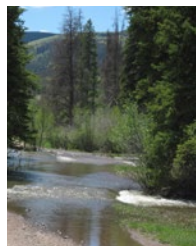


FISCAL YEAR
2018-2019

Annual Report

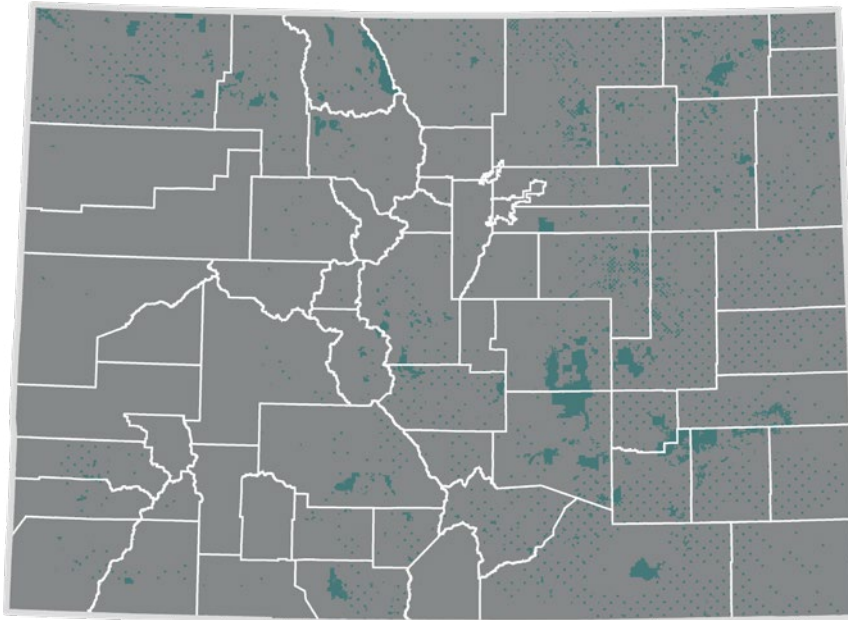
An innovative land trust funding Colorado schools since 1876.



COLORADO
State Land Board

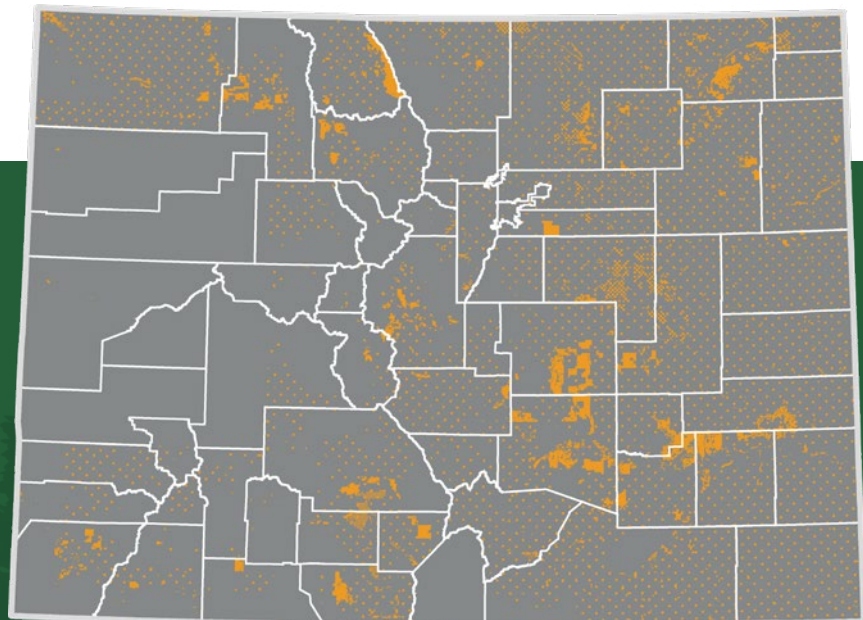
The state of Colorado spans 66.5 million acres.

The State Land Board owns **2.8 million surface acres** (pictured below in blue) and **4 million sub-surface acres** (pictured below in orange), making us the second-largest landowner in our state.



2.8M
surface
acres

4M
sub-surface
acres



Front cover photo: Pasture land at the Antero Spring Creek property in Park County.

FY18-19 Annual Report

Greetings,

We're thrilled that fiscal year 2018-2019 proved to be a banner year at the Colorado State Land Board – we generated \$174 million on behalf of trust beneficiaries. We're incredibly proud of the important role our intergenerational trust has in supporting Colorado schools.

This marks the third highest revenue year in our agency's 143-year-old history and a record-setting high of \$29.6 million in Permanent Fund earnings.

The successes you'll read about in this report have been the result of teamwork and partnerships. I am grateful to our five dedicated Commissioners who volunteer countless hours serving on the Land Board. I'm equally appreciative of our effective staff, hardworking lessees, engaged citizens, and our many partners across the state.

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

Thank you.



Bill Ryan
Director, State Land Board

WHAT YOU WILL FIND IN THIS REPORT

- Agency mission and history..... 2
- Our impact on schools..... 3
- Agency leadership 4
- Contact us..... 5
- Working with us 6
- How revenue flows to schools.... 7
- Stewarding the land 8
- FY18-19 fun facts 10
- Finance summary 12
- The trust 14
- Permanent Fund Investment Board 15
- Income statement 16

▶ CONTACT US!



303.866.3454

colorado.gov/statelandboard

The 2026 Strategic Plan

In June 2019, the Commissioners at the State Land Board approved the agency's bold strategic plan. It serves as our compass as we look ahead to our agency's 150th anniversary in 2026.

▶ READ THE PLAN @

colorado.gov/statelandboard/about-state-land-board

We generated \$174 million
in FY18-19

Shortgrass prairie wildflowers.



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.

Generate reasonable and consistent income over time.

Protect and enhance the long-term productivity and sound stewardship of working trust lands.

2

VISION

Make possible capital funding for the modernization of all Colorado public schools.

Rooted in Our Country's Founding



Our agency 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—primarily public schools.

The Colorado State Land Board has been funding Colorado's public schools since statehood. This schoolhouse was operational in Gilpin, CO, circa 1900. Courtesy of the Gilpin History Museum.

Our Impact on Colorado's Schoolchildren

The State Land Board is the primary funding source for the Department of Education's Building Excellent Schools Today (BEST) program. BEST offers competitive grants to school districts for the construction of new schools or the renovation of existing facilities.

We've contributed \$717 million to BEST since the program began in 2008.



BEST construction projects have created **37,000 jobs.**

(Source: DOLA, 2018)

BEST GOALS

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



Deer Trail 26-J in Arapahoe County received a \$28 million grant. Students helped shovel dirt at the ceremonial groundbreaking.



Columbine Middle School in Montrose County received a \$12.5 million BEST grant.



Buena Vista High School in Chaffee County received a \$21.4 million BEST grant and hosted a groundbreaking ceremony.

The Land Board contributed **\$82.4 million** to BEST in FY18-19.

225,000 Colorado school kids have attended BEST schools.



The majority of **BEST grant** recipients are located in rural areas of the state.

Leadership

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. As fiduciaries, our Commissioners are responsible for prudently taking care of trust assets on behalf of beneficiaries, who are primarily Colorado schoolchildren.

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 natural resources. The fifth Commissioner serves as a citizen-at-large. The Commissioners do not represent the interest of a particular sector. Instead, they apply their industry experience when they make decisions on behalf of beneficiaries.

Commissioners are supported by 45 agency employees who are located in seven offices throughout the state.

► Learn more about our leadership @ colorado.gov/statelandboard/commissioners-director



Board President Bynum and Staff Director Ryan review ownership maps during a public meeting.



Board tour of Sherman Creek Ranch in Jackson County.

Our Board of Commissioners



Gary Butterworth
Natural Resources
Colorado Springs, CO



Barbara Bynum
Board President
Education
Montrose, CO



Tyler Karney
Agriculture
Ordway, CO



Greg Moffet
Local Government
Vail, CO



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

Staff toured the Noble Energy Field Office and Training Facility in Greeley, CO.



Holistic grazing workshop at Lowry Ranch in Arapahoe County. Courtesy of Raquel Wertsbaugh.



Contact Us



Electronic fence facilitates grazing management at Lowry Ranch in Arapahoe County. Courtesy of Raquel Wertsbaugh.

RECEIVE OUR E-NEWSLETTER

Stay in touch! Please contact us to sign up to receive our quarterly e-newsletter, *Field Notes*. View our past issues @ colorado.gov/statelandboard/fieldnotes



Sheep Pen Canyon (Stewardship Trust property) in Las Animas County.

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 x3326
- Recreation
303.866.3454 x3342
- Renewable Energy
303.866.3454 x3327
- Rights-of-way
303.866.3454 x3328
- Tower Sites
303.866.3454 x3328



LOCATIONS

We have seven offices throughout the state.

Alamosa | Southwest
719.589.2360

Denver | Main Office
303.866.3454

Eaton | North Central
970.454.5279

Lamar | Southeast
719.336.3031

Pueblo | South Central
719.543.7403

Steamboat Springs | Northwest
970.879.9992

Sterling | Northeast
970.522.0975

Working With Us

What We Do

The State Land Board generates revenue for schoolchildren and other beneficiaries by leasing state-owned trust lands and minerals. 95% of the income we earn supports beneficiaries; less than 5% funds our internal operations because we receive \$0 tax dollars. In FY18-19 we had 7,660 active leases, and we earned \$151.9 million from operations.

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 recurring 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 agriculture leasing. This year we also began exploring commercial ground leases for affordable housing.

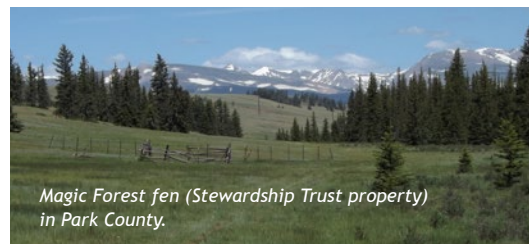
We also layer leases as a strategy to maximize revenue. For instance, one parcel of land might have an agricultural cattle grazing lease as well as a right-of-way lease for a power line. We ensure that layered leases have minimal impact on one another.

Lines of Business

- Agriculture (grazing, dry land crop production, and irrigated farming)
- Commercial real estate
- Ecosystem services (environmental mitigation of impacts on 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

6

Visit us @ colorado.gov/statelandboard



agriculture/grazing



agriculture/crop land



commercial real estate



ecosystem services



mining



oil and gas



“Grazing leases are a huge part of land stewardship for us. Grazing improves the land over time if you do it right. We expect lessees to maintain the long-term quality of trust lands because our agency needs to earn money not only for today’s students, but also for future generations of children.”

— William Woolston, Field Operations Supervisor

We're proud that...

95% of our income supports beneficiaries; we use only **5%** to fund our operations.



Buffalo Creek in Park County.

 Your lease payment supports Colorado schools!



1 State Land Board leases trust lands and/or minerals to lessees.

2 Lessees operate and take care of the land. Lessees make annual lease payments.

3 Revenue from lease payments directly supports Colorado K-12 schoolchildren.

Your rent helped fund 524 schools in Colorado! Read more on page 3.

recreation



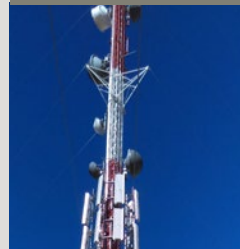
renewable energy



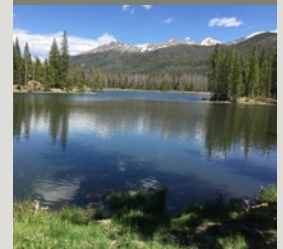
rights-of-way



tower sites



water resources



Stewarding Trust Lands For Generations to Come

The State Land Board uses a variety of stewardship tools for the responsible management of trust land.

We use these tools individually or in tandem to identify and protect the land's important natural values and resources. The stewardship tools enable us to protect resources for the long-term benefit of beneficiaries while continuing to generate revenue in the short-term. Our Commissioners strive to find a balance between stewarding the land and earning income from it.

■ STEWARDSHIP TRUST

A special management designation placed by our Board on 10% of state trust lands with the highest natural values to preserve the long-term benefits of, and returns from, those assets to the trusts. The Stewardship Trust was created by Amendment 16 to the State Constitution.

■ COLORADO DESIGNATED NATURAL AREAS

The Colorado Parks and Wildlife (CPW) program that recognizes and monitors the state's finest examples of biodiversity, rarest plants, and geological or paleontological features.

■ ASSET MANAGEMENT PLANS (AMPs)

A management plan prepared by our agency for a specific state trust property (generally a large property asset of 25,000 acres or more).

■ STEWARDSHIP ACTION PLANS (SAPs)

A management plan prepared by our agency for a specific species or resource of concern on a landscape scale (i.e. greater than 20,000 acres).

■ LEASE STIPULATIONS

Timing and surface use restrictions applied to new leases, typically oil and gas leases, to protect wildlife and/or rare plants. The lessee is in violation of the lease and subject to termination if the stipulations aren't followed.

■ HOLISTIC GRAZING PRACTICES

Grazing leases designed to reward lessees for utilizing certain stewardship practices, such as holistic grazing or flexible AUMs (animal unit months).

■ BEST MANAGEMENT PRACTICES

On-the-ground practices or procedures that lead to enhanced stewardship outcomes on state trust lands.



104
of properties
in Stewardship
Trust

10
percent of trust
lands in the
Stewardship
Trust



Lupine and Indian paintbrush wildflowers on the prairie.

Stewardship:

an ethic that embodies the responsible planning and management of resources.

296,131
of acres in the
Stewardship Trust



Burrowing owl on yucca plant in Arapahoe County.

Amendment 16, Section 10

In 1996, the passage of Amendment 16 to the state Constitution by Colorado voters established a new emphasis in how our agency carries out our mission, particularly with regard to long-term productivity and sound stewardship of state trust lands. Amendment 16 specifically directed the Board to develop new tools that would promote sound stewardship and land management practices; long-term agricultural productivity; community stability; natural resource management practice; and conservation easements.



“As trustees of a perpetual trust, we should recognize and seek balance between the needs of today’s schoolchildren the needs of the generations of children to come. Responsible stewardship of the land assets protects those assets and their value for both current and future generations of beneficiaries.”

— Mike Bloom, Former Commissioner (2007-2015),
State Land Board

2,780,420
of trust acres
in Colorado

Protected Natural Values Include:

- ▶ Rare plants
- ▶ Important wildlife habitat
- ▶ Geologic formations
- ▶ Important cultural sites
- ▶ Important archaeological sites
- ▶ Beauty



FY18-19 By the Numbers



1st

The State's first
wind turbine was
on trust land



581,783

Animal Unit Months
(AUMs) on trust land



2,780,420

number of acres of
surface land owned



278,313

number of miles
driven by
State Land Board
staff



3,990,077

of sub-surface
acres owned



174,084,729

Money generated for beneficiaries



1,800,000

Dollar value of trust water assets

480,000

Trust land acres enrolled in the Public Access Program

4

Percent of Colorado's renewable energy megawatts are generated on trust land



225,000

Pupil attendance at BEST schools (since 2008)



12

Percent of extraction leases actually drilled



FY18-19 Financial Overview

Colorado state trust lands generated \$151.9 million in revenue for distribution to the beneficiaries in FY18-19 via 7,660 active leases. This revenue flows to eight trust beneficiaries, primarily public schools. Of the eight beneficiaries (listed on page 16), Colorado public schools received 98.4% of all revenue.

In total, we generated \$174.1 million, which reflects gross leasing revenue and Permanent Fund interest. View the annual income statement of page 17.

The oil and gas markets continue to be unpredictable. The volatility of those markets underscores our agency's strategic efforts to diversify our revenue streams. Read more on page 6.

■ **Mineral extraction revenues increased by 20.9% to \$125.2 million** compared to last year. But revenues were down 39.7% relative to FY14-15.

■ **The \$1.15 billion Permanent Fund generated \$29.6 million in interest**, reflecting a 12% annual increase in earnings.

NON-RECURRING REVENUE

= income earned from extractive resources, such as leases for solid minerals, oil, and gas.

RECURRING REVENUE

= income earned from renewable resources, such as leases for wind turbines, solar gardens, commercial real estate, and agriculture.



VIEW OUR COMPLETE INCOME AND INVESTMENT REPORT @ colorado.gov/statelandboard/reports-2



The State Land Board generated
\$174M
in FY18-19

15.7%
annual increase
in revenue

FY18-19 Trust Revenue Allocations



5%

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 \$7.6 million in operating expenses in FY18-19.



2%

INVESTMENT AND DEVELOPMENT FUND

Per statute, the I&D Fund allows the agency to invest up to \$5 million per year of School Trust revenue back into School Trust assets in order to increase or maintain the value and/or income of these assets for the trust. In FY18-19 we spent \$2.1 million on trust asset improvements.



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 \$82.4 million for the BEST program in FY18-19.

Today (BEST) program. We generated \$82.4 million for the BEST program in FY18-19. See page 3 for a description of BEST.

43%



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 \$64.7 million into the fund in FY18-19, which brought the year-end balance to \$1.15 billion. 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 FY18-19 the Permanent Fund generated \$29.6 million in interest. Read more on page 15.

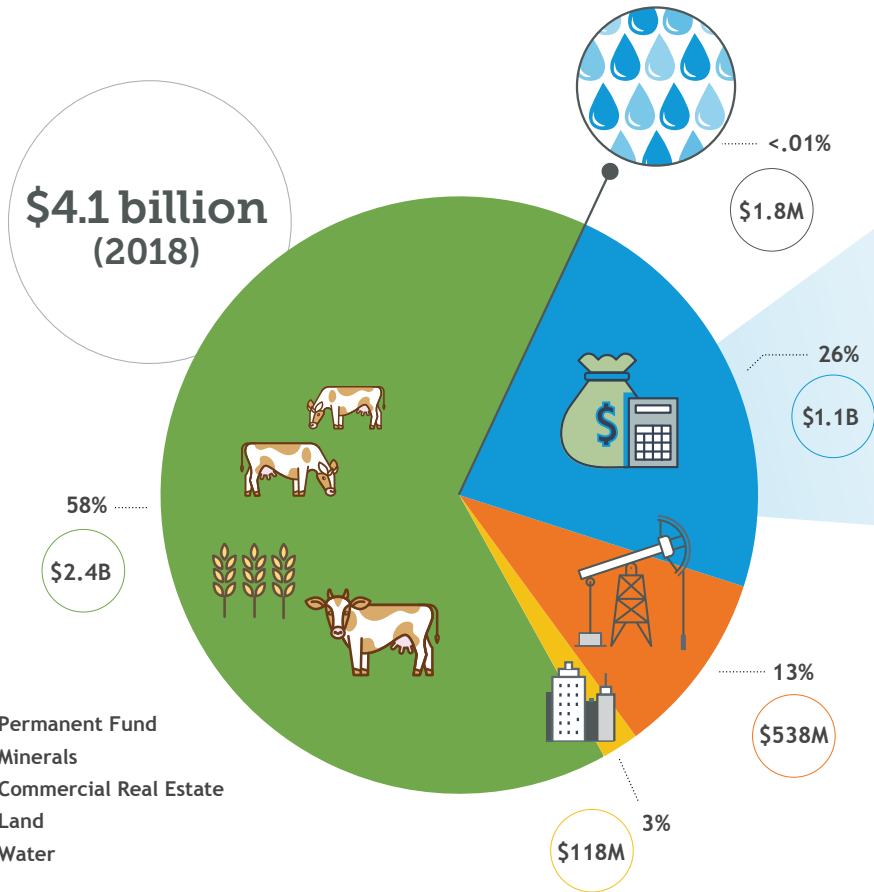


The State Land Board owns 2.8 million acres of trust land located throughout Colorado.



The School Trust

The Colorado State Land Board manages trust assets that are valued at \$4.1 billion. We earn income annually for beneficiaries by managing the assets that comprise the trust: land, water, minerals, commercial real estate, and the Permanent Fund.



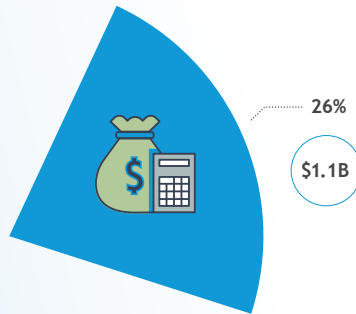
The Trust is valued at **\$4.1 billion**



TRUST:
 a legal agreement in which one entity (trustor/federal government) agrees to transfer assets (land and mineral estate) to another entity (trustee/Colorado State Board of Land Commissioners) who manages the assets for the benefit of a third party (beneficiary/Colorado schools).

The Public School Permanent Fund

The Public School Permanent Fund comprises the financial assets of the State Land Board's trust.



As of June 30, 2019, the endowment totaled \$1.15 billion. These funds are managed by the State Treasurer's Office and the Permanent Fund Investment Board (PFIB).

The corpus of the Permanent Fund is inviolable. The interest and earnings generated

from the endowment is used to support beneficiaries (K-12 public schools) annually. Every year, the balance of the State Land Board's annual revenue after BEST contributions and agency operations flows into the Permanent Fund. Excise tax from marijuana sales also flows into this endowment.

The PFIB was created in 2016 to ensure reasonable growth of the endowment. The board directs the State Treasurer on how to securely invest the money for the intergenerational benefit of Colorado's public schools.

The board members have a fiduciary duty to preserve, protect, and grow the principal of the endowment with a prudent level of risk over a long-term horizon.

The PFIB reports to the Commissioners of the State Land Board. Per Statute, the chair of the PFIB is the State Treasurer, and one member is a Commissioner from the State Land Board. The remaining three positions are filled by financial industry experts and are selected by the State Treasurer.



FY18-19 PERMANENT FUND INVESTMENT BOARD MEMBERS:

- Dave Young (as of 1/8/19)
Colorado State Treasurer
(Board Chair)
- Peter Calamari
Platte River Equity
- Jackie M. Hawkey
Black Creek Group
- John Hereford
Oakleaf Energy Partners
- Greg Moffet
Representative from the
State Land Board

Gross Revenue for Trust Beneficiaries (FY18-19)

TRUST	BENEFICIARY	FY18-19 REVENUES	% OF TOTAL
School Trust	Common Schools	\$149,511,840	98.40%
Internal Improvements Trust	Colorado Parks and Wildlife	\$1,275,990	0.84%
CSU Trust Common Schools	Colorado State University	\$740,122	0.49%
Public Buildings Trust	Public Buildings	\$258,710	0.17%
CU Trust	University of Colorado	\$54,564	0.04%
Forest	Multiple	\$44,856	0.03%
Saline Trust	Colorado Parks and Wildlife	\$40,641	0.03%
Penitentiary Trust	Colorado Department of Corrections	\$19,922	0.01%
Hesperus Trust	Fort Lewis College	N/A	N/A
Total Trust Revenues		\$151,946,655	100.00%

MESSAGE FROM OUR CFO

“The data presented in this annual report have been prepared in accordance with generally accepted government accounting standards by the hardworking staff of the Colorado State Land Board and the Office of the Treasurer. This report accurately represents the activity of the trust assets during fiscal year 2019.”

— Nick Massie, CFO-COO, Colorado State Land Board



Indian paintbrush, yucca, and coreopsis wildflowers.

Annual Income Statement for All Trusts (Cash Basis)

REVENUE	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Minerals					
Oil Royalties	\$79,241,180	\$42,071,794	\$44,023,788	\$56,046,618	\$86,794,449
Gas Royalties	\$26,126,529	\$17,481,817	\$20,714,628	\$25,154,539	\$26,288,944
Oil and Gas Rentals	\$1,970,488	\$1,616,604	\$1,185,520	\$1,296,410	\$1,246,924
Solids Royalties and Rentals (coal, limestone, sand, gravel, water)	\$9,112,913	\$4,536,874	\$8,942,276	\$5,689,805	\$7,589,570
Bonus	\$50,700,406	\$42,675,252	\$20,292,014	\$15,343,624	\$3,246,400
Total Mineral Revenue	\$167,151,516	\$108,382,341	\$95,158,225	\$103,530,996	\$125,166,287
Surface					
Agricultural Rental	\$3,657,610	\$3,876,351	\$3,908,112	\$3,866,369	\$3,370,571
Grazing Rental	\$6,570,484	\$7,850,888	\$8,348,545	\$8,826,661	\$8,885,800
Recreation	\$1,330,075	\$1,649,409	\$1,717,003	\$1,951,707	\$1,973,781
Rights-of-Way	\$1,802,261	\$2,348,797	\$1,301,113	\$2,833,525	\$1,535,169
Other [#]	\$7,045,545	\$8,706,926	\$3,665,988	\$3,634,759	\$5,558,956
Total Surface Revenue	\$20,405,974	\$24,432,371	\$18,940,761	\$21,113,021	\$21,324,277
Commercial					
Buildings (Net)	\$2,099,478	\$2,372,291	\$2,962,950	\$3,930,976	\$2,243,223
Ground Lease	\$745,110	\$897,290	\$1,022,149	\$1,095,940	\$1,140,622
Tower Sites (cell, etc.)	\$302,614	\$390,892	\$361,809	\$359,828	\$414,722
Renewable Energy	\$650,134	\$801,217	\$956,440	\$1,791,986	\$1,657,523
Total Commercial Revenue	\$3,797,336	\$4,461,690	\$5,303,349	\$7,178,730	\$5,456,091
Total Trust Gross Revenue	\$191,354,826	\$137,276,402	\$119,402,334	\$131,822,748	\$151,946,655
Non-Trust Fee Revenue	\$100,145	\$117,811	\$102,324	\$140,435	\$130,759
Total Agency Revenue	\$191,454,971	\$137,394,213	\$119,504,658	\$131,963,183	\$152,077,414
Operating Expenses	\$6,449,210	\$6,654,083	\$6,394,613	\$6,971,524	\$7,589,975
Net Operating Income	\$185,005,762	\$130,740,130	\$113,110,046	\$124,991,659	\$144,487,439
Permanent Fund Interest*	\$22,448,806	\$22,486,730	\$21,260,018	\$25,536,748	\$29,597,290
Total Revenue[^]	\$207,454,568	\$153,226,860	\$134,370,064	\$150,528,407	\$174,084,729
5-Year Cumulative					\$819,664,627

[^] Reflects prior period income adjustments. Total revenue = net operating income + Permanent Fund interest.

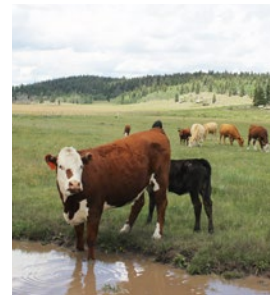
* This trust asset is managed by the State Treasurer.

[#] Other = fees and penalties; interest from account funds; expired land disposal income; and income from CRP, ecosystem services, homesites, subleasing, surface assignments, surface use agreements, and temporary access permits.

*View of the Sand Dunes from Zapata Falls
in Alamosa County.*



Stay in touch! 303.866.3454 | colorado.gov/statelandboard | 1127 Sherman Street, Suite 300, Denver, CO 80203



The Colorado State Land Board staff and Commissioners appreciate your partnership and welcome your continued feedback. Visit us at one of our seven offices throughout the state. Or join us in person or virtually at one of our monthly board meetings. Our meetings are live-streamed, and we hold our meetings in alternating locations throughout the state to make it easier for citizens from all areas of Colorado to attend. Learn more @ colorado.gov/statelandboard/public-meetings



COLORADO
State Land Board