South Dakota Office of School and Public Lands

July 1, 2009 - June 30, 2010
Annual Report

School and Public Lands

Jarrod Johnson, State Land Commissioner

December 1, 2010

The Honorable M. Michael Rounds
Governor of South Dakota
500 East Capitol Avenue
Pierre SD 57501

Dear Governor Rounds:

Pursuant to SDCL §5-1-14, please accept this report covering the transactions, funds, and status of the Office of School and Public Lands for the fiscal year ended June 30, 2010.

A few highlights from the year include:

- More than 34,000 acres of grazing and agricultural property located in 26 counties were leased at public auction. Many tracts were competitively bid, thus raising our surface revenue for the next five years.
- Despite an increasingly unstable economic environment, we were able to return more than $10.5 million to the state's public schools, universities and endowed institutions.
- The economic environment led to a decrease in new oil and gas exploration on our lands, however, royalty payments on the state's producing wells remained steady to help generate more than $2.6 million within our minerals division.

Please feel free to contact our office with any questions or requests for additional information.

Respectfully submitted,

Jarrod R. Johnson
Commissioner of School and Public Lands

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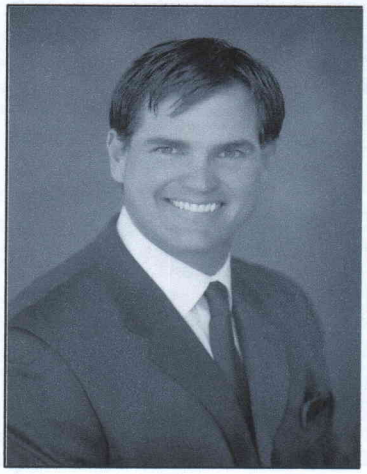
Staff



COMMISSIONER
Jarrod Johnson

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Justin M. Ohleen

OIL, GAS & MINERAL AGENT
Mary Jo Joens

SURFACE AGENT
Mike Cornelison

INVESTMENT OFFICER
Renee Knapp

OFFICE MANAGER
Dena McCaskell

ADMINISTRATIVE SECRETARY
Claudia Cepak

Mission Statement & Purpose

To ensure efficient and superior management of school and endowment lands and trust funds owned and administered by the State of South Dakota.

SDCL 5-1-7. "The commissioner of school and public lands shall have the direction, management, and control of all lands heretofore granted or which may hereafter be granted to this state by the United States, or otherwise acquired, and of all the plats and records pertaining to the title thereto and the disposition thereof."

Office History

When South Dakota became a state in 1889, the Federal Government granted the state over 3.5 million acres of land. Township sections 16 and 36 were reserved for school and public purposes; these are known as Common School Lands. If the sections were already settled, the government provided replacement property known as indemnity lands.

Additional property was also provided to be used however the state wished. The South Dakota Constitution divided these lands among what would become the state's universities: the School for the Visually Handicapped, the School for the Deaf, State Training School, and the Developmental Center in Redfield. To manage these lands and the money generated, the Constitution established the Office of School & Public Lands.

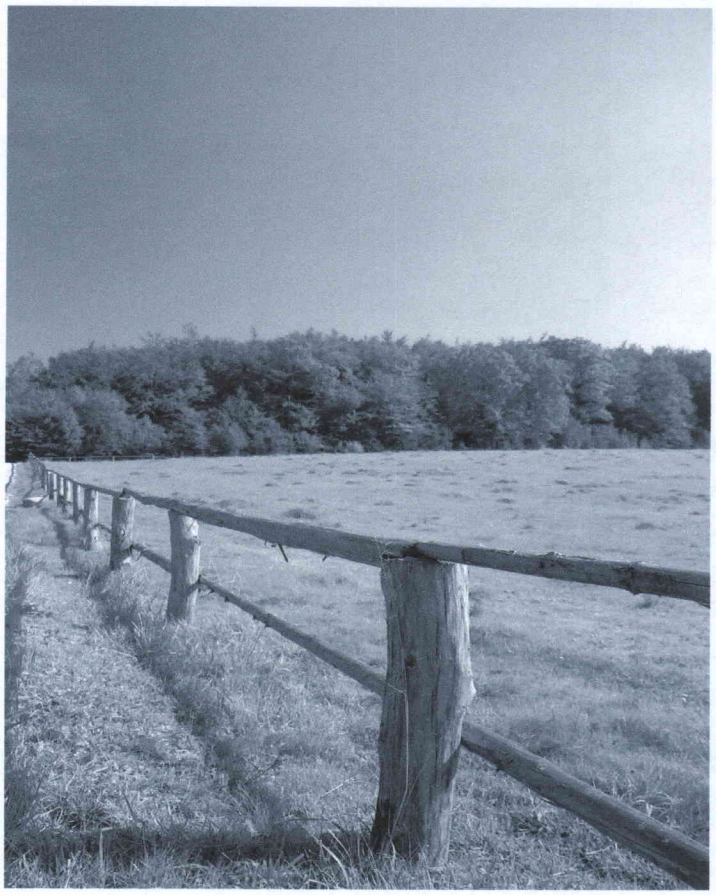
According to the Constitution, common school and indemnity lands were either to be sold or leased and the proceeds deposited in a permanent trust fund for education. The principal could be increased, but never diminished. Interest from the fund was to be used for funding education.

Each year the office returns approximately $10 million to school districts and endowed institutions. The money is generated from grazing, mineral, oil and gas leases, interest from the Permanent Fund, and interest earned on land and sales contracts.

Grazing and agricultural (farming) leases are offered with five-year terms. At the end of five years, the lessee can pursue one five-year extension of the lease. In 2010, the Office of School & Public Lands managed and maintained 2,880 surface leases on 757,900 acres.

For expiring and cancelled leases, annual surface lease auctions are held in March and early April of each year. These public auctions are held on a county-by-county basis at each county courthouse. The starting bid for each lease is set annually by the commissioner, and based on a formula established forth in state law.

Surface lessees are responsible for paying the annual property taxes due for the property that he or she leases. Lessees have the ability to construct and own improvements on the property and share the cost of controlling noxious weeds and pests with the Office of School and Public Lands.



Leased Surface Acres By County

AURORA	1,163.010
BEADLE	5.200
BENNETT	12,562.120
BROWN	3,973.550
BRULE	19.150
BUTTE	72,564.177
CAMPBELL	8,549.678
CLARK	421.210
CORSON	22,842.910
CUSTER	9,178.261
DAY	595.330
DEWEY	6,052.680
EDMUNDS	13,212.570
FALL RIVER	19,098.200
FAULK	12,365.156
GREGORY	40.000
HAAKON	12,602.283
HAND	8,475.320
HARDING	253,169.907
HUGHES	397.220
HYDE	22,182.590
JACKSON	4,187.73
JERAULD	440.000
JONES	4,080.000
LINCOLN	320.00
LYMAN	8,649.610
MARSHALL	3,250.242
MCPHERSON	21,761.840
MEADE	44,190.820
MELLETTE	11,513.190
MINNEHAHA	526.300
PERKINS	72,029.430
PENNINGTON	27,451.410
POTTER	22,025.440
SPINK	2,448.660
STANLEY	8,274.124
SULLY	14,476.666
TRIPP	5,315.300
UNION	297.10
WALWORTH	13,411.233
ZIEBACH	13,809.138
TOTAL ACRES:	**757,928.755**

Surface Revenue By Land Class

COMMON SCHOOL	$3,483,134.69
SOUTH DAKOTA STATE UNIVERSITY	$310,504.65
UNIVERSITY OF SOUTH DAKOTA	$98,738.99
PUBLIC BUILDINGS	$44,944.97
SDSU EXPERIMENTAL STATION	$23,123.65
DOC JUVENILE PROGRAMS	$25,395.77
SCHOOL FOR THE DEAF	$33,516.40
SCHOOL FOR THE VISUALLY IMPAIRED	$44,033.84
REDFIELD HOSPITAL AND SCHOOL	$86,737.65
SCHOOL OF MINES	$47,910.98
DAKOTA STATE UNIVERSITY	$164,379.73
SPRINGFIELD	$74,242.15
NORTHERN STATE UNIVERSITY	$89,999.24
REDFIELD SDDC ACCT	$1,767.10
CORRECTIONS/PLANKINTON	$8,780.00
DOC (WEST FARM BUDGET)	$75,881.30
TOTAL	**$4,613,091.11**

Weed & Pest Control

As with any owners of grazing and farm land, the proper management and control of noxious weeds and pests is an important issue for the Office of School & Public Lands. Each year, School & Public Lands is allocated a percentage of pesticide registration fees collected by the South Dakota Department of Agriculture. These funds, known as the School & Public Lands Weed and Pest Fund, are used to pay for travel, contractual labor and supplies associated with the control of weeds and pests on state trust lands.

Generally, the surface lessee of a tract of School & Public Land is responsible for paying for the application of an appropriate herbicide or pesticide, while the cost of the chemical is paid from the School & Public Lands Weed and Pest Fund. School and Public Lands has also partnered with various regional and county weed boards to assist with the comprehensive management of widespread noxious weeds.

From July of 2009 through June of 2010, School & Public Lands spent a total of $192,392.00 on efforts to control and manage noxious weeds and pests, including Canada Thistle, Leafy Spurge, Salt Cedar and prairie dogs.

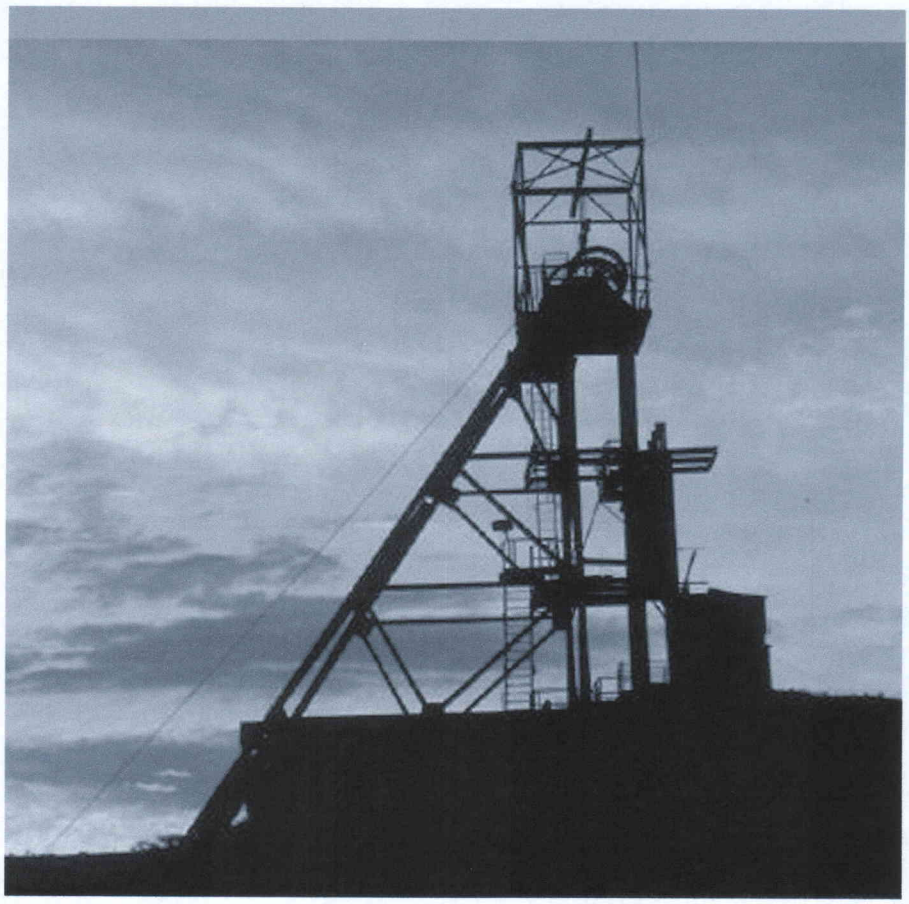
Leafy Spurge

Canada Thistle

Mineral Division

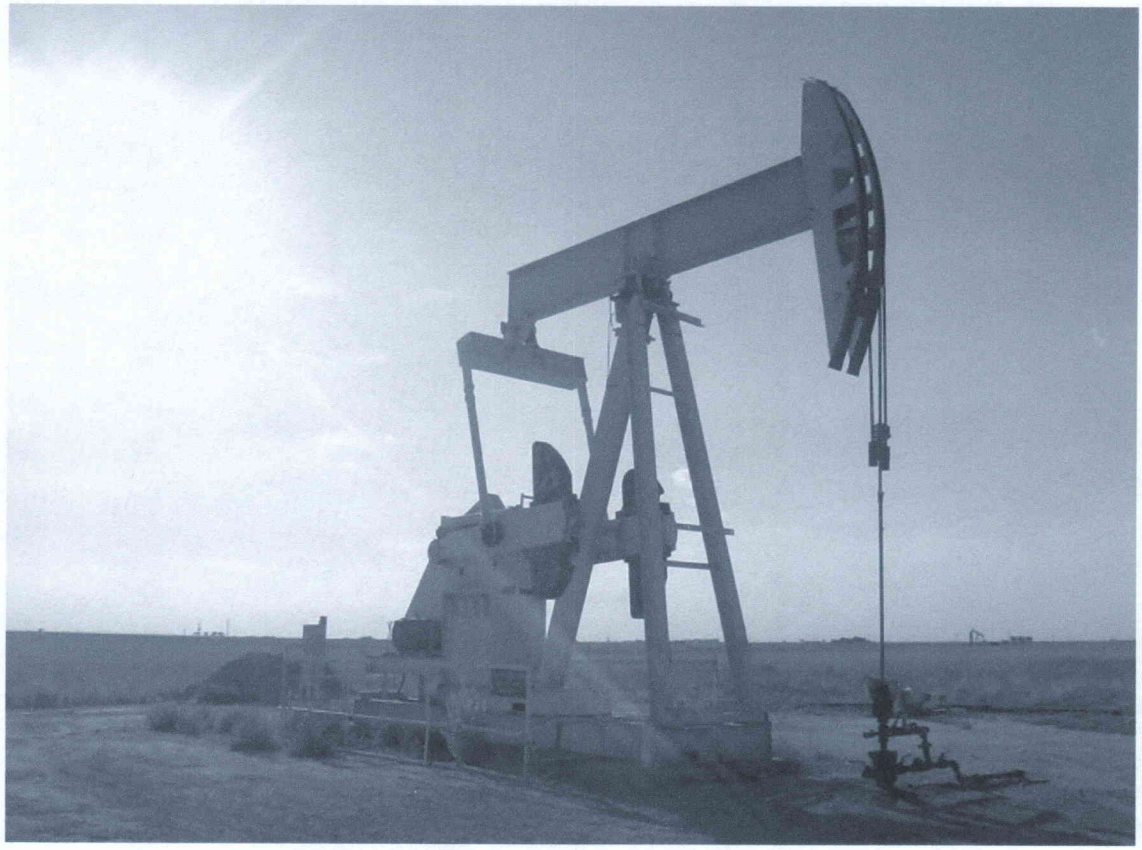
The Office of School & Public Lands holds mineral lease auctions in the spring, summer and fall of each year. Individuals and companies submit nominations for tracts of mineral holdings that they are interested in leasing. The nominated tracts are then offered at public auction. Auction dates and nomination deadlines are posted on the website at www.sdpubliclands.com.

Mineral leases are issued for a maximum of fifteen years; oil and gas leases are issued for five year terms. All leases can be held indefinitely as long as there is production on the lease.



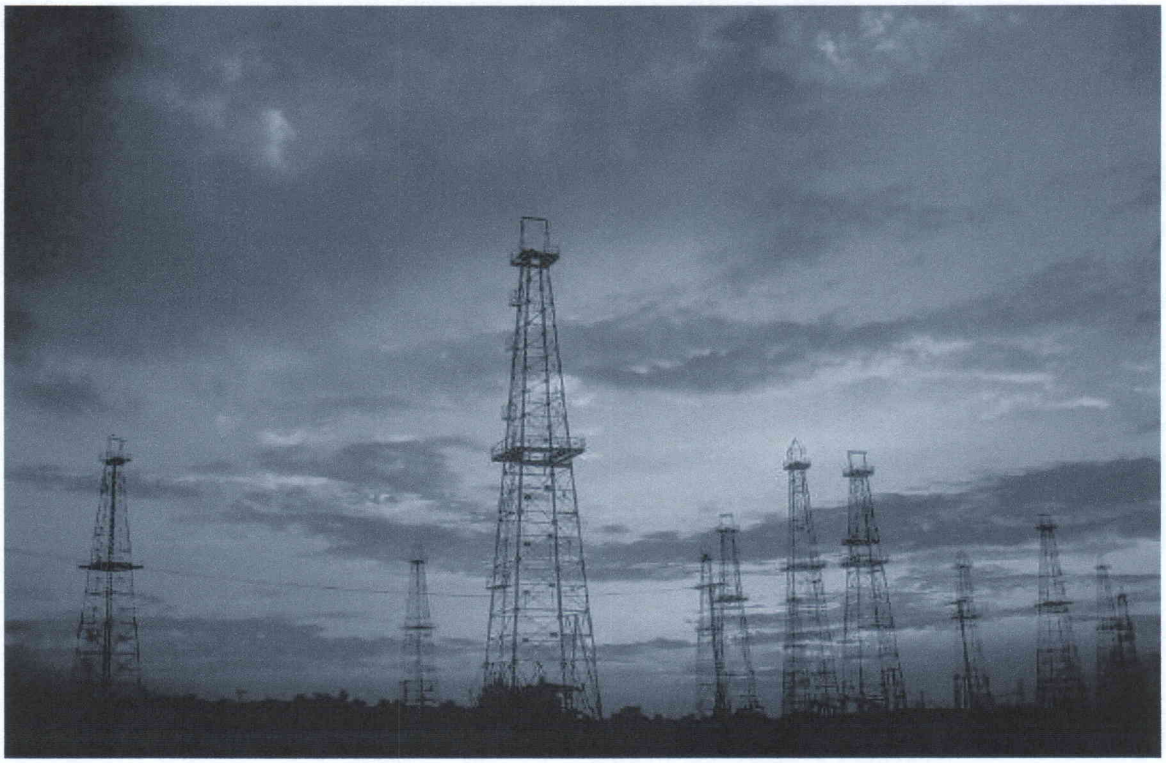
FY 10 MINERAL REVENUE

Mineral, Oil & Gas Lease Rentals	$ 189,606.24
Oil & Gas Royalty	$2,160,673.46
Mineral, Oil & Gas Bonus	$ 266,108.00
Oil & Gas Miscellaneous	$ 2,730.00
Interest	$ 7,636.75
TOTAL	**$2,626,754.45**

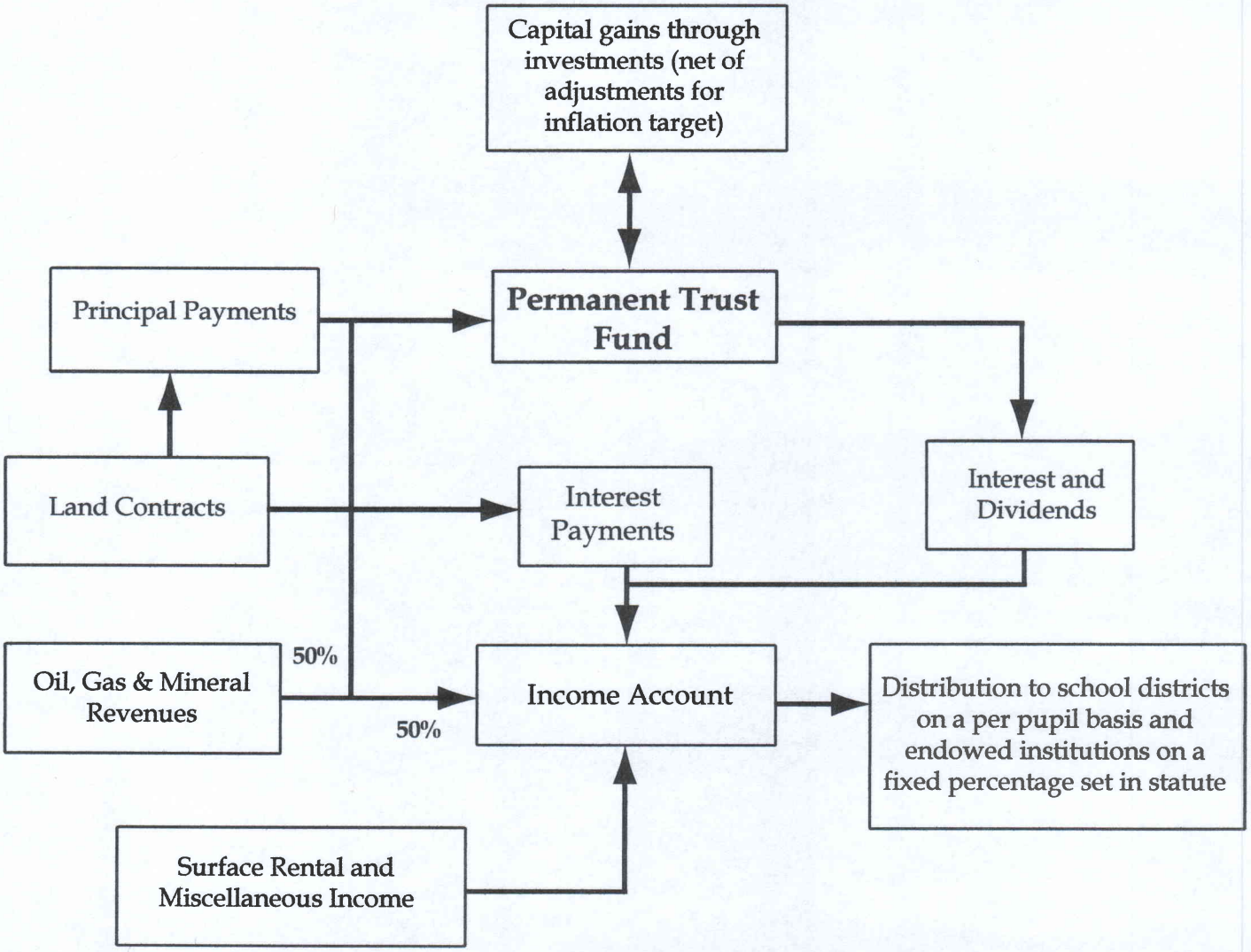


LEASED MINERAL ACRES BY COUNTY

County	Acres
Butte	28,253.24
Custer	640.00
Fall River	6,756.35
Harding	177,206.49
Jerauld	320.00
Meade	6,680.00
TOTAL ACRES	**219,856.08**



School & Public Lands Income Flow Chart



Education: Permanent Trust Fund

At statehood, the Permanent Trust Fund was established with the intent of providing a continuous source of revenue for public schools, universities and endowed institutions. Proceeds from the sale of land are to be deposited in the fund, which can be added to but never diminished. The interest revenue generated by the fund is apportioned to school districts, universities and endowed institutions. Prior to the year 2001, the growth of the fund was based on land sales, mineral revenue and capital gains. In the 2000 general election, the voters changed the Constitution and chose to allow the Commissioner of School & Public Lands to increase investment opportunities for the permanent school fund and retain the inflation percentage in the fund also known as the Consumer Price Index Adjustment or CPI.

Due to the global recession, the inflation rate for FY10 was 1.1517%. As of June 30, 2009, the Permanent Fund was valued at $164,549,949.95. The inflation rate applied to the principal balance results in an inflation adjustment of $1,895,179.85. This was offset by the FY09 CPI adjustment carry forward of -$2,094,852.31

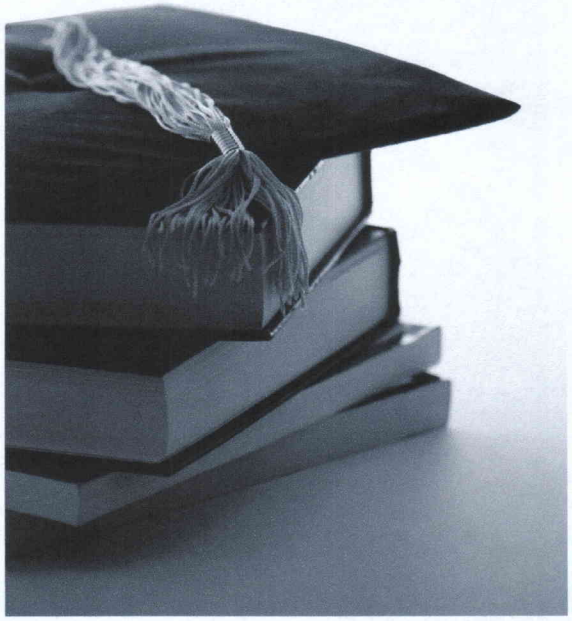
The remaining FY09 negative carry forward of $199,672.46 will be used to offset the FY11 CPI adjustment. There was no principal balance adjustment for February 2011.

FY 10 TRUST INCOME & INTEREST FUNDS INVESTED

Interest and Income Fund	$1,134,401.03
Common School	$5,880,562.59
University and Endowed Institutions	$ 282,980.10
Escheats	$ 368,113.29
TOTAL	**$7,666,057.01**

Permanent Funds Invested

Common School	$136,196,020.85
Normal (BHSU & DSU) Schools	$4,723,539.27
SDSU Experimental Station	$1,387,405.79
Northern State University	$2,592,628.46
Redfield Developmental Center	$1,361,934.00
SD School for the Visually Handicapped	$1,335,526.96
SD School for the Deaf	$1,560,731.90
SD School of Mines and Technology	$1,962,979.61
South Dakota State University	$7,181,168.88
Department of Corrections - Juvenile Programs	$1,516,657.33
University of South Dakota	$3,602,526.23
Human Services Center	$420,174.92
Public Buildings	$271,743.82
SD & SVH Administrative Fund	$1,541,978.76
Escheats	$330,740.46
TOTAL	**$165,985,757.24**



Dollars Returned to Public Schools A-D

Aberdeen School District 06-1	$284,185.68
Agar Blunt Onida School District 58-3	$19,221.57
Alcester-Hudson School District 61-1	$23,783.45
Andes Central School District 11-1	$28,409.60
Arlington School District 38-1	$21,069.87
Armour School District 21-1	$9,888.58
Avon School District 04-1	$12,918.19
Baltic School District 49-1	$25,433.99
Belle Fourche School District 09-1	$84,752.89
Bennett County School District 03-1	$50,116.95
Beresford School District 61-2	$38,764.52
Big Stone City School District 25-1	$6,901.96
Bison School District 52-1	$10,236.46
Bon Homme School District 04-2	$36,376.10
Bonesteel-Fairfax School District 26-5	$8,526.06
Bowdle School District 22-1	$7,979.66
Brandon Valley School District 49-2	$220,000.13
Bridgewater School District 43-6	$9,727.76
Britton-Hecla School District 45-4	$30,310.59
Brookings School District 05-1	$176,590.20
Burke School District 26-2	$13,411.41
Canistota School District 43-1	$13,224.72
Canton School District 41-1	$64,061.17
Castlewood School District 28-1	$17,691.75
Centerville School District 60-1	$15,381.76
Chamberlain School District 07-1	$76,791.98
Chester Area School District 39-1	$21,246.62
Clark School District 12-2	$25,561.89
Colman-Egan School District 50-5	$19,380.37
Colome Consolidated School District 59-3	$13,739.78
Corsica School District 21-2	$15,886.94
Custer School District 16-1	$64,190.46
Dakota Valley School District 61-8	$75,017.19
DeSmet School District 38-2	$16,515.86
Dell Rapids School District 49-3	$71,384.03
Deubrook Area School District 05-6	$24,424.96
Deuel School District 19-4	$34,160.72
Doland School District 56-2	$12,053.24
Douglas School District 51-1	$152,019.72
Dupree School District 64-2	$18,180.00

Dollars Returned to Public Schools E-H

Eagle Butte School District 20-1	$95,067.78
Edgemont School District 23-1	$8,188.88
Edmunds Central School District 22-5	$10,071.30
Elk Mountain School District 16-2	$2,129.72
Elk Point-Jefferson School District 61-7	$47,869.47
Elkton School District 05-3	$14,323.82
Emery School District 30-2	$10,858.90
Estelline School District 28-2	$15,773.83
Ethan School District 17-1	$11,017.71
Eureka School District 44-1	$10,668.44
Faith School District 46-2	$9,858.12
Faulkton Area School District 24-4	$21,007.12
Flandreau School District 50-3	$57,205.79
Florence School District 14-1	$10,636.21
Frederick Area School District 06-2	$12,798.16
Freeman School District 33-1	$28,864.17
Garretson School District 49-4	$33,596.69
Gayville-Volin School District 63-1	$14,369.58
Gettysburg School District 53-1	$13,658.08
Grant-Deuel School District 25-3	$11,572.36
Greater Hoyt School District 61-4	$3,650.66
Greater Scott School District 61-5	$1,008.91
Gregory School District 26-4	$23,101.22
Groton Area School District 06-6	$41,177.86
Haakon School District 27-1	$15,945.79
Hamlin School District 28-3	$42,447.54
Hanson School District 30-1	$25,371.62
Harding County School District 31-1	$14,162.31
Harrisburg School District 41-2	$153,294.49
Henry School District 14-2	$5,386.93
Herreid School District 10-1	$7,765.72
Highmore-Harrold School District 34-1	$21,841.17
Hill City School District 51-2	$29,528.34
Hitchcock-Tulare School District 56-6	$16,745.22
Hot Springs School District 23-2	$53,721.29
Hoven School District 53-2	$10,004.77
Howard School District 48-3	$24,792.55
Hurley School District 60-2	$11,376.35
Huron School District 02-2	$147,644.08

Dollars Returned to Public Schools I-R

Ipswich Public School District 22-6	$27,641.57
Irene-Wakonda School District 13-3	$21,072.90
Iroquois School District 02-3	$10,729.93
Jones County School District 37-3	$9,913.38
Kadoka School District 35-2	$43,676.93
Kimball School District 07-2	$17,852.19
Lake Preston School District 38-3	$11,925.90
Langford School District 45-2	$13,421.92
Lead-Deadwood School District 40-1	$55,194.21
Lemmon School District 52-4	$17,581.98
Lennox School District 41-4	$65,601.94
Leola School District 44-2	$17,896.00
Lyman School District 42-1	$45,719.92
Madison Central School District 39-2	$80,876.51
Marion School District 60-3	$15,149.19
McCook Central School District 43-7	$28,037.48
McIntosh School District 15-1	$7,973.24
McLaughlin School District 15-2	$37,654.40
Meade School District 46-1	$169,351.31
Menno School District 33-2	$16,845.17
Milbank School District 25-4	$57,343.51
Miller Area School District 29-4	$31,382.56
Mitchell School District 17-2	$176,952.94
Mobridge-Pollock School District 62-6	$42,520.05
Montrose School District 43-2	$12,842.41
Mount Vernon School District 17-3	$13,866.36
New Underwood School District 51-3	$14,492.76
Newell School District 09-2	$23,736.18
Northwestern Area School District 56-7	$20,906.66
Oelrichs School District 23-3	$2,055.32
Oldham-Ramona School District 39-5	$8,879.11
Parker School District 60-4	$22,654.77
Parkston School District 33-3	$37,051.04
Pierre School District 32-2	$170,042.17
Plankinton School District 01-1	$13,379.69
Platte Geddes School District 11-5	$35,296.39
Rapid City Area School District 51-4	$929,453.94
Redfield School District 56-4	$37,928.90
Rosholt School District 54-4	$11,418.59
Roslyn School District 18-2	$5,165.56
Rutland School District 39-4	$7,266.52

Dollars Returned to Public Schools S-Z

Sanborn Central School District 55-5	$13,031.68
Scotland School District 04-3	$18,990.00
Selby School District 62-5	$13,967.76
Shannon County School District 65-1	$248,325.83
Sioux Falls School District 49-5	$1,445,455.76
Sioux Valley School District 05-5	$37,859.85
Sisseton School District 54-2	$101,286.94
Smee School District 15-3	$10,280.52
Spearfish School District 40-2	$124,994.86
Stanley County School District 57-1	$33,555.15
Stickney School District 01-2	$8,365.75
Summit School District 54-6	$7,808.46
Tea Area School District 41-5	$72,767.25
Timber Lake School District 20-3	$17,021.92
Todd County School District 66-1	$165,173.57
Tripp-Delmont School District 33-5	$17,106.76
Tri-Valley School District 49-6	$61,083.87
Vermillion School District 13-1	$78,674.78
Viborg School District 60-5	$15,068.75
Wagner Community School District 11-4	59,304.67
Wall School District 51-5	$15,107.21
Warner School District 06-5	$15,872.78
Watertown School District 14-4	$257,252.77
Waubay School District 18-3	$15,970.21
Waverly School District 14-5	$13,179.53
Webster School District 18-4	$30,366.04
Wessington Springs School District 36-2	$16,006.40
West Central School District 49-7	$76,180.25
White Lake School District 01-3	$9,033.44
White River School District 47-1	$22,243.37
Willow Lake School District 12-3	$12,687.76
Wilmot School District 54-7	$14,822.77
Winner School District 59-2	$50,678.21
Wolsey-Wessington School District 02-6	$13,711.90
Woonsocket School District 55-4	$13,238.63
Yankton School District 63-3	$198,662.12

TOTAL **$8,671,910.74**

Dollars Returned to Universities

South Dakota State University	**$548,451.00**	
SDSU INVESTED INCOME		$191,464.91
SDSU SURFACE LEASING		$310,504.65
SDSU MINERALS INCOME		$46,481.44
Dakota State University	**$173,360.00**	
DSU INTEREST ON INVESTMENTS		$50,928.00
DSU SURFACE LEASING		$106,937.28
DSU MINERALS INCOME		$15,494.72
University of South Dakota	**$202,129.79**	
USD INVESTED INCOME		$78,382.66
USD SURFACE LEASING		$98,738.99
USD MINERALS INCOME		$25,008.14
SD School of Mines & Technology	**$100,255.21**	
SCHOOL OF MINES INVESTED INCOME		$40,721.97
SCHOOL OF MINES SURFACE LEASING		$47,910.98
SCHOOL OF MINES MINERALS INCOME		$11,622.26
Black Hills State University	**$173,360.00**	
BHSU INTEREST ON INVESTMENTS		$50,928.05
BHSU SURFACE LEASING		$106,937.23
BHSU MINERALS INCOME		$15,494.72
Northern State University	**$183,393.00**	
NORTHERN INVESTED INCOME		$53,149.58
NORTHERN SURFACE LEASING		$114,746.61
NORTHERN MINERALS INCOME		$15,496.81
	TOTAL	**$1,380,949.00**

Dollars Returned to Endowed Institutions

Juvenile Corrections	**$68,442.71**	
TRAINING SCHOOL INVESTED INCOME		$31,425.68
TRAINING SCHOOL SURFACE LEASING		$25,395.77
TRAINING SCHOOL MINERALS INCOME		$11,621.26
SD & SVH Administrative Fund	**$32,117.42**	
SD & SVH INTEREST ON INVESTMENTS		$32,117.42
Redfield Developement Center	**$126,547.79**	
REDFIELD INVESTED INCOME		$28,188.13
REDFIELD SURFACE LEASING		$86,737.65
REDFIELD MINERALS INCOME		$11,622.01
School for the Deaf	**$78,291.28**	
SCHOOL FOR THE DEAF INT. ON INVEST.		$33,152.62
SCHOOL FOR THE DEAF SURFACE LEASING		$33,516.40
SCHOOL FOR THE DEAF MINERALS INCOME		$11,622.26
SDSU Experimental Station	**$59,183.23**	
EXPERIMENTAL STATION INT. ON INVEST.		$28,795.15
EXPERIMENTAL STATION MINERALS INCOME		$7,264.43
SURFACE LEASE		23,123.65
School for the Visually Handicapped	**$94,712.00**	
SCHOOL FOR THE BLIND INVESTED INCOME		$43,414.49
SCHOOL FOR THE BLIND SURFACE LEASING		$44,033.84
SCHOOL FOR THE BLIND MINERALS INCOME		$7,263.67
	TOTAL	**$459,294.43**

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