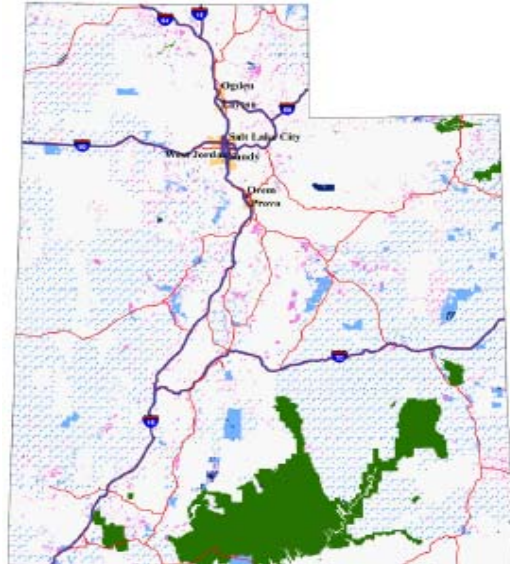


Utah Trust Lands & Education Funding

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.

There are approximately 3.4 million surface acres and 4.4 million mineral acres of trust land in Utah.¹ Surface acres include land that is managed for commercial, industrial, and residential development uses, as well as grazing and timber production. The mineral acres contain large deposits of oil, gas and other minerals.² Most of the trust lands in Utah are scattered throughout the state in a checkerboard pattern, with 60 larger, consolidated parcels each more than 5,000 acres.

State Trust Lands in Utah



Light blue designates state trust land. Source:

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

How are trust lands in Utah managed?



Photo: Utah School and Institutional Trust Lands Administration

Trust lands in Utah are managed by the School and Institutional Trust Lands Administration (SITLA), under the direction of the School and Institutional Trust Lands Board of Trustees.³ This seven-member board is appointed by the Governor. Six of the board members are chosen from a list of nominees selected by an eleven-member nominating committee – five of which are appointed by the State Board of Education, another five are appointed by the Governor⁴ representing land user groups and the universities, and the eleventh is appointed by the president of the Utah Association of Counties and must be an elected county commissioner or councilor.⁵

SITLA is required to “seek to optimize trust land revenues and increase the value of trust land

holdings consistent with the balancing of short and long-term interests, so that long-term benefits are not lost in an effort to maximize short-term gains,” and “maintain the integrity of the trust and prevent misapplication of its lands and its revenues.”⁶ As trustee, SITLA must “manage the lands and revenues generated from the lands in the most prudent and profitable manner possible, and not for any purpose inconsistent with the best interest of the trust beneficiaries.”⁷

Who are the beneficiaries of trust lands in Utah?

Revenues generated from Utah’s trust lands are deposited into twelve separate trust funds that support twelve beneficiary groups. A specific acreage of trust lands is assigned to each beneficiary, and the revenue generated from those lands is deposited into the corresponding fund. The Utah Code is specific about which groups fall into the category of beneficiary, stating that “the beneficiaries do not include other governmental institutions or agencies, the public at large, or the general welfare of this state.”⁸

FY 2004 Utah Trust Land Beneficiary Funds and Acreage Dedicated to Each ⁹

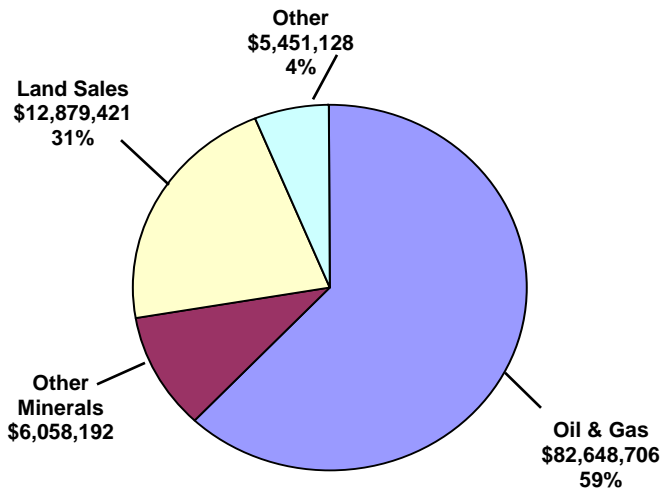
Fund	Beneficiary	Surface Acres in Fund	% Acres
Common Schools	Public Schools (K-12)	3,308,112.61	96.6
Agricultural College	Utah State University	28,225.40	0.8%
Insane Asylum	Utah State Hospital	425.20	0.0%
Miners’ Hospital	University Medical Center	6,440.81	0.2%
Normal School	University of Utah Utah State University Southern Utah University Weber State University Dixie College	6046.35	0.2%
Public Buildings	Utah Division of Facilities and Construction Management	0.27	0.0%
Reform School	Youth Development Center	19.18	0.0%
Reservoirs	Utah Division of Water Resources	43,686.04	1.3%
Institute for the Blind	School for the Deaf and Blind	455.55	0.0%
Deaf and Dumb Fund	School for the Deaf and Blind	5,578.00	0.2%
School of Mines	University of Utah	7,297.59	0.2%
University of Utah	University of Utah	16,720.27	0.5%
	Total Acreage	3,423,007.27	100.0%

Public schools are the designee of 97% of the trust land in Utah and receive the majority of the revenue generated by trust land in the state.¹⁰



Photo: Utah School and Institutional Trust Lands Administration

How are revenues generated from trust lands?



Revenue Streams from Utah Trust Lands
for All Beneficiaries Combined, FY 2006¹¹

Utah trust land managers generate revenue from these lands in a number of ways, including resource extraction and real estate sales. The three largest sources of revenue from trust lands in fiscal year 2006 were from oil and gas royalties, other mineral royalties, and land sales. Over the last five years, the biggest source of income for the beneficiaries has come from mineral leasing royalties.

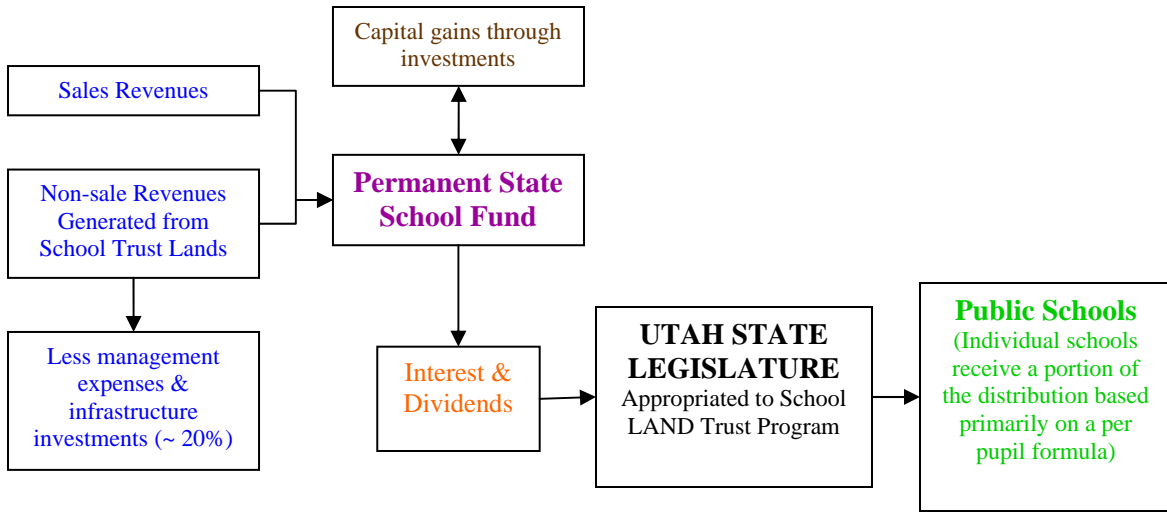
How does the revenue get to beneficiaries?

Each year, all sales revenue plus net revenues generated from all other school trust land revenues are deposited into the permanent State School Fund¹². The State Treasurer invests 65% of the permanent State School Fund in stocks and 35% of the Fund in bonds¹³. An Investment Advisory Committee composed of seven members appointed by the beneficiary agencies advises the State Treasurer.^{14s}

Capital gains from the investment of school trust land revenue are reinvested into the Permanent State School Fund.¹⁵ Approximately 20% of the revenue generated from Utah's trust land pays for land management expenses and funds infrastructure on trust land developments, depending on the appropriation to the agency authorized by the legislature.¹⁶ In fiscal year 2006, Utah school trust lands generated approximately \$143 million, of which almost \$113 million was deposited into the permanent State School Fund.¹⁷

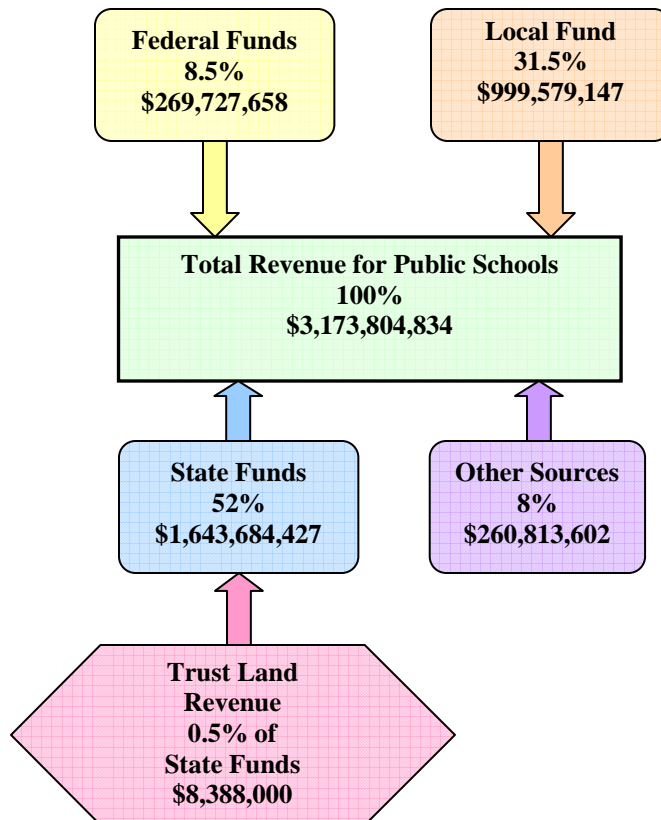
Investment interest and dividends are appropriated by the state legislature and distributed to public schools through the School LAND Trust Program.¹⁸ The School LAND Trust Program is the only discretionary funding going to every public school, and funding for this program has tripled from FY 2001 to FY 2006.¹⁹ Each school has a School Community Council, consisting of parents (who are elected by the parents), teachers (who are elected by the teachers), and the principal, and this council determines the school's most pressing academic needs and develops a plan to use the trust fund revenues to improve student performance in that academic area. The plan is presented to their local school board for approval, and councils are required to share the impact on students with their community. Councils across the state are engaged in important decision-making at their schools, tailoring plans to meet their unique needs. Local awareness of trust lands reinforces the mission of the School and Institutional Trust Lands Administration to support schools.

Figure 4: Public School Trust Funding Flow Chart²⁰



Public schools in Utah receive funding from a combination of federal, state and local funds. State funding provides more than half – 52% - of total education funding, and of the state’s portion, trust land revenues make up approximately 0.6% of that amount.

Public School Funding Source Diagram²¹





Coral Canyon: Utah School and Institutional Trust Lands Administration

Sources:

- ¹Budget and Accounting Group, State of Utah School and Institutional Trust Lands Administration, Personal Communication (2005).
- ²SITLA FY 2006 Annual Report (2006).
- ³Utah Code § 53C-1-204.
- ⁴Utah Code § 53C-1-202.
- ⁵Utah Code § 53C-1-202 & 203.
- ⁶Utah Code § 53C-1-204.
- ⁷State of Utah School and Institutional Trust Lands Administration webpage, Purpose Statement, available at <http://www.utahtrustlands.com/about/?pageID=1>, as taken from Utah Code 53C-1-201.
- ⁸Utah Code § 53C-1-102(d).
- ⁹Budget and Accounting Group, State of Utah School and Institutional Trust Lands Administration, Personal Communication (2005).
- ¹⁰Budget and Accounting Group, State of Utah School and Institutional Trust Lands Administration, Personal Communication (2005).
- ¹¹Budget and Accounting Group, State of Utah School and Institutional Trust Lands Administration, Personal Communication (2005).
- ¹²Utah Code § 53C-3-102
- ¹³Utah Code § 53C-3-102
- ¹⁴Utah Code § 51-7-12.
- ¹⁵Utah State Constitution, Article X, Section 5 (2) (b).
- ¹⁶Kevin Carter, Director, State of Utah School and Institutional Trust Land Administration, Interview, 2005.
- ¹⁷Utah SITLA Public Schools K-12 Statement of Income and Distributions FY2004, <http://www.utahtrustlands.com/lib/viewDocument.asp?docID=361>.
- ¹⁸Utah Code § 53A-16-101.5.
- ¹⁹<http://www.schoollandtrust.org>.
- ²⁰Utah Code Titles 53A and 53C.
- ²¹National Center for Education Statistics and the Utah School and Institutional Trust Lands Administration.

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