COLORADO
State Land Board

An innovative land trust funding Colorado schools since 1876.

Fact Sheet: Impact of Proposition 112 on Colorado School Funding from State Trust Lands

The Colorado State Land Board calculates that Proposition 112 will eliminate $230.3 million of funding for Colorado's schools from state trust lands over a three-year period. School funding from trust lands will be reduced by 60%.

Proposition 112

Proposition 112 will be on the Colorado ballot for a vote in November 2018. It proposes that all new oil and gas surface developments on non-federal land in Colorado have a setback of 2,500 feet from any occupied structure and any land considered to be a sensitive/vulnerable area.

Colorado State Land Board (Trust Lands)

The Colorado State Land Board is a constitutionally created state agency that manages a $4.3 billion endowment of assets held in a trust for the intergenerational benefit of Colorado's K-12 schoolchildren and public institutions. The agency is the second-largest landowner in Colorado and generates revenue for its beneficiaries by leasing nearly three million surface acres and four million subsurface acres for agriculture, grazing, recreation, commercial real estate, rights-of-way, renewable energy, oil, gas, and solid minerals extraction. The State Land Board is entirely self-funded and receives no tax dollars.

The Colorado State Land Board has provided $1.4 billion to Colorado public schools in the past ten years. Per Statute, the Colorado State Land Board distributes half of its gross revenue to the Colorado Department of Education's Building Excellent Schools Today (BEST) program, which provides competitive capital construction grants to public schools. The remainder of revenue flows to the Public School Permanent Fund, an inviolable $1.05 billion endowment invested to generate interest that flows to the state's public school operating budget.

Since BEST's inception in 2008, 70% ($635 million) of its funding has come from the Colorado State Land Board. BEST has leveraged these dollars to award $1.7 billion in grants to improve health, safety, and security in 139 school districts for a total of 409 schools serving 180,000 students.

Proposition 112 Reduces Funding of Colorado Schools from Trust Lands by 60%

The Colorado State Land Board analyzed Proposition 112's impact on its leasing revenues over the past three fiscal years (July 1, 2015, through June 30, 2018) to assess what the revenue *would have been* under a 2,500 setback regulation. The Colorado State Land Board earned $388.8 million in total operating revenue from 2015-2018. If Proposition 112 had been implemented three years ago, revenue would have been reduced to $158.5 million, a 60% reduction.

- The Colorado State Land Board owns 2,780,316 acres of surface land. Proposition 112 impacts 2,193,857 acres (79%) of trust land surface acreage.
- The Colorado State Land Board owns 3,990,099 acres of subsurface mineral estate. Proposition 112 impacts 89% of oil and gas wells (2,361 of 2,661 wells) that generate income from trust mineral estate.

Additional Information

The analysis of Proposition 112's impact on trust land revenue only covers direct revenue from oil and gas leasing and royalties. It does not include indirect revenue that would also be affected by Proposition 112, such as well pad surface use agreements and road and pipeline right-of-way fees that often accompany mineral development.

Site-Specific Setback Requirements: Oil and Gas Leasing Stipulations on Trust Lands

All current oil and gas leases on state trust lands are assessed for stewardship stipulations. These stipulations dictate how lessees may use the land and mineral estate. The agency closely monitors compliance with these stipulations; violations can result in lease termination.

The two primary stipulations are 1) timing limitations, which are seasonal restrictions on oil and gas operations to protect wildlife and 2) surface setbacks. The agency evaluates each parcel of land prior to issuing an oil and gas lease and puts in place location-specific setbacks or No Surface Occupancy (NSO) stipulations as needed.

Obtaining a lease from the Colorado State Land Board does not grant an operator authority to extract minerals. Oil and gas operators must comply with leasing regulations at the local, state, and federal level. Only 12% of oil and gas leases on trust lands are actually developed; 88% of Colorado State Land Board leases that are auctioned for mineral extraction are never drilled.

Funding Gap for Capital Construction Projects at Colorado Schools

In 2008 the Colorado Department of Education (CDE) inventoried and assessed more than 8,000 Colorado school facilities totalling more than 123 million square feet. The assessment revealed $13.9 billion in capital construction needs. Necessary improvements include security installations, fire/emergency upgrades, HVAC upgrades, asbestos abatement, ADA compliance upgrades, roof repairs, and more. Many schools require complete building replacements. As of 2018, CDE's Building Excellent Schools Today (BEST) program has awarded $1.7 billion in grants to 139 school districts.

The Colorado State Land Board's Fiduciary Duty to Serve Colorado Schools

The Colorado State Land Board's mission is to manage an endowment of assets held in perpetual, intergenerational, public trusts for the financial benefit of Colorado's public schools and other public institutions. The state constitution mandates the agency's dual responsibilities: 1) generate reasonable and consistent income over time for beneficiaries, and 2) protect and enhance the natural values of trust lands in order to maintain their long-term productivity for future revenue opportunities. As trustees and fiduciaries of a $4.3 billion trust, the Colorado State Land Board's five Governor-appointed Commissioners have a legal and ethical obligation to act solely in the best interest of the agency's beneficiaries, namely Colorado schools.