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Testimony on “Minnesota Education Investment and Employment Act” HR5544
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Chairman Bishop and members, I am honored and humbled to be with you today. My name is Grace Keliher and I am Director of Governmental Relations for the Minnesota School Boards Association. MSBA (Minnesota School Boards Association) represents elected school board members from around Minnesota. This member-driven organization was founded in 1920 and is dedicated to supporting, promoting and enhancing the work of public school boards and public education. My state association has over 2,000 locally elected board members who dedicate themselves to their local schools, students, and communities.

My own background started as being a PTA mom, with a baby on my shoulder, running the cake walk fundraiser. I went on to serve on my local rural school board for 10 years and then was elected to the Minnesota Senate. I lost my re-election by 5 votes and had 15 ballots uncounted for because they were burned by an election judge election night. Just when I thought my public service might be over, I was offered the opportunity to lobby for elected school board members. I jumped at the chance to give a voice to local education leaders! It is in that role that I sit in front today, overwhelmed. Let me start this Minnesota story by suggesting public education in the United States is the legal responsibility of state government. In Minnesota, as in most states, the state constitution charges the legislature with responsibility for public schools:

“The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”(Minn. Const., Art. XIII, § 1)

Public elementary and secondary education in Minnesota is provided via a financial partnership between the state and 337 local school districts and 147 charter schools. These school districts and charter schools exhibit diversity in terms of enrollment, local property wealth, and expenditure levels. In 2009-10, a full-time equivalent teaching staff of 51,788 served approximately 821,000 students. For the same school year, the state provided approximately 60 percent of the total costs of elementary and secondary education. Local revenue sources (primarily property taxes and fees for services such as school lunch) provided approximately 27 percent of 2009-10 operating revenues, and the federal government provided approximately 13 percent. Note that federal funds for education were about double their usual level in fiscal year 2010 because of the federal stimulus funds.

Minnesota’s 336 school districts and 147 charter schools use general education revenue to pay for the operating expenses of the district including employee salaries, employee benefits, and supply costs. General education revenue, except for the portion of revenue attributable to compensatory revenue, which must be passed through to each school site, is provided to school districts, and each local school board determines how to allocate that money among school sites and programs, subject to

certain legislative restrictions. The basic formula allowance is \$5,174 per adjusted marginal cost pupil unit (AMCPU) for fiscal year 2012 and \$5,224 per AMCPU for fiscal years 2013 and later.

The Permanent School Fund (PSF) of Minnesota consists of the proceeds of the lands granted to the state by the federal government for the use of schools, proceeds from swamp lands granted to the state, and cash and investments credited to the fund. While much of the initial land granted to the state has been sold, the State Department of Natural Resources is responsible for managing about 2.5 million acres of school trust land. The net proceeds from the land management activities (timber sales, minerals activities, lease revenue, etc.) annually are added to the principal of the fund.

The state holds the land and accumulated revenues from the land in trust for the benefit of public schools in Minnesota. The State Board of Investment is responsible for investing the principal of the fund, subject to direction from the Constitution and the legislature. The interest and dividends arising from the fund are required by the Constitution to be distributed to the state's school districts according to the method described in statute.

Prior to fiscal year 2010, the earnings from the PSF were simply offset against each district's general education aid. Beginning in 2010, the offset was eliminated and school districts began receiving income from the PSF as additional state aid. The aid payments are distributed to school districts through the current formula, which provides two semiannual payments of aid to school districts based on each school district's count of pupils. For fiscal years 2010 and 2011 and for the September payment in fiscal year 2012, the payments are based on resident pupils. Beginning with the March 2012 payment, the PSF payments to school districts will be based on pupils served, and payments will go to both traditional school districts and charter schools. This year the amount is \$23 per pupil on top of other educational funding.

School trust lands aren't a new story, but I am here to share Minnesota's own version of this federal legacy of public education. The history of school trust lands in Minnesota began in March 1849, when the United States Congress established a territorial government for Minnesota, and reserved sections 16 and 36 of each township for the purpose of being used to support public schools in the territory. I am humbled by our founding fathers and mothers being so focused on education as a keystone to a great nation.

Originally, there were 8.3 million acres of Minnesota School Trust Lands. There are now only about 2.5 million acres remaining in Minnesota. More than 92 percent of school trust land is located within ten northern Minnesota counties. School trust land represents 46 percent of state-owned, Department of Natural Resources administered land in Minnesota.

The Minnesota legislature (Minnesota Statute 127A.31) has determined that it is the goal of the Permanent School Fund to secure the maximum long-term economic return from the school trust lands consistent with the responsibilities imposed by the trust relationship established in the Minnesota Constitution, with sound natural resource conservation and management principles, and with other specific policy provided in State law.

The Boundary Waters Canoe Area Wilderness (BWCAW) covers approximately 1.09 million acres. There are 122,247 acres (about 11.2 percent of the total) in state ownership, both DNR-managed and county-managed. Of this, approximately 93,260 acres (8.5 percent) are Trust Fund lands.

In 1999, the Legislature asked the University of Minnesota-Duluth to value the 122,247 state acres within the BWCAW. The resolution stated the state would use the information to swap its land for

federal forest acres outside the protected area. UMD valued the entire acreage at \$91 million and estimated the 93,000 acres of school trust fund lands inside worth \$72 million.

Although these lands have School Trust status, they produce no School Trust revenue because no commercial extraction of natural resources is permitted inside the BWCAW.

The state land was there before the wilderness area was designated. The federal Wilderness Act of 1964 designated the BWCA as a unit of the National Wilderness Preservation System. In 1978, Congress passed the BWCA Wilderness Act, which ended logging activities. Since that time, there have been thousands of acres of land in Permanent School Trust Fund status within the Boundary Waters, where federal laws prohibit management for timber.

Clearly, the BWCA represents a jewel in the federal park system. It has a network of 1,000 lakes linked by hundreds of miles of streams which served as the highway of fur traders who followed water routes pioneered by the Sioux and Chippewa Indians. This is the last remnant of old "northwoods" which is remarkable for its 540,000 acres of virgin forests. It is a valuable national educational and scientific resource.

Rarely are testifiers allowed questions, but I wonder how many of you have had the opportunity to experience some vacation time within Boundary Waters Canoe Area? It is really more than just Minnesota wilderness! The main gate to this federal park is located on school trust land and this land has not generated a single dollar for Minnesota school children since it became a federal park.

According to Minnesota law, if management decisions were found to be producing less than adequate income from certain trust lands, the trust fund would have to be compensated in some way for the lost revenue. This has not occurred with these federally inhibited lands for 34 years. This total lack of income generation has cost Minnesota an estimated cost of \$35 million dollars to the corpus of the permanent school trust fund.

This year as Rep. Dittrich has shared, Minnesota came together with "one" collective voice and redesigned our school trust lands to ensure sound and effective management. This was an incredible accomplishment and required saying "no" to many vocal constituencies who all threatened to score, record and turnout any legislator who voted for this huge overhaul of Minnesota's land management system. And to the shock of many of the political elite, the stars aligned and Minnesota leaders rose to the challenge of great change without fear and voted for a school trust fund overhaul. My eternal thanks to Senator Kruse, Bakk, Olson, and Ingebrigtsen, Representatives Rukavina, O'Driscoll, McNamara, Downey, Garofalo, Dittrich and Governor Dayton who could be called the Paul Bunyon of school trust land. These public servants put students first and forefront in Minnesota House File 2244 and Senate File 1750.

House resolution 4455 is in the same vein as the state legislation Minnesota passed this year. This resolution addresses a huge federal oversight which the school children of Minnesota have been asked to pay for the last 34 years. Representatives, this resolution rights a historic wrong and would be a game changer for Minnesota school children. First of all the children of Minnesota and the Nation retain the pristine jewel of the National Park System only following Arches National Park and the Grand Canyon National Park in significance. Second the promise of public schools which the federal government put into effect for Minnesota in the Northwest Ordinance, enacted in 1787, provided a system for establishing a territorial government and organizing for statehood that applied specifically to Ohio, Indiana, Illinois, Michigan, Wisconsin, and Minnesota east of the Mississippi. As the Northwest Ordinance was implemented, its procedures for statehood and its commitment to grant land for schools were applied to other states. The U.S. Congress granted school land to the states at the time each state joined the Union, beginning with Ohio in 1803 and ending with Alaska in 1959. House Resolution 5544

ensures the school trust lands locked with the BWCA are used for the purpose they were intended. Lastly, this resolution allows Minnesota the opportunity to work this trade out within a year and rewards us with an expedited process. For the last 2 years I have served with former commissioners of Minnesota Department of Natural Resources, county land managers, state environmentalists', conservationists and our recently retired federal forester to work through the present lengthy process to exchange these lands and I grew to believe it was virtually impossible. Until Congressman Cravaak authored this bill which offers Minnesotans an opportunity to right an injustice. This resolution does not dictate a sole approach or solution but gives kids the total educational inheritance promised to them. Members, I can guarantee you that the 2,000 plus elected school board members in Minnesota will make this a priority to accomplish this land transaction, and the students from Blackduck to Sartell, Mora to Bertha-Hewitt, Albert Lea to Red Lake, and also a wonderful bright pre-K student from Stillwater, my grandson Tommy Keliher, say "thank you" to all of you for your consideration and time on this House Resolution. Please support HR 4455 -- it is a game changer for students! I would be happy to answer any questions you might have.