentage of market value you based on the previous three years of market value. And so that report went to the legislature, the legislature, it was a Senator Kunesh and Representative Igo who took that report, and they took those recommendations and they introduced bills. And--

NINA MOINI: And it was determined-- yeah, it was-- I just want to make sure. Yeah, bipartisan support. Thank you. I just want to make sure that we have time to-- getting into the mechanics of the fund and everything is really important, but the way that the question is going to be before voters and the decision that they're going to make, if you could just summarize what is the decision that Minnesota voters are going to be asked to make. And what is your I guess stance on it?

DENISE DITTRICH: The question we'll ask the voters if they would support going from interest and dividends only to a percentage of market value. In order to do that, they need to change the Minnesota State Constitution to take out the words interest and dividends, and they have new constitutional language that protects the fund today and into the future.

NINA MOINI: Thank you very much for your time--

DENISE DITTRICH: And if they vote-- if they--

NINA MOINI: Yeah. And you're saying to vote in favor of that. That's the position of the Minnesota School Board Association because it's a way for districts to-- districts to access more money without having to raise taxes on folks.

DENISE DITTRICH: Yes. And the permanent school fund task force and the Minnesota legislature and the state-- the Minnesota School Boards Association.

NINA MOINI: Denise Dittrich, thank you so much for your time and breaking this down with us. We really appreciate your expertise.

DENISE DITTRICH: Thank you.

NINA MOINI: Denise Dittrich is the director of government relations for the Minnesota School Board Association.