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**Proposed Amendment: Mineral Rights on School Lands**

Cooperative Extension South Dakota State University

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Proposed Amendment:
Mineral Rights on School Lands

Cooperative Extension Service
South Dakota State University
U.S. Department of Agriculture
Proposed Amendment:

Mineral Rights on School Lands

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This proposed amendment to the South Dakota Constitution would add a new section to Article VIII. It concerns the mineral rights on school lands.

The proposed addition to Article VIII reads as follows:

Section 19. All gas, coal, oil and mineral rights, as specified by law, to or in public lands, are reserved for the State. Leases may be executed by the State for the exploration, extraction and sale of such materials in the manner and with such conditions as are provided by law.

Analysis

The proposed addition to Article VIII places in the state Constitution the policy established by the Legislature in 1919 (SDCL 5-2-12).

The Department of School and Public Lands presently manages approximately 5.2 million mineral acres. This includes mineral rights on school land presently owned and on land sold by the state after 1919.

Earnings from all mineral rights in fiscal 1977 totaled $881,155.48. Of this total $149,604.52 were royalties from extracted minerals, coal, oil and gas. This was a dramatic increase over fiscal 1976 when the income from royalties was $32,313.43.

All of these earnings go for school purposes. Money earned from school and endowment fund lands, and since July 1 of this year from Rural Credit lands, is divided equally between the permanent school fund for investment and the income fund to be used by the schools each year. (Prior to July 1 income from Rural Credits mineral rights went into the general fund.)

Over the years there have been several attempts to sell these mineral rights, but they have been resisted by the Legislature. Passage of this constitutional amendment would assure that these rights will not be sold without the approval of the electorate.

In 1954 the voters of South Dakota approved a constitutional amendment (Section 18, Article VII) which established in the Constitution the formula for the division of the income from the rental of mineral leases and royalties from extracted minerals. The reservation of such rights has never been made a part of the state Constitution.

The earnings from mineral, coal, gas and oil rights are not large when compared to the total expenditures for schools and state government. However the amount has grown steadily in recent years, and the trend can be expected to continue. Income from similar rights in some surrounding states has become a significant portion of those states' income.

The second sentence of this proposed amendment states that "leases may be executed by the State for the exploration, extraction and sale of such materials in the manner and with such conditions as are provided by law."

Chapter 5-7 (SDCL) contains 37 sections which govern the rental of mineral leases and the collection of royalties from extracted minerals and gas from state owned mineral lands. The chapter charges the Commissioner of School and Public Lands with the responsibility for the administration of the mineral lands leasing and royalties collection under the very detailed conditions prescribed in the chapter. Passage of the proposed amendment will not affect the laws contained in Chapter 5-7. In fact, they fulfill the requirements of the second sentence of the proposed amendment.

There is an argument in favor of selling the mineral rights now held by the state. If they were sold, the money from the sale would be added to the various permanent school funds. The income from the investment of the additional money may or may not exceed the income from lease rentals and royalties. Furthermore, the state would be relieved of the responsibility of administering the mineral lease and royalty program.

It is doubtful, however, that all the mineral rights could be sold. The only rights which would be sold are those with the highest potential for later yielding royalties, the income from which could exceed the selling price of the rights.
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The proposed amendment to the South Dakota Mineral Rights on School Lands Act of 1978 would transfer the mineral rights on school lands from the Department of the Interior to the state of South Dakota. This amendment is intended to clarify the ownership of mineral resources on school lands and to provide a framework for the state to develop and manage these resources in a manner that benefits the students and the public. The amendment would also streamline the process for leasing and developing mineral resources on school lands, ensuring that the state can generate revenue from these resources while protecting the educational interests of the school districts. This proposed amendment is supported by the Cooperative Extension Service and is intended to enhance the economic and educational opportunities for the residents of South Dakota.