

An Overview for Wadena, Deer Creek, and Bluffton Voters on November's School Fund Ballot Question

Dear residents of Wadena, Deer Creek, and Bluffton,

As we approach the upcoming November election, voters across our three communities will see a statewide constitutional amendment on their ballot regarding Minnesota's Permanent School Fund. As the Interim Superintendent of Wadena-Deer Creek Public Schools, my role is not to advocate for a specific vote, but to ensure our community members have clear, factual information about what this question means for our schools and students.

What is the Permanent School Fund?

Established in the Minnesota Constitution in 1858, the Permanent School Fund is an endowment created from state trust lands set aside specifically to support public education. The State Board of Investment invests revenues generated through timber sales, mining, and land management. The principal balance remains permanently invested, while annual returns are distributed directly to K-12 public school districts statewide.

Why is This Proposal Being Made Now? (Fund Growth Since 2010)

Between 2010 and today, strong investment returns and state land management have dramatically increased the Permanent School Fund's overall value—growing it from **\$675 million in 2010** to more than **\$2.3 billion today**.

However, because the current constitutional formula restricts annual payouts solely to interest and dividend income, school distributions have not grown proportionally alongside the fund's overall growth. As a result, a significant portion of the fund's growth remains locked away in state trust accounts rather than directly benefiting current students. Modernizing the distribution rule allows schools to access these generated earnings without tapping into or eroding the core principal.

What Change is Being Proposed?

The ballot question asks voters whether to update the formula used to distribute earnings to school districts. Currently, payouts are restricted solely to interest and dividend earnings, which average roughly \$68 per student. The proposed amendment would update the distribution to **4.5% of the fund's three-year rolling average market value**, raising payouts to approximately \$96 per student statewide.

Why 4.5% and Is It Sustainable Long-Term?

When reviewing potential changes, a nonpartisan task force evaluated higher distribution percentages but unanimously recommended 4.5%:

- **Why 4.5% instead of a higher amount?** The task force concluded that 4.5% hits the ideal balance. Distributing a higher percentage could risk eroding the fund's principal balance over time, especially during market downturns. Setting the rate at 4.5% maximizes financial support for today's students without compromising the trust.
- **Long-term sustainability:** Yes, this formula is designed to protect the fund perpetually. Basing annual payouts on a three-year rolling average smooths out stock market fluctuations, ensuring consistent and predictable funding for schools. This model mirrors the financial best practices

used by major university endowments and charitable foundations across the country to preserve purchasing power for future generations.

Key Facts for Our District Residents

- **No Tax Increase:** The endowment principal already exists in state trust funds. Passing this amendment creates **no new taxes** and will not raise local property taxes, agricultural land taxes, or state income taxes.
- **Local Control:** Dollars received from the Permanent School Fund come with no state mandates, leaving full authority with local district leadership to decide how funds best support local student needs.

Financial Impact for Wadena-Deer Creek Schools

Below is a breakdown of what our district currently receives from this fund versus what we would receive under the proposed formula (based on our current enrollment of 1,113 students):

Distribution Model	Estimated Rate / Student	WDC Annual Funding
Current Formula	~\$68 / student	\$75,881.03
Proposed Formula	~\$96 / student	\$106,859.01
Net Change	+\$28 / student	+\$30,977.98 / year

An Important Voting Rule to Keep in Mind

Under Minnesota law, passing a constitutional amendment requires approval from a majority of *all* voters casting ballots in the election. Because of this rule, **leaving the ballot question blank has the exact same legal effect as voting "No"**. Whether a voter supports or opposes the measure, making an explicit selection ensures your vote is counted as intended.

While an additional \$31,000 per year will not solve every budget challenge, in today's public education funding environment, every dollar helps support classroom resources, technology, and educational opportunities—all without asking local taxpayers for extra money.

I welcome any community members across Wadena, Deer Creek, and Bluffton to contact me if you have additional questions about this ballot question or our district operations. Thank you for your continued support of our public schools.

Sincerely,

Brad Johnson

Interim Superintendent

Wadena-Deer Creek Public Schools