

## WHO ARE THE BENEFICIARIES OF THE TRUST FUNDS?

### Common Schools (K-12 education)

and

North Dakota State University  
School for the Blind  
School for the Deaf  
State Hospital  
Valley City State University  
Mayville State University  
N.D. Youth Correctional Center  
State College of Science  
School of Mines  
Veterans Home  
University of North Dakota  
Dickinson State University  
Minot State University  
Minot State University - Bottineau

ALL CITIZENS OF NORTH DAKOTA BENEFIT FROM THE STATE EDUCATIONAL TRUST FUNDS THROUGH REDUCED TAXES TO FUND EDUCATION AND OTHER GOVERNMENT FUNCTIONS

## Board of University and School Lands

The North Dakota Board of University and School Lands (Land Board) is made up of the Governor, the Secretary of State, the Attorney General, Superintendent of Public Instruction, and the State Treasurer.

Article IX of North Dakota's Constitution entrusts the management of the state educational trust funds to the Land Board. The Land Board is required to manage the state trust funds in a prudent manner, for the benefit of both current and future beneficiaries.

**The Land Board supports passage of Constitutional Measure #1 by North Dakota voters in the November 2006 general election.**

### History of Constitutional Measure # 1

Over the past ten years, two different investment consultants have performed studies for the Land Board to determine how to best manage the state educational trust funds. Both studies recommended that the Land Board manage the permanent trusts as proposed in Constitutional Measure #1.

**House Concurrent Resolution (HCR) 3037 (Constitutional Measure #1) was introduced to the 59th Legislative Assembly by legislative leaders at the Land Board's request.**

**HCR 3037 was passed by the House by a vote of 84-1 and passed by the Senate by a vote of 41-4.**

This information is provided by:



For additional information about Constitutional Measure #1, please contact the North Dakota State Land Department at 701-328-2800 or go to our web site at [www.land.state.nd.us](http://www.land.state.nd.us).

REV. 07-06

## CONSTITUTIONAL MEASURE #1

### TO AMEND ARTICLE IX OF THE NORTH DAKOTA CONSTITUTION

On the November 2006 general election ballot

A constitutional measure to change how the state's permanent educational trust funds are managed.

### TO PROTECT THE EDUCATIONAL TRUST FUNDS FROM INFLATION

### TO PROVIDE STABLE DISTRIBUTIONS TO TRUST FUND BENEFICIARIES

## THE PURPOSE OF MEASURE #1?

The purpose of Constitutional Measure #1 is to:

- Protect the state educational trust funds from inflation.
- Provide stable distributions to trust fund beneficiaries.
- Give the Land Board the ability to better invest the trust funds for both current and future beneficiaries.

If approved by the voters of North Dakota, Constitutional Measure #1 will allow the Land Board to manage the educational trust funds more efficiently and effectively. Constitutional Measure #1 will also allow the educational trust funds to be managed using the modern, universally accepted investment principles that most major college endowments and other large state permanent trust funds currently use.

## WHAT DOES MEASURE #1 DO?

If Constitutional Measure #1 is approved by North Dakota voters, distributions from the trust funds will be based on the value of each trust fund's assets and the growth of those assets over time. Biennial distributions from each educational trust would be "ten percent of the 5-year average value of trust assets, excluding the value of land and minerals". Half of that amount would be distributed to beneficiaries during each year of the biennium.

Under current law, distributions are based on the amount of interest and income generated by each trust fund during a fiscal year.

Constitutional Measure #1 will not reduce current trust fund distributions; however, it should result in more trust growth, and thus higher and more stable distributions to future generations.

## WHAT ARE THE STATE EDUCATIONAL TRUST FUNDS?

The Land Board currently manages the **Common Schools Trust Fund** and 12 other permanent educational trust funds that are governed by Article IX of the North Dakota Constitution. The trust funds were established at statehood when the Federal Government granted the state 3.2 million acres of land "for the support of common schools" and other public institutions. Over time, much of this land was sold.

As of June 30, 2005, the 13 educational trust funds owned approximately 714,000 surface acres, 2.5 million mineral acres and \$727 million of financial assets. The **Common Schools Trust Fund**, which benefits K-12 education, is the largest trust managed by the Land Board with total financial assets of over \$680 million on June 30, 2005.

Revenues are generated through the prudent management of trust assets. Surface acres are leased to ranchers and farmers and mineral acres are leased for oil, gas, coal, gravel and scoria exploration and development. Revenues from all sources are invested in a diverse portfolio of financial assets, which includes stocks, bonds, farm loans and other assets.

## HOW DO THE EDUCATIONAL TRUST FUNDS BENEFIT NORTH DAKOTA?

During the 2005-2007 biennium, the 13 educational trust funds will distribute a total of \$33.4 million per year to beneficiaries.

The **Common Schools Trust Fund** will pay out \$31.1 million of income per year toward K-12 education, or approximately \$307 per pupil. The other 12 trust funds will pay out a combined \$2.3 million of income per year to the various trust beneficiaries.

A "YES" VOTE ON MEASURE #1	A "NO" VOTE ON MEASURE #1
The Land Board will make investment decisions that emphasize the long-term goal of maintaining the purchasing power of the trust funds while providing stable and reliable distributions to trust beneficiaries.	Investment decisions will continue to be made based on the need to generate income under current market conditions. Short-term decisions can conflict with the long-term interests of the trusts.
Trust assets will be managed in a more efficient manner that will allow the Land Board to maximize returns and minimize the risk of the entire portfolio.	Trust assets will continue to be managed for two distinct purposes. Some assets will be managed for income while others will be managed for growth.
Trust distributions will be set prior to each legislative session. Distributions will always equal budgeted amounts.	Income projections will continue to be made prior to each legislative session. If actual income falls short of projections, distributions may be less than budgeted amounts.
Distributions will be based on the value of the financial assets in the trust funds and the growth of those assets over time. Using a 5 year average value to determine distributions will help stabilize trust distributions.	Distributions will continue to be based on the amount of interest and income generated by each trust fund during a fiscal year. This can lead to more volatile distributions, as fluctuating interest rates directly impact distributions.