

Testimony in opposition to HF 1425/ SF 1702

By Becky Rom, Ely MN

March 11, 2025

I strongly oppose HF 1425/ SF 1702. This legislation would prohibit the sale of state-owned lands in the Boundary Waters Canoe Area Wilderness to the U.S. Forest Service and repeal MN Stat. Sec. 92.82. Such a result would be harmful to public education funding for Minnesota's children; violate the trust under which State school trust lands were transferred to the State of Minnesota; and frustrate the consolidation of federal ownership of Minnesota's crown jewel, the Boundary Waters Canoe Area Wilderness. The legislation has no redeeming value whatsoever.

When Minnesota became a State in 1858, the federal government granted sections 16 and 36 of each township to the State for the purpose of funding education. Over time, the State sold 5.5 million acres of this land. Section 8 of the Minnesota Constitution requires that the proceeds of the sales of the school trust lands be deposited in a Permanent School Fund. Likewise, revenue from leasing school trust lands that remain in State ownership (2.5 million acres and 1 million acres of severed mineral interests) is deposited in the Permanent School Fund. The Permanent School Fund investments are managed by the State Board of Investment. The Fund has achieved annual investment returns at the average rate of 6.91 percent over the ten years from 2014-2023. Today the Fund is worth about \$2.1 billion. The Fund distributed \$51 million for the schools in the 2023 – 2024 school year.

School trust lands within the Boundary Waters do not generate revenue for the Permanent School Fund. If these lands were sold to the U.S. Forest Service, the proceeds would be deposited in the Permanent School Fund where they would generate investment returns for Minnesota's schools in perpetuity. The sale price would be based on an appraisal valuation to ensure fairness to the American taxpayer and to Minnesota.

Approximately 80,000 acres of school trust lands are located within the Boundary Waters. In 1997, Congressman Oberstar and the other nine members of the Minnesota Congressional delegation requested that the federal government begin a phased buy-out of the school trust lands within the Boundary Waters. Unfortunately, this common-sense solution, the sale of these State lands for the benefit of public education, has been blocked by some misguided northern Minnesota lawmakers for no good or rational reason. Supporters of HF 1425/ SF 1702 seek to block a sale to the U.S. Forest Service in the hope that the school trust land will be exchanged for U.S. Forest Service land outside the Boundary Waters, thus reducing the size of the Superior National Forest.

Financial analyses time and again have shown that Minnesota's students would be far better off if the school trust lands in the Boundary Waters were sold to the U.S. Forest Service and the proceeds deposited into the Permanent School Fund.

The School Trust Lands Director, Aaron Vande Linde, has stated directly that a sale would be a financially superior result, pointing out that it comes down to the time value of money. A sale would mean a cash payment that would be invested through the Permanent School Fund and would immediately begin to yield positive returns and support the State's public education system in perpetuity.

The School Trust Lands Director and independent observers have carefully and thoroughly documented this: the sale would generate vastly more income for the Fund over time than would royalties from leasing land received in a land exchange from the U.S. Forest Service over the same period. According to the Director, a purchase by the U.S. Forest Service would deliver to the Fund approximately **\$847.3 million** in 50 years (assuming the rate of return achieved by the Fund from 2014-2023 of 6.91%) whereas a land exchange and leasing/logging federal lands acquired by the State would deliver to the Fund approximately **\$4.9 million** over the same 50 years (based on net revenue for DNR timber sales on school trust lands over the same 10 year-year period). Even if a rate of return on the Permanent School Fund is roughly half of its ten-year historic average (3.5%), a sale of Boundary Waters school trust lands would deliver **\$167.55 million**. Any statement that an exchange is financially better than a sale is spectacularly wrong.

Rep. Skraba has said he seeks to use the Boundary Waters school trust lands for economic development, claiming an exchange of these State lands with Superior National Forest lands – logging these lands in state ownership rather than federal ownership - is somehow economic development. It's hard to see how this would result in any new jobs or income, let alone benefit public education. Besides, the State received school trust lands for the benefit of public education, not economic development. The Minnesota Constitution requires that State school trust lands be managed solely to benefit public schools, not to support economic development or to support jobs. Sacrificing education funding for economic development violates the trust under which the lands were transferred to the State.

Although Rep. Skraba also talks of mining on exchanged lands, Section 10 of the Minnesota Constitution prohibits the transfer of mineral interests of school trust lands out of State ownership in an exchange transaction, so mineral interests of State school trust lands within the Boundary Waters would remain in State ownership. This means that any Superior National Forest lands that might be swapped or exchanged would involve only a transfer of surface lands to Minnesota. The Department of Natural Resources could lease these lands for logging (but not mining) with negligible impact on employment because they are already available for timber harvest while in federal ownership.

An exchange would deprive the three Ojibwe Bands that signed the Treaty of 1854 of their rights to hunt, fish, and gather on the U.S. Forest Service lands the State would receive in an exchange, because those rights do not exist on State-owned land; that is one of the reasons that the Bands oppose an exchange.

Some claim a sale to the federal government is not authorized by law. Not so. Express Congressional authority for the federal government to purchase Minnesota school trust lands within the Boundary Waters is contained in the Weeks Act of 1911, as amended and expanded by the 1924 Clarke-McNary Act, and by the Land & Water Conservation Act of 1965, as amended by the Great American Outdoors Act of 2020. In the Great American Outdoors Act, Congress appropriated tens of millions of dollars for the federal purchase of Minnesota's school trust lands within the Boundary Waters.

Finally, the State of Minnesota and the Forest Service have determined that an exchange of more than 80,000 acres is not feasible and that a sale is in the public's best interest. Not only does a sale provide greater income for the Permanent School Fund, it preserves treaty rights of Indigenous people. The governments have begun the formal process for the school trust land sale. The money has been appropriated by Congress. The consolidation of federal ownership of lands within the Boundary Waters will help our State and community thrive and Minnesota children will be better off with a sale.

To this end, I encourage you to support the finalization of the sale of school trust lands located within the Boundary Waters to the U.S. Forest Service. \$51 million has been allocated by Congress for this sale as well as other lands in northern Minnesota. Please urge the Minnesota Department of Natural Resources and the U.S. Forest Service to complete this sale and get this funding working for Minnesota children.

Minnesotans support the proposal by the State of Minnesota and the U.S. Forest Service to sell Minnesota's school trust lands within the Boundary Waters to the federal government as in the best interests of education and our children.

Congressman Oberstar asked for the sale with funding from the Federal Land & Water Conservation Fund in 1997, along with the nine other members of the Minnesota Congressional delegation. Now let's get it done.

Attachments: November 3, 1997 Letter from the Minnesota Congressional Delegation to the Secretary of Agriculture; October 11, 2024 Memo from Aaron Vande Linde, School Trust Lands Director to Permanent School Fund Commission re: "Return on Investment Analysis – BWCAW Project"; "Sale of trust lands would yield far more than an exchange" *The Timberjay*, August 15, 2024; Sections 8 and 10 of the Minnesota Constitution



The Minnesota Congressional Delegation

2366 Rayburn House Office Building
Washington, D.C. 20515
(202) 225-6211

November 3, 1997



The Honorable Dan Glickman
Secretary of Agriculture
14th & Independence Avenue, S.W.
Washington, D.C. 20250

James L. Oberstar, Chairman
Paul D. Wellstone
Rod Grams
Martin Olav Sabo
Bruce F. Vento
Collin Peterson
Jim Ramstad
David Minge
Gil Gutknecht
William P. Luthie

Dear Secretary Glickman:

We write to urge you to move forward with an allocation of at least \$10 million from the Land and Water Conservation Fund (LWCF), for the acquisition of some state-owned lands within the Boundary Waters Canoe Area Wilderness (BWCAW), and to indicate to you how important the LWCF is for Minnesota.

For over 30 years, the LWCF has helped provide the recreational areas and wildlife habitat all Americans enjoy. The Fund has protected more than seven million acres of forests, rivers, watersheds, urban parks, and recreation projects in all 50 states. Aside from the many benefits the LWCF provides to the nation, our major concern in ensuring full funding for the LWCF is that its funds can be used to help resolve an on-going land dispute in the BWCAW of northeastern Minnesota.

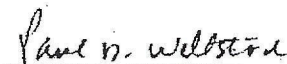
As you know, the LWCF provides funding for land purchases within Federally-managed lands. The BWCAW is a jewel in the crown of America's wilderness areas, yet, as a result of its unique historical development, the State of Minnesota still holds 93,260 acres of School Trust status land within the BWCAW. The intent of State-owned lands with this status is to generate income for school systems, but auditors have long been concerned that School Trust lands have not fulfilled this requirement.

The LWCF could be used to purchase the School Trust lands, and state acquired lands. It is our understanding that the Forest Service would give high priority to begin making some of these purchases, and that Forest Service officials in Minnesota have already requested funding for these purchases. By making this allocation from the LWCF, USDA will be helping to meet the needs of school systems and local governments in Minnesota, while improving the BWCAW and resolving a long-standing dispute between the Federal government and the State of Minnesota.

We look forward to working with you to ensure that the contentious issue of State-owned lands within the BWCAW is resolved with the help and support of this Congress. Using the LWCF for land purchases in the BWCAW fulfills the fundamental goals of this neglected program, by making important additions to the Wilderness and providing needed funding to local governments, which, too often, are unfairly penalized because of the unique evolution of the BWCAW.

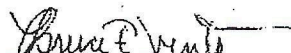
We thank you for your consideration, and support of the LWCF.

Sincerely,

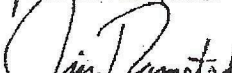

Paul D. Wellstone, U.S.S


Rod Grams, U.S.S


James L. Oberstar, M.C.

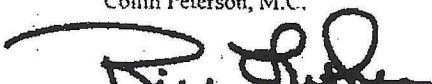

Bruce F. Vento, M.C.

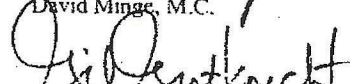

Martin Olav Sabo, M.C.


Jim Ramstad, M.C.



Collin Peterson, M.C.


David Minge, M.C.





MEMO

To: Permanent School Fund Commission
From: Aaron Vande Linde, School Trust Lands Director 
Date: October 11, 2024
Re: Return on Investment Analysis – BWCAW Project

The State of Minnesota and USDA Forest Service have been working to remove school trust lands from within the Boundary Waters Canoe Area Wilderness (BWCAW). Recently, both agencies decided to pivot to a new transaction structure – condemnation of all 80,000+ acres of school trust lands. This transaction pivot resurrected a lingering debate regarding what is legally required by federal and state laws¹ and more importantly what is in the long-term best interests of the Permanent School Fund beneficiaries. The debate centers around the language in Section 5 of the Wilderness Act requiring that the Forest Service either provide adequate access or exchange “Wilderness inholdings” for equal value lands outside the BWCAW boundaries.

Background Information

The milestones below offer a summary of the ongoing efforts to remove school trust lands from the BWCAW after passage of the 1964 Wilderness Act and subsequent establishment of BWCAW boundaries through the 1978 BWCAW Wilderness Act. Both public laws instruct the federal agencies to address the rights of private and state inholdings within the wilderness area. The relevant clause states

Sec. 5. (a) In any case where State-owned or privately owned land is completely surrounded by National Forest lands within areas designated by this Act as wilderness, such State or private owner shall be given such rights as may be necessary to assure adequate access to such State-owned or privately owned land by such State or private owner and their successors in interest, or the State-owned land or privately owned land shall be exchanged for federally owned land in the same State of approximately equal value under authorities available to the Secretary of Agriculture: Provided, however, That the United States shall not transfer to a State or private owner any mineral interests unless the State or private owner relinquishes or causes to be relinquished to the United States the mineral interest in the surrounded land.

See Public Law 88-577, 78 Stat. 890 as amended; 16 U.S.C. 1131(note), 1131-1136)

Minnesota’s congressional delegation requested a federal purchase in a 1997 letter to the Secretary of Agriculture. In a subsequent 1997 letter to Congressman Oberstar, Minnesota’s state legislators representing the Iron Range opposed a 100% federal purchase

¹ See attached FAQ document regarding BWCAW projects.

and indicated their interest in pursuing a 100% land exchange. These communications were followed by an Office of Legislative Auditor “School Trust Land Program Evaluation Report” that recommended Minnesota Dept. of Natural Resources continue to pursue compensation for the school trust lands within the BWCAW.

In 2003, the University of Minnesota – Duluth completed an appraisal of 5,280 acres of state-owned lands within the BWCAW near Trout Lake in St. Louis County. The appraised value at that time was \$3.9 million, or approximately \$738 per acre; or \$63.5 million when extrapolated across the ~86,000 acres of school trust lands. The USDA Forest Service declined to proceed with a 5,000-acre exchange, and informed DNR Commissioner Garber that the Forest Service must first consider the impact of the total exchange of all 86,000 acres of school trust land in the BWCAW before initiating any land exchanges.

Between 2009 and 2010 the Minnesota legislative Permanent School Fund Advisory Committee established a working group to review and develop recommendations related to federal candidate parcels for exchange as well as the transaction structure. The advisory committee recommended the transaction be framed as a hybrid model – one-third land exchange and a two-third land sale. This recommendation led to the passage of 2010 Senate Resolution No. 1 recommending the “hybrid model” and passage of Minnesota Statutes 92.80 and 92.82 expediting both an exchange and sale.

Minnesota Dept. of Natural Resources formally proposed the one-third land exchange in August 2012, which triggered an initial feasibility study and subsequent environmental impact statement as required by the National Environmental Protection Act. Between August 2012 and August 2021, the State and USDA Forest Service obtained federal appropriations totaling \$51 million for the federal acquisition, completed seven (7) appraisals all of which were approved for agency use for both the exchange and sale, finalized a programmatic agreement related to future management, and prioritized federal parcels for exchange based on criteria in Minn. Stat. sec. 92.80.

From August 2021 to December 2023, all parties, which by now included The Conservation Fund and the Private Forestland Alternative exchange (aka Plan B), worked to resolve some underlying concerns with the appraised values through the federal appraisal reconciliation process. These efforts proved fruitless. The State and Forest Service determined that the one-third federal land exchange and two-third Plan B exchange were no longer feasible. This determination left one avenue available – state condemnation of all school trust lands followed by direct sale to the USDA Forest Service pursuant to Minn. Stat. sec. 92.82.

Analysis of Return on Investment

The analysis below does not provide legal advice or interpretation of the 1964 Wilderness Act other than to state that the Forest Service position is that the passage of the 1964 Wilderness Act and 1978 BWCAW Act does not restrict its ability to acquire lands pursuant to other public laws such as the 1911 Weeks Act. (*Information concerning the USDA Forest Service’s position is available in the FAQ document attached to this memo.*)

Additionally, even though there are known mineral deposits valued in the billions on school trust lands, this Return on Investment (ROI) analysis does not factor in potential mineral value as no mineral developer has obtained the necessary permits to mine. That is, the mineral value is too speculative in nature to analyze as a potential revenue stream.

To analyze the ROI for both the industrial forest land and financial investments it is necessary to compare the annual returns from each investment option. The analysis below outlines the assumptions and ROI formula for each option.

Investment in Industrial Forestland

The forestland ROI heavily depends on the cost assumptions and yield per acre. If costs are lower or yields are higher, the ROI from forest management could improve. Conversely, if market conditions for timber worsen or costs rise, the losses could be more substantial. Additionally, for purposes of this analysis 100% of the forestland acres are assumed to be contributing to the harvest volumes even though some proportion of the acres may not be merchantable or marketable as a timber sale. The analysis does not consider non-financial benefits of forestland management, such as environmental or social values. The following assumptions have been used to calculate the ROI.

- | | |
|---------------------------------------|-------------------------------------|
| 1. Initial Investment of \$30 million | 2. Acreage Acquired 35,000 acres |
| 3. Stumpage Rate of \$28 per cord | 4. Harvest Volume 20 cords per acre |
| 5. Rotation Age of 50 years | 6. Management 75% of gross revenue |

Step 1: Calculation of Annual Timber Revenue

Total Timber Yield = Land Area (x) Timber Yield per acre
700,000 cords = 35,000 acres (x) 20 cords/acre

Assuming a rotation age across all cover types at 50 years
700,000 cords (/) 50 years = 14,000 cords per year

Gross Revenue = Total Annual Timber Yield (x) Stumpage Rate
\$392,000 per year = 14,000 cords per year (x) \$28 per cord
Gross Annual Timber Revenue = \$392,000

Step 2: Calculate Annual Net Revenue

Net Revenue = Gross Revenue (x) Percentage of Management Costs
\$98,000 = \$392,000 (x) .75
Net Revenue over 50 year rotation age = \$4.9 million

Step 3: Calculate ROI for Forest Land

The Return on Investment can be estimated using the following formula.

ROI = Total Value of Forest Investment (-) Initial Investment / Initial Investment
Total Value of Forest Investment = \$34,900,000 (-) \$30,000,000 / \$30,000,000
ROI = \$34,900,000 (-) \$30,000,000 / \$30,000,000
ROI = 0.16%

Investment in Stocks and Bonds

The future value formula assumes a constant rate of growth and a single up-front investment. The future value is based on a steady rate of return, which may not be realistic in today's market. It also does not consider inflation or changes in interest rates. As such, there are two analyses below utilizing two different return rates – one at 6.91% and one at 3.5% or roughly half of the 10-year average return rate from 2014-2023. Both analyses calculate future value using a compound interest formula over the investment period of 50 years.

Option 1 – 6.91% Rate of Return

1. Initial investment \$30 million
2. Annual rate or return 6.91% (10-year average rate of return for PSF)

Step 1: Calculate Annual Returns from Stocks and Bonds

Annual Value = \$30,000,000 (x) 1.0691 = \$32,073,000 per year

Step 2: Calculate Future Value at year 50

Future Value = Initial Investment (x) (1 + rate of return)^{time period}

FV = \$30,000,000 (x) (1.0691) (x) compound interest over 50-year period

Value at Year 50 = \$847.3 million

Step 3: Return of Investment

ROI = Total Value of Investment (–) Initial Investment / Initial Investment

ROI = \$847,300,000 (–) \$30,000,000 / \$30,000,000

ROI = \$817,300,000 (–) \$30,000,000 / \$30,000,000

ROI = 27.24%

Option 2 – 3.5 Rate of Return

1. Initial Investment \$30 million
2. Annual rate of return 3.5% (roughly half of 10-year average rate of return)

Step 1: Calculate Annual Returns from Stocks and Bonds

Annual Value = \$30,000,000 (x) 1.035 = \$31,050,000 per year

Step 2: Calculate Future Value at year 50

Future Value = Initial Investment (x) (1 + rate of return)^{time period}

FV = \$30,000,000 (x) (1.035) (x) compound interest over 50-year period

Value at Year 50 = \$167.55 million

Step 3: Return of Investment

ROI = Total Value of Investment (–) Initial Investment / Initial Investment

ROI = \$167,500,000 (–) \$30,000,000 / \$30,000,000

ROI = \$167,500,000 (–) \$30,000,000 / \$30,000,000

ROI = 4.58%

Conclusion

Investing in stocks and bonds yields significantly higher returns compared to investing in industrial forestland, both in absolute terms and in annualized return on investment. The

forestland investment has a low return over a very long period, while the compounding effect in the stock market drives substantial growth over time.

Depositing land sale proceeds into the Permanent School Fund, in contrast to acquiring additional acreage, produces greater long-term financial gains and is the superior investment strategy as it meets the statutory goal to “secure the maximum long-term economic return” from school trust lands. . However, non-financial factors like land conservation, timber production, and environmental benefits might also play a role in the decision for the forestland investment. Further data and economic analysis will be necessary to determine any impacts to local and regional economies from a proposed acquisition of forestlands.



Sale of trust lands would yield far more than an exchange

Posted Thursday, August 15, 2024 8:24 am | **Marshall Helmberger**

For decades, state officials have argued over the relative merits of whether to sell or exchange the roughly 80,000 acres of state school trust lands located within the Boundary Waters Canoe Area Wilderness. A Timberjay investigation has found that a sale of the lands in question would almost certainly generate many times more revenue for the school trust than an exchange.

Under the Minnesota Constitution, school trust lands are supposed to be managed to generate revenue for the state's permanent school trust, designed as a perpetual source of funding to help pay for operating public schools. But that hasn't been possible on those lands located inside the wilderness since 1978, when the Boundary Waters Wilderness Act prohibited road building, logging, and mining within the 1.1-million-acre wilderness area, effectively cutting off the state's access to its school trust lands. Those lands were granted to the state of Minnesota by the federal government at the time of statehood and the state's constitution requires that the lands be managed to produce revenue for the state's school trust fund.

Local lawmakers have consistently argued that a land exchange, which would provide the state of Minnesota with about 80,000 additional acres of federal lands outside the wilderness for revenue generation, primarily from the selling of timber stumpage, is a better deal for the region and for schools, than is an outright sale. Many other officials have argued that a sale of the lands to the federal government would generate a large up-front

pot of money for investment, which would continue to generate far more revenue for the trust fund annually than logging an additional 80,000 acres ever could.

Those arguments rely on various assumptions, but as the Timberjay found through a records request to the Department of Natural Resources, the revenue generated by a sale of the lands would far exceed that generated through an exchange and subsequent logging of any newly-acquired state lands.

Understanding the issue

Understanding that conclusion requires a bit of background. First, the Office of the School Trust Lands, or OSTL, oversees the roughly 2.5 million acres of land held under the trust, but much of the on-the-ground management of those lands falls to the Department of Natural Resources, and the DNR assesses its costs associated with that management from the revenues that the OSTL receives.

For example, if the DNR sets up a timber sale on school trust land, it can deduct the cost of administering the sale, managing the harvest and scaling and billing for stumpage. Any additional costs for things like construction or maintenance of access roads could also be deducted from the piece of the pie received by the school trust.

Second, most of the revenue generated from school trust lands today comes from royalties on mineral rights held by the trust, not timber, and the vast majority (about 96 percent) of that revenue comes from receipts on taconite reserves.

Over the past ten years, those revenues averaged \$27.83 million annually, or \$278.26 million over the decade. The DNR deducts just under nine percent of that revenue to cover its costs of management.

While some northeastern Minnesota politicians have touted the potential for additional mining receipts on lands it might obtain through an exchange, that's wishful thinking. In fact, neither a previously proposed exchange nor a sale of school trust lands would generate any additional revenue from mineral rights, notes Aaron Vande Linde, director of the OSTL. "The state-federal land exchange did not include an exchange of mineral rights," Vande Linde said. "The Minnesota Constitution and state law requires the state to retain minerals and water power rights when exchanging lands," Vande Linde said, citing Article XI, section 10 of the Minnesota Constitution and Minn. Stat. 93.01.

Those restrictions mean that the state would retain its mineral rights within the Boundary Waters, where mining is prohibited, and would not obtain any additional rights outside of the wilderness. The bottom line? Whether sold or exchanged, the lands in question won't generate so much as a nickel of new revenue from mining.

Timber sales generate modest returns

When limited to revenue from timber sales, the returns on school trust lands are quite limited. The DNR currently manages approximately 1.5 million acres of school trust lands as commercial forest, while another million acres is considered non-forest land, or not commercially viable.

From those lands, the DNR generates about \$12.5 million in gross receipts from timber sales, or about \$8.35 an acre annually. Yet after deducting the DNR's expenses, the net receipts to the school trust are far lower, averaging just over \$3 million per year over the past five years, or almost exactly two dollars per acre annually.

At a similar rate of return, an additional 80,000 acres would be expected to generate an additional \$160,000 per year in revenue for the trust, or approximately \$1.6 million over a decade, not including any investment proceeds on that money.

A sale would generate far more

In comparison to the revenue generated from an exchange and subsequent timber harvest, the revenue from a sale of the 80,000 acres of school trust lands would be vastly greater. "It comes down to the time value of money," said Vande Linde. "The trust will receive cash on the barrel and be able to invest it straight-away."

As with other school trust revenues, the funds from a purchase would be invested, and those investments have traditionally done quite well. Over the past ten years, through the Minnesota Board of Investment, the trust has achieved annual investment returns of approximately 7.5 percent, which is a rate of return that will double an investment every ten years.

The compounding nature of such a rate of return over time can yield staggering sums. Based on preliminary discussions and previous appraisals, the sale of the school trust lands would be expected to generate somewhere around \$32-\$34 million for the school trust. That initial \$33 million purchase price, invested and left untouched, would be worth about \$528 million in 40 years. Based on current net revenue from logging on the additional 80,000

acres, timber receipts plus investment returns if left untouched for those same 40 years, would be worth about \$33 million.

\$528 million versus \$33 million. While these numbers are estimates, they help to highlight the yawning gap between the financial returns to the trust depending on the decisions officials make over the next year or two.

Proponents of an exchange versus a sale argue there are other considerations involved. "Maybe we will generate more by selling it now," said state Rep. Roger Skraba, "but that shouldn't be our only goal."

Skraba argues that financial calculations that point to a far better yield from a sale assume that the state's past investment success will continue. "That assumes the economy doesn't go down," he said.

Economic change is inevitable, of course, and can work in many ways. Technology could reduce demand for paper products, which could reduce demand for timber from state lands. A slowing economy, that might impact the state's investment returns, could also slow the housing market and demand for wood products. Climate change could reduce the amount and type of forest that currently covers the state, impacting future timber receipts.

Skraba relies on a second argument as well. "Communities need work to survive," he said. "We have a natural resource extraction economy. Now, if the surrounding communities know there are 50-60,000 more acres available, they have a better opportunity to plan logging for the future."

Skraba's argument suggests that federal lands generate less cordage on an annual basis than the same acres would under state ownership. While that is true, the difference is relatively minor. According to the DNR, federal lands encompass 1.9 million acres of commercial forest and those lands generated 283,200 cords of timber in 2018 (the most recent year cited on the DNR website), or 0.15 cords per acre. The DNR, which manages 3.7 million acres, generated 754,600 cords in the same year, or 0.20 cords per acre.

Assuming similar trends, an 80,000-acre land exchange could be expected to generate an additional 4,000 cords annually, which would have increased the total cordage sold in the state in 2018 from 2.814 million cords to 2.818 million cords, an increase of 0.14 percent.

the payment of bonds, the state auditor shall levy each year on all taxable property within the state a tax sufficient with the balance then on hand in the fund to pay all principal and interest on bonds issued under this section due and to become due within the ensuing year and to and including July 1 in the second ensuing year. The legislature by law may appropriate funds from any source to the state bond fund. The amount of money actually received and on hand pursuant to appropriations prior to the levy of the tax in any year shall be used to reduce the amount of tax otherwise required to be levied.

[Amended, November 3, 1998]

Sec. 8. Permanent school fund; source; investment; board of investment. The permanent school fund of the state consists of (a) the proceeds of lands granted by the United States for the use of schools within each township, (b) the proceeds derived from swamp lands granted to the state, (c) all cash and investments credited to the permanent school fund and to the swamp land fund, and (d) all cash and investments credited to the internal improvement land fund and the lands herein. No portion of these lands shall be sold otherwise than at public sale, and in the manner provided by law. All funds arising from the sale or other disposition of the lands, or income accruing in any way before the sale or disposition thereof, shall be credited to the permanent school fund. Within limitations prescribed by law, the fund shall be invested to secure the maximum return consistent with the maintenance of the perpetuity of the fund. The principal of the permanent school fund shall be perpetual and inviolate forever. This does not prevent the sale of investments at less than the cost to the fund; however, all losses not offset by gains shall be repaid to the fund from the interest and dividends earned thereafter. The net interest and dividends arising from the fund shall be distributed to the different school districts of the state in a manner prescribed by law.

A board of investment consisting of the governor, the state auditor, the secretary of state, and the attorney general is constituted for the purpose of administering and directing the investment of all state funds. The board shall not permit state funds to be used for the underwriting or direct purchase of municipal securities from the issuer or the issuer's agent.

[Amended, November 6, 1984; November 3, 1998]

Sec. 9. Investment of permanent university fund; restrictions. The permanent university fund of this state may be loaned to or invested in the bonds of any county, school district, city or town of this state and in first mortgage loans secured upon improved and cultivated farm lands of this state, but no such investment or loan shall be made until approved by the board of investment; nor shall a loan or investment be made when the bonds to be issued or purchased would make the entire bonded indebtedness exceed 15 percent of the assessed valuation of the taxable property of the county, school district, city or town issuing the bonds; nor shall any farm loan or investment be made when the investment or loan would exceed 30 percent of the actual cash value of the farm land mortgaged to secure the investment; nor shall investments or loans be made at a lower rate of interest than two percent per annum nor for a shorter period than one year nor for a longer period than 30 years.

Sec. 10. Exchange of public lands; reservation of rights. As the legislature may provide, any of the public lands of the state, including lands held in trust for any purpose, may be exchanged for any publicly or privately held lands with the unanimous approval of the governor, the attorney general and the state auditor. Lands so acquired shall be subject to the trust, if any, to which the lands exchanged therefor were subject. The state shall reserve all mineral and water power rights in lands transferred by the state.

[Amended, November 6, 1984]

Sec. 11. Timber lands set apart as state forests; disposition of revenue. School and other public lands of the state better adapted for the production of timber than for agriculture may be set apart as state school forests, or other state forests as the legislature may provide. The legislature may also provide for their management on forestry principles. The net revenue therefrom shall be used for the purposes for which the lands were granted to the state.

Sec. 12. County, township or municipal aid to railroads limited. The legislature shall not authorize any county, township or municipal corporation to become indebted to aid in the construction or equipment of railroads to any amount that exceeds five percent of the value of the taxable property within that county, township or municipal corporation. The amount of taxable property shall be determined by the last assessment previous to the incurring of the indebtedness.

Sec. 13. Safekeeping state funds; security; deposit of funds; embezzlement. All officers and other persons charged with the safekeeping of state funds shall be required to give ample security for funds received by them and to keep an