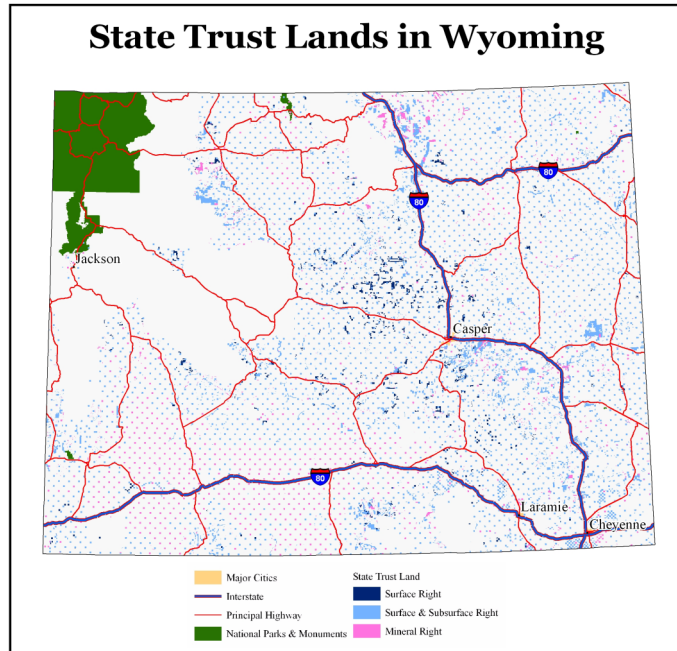


Wyoming Trust Lands & Education Funding

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. The Wyoming Constitution contains 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, the Board of Land Commissioners and State Land Office Staff have a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. They lease, sell, exchange and acquire 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 3.6 million surface acres and 4.2 million mineral acres of trust lands in Wyoming.¹ Surface acres include land that is managed for agriculture, grazing, timber and commercial and residential development uses. The mineral acres include lands that contain large deposits of oil, gas, coal and other minerals.² Most of the trust lands in Wyoming are scattered throughout the state in a checkerboard-type pattern, with a few large, consolidated parcels.



How are trust lands in Wyoming managed?



Photo: Wyoming OSLI

Wyoming's trust lands are managed by the Office of State Lands and Investments (OSLI), which acts as the "administrative and advisory arm of the Board of Land Commissioners and the State Loan and Investment Board."³ Both Boards are comprised of Wyoming's top five statewide elected officials: the Governor, Secretary of State, State Treasurer, State Auditor, and the Superintendent of Public Instruction. The Wyoming Constitution requires that the Board of Land Commissioners manages the land in a manner that will "realize the largest possible proceeds," subject to legislative direction.⁴ The Board is also charged with ensuring intergenerational equity for the beneficiaries by managing these lands using a total asset management approach. This approach seeks to optimize and diversify trust asset revenues as well as preserve and enhance trust asset values for the long term.

The Director of OSLI is appointed by the Governor and confirmed by the Wyoming Senate.⁵ OSLI is responsible for the management, lease, sale and exchange of trust lands as well as the receipt of revenue and the subsequent transfer of these funds to the State Treasurer. OSLI's mission is "to support the Board of Land Commissioners in applying total asset management principles in order to optimize and diversify trust asset revenue and preserve and enhance trust asset values" and to "support the State Loan and Investment Board in applying sound investment policies, and in optimally utilizing grant and loan program funding in order to strengthen local government infrastructures."⁶

Who are the beneficiaries of trust lands in Wyoming?

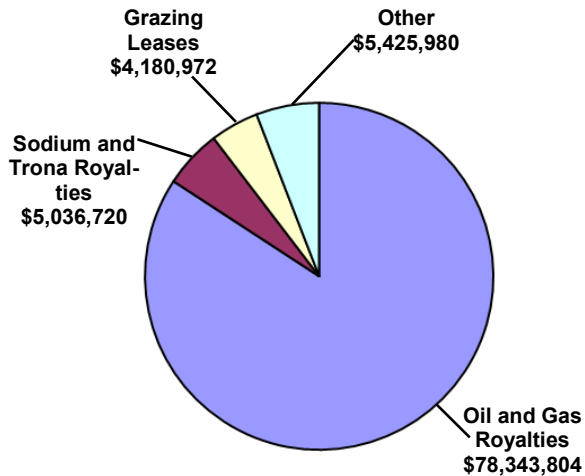
Revenues generated from Wyoming's trust lands are deposited into fifteen separate trust funds that support 23 beneficiary groups. A specific acreage of trust lands is assigned to each beneficiary, and the revenue generated from those lands is deposited into the corresponding fund.

Wyoming Trust Land Beneficiary Funds and Acreage Dedicated to Each⁷

| Fund | Beneficiary | Surface Acres in Fund | % Acres |
|---|---|------------------------------|----------------|
| Common Schools | Public Schools (K-12) | 3,100,948 | 87.9% |
| Agricultural College | University of Wyoming College of Agriculture | 70,744 | 1.8% |
| Deaf, Dumb & Blind Asylum | Home for the Deaf | 18,191 | 0.5% |
| Fish Hatchery | Wyoming Game and Fish Department | 2,761 | 0.1% |
| Insane Asylum | Wyoming State Hospital | 28,142 | 0.7% |
| Miners' Hospital | Miners' Hospital Board | 14,554 | 0.4% |
| Omnibus | General Fund, Department of Health Department of Corrections Department of Family Services | 140,196 | 3.5% |
| Penal, Reform or Educational Institutions | Retirement Center Honor Farm Women's Center Conservation Camp Youth Treatment Center Girls' School Boys' School | 15,489 | 0.4% |
| Penitentiary | Penitentiary | 20,843 | 0.5% |
| Poor Farm | Wyoming State Training School | 10,157 | 0.3% |
| Public Buildings at the Capitol | Public Buildings in the Capitol Complex | 77,494 | 2.0% |
| Soldiers & Sailors Home | Veterans' Home | 23,017 | 0.6% |
| State Law Library | State Law Library | 10,825 | 0.3% |
| State Library | State Library | 9,921 | 0.2% |
| University Land | University of Wyoming | 31,205 | 0.8% |
| | Total | 3,574,487 | 100.0% |

Public schools are the designee of 88% of the trust land in Wyoming and receive the majority of the revenue generated by trust land in the state.⁸

How are revenues generated from trust lands?



Revenue Streams from Wyoming Trust Lands
for All Beneficiaries Combined, FY 2004⁹

Wyoming's Office of State Lands and Investments generates revenue from these lands in a number of ways, including mineral extraction, grazing leases, real estate sales, and the issuance of other land use permits. The three largest sources of revenue from trust lands in fiscal year 2004 were from oil and gas royalties, sodium and trona production royalties, and grazing leases.

The largest source of income for the beneficiaries has come from oil and gas royalties.

How does the revenue get to the beneficiaries?

Each year, revenues generated from trust land uses are deposited into the beneficiaries' Permanent Land Fund or the beneficiaries' Permanent Land Income Fund. Revenues from non-renewable sources, such as land sales, easements, surface damages, and mineral royalties are distributed to the beneficiaries' Permanent Land Fund. Revenues from renewable sources, such as timber sales, temporary use permits, grazing leases, surface and mineral lease rentals, and mineral lease bid bonuses, are distributed to the beneficiaries' Permanent Land Income Fund. In FY 2004, Wyoming trust lands generated approximately \$93 million, of which more than \$87 million was deposited into the Common School Permanent Land Fund and Permanent Land Income Fund.¹⁰

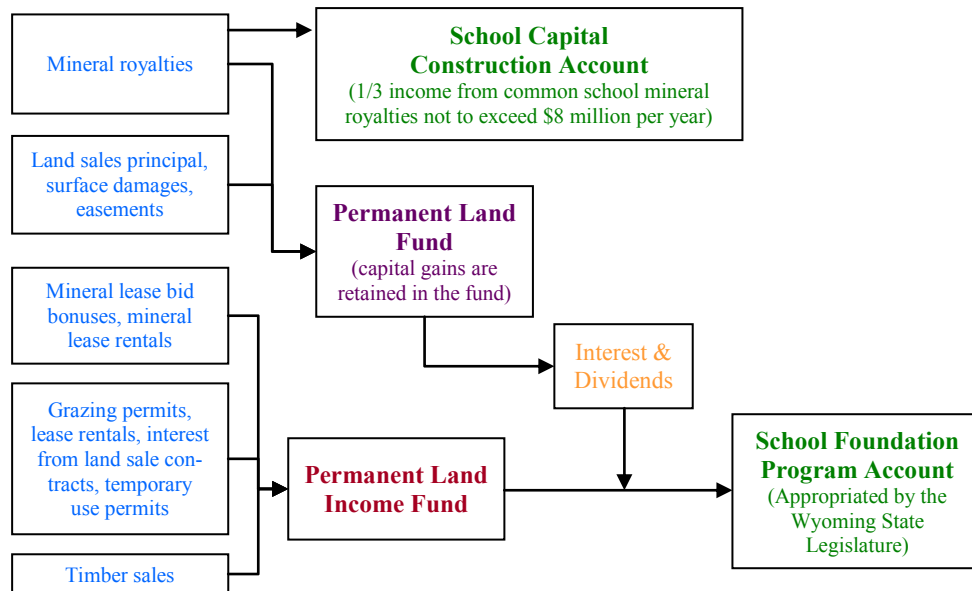
Permanent Land Funds are managed and invested by the State Treasurer with oversight and policy direction from the State Loan and Investment Board. As of the end of FY 2005, there was \$1.2 billion in the Public School Permanent Land Fund. The interest and dividends generated by the Permanent Land Funds are distributed to the beneficiaries' Permanent Land Income Fund each year, and the entire balance of Permanent Land Income Fund is available for legislative appropriation and distribution to the beneficiaries.

The trust revenues that are appropriated to the public schools are directed to two main funds – the School Capital Construction Account and the School Foundation Program Account. The School Capital Construction Account receives one-third, but no more than \$8 million, of the mineral royalties generated by common school lands each year. Total funding for the School Capital Construction Account was approximately \$380 million in fiscal year 2004, bringing state trust revenues to about 2% of the total for the Capital Construction Account.¹¹ These funds are managed and expended by the School Facilities Commission for construction of school facilities and the repayment of bonds issued to generate funds for school construction. Common school state trust land revenues in excess of \$8 million per year are distributed to the School Foundation Program Account.

The School Foundation Program Account is funded through a number of sources, including trust land revenues as directed by the Wyoming Legislature.¹² Revenue from trust lands distributed to the School Foundation Program Account in FY 2004 totaled \$64,204,627 providing 9.5% of total revenues deposited into the School Foundation Program Account.¹³

There is an exception for the Common School Trust, where up to one-third and no more than \$8 million annually from mineral royalties is deposited in the School Capital Construction Fund with the balance deposited in the Public Schools Permanent Land Fund (see Public School Funding Chart next page).

Public School Funding Chart¹⁴



Public schools in Wyoming receive funding from a combination of federal, state and local funds. State funding provides nearly half (49.5%) of total education funding, and of the state's portion, trust land revenues make up approximately 9.5% of that amount, making it a noteworthy source of state funding for public schools.

FY 2003 Public School Funding Source Diagram¹⁵

Local and Intermediate Funds

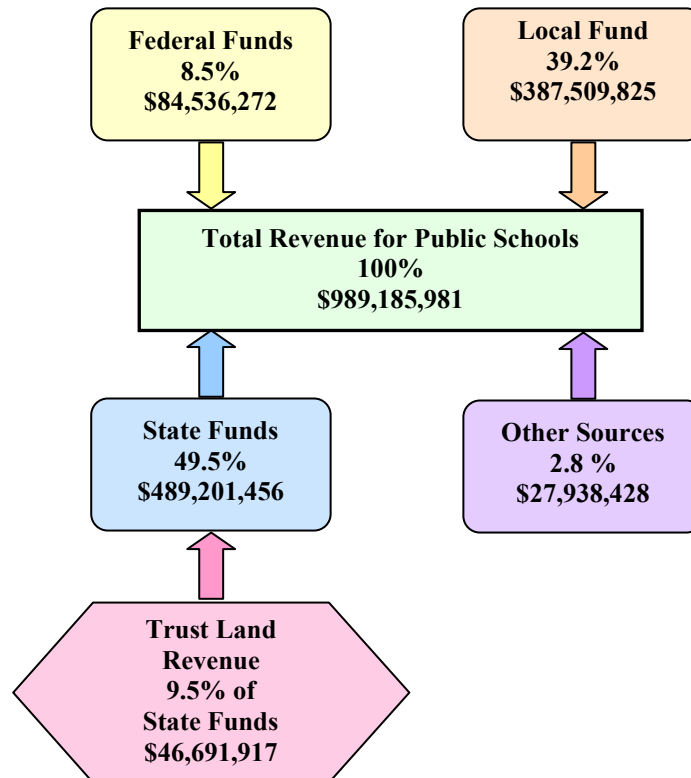




Photo: Wyoming OSLI

According to OSLI Director Lynne Boomgaarden, “The trust’s contribution to education is extremely valuable and important in funding portions of both the Wyoming School Foundation Program and the School Capital Construction Account. Monies from school trust assets free up state general fund monies for other purposes.”¹⁶ Trust land revenues in Wyoming, by this token, reduce legislative budgetary pressures by allowing the state to meet its

education funding obligation through use of trust revenues to off-set general fund appropriations, which would otherwise need to be raised through increased taxes or cuts in other government services. Though the beneficiaries typically play a very limited role in trust management, representatives of the beneficiaries are presently “serving on an executive-legislative task force to review trust management funding.”¹⁷

Sources:

- ¹ Wyoming Office of State Lands & Investment Annual Report 2005, <http://slf-web.state.wy.us/admin/adobe/annualReport05.pdf>.
- ² Lynne Boomgaarden, Director of the Wyoming Office of State Lands and Investments. Personal communication, 2005.
- ³ Wyoming Office of State Lands & Investment Annual Report 2004, page 1.
- ⁴ Wyoming Constitution, Article XVIII, § 3.
- ⁵ Wyoming Statute § 36-3-111.
- ⁶ Wyoming Office of State Lands & Investment website, <http://slf-web.state.wy.us/>
- ⁷ Wyoming Office of State Lands & Investment, Annual Report 2005.
- ⁸ Ibid.
- ⁹ Wyoming Office of State Lands & Investment Annual Report 2004.
- ¹⁰ Ibid.
- ¹¹ Wyoming State Legislature, Fiscal Note for SF 0002 of the 2004 Legislative Session.
- ¹² State of Wyoming School Foundation Block Grant as of 2005 Laws. Wyoming Legislative Service Office, March 2005.
- ¹³ Wyoming State Legislature, Fiscal Information, webpage, <http://legisweb.state.wy.us/budget/fiscal/profile.pdf>.
- ¹⁴ Generated from information from the Wyoming OSLI, Constitution, and Statutes.
- ¹⁵ FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data, which comes from the Wyoming Office of State Lands and Investment *Annual Report 2003*. “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>.
- ¹⁶ Lynne Boomgaarden, Director of the Wyoming Office of State Lands and Investments. Personal communication, 2006.
- ¹⁷ Ibid.

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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10-2-2007



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