

# South Dakota Office of School and Public Lands



**February 20<sup>th</sup> , 2014**

**Appropriations Committee Presentation**

**School & Public Lands Budget**

# School and Public Lands Office History

When South Dakota became a state in 1889, the Federal Government granted the state over 3.5 million acres of land. Township sections 16 and 36 were reserved for school and public purposes; these are known as Common School Lands. If the sections were already settled, the government provided replacement property known as indemnity lands.

Additional property was also provided to be used however the state wished. The South Dakota Constitution divided these lands among the state's universities, the School for the Visually Handicapped, the School for the Deaf, State Training School, and the Developmental Center in Redfield. To manage these lands and the money generated, the constitution established the Office of School and Public Lands.

According to the Constitution, common school and indemnity lands were either to be sold or leased and the proceeds deposited in a permanent trust fund for education. The principal could be increased, but never diminished. Interest from the fund was to be used for funding education.

Each year the office returns approximately \$10 million to school districts and endowed institutions. The money is generated from grazing, mineral, oil and gas leases, interest from the Permanent Fund, and interest earned on land and sales contracts.

# Surface Division

- Leases are for 5 years with a 5 year option
- Over 2800 leases on 760,422.454 acres
- State manages weed and pest control on land through the weed and pest fund
- Executes easements and land sales for other agencies in state government

## Surface Revenue by Land Class

COMMON SCHOOL	\$3,454,838.72
SOUTH DAKOTA STATE UNIVERSITY	\$323,175.37
UNIVERSITY OF SOUTH DAKOTA	\$95,900.53
PUBLIC BUILDINGS	\$48,017.28
SDSU EXPERIMENTAL STATION	\$15,511.89
DOC JUVENILE PROGRAMS	\$24,364.02
SCHOOL FOR THE DEAF	\$34,151.85
SCHOOL FOR THE VISUALLY IMPAIRED	\$68,364.18
REDFIELD HOSPITAL AND SCHOOL	\$83,251.73
SCHOOL OF MINES	\$50,264.79
DAKOTA STATE UNIVERSITY	\$168,294.04
SPRINGFIELD	\$69,274.52
NORTHERN STATE UNIVERSITY	\$76,653.52
REDFIELD SD DEVELOPMENT CENTER	\$672.00
CORRECTIONS/PLANKINTON	\$4,331.20

**TOTAL**

**\$4,517,065.64**

# Mineral Division

- State owns 5.2 million acres of mineral rights
- 50% of revenue paid out annually and 50% to the SPL Trust Fund

Mineral, Oil & Gas Lease Rentals	\$ 242,715.00
Oil & Gas Royalty (12.5%)	\$3,298,003.24
Mineral, Oil & Gas Bonus	\$ 244,061.00
Oil & Gas Miscellaneous	\$ 35,759.43
<b>TOTAL</b>	<b>\$3,820,538.67</b>

Money split \$1.9 M paid out and \$1.9 M to trust fund

# Permanent Trust Fund

At statehood, the Permanent Trust Fund was established with the intent of providing a continuous source of revenue for public schools, universities and endowed institutions. Proceeds from the sale of land are to be deposited in the fund, which can be added to but never diminished. The interest and dividends generated by the fund are apportioned to school districts, universities, and endowed institutions.

Constitutional amendment in 2000 allowed for two things

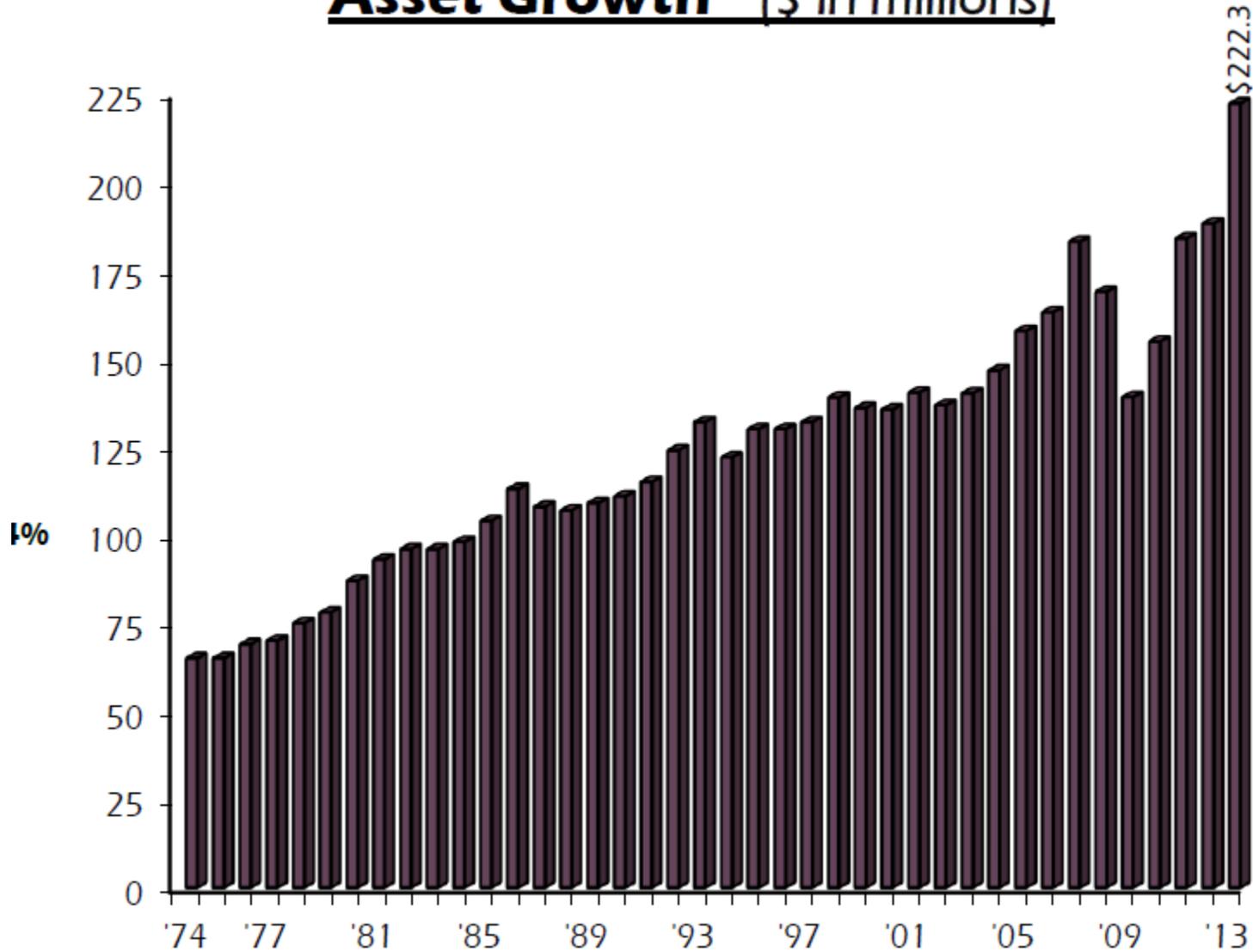
1. Adjust for inflation

- Previously required to pay out all income
- Land that sold for \$20 an acre in 1900 was never adjusted.

2. Invest in Stocks through the SD Investment Council

- Previously limited to savings bonds or direct loans
- Much higher growth potential of the fund.

## Asset Growth<sup>23</sup> (\$ in millions)



- The permanent fund is starting to benefit from the year 2000 Constitutional amendment allowing for inflationary adjustment and investing in stocks. The future payouts will increase significantly if the market holds

# Dollars to Education

- K-12 money is earned in previous fiscal year. FY13 payout is revenue generated in FY12.

- K-12 Schools in FY13- \$7,422,431.60

- K-12 Schools in FY14- \$8,773,821.56 (18% increase)

- FY14 payout occurred on February 4<sup>th</sup>, 2014

- Board of Regents- \$1,441,627.55

- Endowed Institutions- \$548,260.83

Total FY13 \$9,412,319.98

Total FY14 \$10.7 million estimated

# Dollars Returned to Universities

South Dakota State University	\$ 548,451.00
Dakota State University	\$ 173,360.00
University of South Dakota	\$ 236,041.00
SD School of Mines & Technology	\$ 127,022.55
Black Hills State University	\$ 173,360.00
Northern State University	<u>\$ 183,393.00</u>
<b>TOTAL</b>	<b>\$1,441,627.55</b>

# Dollars Returned to Endowed Institutions

Juvenile Corrections	\$ 92,642.77
SD & SVH Administrative Fund	\$ 47,063.99
Redfield Development Center	\$145,013.94
School for the Deaf	\$ 99,776.87
SDSU Experimental Station	\$ 69,051.26
School for the Visually Handicapped	\$ 94,712.00
<b>TOTAL</b>	<b>\$548,260.83</b>

# Future of School and Public Lands Revenue

- Surface Leasing- Consistent, dependable income will see some increases because of demand for land and the price of cattle.
- Oil and Gas- Steady increases. FY14 royalties already higher than FY13. New wells continue to be drilled.
- Permanent Fund- Recovered from the recession and the stock market crash. Full amount of payouts is starting to be received.

Long-term growth of the permanent fund will help adjust for 112 years of lost value due to inflation. This will result in higher payouts for the future as the fund grows.

# Other SPL topics

- FY15 Budget- Similar to FY14 budget. No changes from the Governor's recommendation.
- Dams- House Bill 1034 now in the Senate Appropriations Committee. HB 1034 extends time deadline on existing funding.

## Future Topics

- Land Trax Software System update needed in the future
- Ranch Improvements