

FACT SHEET

Lance D. Gaebe, Commissioner

WHY DOES THE STATE OWN SCHOOL TRUST LANDS?

When the federal government granted statehood in the 1800s, it also gave land (usually sections 16 & 36) to each newly-developed state to ensure that the financial needs of education did not get neglected. Each state created a governing body to manage those assets for education. In North Dakota, that body is the Board of University of School Lands (Board), and the administering agency is the ND Department of Trust Lands.

In early years of statehood, lands were actively sold to generate cash for the schools and various institutions. The money from land sales was deposited in a permanent trust fund that was invested and the income was distributed to the various institutions (see fact sheet on education funding). By the 1970s the Board realized that continued land sales would forever deplete the trusts of their land holdings. Since 80% of the original congressional grant had been sold, a decision was made to restrict sales to small, difficult to manage tracts and to retain the remainder.

Each year, the Board must provide funding for the schools, both in years when the stock market is booming and in years when it is down. Income is generated from the Board's investments in stocks, bonds, farm mortgages, loans and land. Land is an important part of the overall asset mix which lowers the risk of the portfolio while generating consistent cash flows for the schools. The Board has studied North Dakota school trust lands to determine how they perform as an investment asset and how they fit into the permanent trusts' diversified portfolio of assets. That analysis indicates that land has a stabilizing impact on both the amount of income generated by the portfolio and the total value of trust assets.

Other intangible benefits of owning land are that leasable lands are available for livestock production in areas where lands for lease might otherwise be unavailable. Public access is also an important intangible benefit as more and more land is restricted from public access.

For more information regarding this topic, contact Mike Humann at mhumann@nd.gov or call (701) 328-1918.