

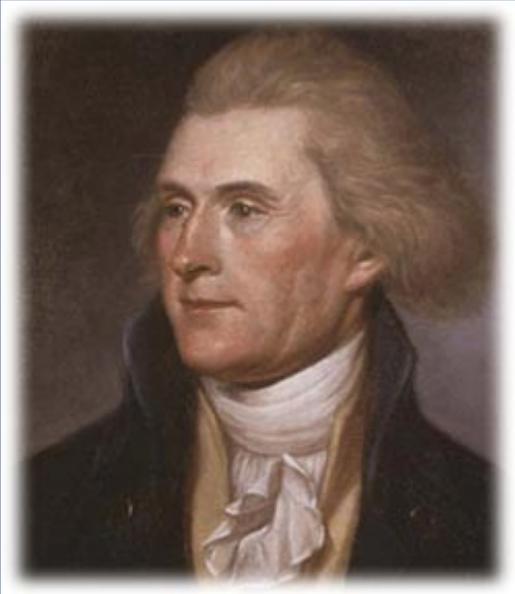


Helping States Fund Education

State Trust Lands

101

Early Beginnings



- Thomas Jefferson had the idea; Theodore Roosevelt made it a reality

Education for all the children of the United States is the key to creating a strong democracy



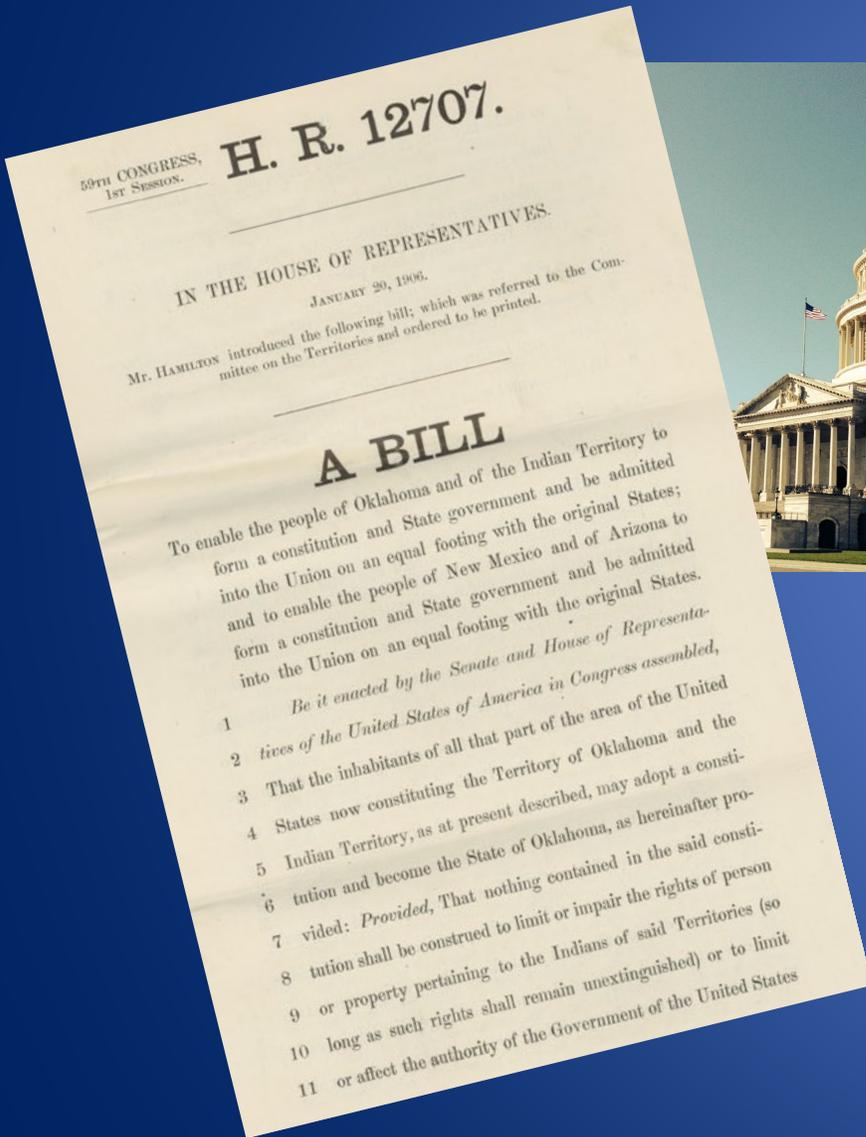
- **Jefferson's idea** - fund education by using income from land to supplement public school funding
- **Roosevelt took it a step further** - mandating a program that required the new territories, the territories seeking statehood, to receive land to help fund education.

A Mission Older Than the States



- The Organic Act passed by the U.S. Congress in 1890 assured that when there were western states, lands would be assigned to support education.
- Each Enabling Act, which brought a new state into the Union of States, received trust land to support education.

The Parties That Created School Land Trusts

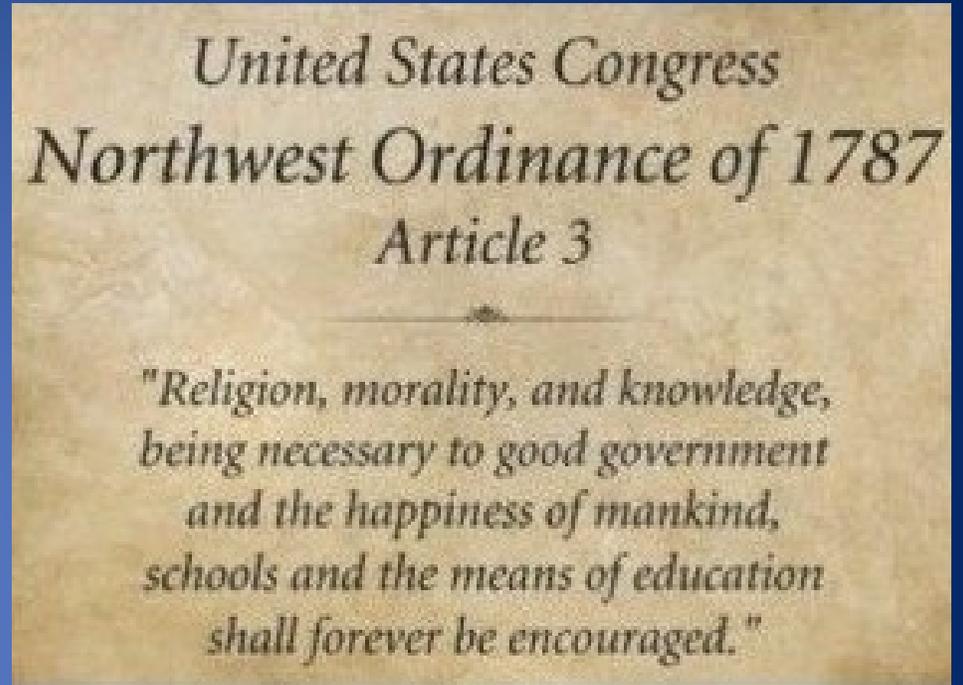


- **Grantor:** Federal Government
- **Trustee:** State Land Trust Offices
- **Trust Declaration:**
- Contract that creates a trust (State Enabling Act and State Constitutions)
- **Trust Corpus:**
- State trust lands and assets

History of State School Trust Lands

- State Trust Lands are a misunderstood category of public land ownership in the United States, date back to the earliest decades after the Revolutionary War when Congress granted lands to the newly formed States to support essential public institutions
- The 1787 Northwest Ordinance created a system of territorial governments and a process to become new states. Enabling Acts and state Constitutions contained promises and conditions of statehood, including land grants.

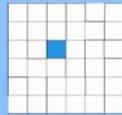
Connecting land to public education was considered critical to the success of the western settlements and emerging states



History of State Trust Lands (cont'd)

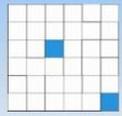
- School in Every Township

- Section 16
- Ohio (1803) – Minnesota (1858)



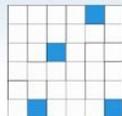
- The Arid West

- Sections 16 and 36
- Oregon (1859) – Wyoming (1890)



- The 'Really' Arid West

- Sections 2, 16, 32 & 36
- Utah, Arizona and New Mexico



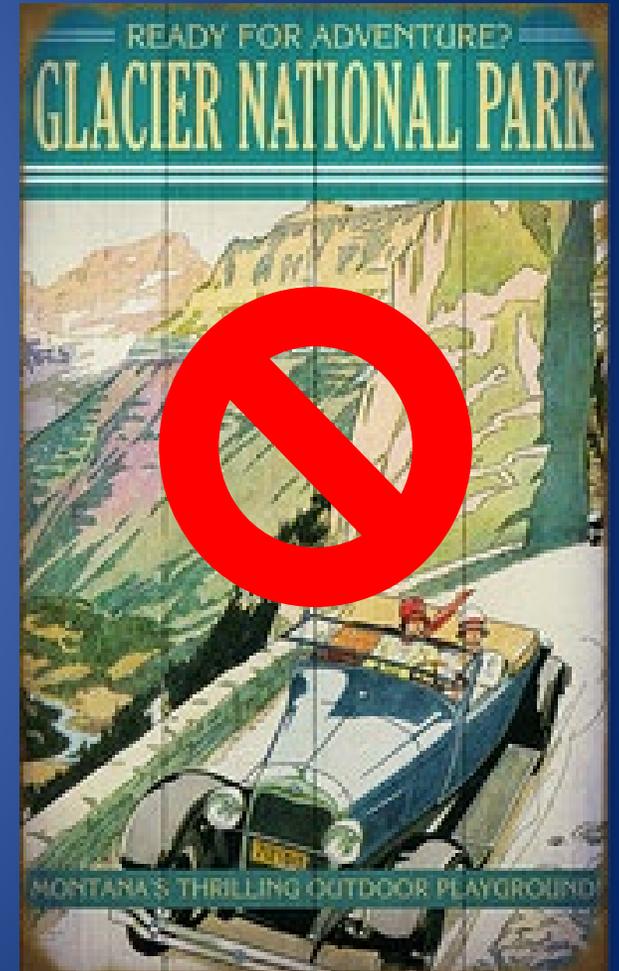
- Beginning in the 1800's state trust lands were granted to the states upon their entrance into the Union.

The sole purpose is generating income for public institutions, particularly schools.

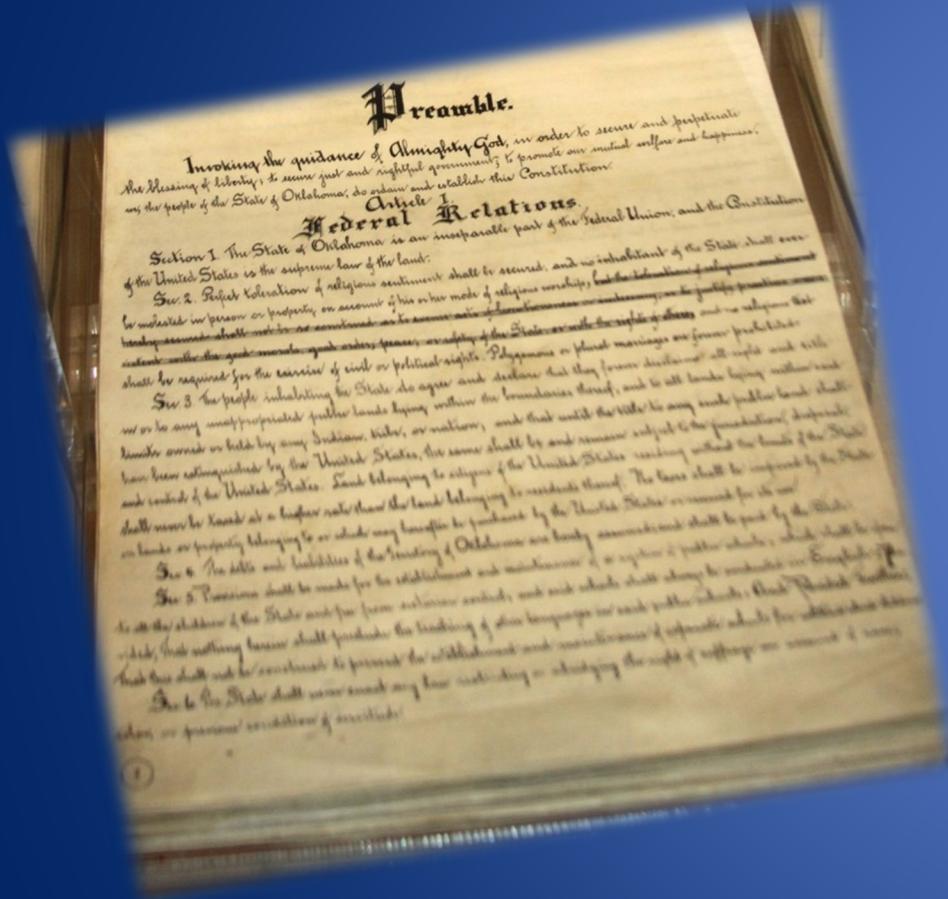
- In 1803, Ohio became the first state to receive Section 16 land
- Partly because the Western states tend to be more arid and less valuable, Congress later decided to grant greater amounts of land Beginning with section 16...later expanding to 16 and 36...or 2, 16, 32 and 36.

School Trust Lands ARE NOT Public Lands or Parks

- State Enabling Acts and State Constitutions often label all lands as public trust land thus, leading to confusion regarding purpose, use and benefit of certain types of land.
- **State trust lands are not “public lands” in the same sense as national parks and forests.** Instead, they are managed by a board of trustees within each state, and for clearly specified beneficiaries, principally the common schools



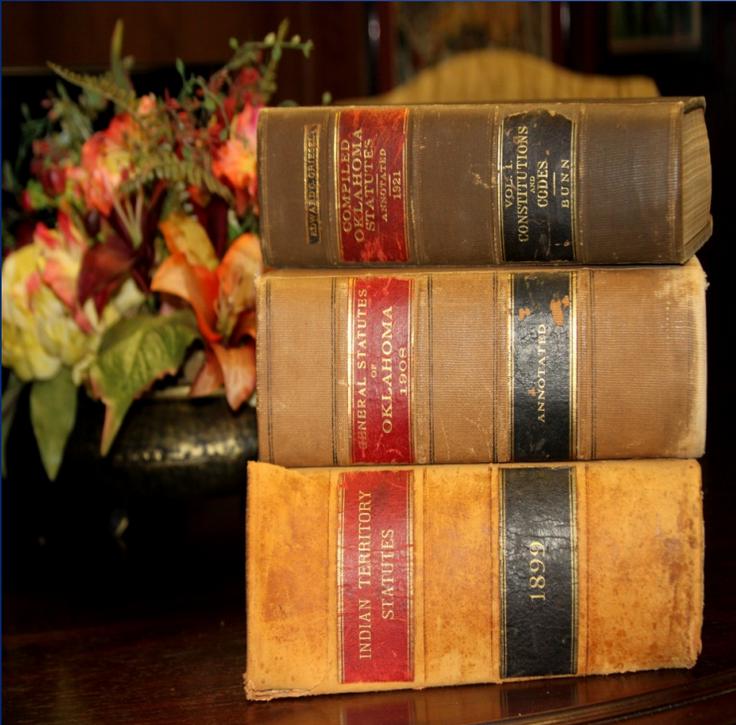
Trust Principles Carry Unique Responsibilities



- Fiduciary Relationship
- Sacred duty to act with strict honesty solely for the beneficiaries
- Trust instrument (Constitutions, Enabling Act, laws, etc.) contains the “manifestation of the intent of the settler (federal and state governments)
- Common law rule is to be a “prudent investor” for the beneficiaries

Five Key Elements of State Trust Lands

- **Clarity of Purpose**
- **Undivided Loyalty**; cannot divert trust resources
- **Accountability**; accounts and receipts, official records
- **Enforceability**; trust doctrine allows the trustee to use the courts to enforce the terms of the trust
- **Perpetuity**; a primary goal is to preserve the productive capacity of the trust. Not all trusts are permanent but perpetuity became a component of school trusts when “permanent school funds” were first established in the 1840’s. As new states were added to the United States, increasingly elaborate provisions were added to protect and supplement school trusts from loss and diversion.



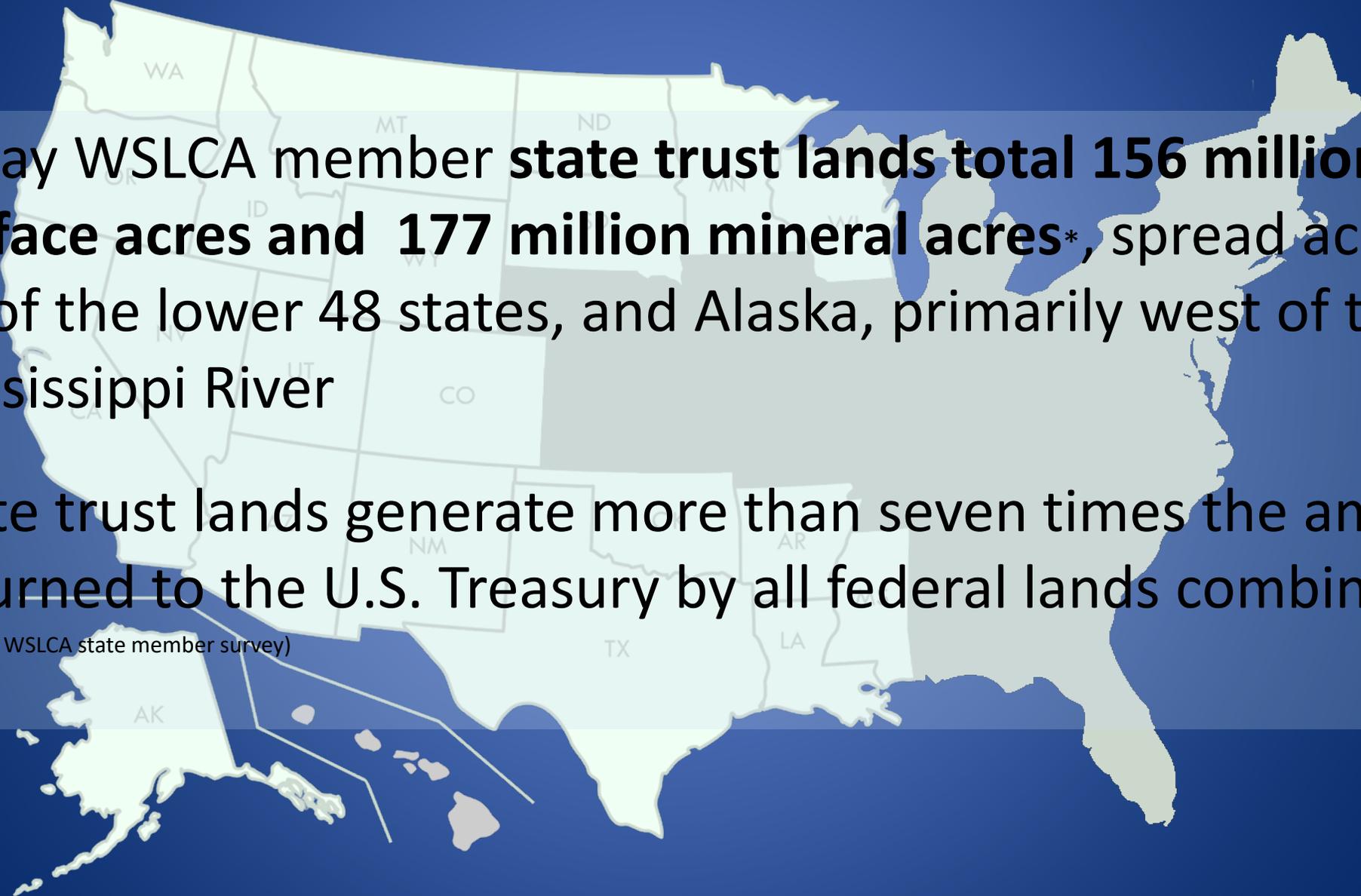
State Trust Lands Managers Must Adhere to Strict Standards of Accountability and Full Disclosure Inherent in the TRUST Documents

- Trust land managers MUST manage the trust productive for a specific group of beneficiaries, not for the general population
- State trust land management depends on different authorities and objectives than Federal land management. The singularity and enforceability of the mandate differs from the enormous discretion of federal land management agencies
- Comparisons between managing “Trust” lands and the multiple use language to which several Federal agencies adhere is different

State Trust Lands vs. Federal Lands

- Today WSLCA member **state trust lands total 156 million surface acres and 177 million mineral acres***, spread across 21 of the lower 48 states, and Alaska, primarily west of the Mississippi River
- State trust lands generate more than seven times the amount returned to the U.S. Treasury by all federal lands combined.

*(source: 2017 WSLCA state member survey)



Essentials of State Trust Land Management

- **Primary beneficiary is public education**, including “common schools (k-12) and public universities
- In each state a specific agency, frequently a **land board or the land commissioner, is responsible for managing the trust land portfolio**
- Revenues are generated for beneficiaries by **leasing the land or sale of natural products from the land** like forage, timber, minerals, etc.
- **Non-renewable revenue like extraction of minerals** or oil and natural gas production, and the sale of land, **is invested in a permanent fund**
- **Financial instruments such as stocks and bonds** that are invested through the permanent fund **also provide ongoing revenues supporting beneficiaries**

State Trust Land Agency

Responsibilities Vary by State

- ALL - manage assets and permanent trusts of land for the benefit of current and future beneficiaries
- ALL create income while protecting and growing the corpus of the trust funds
- ALL manage, maintain, improve and lease surface acreage and assets for beneficiaries
- ALL manage and lease mineral or subsurface assets for beneficiaries
- SOME also serve as managers oversee the resulting financial investment portfolio, consistent with sound investment policies

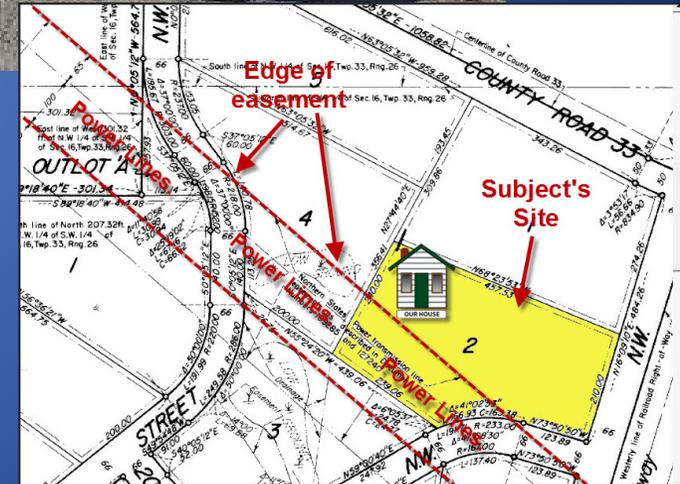
How Is Revenue Earned for Beneficiaries?

- Income from **agricultural leases**
- Income from **timber harvest contracts**
- Income from **commercial leases**
- Income from **mineral and petroleum extraction**
- **Interest earnings** from bonds
- **Dividend income** from equities
- **Sale of energy production**



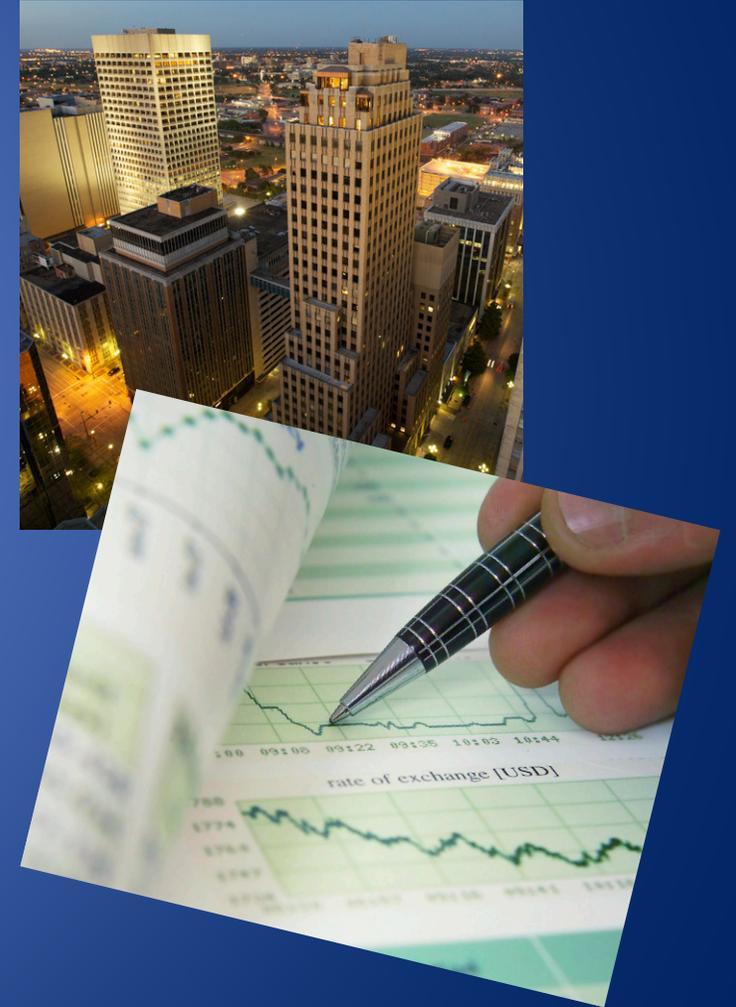
Additional Trust Land Uses

- Rights-of-way (pipelines, roadways)
- Water easements for well placement and water leases
- Saltwater disposal units
- Wind and solar farms
- Recreational & special use permits
- CO2 leases and geothermal leases



New Trends in Trust Land Management

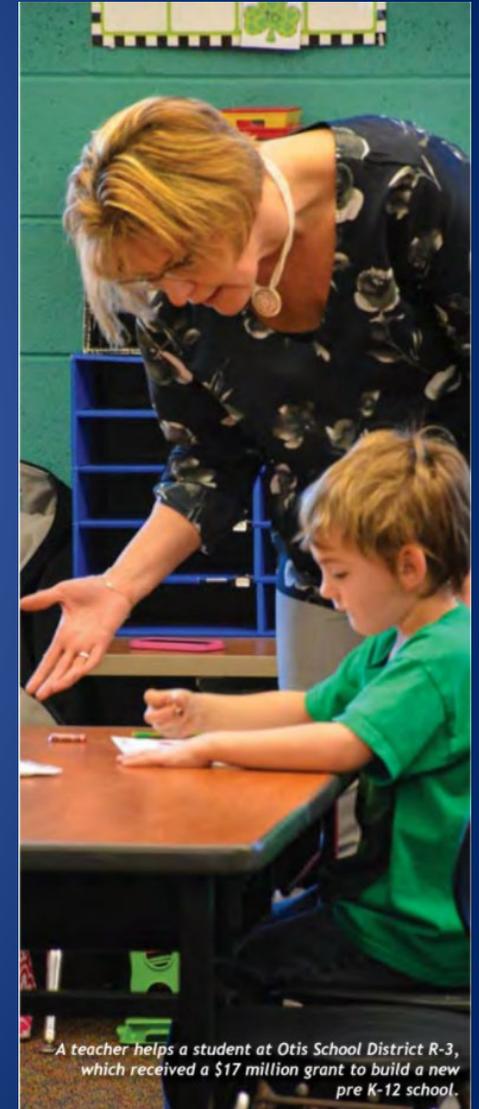
- Whole trust management – complimentary land and financial portfolio of beneficiary assets
- Collaborative planning to improvement land management
- Encourage land development, particularly commercial development in fast growing areas
- Support conservation that allow multiple land uses
- Comprehensive reforms that expand flexibility to use modern real estate tools



Who are State Trust Land Beneficiaries

Each state Constitution prescribes the beneficiaries that receive earnings from trust lands

- The largest beneficiary and the majority of all earnings is to common schools (k-12)
- In most western states higher education institutions are also beneficiaries and receive revenues from quantity grants



WSLCA Quick Facts

- More than 515 million total acres actively managed
- **\$140 billion invested in permanent trust funds**
- Nearly \$3 billion distributed in FY2017
- **More than 30,000 active oil and gas wells**
- More than 80,000 new homes built annually from sustainable timber harvest
- **36 million range and agricultural acres owned**
- 1,040,124 square miles of navigable waterways
- **22,043,613 students in public k-12 schools served**

For More Information

Please visit our website at:

www.wslca.org