

PERMANENT FUNDS

Each state with school trust lands also manages a permanent fund as part of the trust portfolio. Leasing or selling the school trust land surface or minerals (sometimes navigable waterways and shorelines) is how the land generates revenue. Payments are received through sales, leases, royalties and bonus payments. Land use varies state by state from grazing, agriculture and timber to mining, commercial and rights-of-way. Revenue sources from the land that flow into the permanent fund vary from state to state. Every state places revenue from land sales in the permanent fund. In some states all the revenue flows to the fund. In others, it is only revenue from resources that are non-renewable that are deposited into the fund and renewable resources are distributed directly to schools. However, once the revenue is in the fund it becomes the financial portion of the trust corpus to be held in perpetuity for the beneficiaries.

In recent years many states have decided to invest the permanent fund to generate greater revenue. Equity strategies have been implemented that may reduce the distribution of revenue to schools for a few years, recognizing that over time the increased size of the fund will generate significantly more income annually to support schools.

The permanent funds are generally managed either by the State Treasurer or the Land Board. Some states have advisory boards or investment councils that have a role in the management and investment of the fund.