

## SITLA – OPERATING BUDGET

**Programs:** SITLA is responsible for managing trust land for 12 beneficiaries that were endowed with those land holdings at the time of statehood. This endowment includes 3.3 million acres of surface and 4.4 million of subsurface lands. SITLA's primary focus is to generate revenue for those beneficiaries through a variety of surface and subsurface activities. Any revenue derived from the sale of land is deposited into the permanent fund of the respective beneficiary who owned the land. All other revenue (rents, royalties, fees, etc.) from SITLA activities above the amount needed to meet SITLA's budget appropriation is also deposited into the permanent funds for each beneficiary. All beneficiaries receive a quarterly distribution from the investment earnings on their permanent funds. During FY2020, the total distribution will be \$93.17 million dollars, with \$88.83 million going directly to Utah public schools. SITLA is funded through the revenue generated from the management of the trust lands; no tax revenue is used to support the agency.

Success is measured by the amount of revenue earned. Managers are responsible for projecting revenue targets as well as keeping expenses in check so that the maximum amount of revenue can be forwarded to the beneficiaries. The operating budget is monitored closely to ensure the funds are being spent within appropriated limits.

SITLA's most challenging issues are to position the trust lands so that they can be available for revenue generation. Non-producing or under producing parcels are identified as available to be traded or sold when the opportunity arises.

Recently SITLA has experienced a high level of turnover due to numerous retirements. All of the FTEs have been examined recently, and some FTEs have been repositioned within the agency in order to best meet the needs of each area within the organization. In the next five years SITLA anticipates very little FTE growth.

**Funding:** This line item covers the expenditures to run the agency operations. The operating budget is funded solely through revenues generated through non-land sales activities. This source of income offsets the need for seeking other sources of funding, specifically tax revenue. Each revenue group is responsible for continuing existing revenue streams and coming up with new opportunities for revenue generation. SITLA does not have any non-lapsing funds. By statute, any unused appropriation is returned to the permanent funds of our beneficiaries.

**Expenditures:** SITLA's operating costs have been relatively consistent over the last several years. The most variable cost is for professional and technical expenses that arise while trying to complete land exchanges. While our employee numbers don't vary greatly there are seasonal employees used in the summer months to assist with the Forestry and Grazing programs.

Each unit has a budget for in state and out of state travel and they are expected to plan their travel accordingly. SITLA tries to communicate with regional offices as efficiently as possible via teleconferencing to eliminate travel when possible.

With the exception of motor pool vehicles and some operating equipment tied to its forestry and stewardship projects, SITLA does not have much equipment necessary for its operations.

**Re-allocation of base budgets:** SITLA could re-allocate funds from the Stewardship line item into the Operating budget. This is an area that is reviewed by the managers of these budgets to best correlate our appropriations with our needs and requests to move funds have been made via the legislative process.

If it were necessary to reduce this line item SITLA would need to look at not filling some vacant FTEs or delaying the process of executing pending land exchanges. However, these cuts may lead to increased workloads for existing staff and could hamper the ability to issue contracts that would produce revenue for the beneficiaries.

## SITLA – CAPITAL BUDGET

**Programs:** SITLA is responsible for managing trust land for 12 beneficiaries that were endowed with those land holdings at the time of statehood. This endowment includes 3.3 million acres of surface lands. The primary focus is to generate revenue for those beneficiaries through a variety of surface and subsurface activities. This line item provides funding for those surface parcels identified that can have investments made to increase the value of the property to enhance the revenues generated from them whether they be leased or sold. The increased value will ultimately increase revenues paid to the beneficiaries. SITLA is funded through the revenue generated from the management of the trust lands; no tax revenue is used to support the agency.

All expenditures are tracked by project so that the rate of return can be calculated at the time the project is completed. The Development group analyzes the potential of the project and works with an outside party to leverage resources and reduce risk. While the budget for this line item has been set at the same amount for several years only expenditures that are valid and will create a good return are made in a given year. Any remaining balance is returned to the beneficiaries.

The major issue facing this line item in the future is to continue to make sure the parcels identified for development have the infrastructure in place to maximize its value. Investing in acquiring water and being able to deliver that resource to the parcels remains a priority and a challenge. The existing staffing level of this group should be sufficient for the next three to five years.

**Funding:** The capital budget is funded solely through revenues generated through non-land sales activities. Revenue from land sales is deposited directly into the permanent fund of the appropriate beneficiary; all other sources of revenue (rents, royalties, fees) are available to meet the appropriation of the agency.

The Development group is responsible for identifying parcels and partnering with private entities to come up with new approaches to the development and revenue generation for each project.

SITLA does not have any non-lapsing funds.

**Expenditures:** The expenditures of this budget line vary depending on the need to position parcels to take advantage of development opportunities. The initial investments in a project are often made at the beginning although the entire development project will take place over many years.

There is not seasonal work associated with this line item and most of the travel is within counties that are accessible from our offices in Salt Lake or St. George. Any equipment used on development projects is provided by the contractors SITLA has hired.

**Re-allocation of base budgets:** If there was the need to reduce this line item SITLA would have to forgo investment opportunities on select projects that could potentially delay a future income stream.

## SITLA – STEWARDSHIP BUDGET

**Programs:** SITLA is responsible for managing trust land for 12 beneficiaries that were endowed with those land holdings at the time of statehood. This endowment includes 3.3 million acres of surface lands. The primary focus is to generate revenue for those beneficiaries through a variety of surface and subsurface activities. This line item provides funding for projects outside the scope of general operating expenses but are necessary to physically manage and maintain the value of the land. These expenditures are focused on minimizing resource degradation and maintaining the value of the asset in contrast to investing and increasing its value. These expenditures are important to insure the corpus of the trust is not diminished. SITLA is funded through the revenue generated from the management of the trust lands; no tax revenue is used to support the agency.

Success is measured by the completion of projects and restoration of the land to its original state. Projects are taken on based on the severity of the issue. Each year projects will be identified and prioritized. SITLA will compare costs of performing the work with in-house resources versus contracting the work out to insure the most economical approach to the project is taken. Examples of projects include fire restoration, cost sharing with other agencies on habitat improvement projects to avoid listing of sage grouse and mitigating other endangered species issues, decommissioning of unauthorized roads, protection of sensitive archeological sites, and cleanup of illegal dump sites.

The biggest challenge in the next three to five years is the unknown impacts on the scattered parcels as well as larger land blocks that tend to be magnets for growing public recreation use. Flood and fire damage due to extreme weather events may necessitate remediation. Additionally, since the land is located throughout the state in remote areas it is impossible to oversee every parcel on a continual basis. This leads to potential resource damage from trespassing that must be dealt with.

**Funding:** The stewardship budget is funded solely through revenues generated through non-land sales activities.

This line item is not intended to generate revenue directly but indirectly by returning the land to its original state to allow it to be leased or sold to create revenue opportunities.

SITLA does not have any non-lapsing funds.

**Expenditures:** The expenditures from this line item are dependent on the projects selected for any given fiscal year and what may arise during that year. Priorities may change in any given year. While the workload isn't necessarily seasonal much of the work can only be done during good weather months. While SITLA doesn't necessarily hire seasonal employees for this type of project we have successfully teamed up with the communities impacted and used volunteers to assist in the project.

SITLA does own some equipment that aides in some of these projects. If specialized items are needed those are rented or the work can be contracted to an outside party.

**Re-allocation of base budgets:** For FY2020, this line item was evaluated and reduced by about 29%. If it were necessary to reduce this line item further, rehabilitation or remediation projects would need to be delayed.