

The image is a composite graphic for a report. The main background is a wide-angle landscape photograph of a mountain valley. In the foreground, there is a field of tall green grass with several clusters of pink and white wildflowers. The middle ground shows a valley with a dense forest of evergreen trees. In the background, there are large, rugged mountains with some snow on their peaks under a blue sky with scattered white clouds. The text 'COLORADO STATE BOARD OF LAND COMMISSIONERS' is overlaid in white, bold, sans-serif font across the middle of the landscape. On the right side, there is a vertical strip of three smaller images: a photograph of a modern school building with a sign that reads 'LAKE COUNTY HIGH SCHOOL', a close-up photograph of a white wind turbine blade against a blue sky, and a green rectangular box containing the text 'FY 2015-2016 ANNUAL REPORT'. At the bottom right, there are two logos: the Colorado Department of Natural Resources (DNR) logo, which features a green triangle with a white mountain and a tree, and the Colorado State Land Board logo, which consists of the text 'COLORADO State Land Board' next to a stylized green triangle containing a white mountain and a tree.

COLORADO STATE BOARD OF LAND COMMISSIONERS

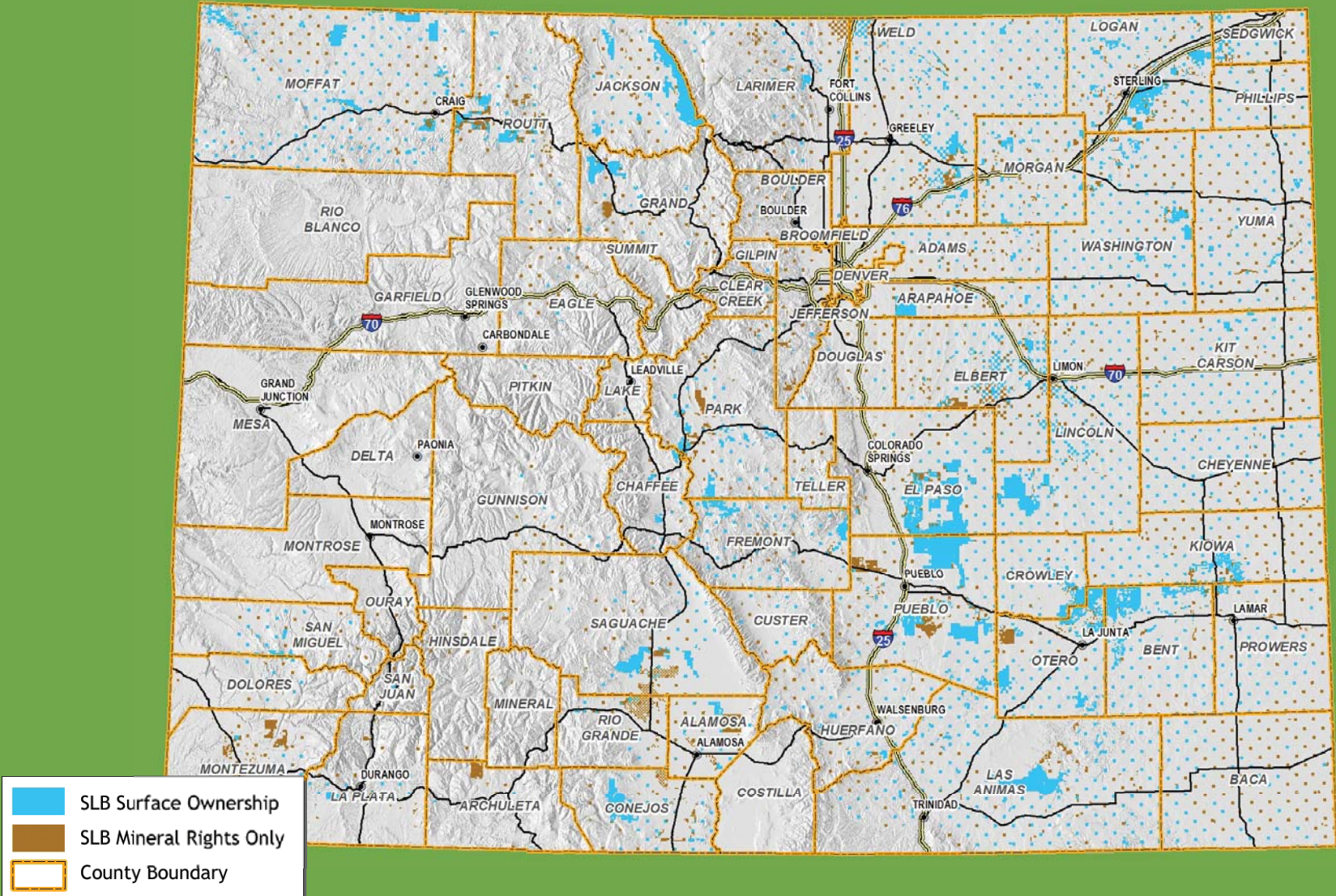


FY
2015-2016
ANNUAL REPORT



COLORADO
State Land Board

The state of Colorado covers 66.5 million acres. The State Land Board owns and stewards 2.8 million acres of that land and 4 million acres of mineral rights, making us the second-largest landowner in Colorado (4 percent). The federal government owns 36 percent.



Cover photo 1: Aster wildflowers and mountain grassland on Little Cochetopa in Caffe County frame the Pahlone Mountain peak (elevation 12,667).
Cover photo 2: Lake County High School in Leadville, CO, received a BEST grant to build its new \$26 million facility in 2014. The view from this rural school includes Colorado's two highest peaks: Mt. Elbert (14,439 feet) and Mt. Massive (14,429 feet). Approximately 290 schoolchildren attend.

FY 2015-2016 ANNUAL REPORT

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Learn more:
colorado.gov/statelandboard



We have helped nearly 150,000 Colorado schoolchildren from 124 school districts get better school facilities.

state.co.us/CDEfinance

We generated \$137.3 million in FY 2015-16.



The Arkansas River passes through state trust land in Chaffe County.

MISSION AND HISTORY

MISSION

The State Land Board manages an endowment of assets held in perpetual, intergenerational, public trusts for the financial support of Colorado's public schools and other public institutions.

DUAL RESPONSIBILITIES

Generate reasonable and consistent income over time, and protect and enhance the natural values of state trust lands.

VISION

Colorado's trust lands will be recognized as one of the most significant assets in our state, providing value for each generation of beneficiaries.



Aspen trees and sagebrush on state trust land in Route County.

HISTORY

The Colorado State Land Board was created at statehood (1876) when President Ulysses S. Grant signed Proclamation 230 to make Colorado the 38th state to join the Union. Through the Colorado Enabling Act, Congress gave federal land grants to Colorado to support public beneficiaries, namely public schools.

Why? America's founders saw federal land grants as a feasible way to support newly formed states, especially since our country was land rich but cash poor. Also, many of the founders held a fervent belief that education would ensure that citizens were prepared to exercise the freedoms and responsibilities granted through the Constitution.

Fast-forward 140 years. Today the State Land Board stewards a \$4 billion trust of assets for generations of beneficiaries. We are an entrepreneurial agency that operates like a large leasing company.

LEADERSHIP LETTER



Ryan (left) and Butterworth toured the Bohart Chico Ranch.

Gary Butterworth
President, Board of Commissioners
Colorado State Board of Land Commissioners

Bill Ryan
Director
Colorado State Board of Land Commissioners

Greetings,

Colorado is revered for its abundance of natural resources. Included among these are the nearly 3 million acres of land and 4 million acres of mineral rights that the State Land Board stewards and utilizes for the benefit of public education in Colorado.

We're proud of the important role that our intergenerational trust has in supporting state trust beneficiaries, principally Colorado's K-12 public schools. This year the State Land Board generated \$137.3 million for our beneficiaries.

The Building Excellent Schools Today (BEST) program, which provides funding in the form of competitive grants to school districts for capital improvement projects, is a meaningful way to see how our work helps beneficiaries. BEST has provided grants to improve more than 350 school facilities located across the state from Alamosa to Craig, which has affected nearly 150,000 Colorado schoolchildren.

While extractive resources—particularly oil and gas—have generated the majority of our revenue, we are motivated to be innovative by increasing recurring revenues in renewable energy, recreation, commercial, and agriculture. We accurately predicted volatility in the oil and gas market: our oil and gas revenue in FY 2015-16 marked a decline relative to recent booming years. Thus, recurring revenues are critical to helping us fulfill our forward-looking, intergenerational mission. As an entrepreneurial agency, we are constantly evolving, learning, and developing ways to better serve our beneficiaries and our customers. We welcome your ideas.

The successes you'll read about in this report have been the result of strong teamwork and partnerships. We are grateful to our Commissioners, the exemplary staff, hardworking lessees, engaged citizens, and our many partners across the state.

Thank you. Together we create opportunities to support state trust beneficiaries for generations to come.

WHO WE ARE

Our agency is led by a Board of Commissioners. The Board is made up of five citizen volunteers, chosen by the Governor and confirmed by the Colorado State Legislature. Commissioners are appointed to four-year terms and are limited to two consecutive terms.

Our agency was founded at statehood (1876). The Colorado Constitution requires that four of the five Commissioners have substantial experience in four separate areas: public K-12 education, production agriculture, local government, and nature resources. The fifth Commissioner serves as a citizen-at-large. The Commissioners do not represent the interest of a particular sector. They represent the interest of the beneficiaries.

The Commissioners are supported by Staff Director Bill Ryan and 44 agency employees.



Commissioners tour the Lowry Ranch in Arapahoe County.



Marsh Felwort (Lomatogonium rotatum) is a common native wetland plant found in mountain wetlands between elevations 7,600 and 10,500 feet.

FY 2015-16 Board of Commissioners



Gary Butterworth
Natural Resources
Board President
Colorado Springs, CO



Robert Bledsoe
Agriculture
Hugo, CO



Barbara Bynum
Education
Montrose, CO



Greg Moffet
Local Government
Vail, CO



John M. Shaw
Citizen-at-large
Denver, CO



Nohku Crags in the Never Summer Mountains, located within the State Forest State Park in northern Colorado.

CONTACT US

Are you interested in leasing opportunities? Do you have questions or comments? We want to hear from you.

Call our main number at 303-866-3454 and we will direct your call accordingly. Or you can call us by location or by type of business.

LOCATIONS

We have seven offices throughout the state.

Denver | Main Office
303.866.3454

Craig | Northwest
970.824.2850

Eaton | North Central
970.454.5279

Sterling | Northeast
970.522.0975

Alamosa | Southwest
719.589.2360

Pueblo | South Central
719.543.7403

Lamar | Southeast
719.336.3031

LINES OF BUSINESS

Agriculture
303.866.3454 x3325

Commercial Leasing
303.866.3454 x3327

Ecosystem Services
303.866.3454 x3318

Mining
303.866.3454 x3313

Oil and Gas
303.866.3454 x3324

Recreation
303.866.3454 x3342

Renewable Energy
303.866.3454 x3335

Rights-of-way
303.866.3454 x3328

Tower Sites
303.866.3454 x3328

LINES OF BUSINESS: Our Revenue Sources

The State Land Board generates revenue by leasing state-owned trust land and minerals. In FY2015-16 we had nearly 7,750 active leases and we earned \$137.3 million. Revenue supports eight trust beneficiaries, primarily Colorado's K-12 schoolchildren.

We are entrepreneurial in our pursuit of income. While our recent success remains largely due to extractive leases, such as oil and gas development, we are pushing ourselves to be innovative by increasing recurring revenues.

The growth of these long-term revenue streams is critical to helping our agency fulfill our forward-looking, intergenerational mission. That's why we have expanded renewable energy, recreation, ecosystem services, commercial real estate, and agricultural leasing.

We also layer leases as a strategy to maximize revenue. For instance, one parcel of land might have an agricultural cattle grazing lease as well as a right-of-way lease for a power line. We ensure that layered leases have minimal impact on one another.

Lines of Business

- Agriculture (grazing, dry land crop production, and irrigated farming)
- Commercial Real Estate
- Ecosystem services (environmental mitigation of water, biodiversity, and carbon)
- Mining (limestone, gypsum, coal, precious metals, and more)
- Oil and gas
- Recreation (hunting, fishing, hiking, horseback riding, and more)
- Renewable energy (solar, wind, hydropower, geothermal, and biomass/bioenergy)
- Rights-of-way
- Tower sites
- Water resources

Rights-of-Way

With nearly 3,000 rights-of-way (ROW) leases, revenue from this line of business increased 30 percent to \$2.3 million in FY 2015-16. We grant ROW contracts only when the lease minimizes encumbrances, preserves long-term real estate value, and enables additional layered leases.





Commercial

The State Land Board owns a portfolio of commercial office buildings totaling 600,000 square feet that we lease to private sector tenants. We also issue long-term ground leases to accommodate commercial development. The commercial real estate line of business generated \$4.5 million in FY 2015-16.

Recreation

Recreational uses of trust lands include hunting, fishing, hiking, cross country skiing, wildlife viewing, and horseback riding. Anyone may apply for a recreation lease, but only lessees may access state trust land: unlike public land, trust lands are not open to the public. In the past year, recreation revenues have increased by 24 percent to \$1.6 million in FY 2015-16.



Agriculture

We have nearly 2,300 agricultural surface leases for grazing, dry land crop production, and irrigated farming. These leases generated \$11.7 million in FY 2015-16. Many agriculture lessees have leased state trust lands for generations. Lessees are expected to steward the land in ways that protect and enhance the property's long-term value.

OUR IMPACT: Supporting Colorado's Schoolchildren

Activities on state trust land generated \$137.3 million in revenue in FY 2015-16 to support eight trust beneficiaries, primarily (99 percent) K-12 schoolchildren in Colorado.

Since 2008, we have contributed more than \$500 million to the Building Excellent Schools Today (BEST) program, which represents 87 percent of the program's total funding. BEST offers competitive grants to school districts for the construction of new schools or for the renovation of existing school facilities.

The balance of revenue after BEST contributions and agency operations flows to the Public School Permanent Fund, which is an inviolable cash endowment managed by the State Treasurer's Office. The interest from the fund goes toward the state's education budget: the fund reached \$886 million in FY 2015-16, which generated \$22.5 million in interest.



Nearly 150,000 schoolchildren are enrolled in schools that received a BEST grant.



BEST goals

- Give students superior learning opportunities.
- Equip teachers with the best modern teaching tools.
- Build safe, secure, and healthy 21st century, high performing facilities.



“The great thing about the BEST program is it allows small, rural school districts to go ahead and complete capital construction projects that otherwise we’d never be able to complete. So in our case ... we were able to build our [new school] building because of a \$13.5 million grant.”

—Jim Kimmel, Superintendent,
Prairie School District, Weld County



BEST has provided grants for 381 school facilities in 124 school districts. The majority of BEST grant recipients are located in rural areas of the state.



From 2008-2014, BEST helped create more than 19,500 jobs. This includes direct, indirect, and induced jobs due to the capital construction projects. Analysis provided by the Colorado Department of Local Affairs.

FY 2015-16 FINANCIAL OVERVIEW

Colorado state trust land generated **\$137.3 million** in revenue in FY 2015-16 via nearly **7,750 active leases**. Revenue supported eight trust beneficiaries, primarily Colorado's K-12 schoolchildren.

As we anticipated, the downturn in the oil and gas markets resulted in significantly lower revenue for our agency. We experienced a 28 percent decrease in oil and gas and coal leasing revenues in FY 2015-16. The volatility of those markets underscores our agency's strategic efforts to fulfill our forward-looking, intergenerational mission by diversifying our revenue streams.

Indeed, our decline in revenues from extractive resources was partially off-set by the increase of recurring revenue streams, which had strong growth in FY 2015-16: surface revenues increased 15 percent to \$18.2 million and commercial revenues increased 17.5 percent to \$4.5 million.

View colorado.gov/statelandboard for our complete income and investment report.

Our Fiduciary Duty

The State Land Board, as the trustee, has a legal and ethical obligation to act solely in the best interest of our beneficiaries.

FY2015-16 Trust Revenue Allocations

50% = Capital construction for Colorado's public schools

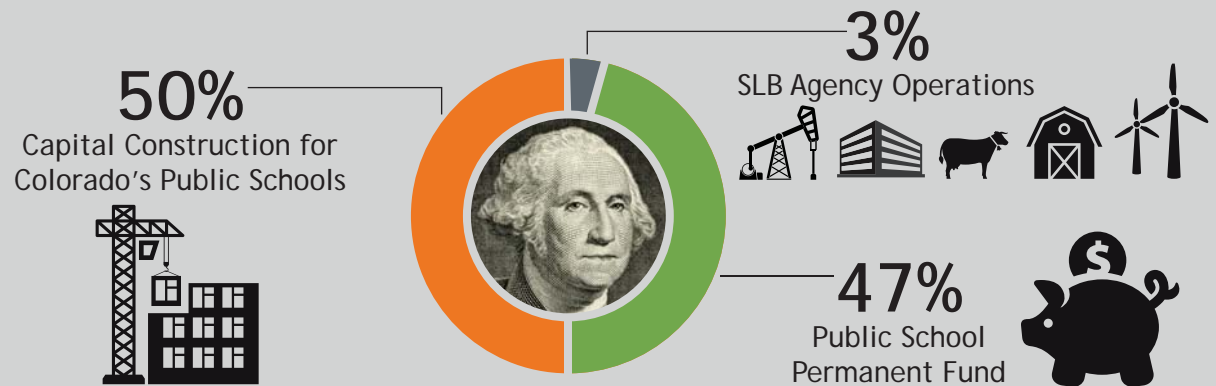
Since 2008, 50 percent of our revenue has been directed to the Building Excellent Schools Today (BEST) program. We generated \$65.4 million for the BEST program in FY 2015-16. (See page 8 for a description of BEST.)

3% = Agency operations

The State Land Board is a self-funded state agency. We receive no taxpayer dollars. Rather, money for our operations comes entirely from trust gross revenues. The State Land Board employed 45 people and had \$6.6 million in operating expenses in FY 2015-16.

47% = Public School Permanent Fund

Every year, the balance of revenue after BEST contributions and agency operations flows to the Public School Permanent Fund (Permanent Fund). We deposited \$68 million into the fund in FY 2015-16, which brought the year-end balance to \$886 million. We anticipate that it will reach \$1 billion by FY 2017-18. This endowment fund is managed by the State Treasurer's Office. The body of the permanent fund is inviolable; the interest it generates is used to support K-12 education annually. In FY 2015-16 the Permanent Fund generated \$22.5 million in interest.



Annual Income Statement for All Trusts (Cash Basis)

REVENUE	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
MINERALS					
Oil Royalties	\$27,346,650	\$34,041,139	\$76,606,584	\$79,241,180	\$42,071,794
Gas Royalties	\$17,438,673	\$13,803,886	\$23,469,305	\$26,126,529	\$17,481,817
Oil and Gas Rentals	\$2,250,789	\$2,621,722	\$2,348,291	\$1,970,488	\$1,616,604
Solids Royalties and Rentals (Coal, Limestone, Sand, Gravel, Water)	\$5,338,217	\$2,922,434	\$2,744,543	\$9,112,913	\$4,536,874
Bonus	\$78,447,368	\$53,183,032	\$50,038,376	\$50,700,406	\$42,675,252
TOTAL MINERALS	\$130,821,697	\$106,572,213	\$155,207,099	\$167,151,516	\$108,382,341
SURFACE					
Agricultural Rental	\$2,171,225	\$2,684,459	\$3,168,492	\$3,657,610	\$3,876,351
Grazing Rental	\$6,401,933	\$6,458,486	\$5,687,364	\$6,570,484	\$7,850,888
Recreation	\$919,718	\$981,450	\$1,024,853	\$1,330,075	\$1,649,409
Right of Way	\$782,435	\$1,615,938	\$1,351,680	\$1,802,261	\$2,348,797
Other (interest, land sales, etc)	\$1,783,893	\$2,253,305	\$2,349,072	\$7,045,544	\$8,706,926
TOTAL SURFACE	\$12,059,204	\$13,993,638	\$13,581,461	\$20,405,974	\$24,432,370
COMMERCIAL					
Buildings	\$1,844,147	\$2,884,474	\$2,745,932	\$2,099,478	\$2,372,291
Ground Lease	\$702,419	\$622,147	\$1,038,490	\$745,110	\$897,290
Tower Sites (Cell, etc.)	\$317,098	\$265,548	\$346,549	\$302,614	\$390,892
Renewable Energy	\$564,983	\$601,382	\$683,974	\$650,134	\$801,217
TOTAL COMMERCIAL	\$3,428,647	\$4,373,550	\$4,814,944	\$3,797,336	\$4,461,690
TOTAL REVENUE	\$146,309,548	\$124,939,401	\$173,603,504	\$191,354,826	\$137,276,402
Operating Expenses	\$5,123,091	\$5,106,935	\$7,064,903	\$6,449,210	\$6,654,083
NET OPERATING INCOME	\$141,186,457	\$119,832,466	\$166,538,601	\$184,905,617	\$130,622,318
Permanent Fund Interest*	\$24,055,590	\$21,738,351	\$21,610,649	\$22,448,806	\$22,486,730
TOTAL REVENUE	\$165,242,047	\$141,570,816	\$188,149,250	\$207,354,423	\$153,109,048

* Managed by the State Treasurer.

- Net operating income + Permanent Fund interest

5-Year Cumulative Total Revenue

\$855,425,585



Miramonte Meadows frame the Lone Cone mountains in San Miguel County.

BENEFICIARY INCOME

Gross Revenue for Trust Beneficiaries (FY 2015-16)

TRUST	BENEFICIARY	FY 2015-16 REVENUES	% of total
School Trust	Common Schools	\$136,164,391	99.19%
CSU Trust	Colorado State University	731,207	0.53%
Internal Improvements Trust	Colorado Parks and Wildlife	212,993	0.16%
CU Trust	University of Colorado	47,109	0.03%
Public Buildings Trust	Public Buildings	36,853	0.03%
Saline Trust	Colorado Parks and Wildlife	34,817	0.03%
Forest	Multiple	23,121	0.02%
Penitentiary Trust	Colorado Department of Corrections	16,466	0.01%
Hesperus Trust	Fort Lewis College	9,444	0.01%
TOTAL TRUST REVENUES		\$137,276,402	100.00%

NOTE: total trust gross revenues for the trust were \$161 million in FY 2015-16. \$2.4 million from marijuana sales tax revenue (Section 39-28.8-305(1)(b), C.R.S.) and \$22.5 million in interest income earned on the Public School Permanent Fund supplemented the State Land Board's \$137.3 million contribution.

How does it work?



Photo courtesy of National Cancer Institute; photo by Michael Anderson



State trust lands are an integral part of several state parks, such as Roxoborough State Park in Douglas County.

colorado.gov/statelandboard
303-866-3454

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COLORADO
State Land Board