Colorado Trust Lands & Education Funding

As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. These lands were accepted through ratification of state constitutions that contained provisions guiding the state's management of these lands. Unlike public lands, state trust lands are held in trust by the state for designated beneficiaries. As trustees, state land managers have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease and sell these lands for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

State Trust Lands in Colorado

Light blue designates state trust land.

Due to sale activities for given trust lands, maps may not reflect the most current holdings of a given state trust land agency.

Map: Sonoran Institute

There are approximately 2.8 million surface acres and 4 million mineral acres of trust land in Colorado.[1] Surface acres include land that is managed for agriculture, grazing, commercial and right-of-way uses.[2] The mineral acres include underground areas that contain deposits of oil, gas and coal.[3] Trust lands in Colorado are mostly concentrated in a checkerboard pattern in the eastern grasslands, although there are a few large, consolidated parcels, including areas near more urban parts of the state such as Denver, Colorado Springs and Pueblo.

How are trust lands in Colorado managed?

Photo: Colorado SBLC

The management of Colorado's trust lands is overseen by the Colorado State Land Board (SLB), comprised of five volunteer Commissioners who are appointed by the Governor and approved by the Colorado State Senate for a four-year term.[4] The SLB is one of eight divisions within the Colorado Department of Natural Resources. The members of the SLB appoint a Director to administer Colorado's trust lands under the SLB's oversight and approval.[5] The SLB is responsible for generating a "reasonable and consistent income over time" for trust beneficiaries.[6] The agency is funded from proceeds from the trust lands, not from tax dollars.

The SLB is responsible for the management, lease and sale of state trust lands, the receipt of revenues from trust land activities, and the subsequent transfer of these funds to the State Treasurer. The Colorado Constitution requires that the SLB hold trust assets in a "perpetual, inter-generational public trust for the support of public schools," managed to protect the value of the trust under principles of sound stewardship.[7]

Who are the beneficiaries of trust lands in Colorado?

Revenues generated from Colorado's trust lands are deposited into eight separate trust funds that support seven beneficiary groups. A specific acreage of trust lands belongs to each beneficiary, and the revenue generated from those lands is deposited into the corresponding beneficiary's funds.

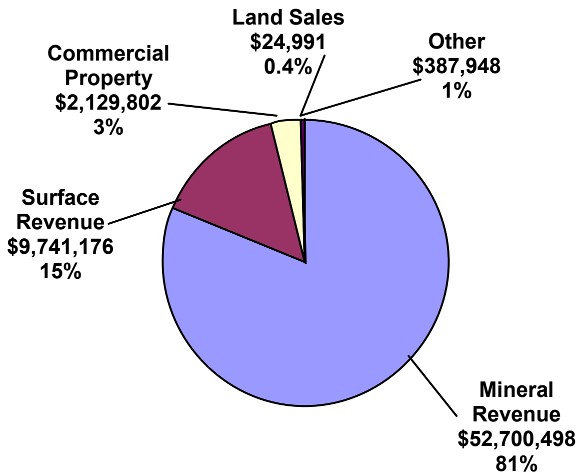
Colorado Trust Land Beneficiary Funds and Acreage Dedicated to Each[8]

Fund	Beneficiary	Surface Acres in Fund	% Acres
Colorado State University	Colorado State University	19,949	0.7%
Hesperus	Fort Lewis College	6,279	0.2%
Internal Improvements	State Parks	67,406	2.4%
Penitentiary	Penitentiary	6,847	0.2%
Public Buildings	Public Buildings	530	0.0%
Saline	State Parks	11,358	0.4%
School	Public Schools	2,663,238	93.5%
State Forest	State Forest	70,201	2.5%
University of Colorado	University of Colorado	3,521	0.1%
	Total	2,849,329	100.0%

Public schools are the beneficiary of 93% of the trust land in Colorado and receive the majority of the revenue generated by state trust land in the state. [9]

Photo: Colorado SBLC

How are revenues generated from trust lands?



Revenue Streams from Colorado Trust Lands
for All Beneficiaries Combined, FY 2006[11]

Colorado's trust land managers generate revenue from these lands through resource extraction, grazing leases, and real estate sales and leases. The three largest sources of revenues from trust lands in FY2006[10] were from mineral revenue, surface uses such as grazing leases and rights-of-way, and commercial property.

Over the last five years, the biggest source of income for the public schools has come from mineral development.[12] It is anticipated that the property that once was the Lowry Bombing Range, when developed, will provide significant revenue because of its proximity to the Denver metropolitan area.

How does the revenue get to the beneficiaries?

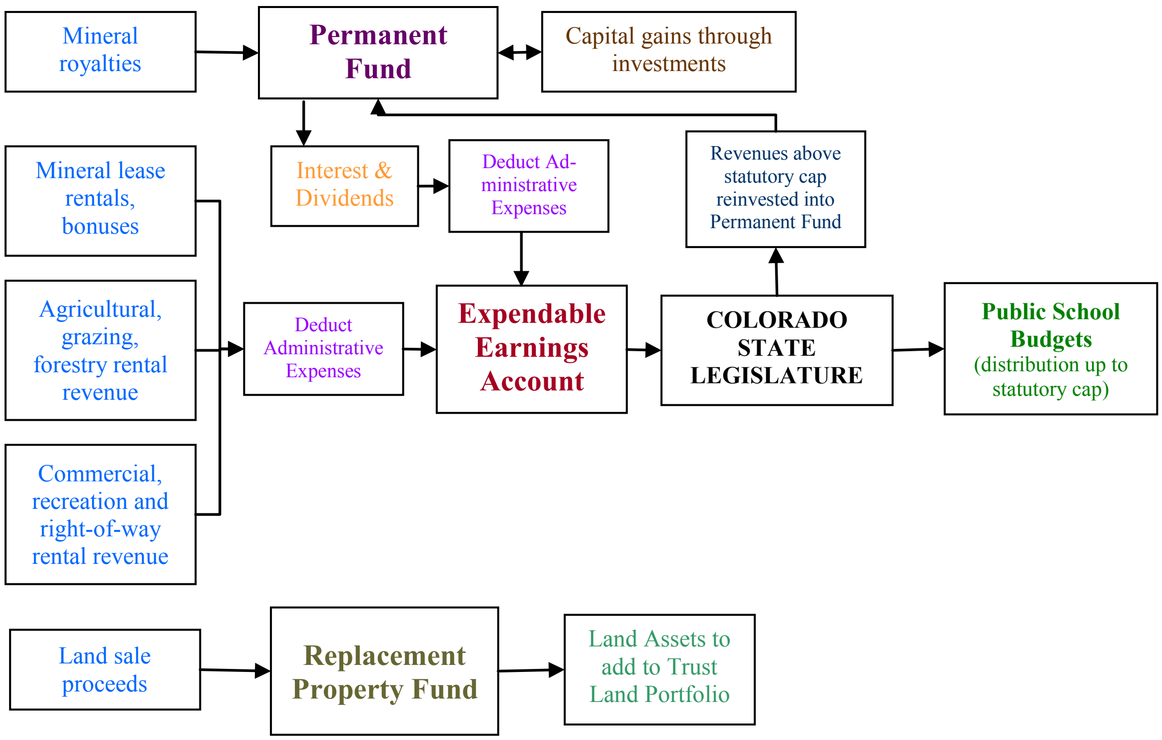
Revenues generated from trust land uses are deposited into the given beneficiary group's Permanent Fund or Expendable Earnings Account. Permanent Funds receive revenues from non-renewable sources, such as mineral royalties. Revenues from renewable sources, such as commercial leasing, grazing, agricultural, recreation and right-of-way rentals are deposited into Expendable Earnings Accounts. Proceeds from the sale of school trust land are deposited into a Replacement Property Fund that can be used to acquire new parcels of school trust land.[13] However, if the proceeds are not used to buy new land within two years, these funds are transferred to the School Permanent Fund. In FY2006, Colorado trust lands generated almost $65 million, of which $48 million was deposited into the Public School Permanent Fund.[14]

Twelve million dollars from lease revenue was deposited in the Expendable Earnings Account for legislative appropriations along with some interest from the Permanent Fund. These revenues supported overall education funding despite a Colorado constitutional provision that "Distributions of interest and other income for the benefit of public schools…shall be in addition to and not a substitute for other moneys appropriated by the general assembly for such purposes,"[15] a supplement to, not a substitute for, general fund appropriations.

Permanent Funds are managed and invested by the State Treasurer. At the end of FY 2006, the market value of the Public School Permanent Fund was $454 million, and the interest income generated from investing the fund was $22 million. The State Treasurer is funded out of the state's general fund and the Public School Permanent Fund can only be invested in bonds, time deposits, savings and loan associations, and bonds issued by school districts.[16] Any capital losses from investments must be offset with gains in the Permanent Fund within three years; otherwise appropriations from the state general fund are required to make up the loss.[17]

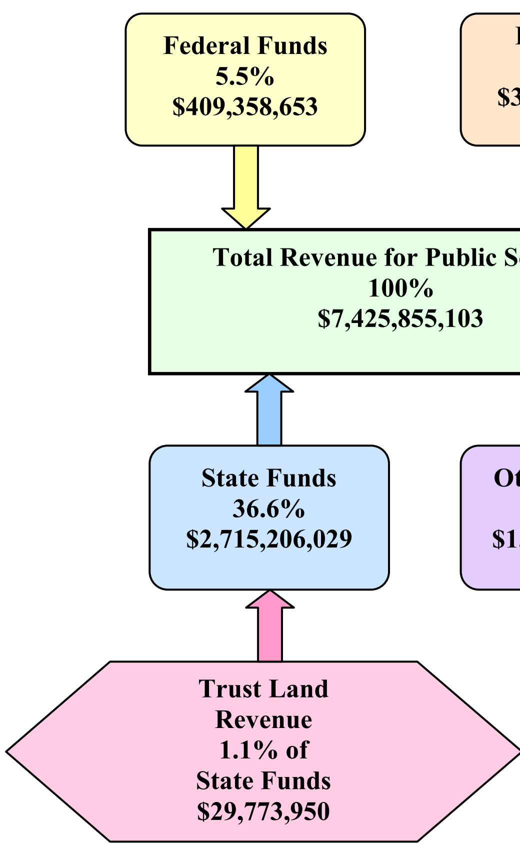
Only interest from the Permanent Funds is available for distribution to the beneficiaries, while the corpus of the Fund remains untouched. The entire balance of Expendable Earnings Account is made available for legislative appropriation and distribution to the beneficiaries up to the statutory cap. The Colorado State Legislature appropriates the Expendable Earnings Account including investment income from the Permanent Funds as part of the general operating budget of each of the beneficiaries up to a cap established by the Legislature. Money above the cap is reinvested in the respective Permanent Fund. The cap is high for all funds except the Public School Permanent Fund.

Public School Trust Funding Flow Chart[18]



Public schools in Colorado receive funding from a combination of federal, state and local funds. State funding provides 36.6% of total education funding, and of the state's portion, trust land revenues make up 1.1% of that amount.

FY 2003 Public School Funding Source Diagram[19]
Local and Intermediate Funds



Since trust land revenue is included in the general fund appropriations for each of the beneficiaries, the dollars generated from trust lands can only be traced from the land to the beneficiary's operating budget. However, the Colorado Constitution states that this money should be a supplement to, and not a substitute for, general fund appropriations.[20]

Photo: Colorado SBLC

Sources:

[1] Colorado State Land Board webpage http://www.trustlands.state.co.us/Information/AboutUs.asp .
[2] Colorado State Board of Land commissioners FY 2004 Annual Report.
[3] Colorado State Board of Land Commissioners webpage http://www.trustlands.state.co.us/Documents/Questions/General.pdf.
[4] Colorado Revised Statutes § 36-1-101.5.
[5] Colorado Revised Statutes § 36-1-102.
[6] Colorado Department of Natural Resources Budget Request "Detail by Program" FY 2005-2006, page 106.
[7] Colorado Constitution Article IX § 10.
[8] Colorado State Land Board Fiscal Year 2004 Annual Report and the Colorado State Land Board webpage http://www.trustlands.state.co.us/Information/AboutUs.asp.
[9] Colorado State Land Board FY 2005 Annual Report.
[10] Colorado State Land Board FY 2005-2006 Year End Revenues Report.
[11] Ibid.
[12] Ibid.
[13] Colorado Revised Statutes, § 36-1-124.5.
[14] Colorado State Land Board FY 2005-2006 Year End Revenues Report.
[15] Colorado Constitution Article IX, Section 3.
[16] Colorado Revised Statutes § 22-41-104, 24-36-109, 24-36-112, and 24-36-113.
[17] Mike Coffman, Colorado State Treasurer, Personal Communication 2004.
[18] Based on chart from Colorado State Land Board FY 2004 Annual Report.
[19] FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data which comes from the Colorado State Land Board *FY 03 Year-End Revenues Report*. "Other Sources" is defined as "Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets." NCES Database, Glossary, http://nces.ed.gov/ccd/bat/Glossary.Asp?letter=O.
[20] Mike Coffman, State Treasurer, Personal Communication (2004).

This report was prepared by the Sonoran Institute/Lincoln Institute of Land Policy Joint Venture and Children's Land Alliance Supporting Schools (CLASS). Thanks to Wendine Thompson-Dawson and Alden Boetsch for their research and writing efforts.

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