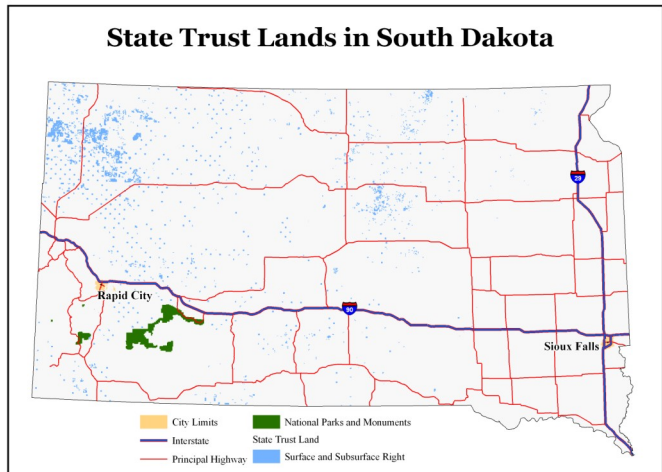


South Dakota Trust Lands & Education Funding

As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. These lands were accepted through ratification of state constitutions that contained provisions guiding the state's management of these lands. Unlike public lands, state trust lands are held in trust by the state for designated beneficiaries. As trustees, state land managers have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease and sell these lands for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

There are approximately 760,000 surface acres and 5.2 million mineral acres of trust land in South Dakota.¹ Surface acres include land that is managed for agricultural and grazing uses. The mineral acres contain deposits of oil, gas and minerals. Trust lands in South Dakota are mostly concentrated in a checkerboard pattern throughout the state, with larger, more consolidated parcels in the western portion of the state.²



Map: Sonoran Institute

Due to sale activities for given trust lands, maps may not reflect the most current holdings of a given state trust land agency.

How are trust lands in South Dakota managed?



Photo: SXC

South Dakota's trust lands are managed by the South Dakota Office of School and Public Lands (SDOSPL) headed by the Commissioner of School and Public Lands, who is a statewide elected official.³ The Commissioner is responsible for administering South Dakota's trust lands, including setting lease rates, conducting land sales and exchanges, and collecting and distributing revenues.⁴ The Commissioner and the State Auditor act as a Board of Appraisal, determining which tracts should be sold when the Commissioner wants to sell trust lands in any given county.⁵ The SDOSPL is also responsible for approximately 100 state-owned dams, controlling noxious weeds on trust lands, and acting as the real estate agent for other state agencies and the legislature.⁶

The mission of SDOSPL is to “ensure efficient and superior management of school and endowment lands and trust funds owned and administered by the State of South Dakota.”⁷ Additionally, the South Dakota State Constitution requires that all federally granted lands be held in trust with the principal remaining inviolate and that each trust parcel be classified and managed to its “highest and best use.”⁸

Who are the beneficiaries of trust lands in South Dakota?

Revenues generated from South Dakota’s trust lands are deposited into thirteen separate trust funds that support twelve beneficiary groups. A specific acreage of trust lands was granted to each beneficiary, and the revenue generated from those lands is deposited into the corresponding beneficiary’s fund.

South Dakota Trust Land Beneficiary Funds and Acreage Dedicated to Each⁹

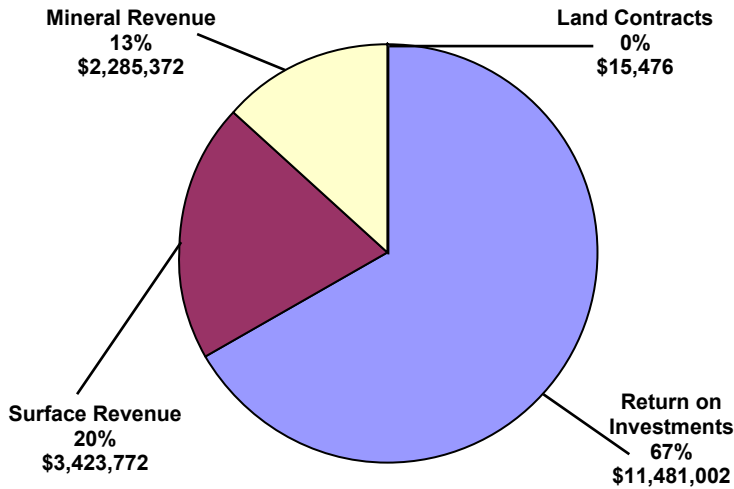
Fund	Beneficiary	Surface Acres in Fund	% Acres
Common Schools	Public Schools	608,539	80.3%
SD State University	SD State University	36,617	4.8%
SDSU Experiment Station	SDSU Experiment Station	10,135	1.3%
University of SD	University of SD	7,950	1.0%
Northern State University	Northern State University	8,011	1.1%
Normal Schools	Black Hills State University Dakota State University	17,933	2.5%
SD School for the Visually Handicapped	SD Schools for the Deaf and Visually Handicapped	6,146	0.8%
SD School for the Deaf	SD Schools for the Deaf and Visually Handicapped	7,093	0.9%
SD Development Center	Redfield Development Center	18,550	2.4%
SD Juvenile Corrections Facilities	Juvenile Corrections	4,676	0.6%
School of Mines	School of Mines	7,639	1.0%
Springfield	Northern State University Black Hills State University Dakota State University	10,487	1.4%
Public Buildings	Public Buildings	14,488	1.9%
	Total	758,264	100.0%

Public schools are the beneficiary of approximately 80% of the trust land in South Dakota and receive the majority of the revenue generated by state trust land.



Photo: Wikipedia

How are revenues generated from trust lands?



South Dakota's trust lands generate revenue primarily through interest gained from the Permanent Fund and leases of surface and mineral acres. The three largest sources of revenues from trust lands in FY2006¹⁰ were return on investments, surface leasing and mineral receipts.

Revenue Streams from South Dakota Educational Trust Lands for All Beneficiaries Combined, FY 2006¹¹

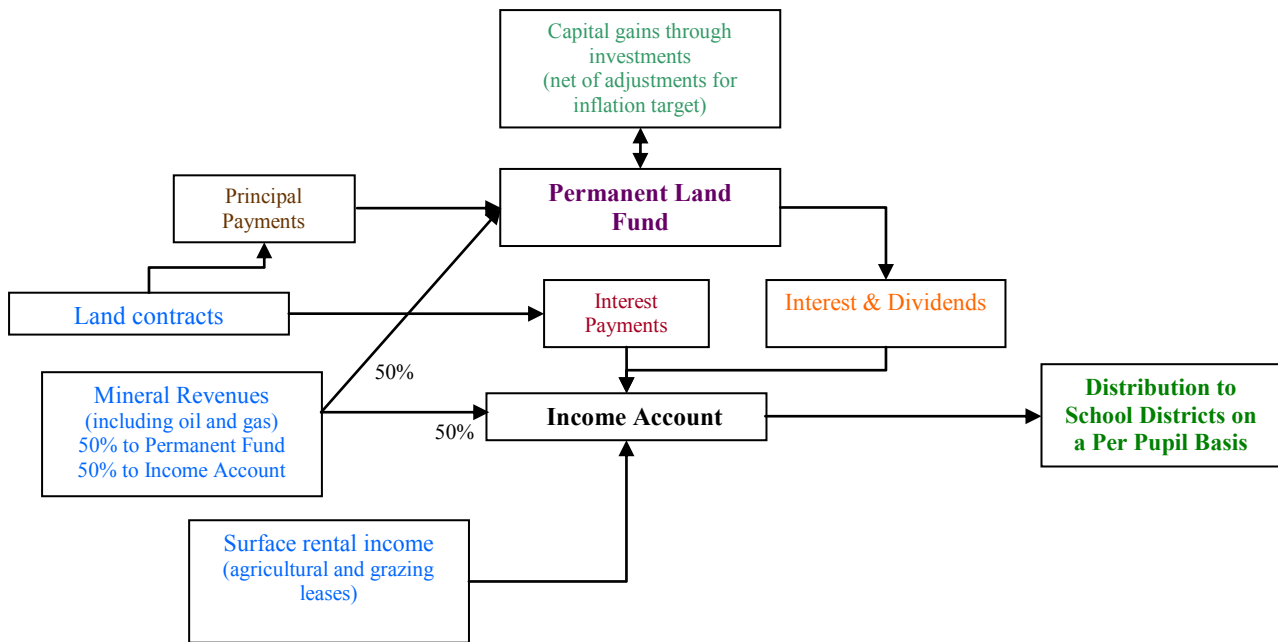
How does the revenue get to the beneficiaries?

Revenues generated from trust land uses are deposited into either the given beneficiary group's Permanent Fund or Income Account. Permanent Funds receive all revenues from land sales, and half of the revenues from mineral revenues, including oil and gas. Revenues from rentals, interest on deferred payments, and the remaining half of mineral revenues are deposited into the Income Account, along with interest and dividends from the Permanent Fund.

Permanent Funds are managed and invested by the State Investment Council, an eight member body composed of both elected and appointed officials which appoints a State Investment Officer to perform the day to day management of the trust funds.¹² Each member of the Council must be a trained investor.¹³ The interest and dividends from the Permanent Funds are available for distribution to the beneficiaries after the State Investment Officer has ensured that the principal of each Permanent Fund has increased at least as much as the inflation rate. If a Fund did not increase in value at the rate of inflation, the dividends and interest income are then used to make up the difference, while the remainder is distributed to the Income Account.¹⁴

The balance of interest and dividends from the Permanent Fund after covering inflation is combined with surface rental revenues, half of the mineral revenues and the interest from land contracts into the Income Account. The Income Account comprises the distributable revenue to the beneficiaries. For the last several years, the State Legislature has directed the SDOSPL to maintain a fixed payment of revenue in the Income Account to the public schools on a per pupil basis. This revenue is distributed to the school districts directly and separate from the general fund appropriation for public schools.¹⁵

Public School Trust Funding Flow Chart ¹⁶



Public schools in South Dakota receive funding from a combination of federal, state and local funds. State funding provides 30.8% of total education funding, and of the state's portion, trust land revenues make up 3% of that amount.

FY 2003 Public School Funding Source Diagram ¹⁷ Local and Intermediate Funds

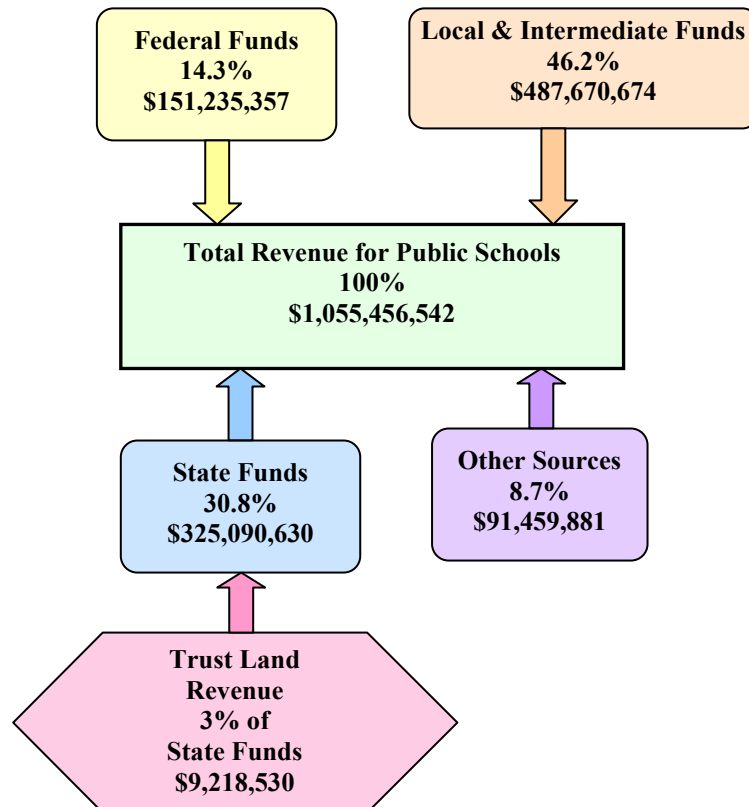




Photo: Scott Catron

Since trust land revenue is distributed directly from the Income Fund to the school districts on a per pupil basis, it does not supplant other legislative appropriations. Thus, it provides South Dakota school districts with valuable discretionary funding to address issues unique to their particular school free of the restrictions placed on legislative appropriations.

Sources:

- ¹ South Dakota Office of School and Public Lands website Facts page, <http://www.sdpubliclands.com/facts/index.htm>.
- ² Mike Cornelison, Land Agent, South Dakota Office of School & Public Lands, personal communication (2007).
- ³ South Dakota Constitution Article IV § 7 and South Dakota Codified Laws § 5-1-7.
- ⁴ South Dakota Codified Laws §§ 5-5-6.1, 5-9-8, and 5-10-4.
- ⁵ South Dakota Codified Laws § 5-9-3.
- ⁶ South Dakota Office of School and Public Lands Annual Report 2005-2006, page 6.
- ⁷ South Dakota Office of School and Public Lands website homepage, <http://www.sdpubliclands.com/index.htm>.
- ⁸ South Dakota Codified Laws § 5-3-11.
- ⁹ South Dakota Office of School and Public Lands, Annual Report 2005-2006.
- ¹⁰ Ibid.
- ¹¹ Ibid.
- ¹² South Dakota Codified Laws §§ 4-5-19 and 4-5-20.
- ¹³ South Dakota Codified Laws §§ 4-5-13 and 4-5-14.
- ¹⁴ South Dakota Constitution Article VIII § 3 and South Dakota Codified Laws § 5-10-18.3.
- ¹⁵ South Dakota Constitution Article VIII § 3 and Office of School and Public Lands, Annual Report 2005-2006.
- ¹⁶ Sandra Waltman, Communications Specialist, South Dakota Office of School and Public Lands, personal communication (2006).
- ¹⁷ FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data, which comes from the South Dakota Office of School and Public Lands *Annual Report 2003*. “Other Sources” is defined as “Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets. NCES Database, Glossary, <http://nces.ed.gov/ccd/bat/Glossary.Asp?letter=O>.”

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