

Utah School and Institutional Trust System

ANNUAL REPORT

FY 2022



Utah Land Trusts
Protection &
Advocacy Office



A Note from the Director

Greetings,

Utah's School & Institutional Trust System is continuing a strong performance trajectory for its beneficiaries, and FY 2022 was no exception. The Trust Lands Administration produced a record high earnings of \$166 million from its surface and mineral estates. The Administration's diverse management portfolio has proactively grown in ways that allow it to weather the challenging market conditions as well as to take advantage of favorable opportunities as they arise.

The School and Institutional Trust Fund Office (SITFO) also has weathered well through difficult market conditions. Following the previous year's impressive 26% rate of return on its investment portfolio, in FY 2022 the portfolio declined by 3.7%. Although the portfolio's returns moderated from the prior fiscal year, it performed significantly better than the industry-wide average loss of 20% for the same period. The strong returns in FY 2021 and relatively small loss in FY 2022 reflects the SITFO portfolio is well diversified and balances risk versus returns for the Trust's beneficiaries.

Most notably, the Trust's beneficiaries collectively received a banner \$100 million

in distributions during FY 2022. This record benchmark is a product of dedicated trustees, employees, and others involved with ensuring the integrity of the Trust's intergenerational equity distribution system.

In addition to providing meaningful revenue for its beneficiaries, the Trust is proud of its land stewardship ethic and performance as a community player. The Trust continues to also contribute significantly to the economic viability of many communities throughout the state.

The successes you'll read about in this report are the result of teamwork and partnerships. The Land Trusts Protection and Advocacy Office (Protection & Advocacy Office) appreciates the opportunity to work with dedicated professionals committed to trust principles and sustaining maximum performance for Utah's Trust beneficiaries. ♦

Kim Christy

Director, Utah Land Trusts Advocacy Office



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Utah School and Institutional Trust System

The Utah School and Institutional Trust System consists of a group of entities that share trustee and fiduciary responsibilities. Collectively, these agencies ensure integrity, growth and protection of Utah's School and Institutional Trust lands and funds, thereby benefiting the designated beneficiaries.



Land Management

Created in 1994, the Trust Lands Administration is an independent state agency responsible for managing trust lands throughout Utah.



Fund Investment

Created in 2014, the School & Institutional Trust Funds Office (SITFO) manages and invests the Permanent Funds for the Trust's beneficiaries.. Investment earnings are distributed to beneficiaries each year.



Fund Distribution

Serving Utah's trust beneficiaries, distributions help fund public and higher education, health and human services, and state reservoirs.



Protection & Advocacy

Created in 2018, the Protection & Advocacy Office represents and protects the beneficiaries' interests, provides independent trust systems oversight, and helps the public understand and support these important endowments.

Distributions from the combined permanent funds provided more than **\$100 million** dollars for beneficiaries in FY 2022; including **\$95.8 million** for K-12 school beneficiaries and **\$4.6 million** to other public institutional beneficiaries.

From Trust Lands to Your School: Public education receives **95% of the revenue** generated from trust lands. Money goes to the Permanent School Fund and through parent-led councils at each school.

How It all Started

When Utah became a state in 1896, Congress granted the state land, with the requirement that any revenue generated from the land support public schools. Even before statehood, Thomas Jefferson played a key role in establishing the Land Ordinance of 1785, which allocated land to states entering the union to help fund public education. As Jefferson famously said, “A strong democracy is founded upon education for all.”

To ensure that lands were reserved for the benefit of public education, land parcels

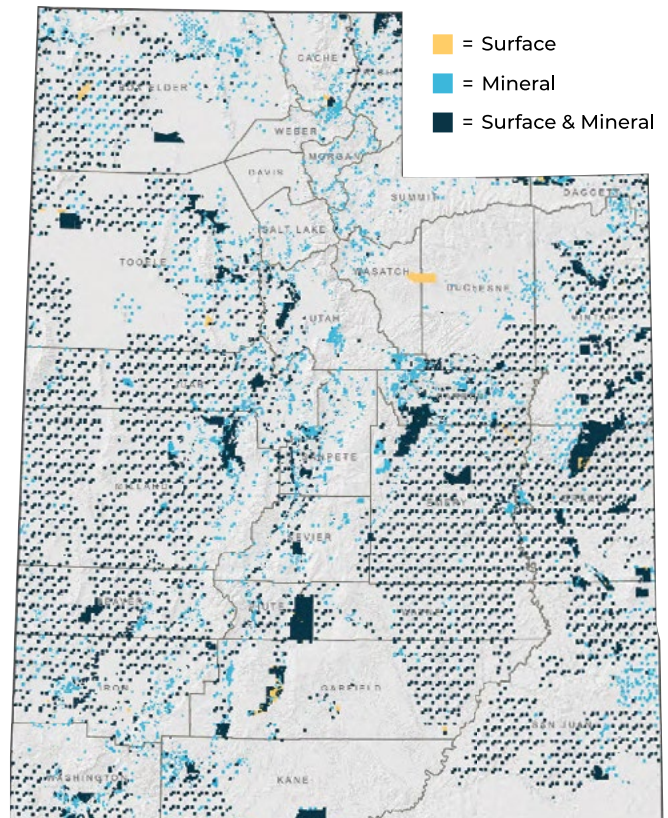
were allocated by dividing Utah into 36-square-mile townships, with four sections of land granted to Utah in each township. Additionally, separate grants were given to support higher education, health and human services, and other state institutions.

Trust lands are not public lands and are managed to generate revenue for the designated beneficiaries—both now and for generations to come.

Supporting Utah Schools, Hospitals, & Institutions

Despite being relatively unknown, school and institutional trust lands in Utah have a significant impact on education, public institutions, and economic development. These lands generate tens of millions of dollars annually, which go towards academic programs in public schools, universities, hospitals, and other important beneficiaries. Additionally, the Trust is self-funded, meaning that taxpayers do not have to cover any administrative costs.

The map to the right shows the parcels that make up the 3.34 million surface acres and 4.49 million mineral acres of trust lands in Utah, which generate billions in revenue for beneficiaries.



Stewards of Utah's Trust Lands

TRUST LANDS ADMINISTRATION



Created in 1994, the Trust Lands Administration is an independent state agency responsible for managing Trust Lands throughout Utah.

The Trust Lands Administration is the steward of Utah's Trust Lands and is responsible for generating revenue from the land for the benefit of public schools and other important state institutions for current and future generations.

The Administration provides lasting change in Utah by transforming the Trust Land assets into greater economic benefit for local communities and its beneficiaries. The agency generates revenue through energy generation, real estate development and surface resource utility. The administration has generated \$1.96 billion for the beneficiaries since 1996.

2022 Highlights

Agency

Michelle E. McConkie was selected by the agency's board of directors and confirmed by Governor Cox as the new Executive Director. Director McConkie has extensive experience working on Trust Lands issues with over 19 years at the agency, first in the legal group and most recently as the Managing Director of the Surface group.

The Trust Lands Administration generated record-breaking revenues for its beneficiaries last fiscal year, pulling in over \$166 million, a remarkable \$64 million increase from the previous year.

Development

Construction began on the new development of Ventana Resort in Kanab. The new community is a mixed-use development with commercial, multi-family, single-family, vacation homes, and desperately needed attainable housing units.

The Camp Korongo project, from the world-famous Amangiri Resort in Big Water Utah, is estimated to begin construction on Trust Lands as soon as early Fall 2023.

Construction will begin on a 570-acre development known as Solente, in Green Springs Washington County. The same partner working on the Desert Color project will complete the upscale development.

Surface

The Trust Lands Administration completed the single largest land sale in its history. The Cinnamon Creek Block sold for \$20,000,013 and was purchased by the Utah Division of Wildlife Resources through a public auction.

A critical acquisition by State Parks to create the new Utahraptor State Park north of Moab was completed through a negotiated sale. Utah State Parks purchased the land for \$6,377,000.

Significant wildfire fuels reduction and aspen restoration projects were completed on Tabby Mountain and Tushar Mountain properties.

Restoration work near the Great Hunt Panel in Nine Mile Canyon was completed. Unfortunately, site improvements installed by the Trust Lands Administration and other partners in 2009 were severely damaged by flooding in August of 2021. The administration worked with Carbon County and others to clean up and repair the damage so that this world-class site will continue to be protected and enjoyed by the public.

The administration deployed several measures on the Hurrah Pass 4WD trail, one of Moab's most popular trails, which was damaged from unauthorized spur routes and off-hill climbs by some users. The administration's efforts helped keep the trail open while protecting the surrounding trust lands.

Energy and Minerals

A major reorganization took place at the Trust Lands Administration in the energy marketplace. The new Energy & Minerals Team was established by combining three previously separate groups: oil and gas; hard rock mining and coal; and renewables. The Energy & Minerals team includes geoscientists, engineers, and former industry professionals who manage a lease portfolio of commodities such as oil and gas, helium, geothermal resources, coal, metalliferous minerals, industrial minerals, phosphate, tar sands, potash, gilsonite, lithium, sand and gravel, wind, solar, and energy storage.

Valence Resources drilled the first successful helium well in the Paradox Basin of southeastern Utah. The Jesse 1A well is located on Trust Lands in San Juan County and is the first well, outside of Harley Dome in east-central Utah,



The Great Hunt Panel

with economic concentrations of helium. The company plans to drill a second well, named Jessie #2, in 2023.

Communications and Legislative Affairs

The administration completed a total rebranding effort to update the visual iconography of the agency and created the first Brand Guide for the Trust Lands Administration. The new look and feel has received widespread praise.

In addition to the new brand, the administration is getting a new website. The new site is designed to provide information on the agency and the Utah School and Institutional Trust System as a whole as well as attract new industry partners to help diversify revenues and grow contributions to trust beneficiaries.

The administration recently hired a full-time governmental affairs position. Legislative outreach and open lines of communication are at the forefront of a new approach at the administration. ♦



FY 2022 Trust Lands Administration Board of Trustees & Director

Rick Woodbury

Chair

David Donegan

Vice Chair

Bryan Harris

Trustee

Tiffany James

Trustee

Michael Mower

Trustee

Warren H. Peterson

Trustee

Mike Nelson

Trustee

Michelle E. McConkie

Trust Lands Administration
Director

Growing the Trust

SCHOOL & INSTITUTIONAL TRUST FUND OFFICE



All the revenue the Trust Lands Administration generates (minus a few administrative and operating costs for the agency, ensuring taxpayer money is not used) is deposited into a permanent fund established for each beneficiary. The combined value of the permanent funds have grown from about \$50 million in 1994 to \$3.2 billion today. The School and Institutional Trust Fund Office (SITFO) was created to optimize these funds and then responsibly manage annual fund distributions.

SITFO's long-term investment objective targets a return of CPI + 5%. This policy is to maintain the fund growth in perpetuity, while still being able to sustain and grow the annual distributions to the beneficiaries.

SITFO is overseen by a Board of Trustees chaired by the Utah State Treasurer. They are united with the education community, legislature, and state government. Together they help fulfill Jefferson's vision by managing and growing revenue for Utah schools and other beneficiaries, opening the door for a future of well-educated and successful citizens.

FY 2022 SITFO Board of Trustees & Agency Director

Marlo Oaks
Utah State Treasurer,
Chair

Kent A. Misener
Vice Chair

David R. Nixon
Trustee

Jason Gull
Trustee

John Lunt
Trustee

Peter Madsen
SITFO Director

The permanent fund has grown by 89% in the last 10 years (FY 2013–FY 2022).

89%

SITFO invests roughly \$3.2 billion permanent funds in a globally-diversified investment portfolio.

**\$3.2
BILLION**

SITFO's long-term investment objectives maintain the trust fund in perpetuity, while focused on sustaining and growing the annual distributions to beneficiaries.

ASSET ALLOCATION

The asset allocation is designed carefully to avoid undue risk concentrations in any single asset class or category, reducing risk to the overall portfolio and optimizing the expected return relative to the level or risk acceptable to the board of trustees.

GROWTH	40.0%
Public Equity	29.8%
Private Equity	10.2%
REAL ASSETS	18.6%
Public Real Assets	8.6%
Private Real Estate	5.4%
Private Real Assets	4.7%
INCOME	27.2%
Public Income	19.7%
Private Income	7.5%
DEFENSIVE	14.1%
Government Securities	5.2%
Systematic Convexity	7.2%
Cash	1.6%

Making an Impact

MEET OUR BENEFICIARIES

We see a bright future for Utah with the revenue generated for our beneficiaries through strategic and evolving land management and permanent fund investment.



PUBLIC SCHOOLS

Utah's schools receive 95% of all Trust distributions combined. K-12 schools receive Trust distributions separate from other legislatively appropriated funds for education. Parent-led councils at each school determine the wisest and best use of the School LAND Trust Funds.

Utah's schools receive 95% of all Trust distributions combined.

95%

How Schools Have Used Funds

The Kauri Sue Hamilton School

The Kauri Sue Hamilton school in Jordan School District is a school for students with severe disabilities. They used most of their funds for Mandt Training.

Cedar City South Elementary

Cedar City South Elementary used Trust Land funds for five reading aides, a take-home library, and ongoing professional development.

Wasatch High School

During the 2020–2021 school year, the School Community Council at Wasatch High School used a portion of their funds to hire a bilingual parent liaison.

Want to know how your school utilized their trust land funds? Check it out here. schoolandtrust.schools.utah.gov/publicreports

MINERS HOSPITAL

Distributions sent to Miners Hospital at the University of Utah provide funding to treat patients with mining related injuries and illnesses. There are currently 1,700 miners enrolled and receiving treatment from this program, with 480 new patients served in FY 2022.



UTAH SCHOOLS FOR THE DEAF AND BLIND

Utah's School for the Deaf and Blind (USDB) Trust distributions provide specialized programming and enriched learning opportunities beyond the normal scope of traditional school programs. Trust Land distributions provide funding for a variety of enrichment programs including assistive technology, study abroad trips, and music therapy to name a few.

In 2022, funded by trust fund distributions, a team of students who are blind completed the Seventy48 boat race. Rowing an incredible 70 miles in under 48 hours from Tacoma

Washington to Port Townsend. The after-school activity centered on problem solving, communication, math, fitness and teamwork.

“As wonderful as it was to hit that finish line, this is one of those experiences I believe you keep processing for a long time after the fact. What we learned, and the brightest parts of this experience, are yet to come.”

– Crew Leader and Director of Blind Campus Programs, Ryan Greene



Photo credit: Utah Schools for the Deaf and Blind



Photo credit: Utah Division of Parks and Recreation

RESERVOIRS

Distributions from the Reservoirs Trust are carefully utilized by the Utah Division of Water Resources and are used to help fund new water construction projects, fund repairs of existing and aging projects, and improve water efficiency across the state.



PUBLIC BUILDINGS

In advance of the 2004–2008 renovation of the Utah State Capitol, trust lands that were managed for Utah’s public buildings were sold. The proceeds were used to help offset the costs of extensive renovation and restoration of this iconic building.

UNIVERSITY OF UTAH

Trust land fund distributions for the University of Utah, one of Utah’s prestigious land grant higher education institutions, are used to help fund an academic environment in which the highest standards of intellectual integrity and scholarship are practiced.



TEACHING COLLEGES AT PUBLIC UNIVERSITIES

Distributions from the Teaching Colleges Trust help support the state's teacher colleges and help train and strengthen Utah's teaching community. The Teaching Colleges Trust consists of six universities throughout Utah who award teaching degrees.



COLLEGE OF MINES AND EARTH SCIENCES

Trust distributions sent to the College of Mines and Earth Sciences at the University of Utah help educate and prepare students for careers related to mining.



UTAH STATE HOSPITAL

Utah State Hospital Trust distributions assist in its mission to provide excellent care in a safe and respectful environment to promote hope and quality of life for individuals with mental illness.



UTAH STATE UNIVERSITY

Trust distributions sent to Utah State University help support its distinction of being one of the nation's premier student-centered land-grant universities.



JUVENILE JUSTICE AND YOUTH SERVICES

Trust Distributions sent to Utah's Division of Juvenile Justice and Youth Services help provide youth offenders a continuum of supervision, education, and vocation training programs and rehabilitation.



Making an Impact

DISTRIBUTIONS

\$1B

Over \$1 billion dollars have been distributed to Utah's beneficiaries since 1995.

675K
STUDENTS

≈1000
SCHOOLS

Trust distributions benefited nearly 1000 public schools during the 2022–2023 school year, impacting over 675,000 students.

FY 2022 Distributions

Public Schools Trust	\$	95,849,770
Miners Hospital Trust	\$	2,313,104
Utah Schools for the Deaf Trust	\$	102,876
Utah Schools for the Blind Trust	\$	849,640
Reservoirs Trust	\$	301,277
University of Utah Trust	\$	267,790
Teaching Colleges Trust	\$	231,262
College of Mines and Earth Sciences Trust	\$	182,188
Utah State Hospital Trust	\$	159,777
Utah State University – Agricultural College Trust	\$	178,300
Juvenile Justice and Youth Services – Reform School Trust	\$	55,402

Total Distributions

\$100,491,386.00

Trust Protection & Advocacy

PROTECTING THE BENEFICIARIES



The Protection & Advocacy Office was created in 2018 to provide a system of checks and balances ensuring undivided loyalty to current and future beneficiaries. The office works closely with legislators, the education community, and other key stakeholders to build awareness and enhance and preserve this perpetual source of funding.

The Protection & Advocacy Office is dedicated to protecting and advocating for the preservation, stability, and growth of the Trust's assets on behalf of the current and future beneficiary interests. The office is committed to cultivating prudent decision-making and entrepreneurial business practices, advocating for goal-oriented management, and engaging in large-scale, long-range planning efforts that will result in significant upward mobility of the Trust for years in the future.

What We Do



Advocate for productive and optimal generation of Trust revenue and effective distributions



Facilitate public outreach and understanding of the Trust's importance and relevance



Monitor the Trusts, stay informed, account, and report



Represent beneficiary interests through political advocacy

FY 2022 Protection & Advocacy Committee & Office Director

Steve Ostler

Committee Chair

Paula Plant

Committee Vice Chair

Brigham Tomco

Committee Member

Richard Ellis

Committee Member

Louie Connelos

Committee Member

Kim Christy

Protection &
Advocacy Office
Director

Financial Summary

FY 2022

The Trust Lands Administration produced a record high earnings of \$166 million from its surface and mineral estates in fiscal year 2022. Trust Land Administration revenues were shared among three major categories: energy and mineral revenues (31%); development and planning revenues (42%); and surface resource utility (27%).

SITFO saw some retracement in the performance of the permanent funds after a record fiscal year 2021. The

disparity between FY 2021 and FY 2022 was significant and serves as a reminder of the importance of diversification and focusing on long-term, risk adjusted returns. Despite broad market headwinds globally with both stocks and bonds down 20% more in the last half of FY 2022, SITFO's performance in FY 2022 was -3.7%. Over the longer time periods, returns are trending in line with the primary investment objective of CPI+5%.

Permanent Fund Balances

Public Schools Trust	\$	2,860,063,517
Miners Hospital Trust	\$	78,400,981
Utah Schools for the Deaf Trust	\$	3,418,799
Utah Schools for the Blind Trust	\$	23,084,069
Reservoirs Trust	\$	20,300,709
University of Utah Trust	\$	10,623,978
Teaching Colleges Trust	\$	8,271,805
College of Mines and Earth Sciences Trust	\$	9,024,554
Utah State Hospital Trust	\$	6,199,848
Utah State University – Agricultural College Trust	\$	13,856,495
Juvenile Justice and Youth Services – Reform School Trust	\$	3,236,076
Total Permanent Fund Balances		\$3,036,480,831

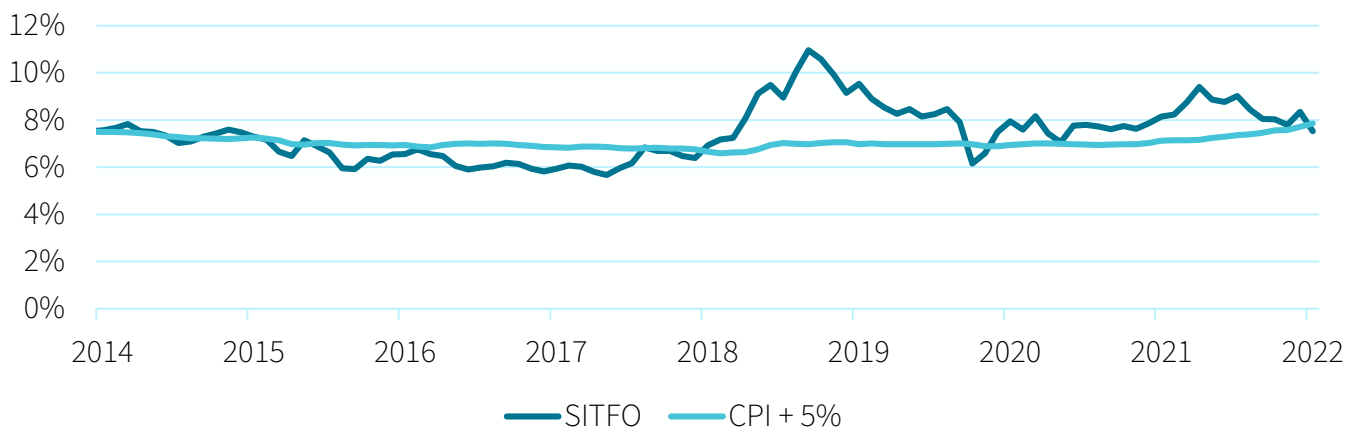
FY 2022 Gross Land Revenue Per Beneficiary

Public Schools Trust	\$	136,908,157	82.04%
Miners Hospital Trust	\$	7,037,428	4.22%
Utah Schools for the Deaf Trust	\$	131,431	0.08%
Utah Schools for the Blind Trust	\$	92,980	0.06%
Reservoirs Trust	\$	12,055,161	7.22%
University of Utah Trust	\$	1,539,427	0.92%
Teaching Colleges Trust	\$	828,492	0.5%
College of Mines and Earth Sciences Trust	\$	2,409,817	1.44%
Utah State Hospital Trust	\$	1,158,449	0.69%
Utah State University – Agricultural College Trust	\$	2,739,119	1.64%
Juvenile Justice and Youth Services – Reform School Trust	\$	1,963,526	1.18%
Public Buildings Trust	\$	9,920	0.01%

Total Land Revenue

\$166,873,907

ROLLING 10-YEAR INVESTMENT PERFORMANCE VS. INVESTMENT OBJECTIVE



Total Trust Acreage

3.34 MILLION
SURFACE ACRES

4.49 MILLION
MINERAL ACRES

Net Income Summary

2018–2022

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Trust Revenue					
Energy & Minerals					
Oil & Gas Royalties	\$33,334,309	\$34,934,441	\$23,299,042	\$22,752,273	\$41,480,978
Other Minerals, Leases & Permits	\$6,745,850	\$6,878,830	\$7,216,555	\$8,545,722	\$8,857,988
Renewable*				\$705,777	\$1,359,138
Total Mineral Revenue	\$40,080,159	\$41,813,270	\$30,515,597	\$32,003,772	\$51,698,104
Development & Planning					
Development Sales & Leases	\$18,702,379	\$31,598,032	\$34,464,651	\$42,969,980	\$70,176,900
Total Development & Planning Revenue	\$18,702,379	\$31,598,032	\$34,464,651	\$42,969,980	\$70,176,900
Surface					
Sales (Auctions & Negotiated Sales)	\$2,989,190	\$7,622,007	\$460,387	\$17,932,514	\$34,268,782
Leases, Permits & Easements	\$9,098,253	\$8,948,701	\$9,812,554	\$9,809,012	\$10,730,121
Total Surface Revenue	\$12,087,443	\$16,570,708	\$10,272,941	\$27,741,526	\$44,998,903
Permanent Fund Interest & Gains					
Total Permanent Fund Interest & Gains	\$138,235,687	\$96,414,236	-\$96,245,983	\$669,045,348	-\$117,564,317
Trust Expenses					
SITLA Expenses	\$14,204,187	\$13,701,265	\$14,019,150	\$15,339,339	\$12,515,560
SITFO Expenses	\$2,040,677	\$2,335,144	\$2,671,882	\$3,440,321	\$4,041,363
Protection & Advocacy Office Expenses**		\$217,800	\$263,111	\$305,328	\$336,503
Beneficiary Distributions	\$78,659,118	\$86,735,552	\$93,167,815	\$97,410,280	\$100,491,386
Total Trust Expenses	\$94,903,982	\$102,989,761	\$110,121,958	\$116,495,268	\$117,384,812
Net Asset Growth					
Net Asset Growth	\$114,201,686	\$83,406,485	-\$131,114,752	\$655,265,358	-\$68,075,222

5-Year Cumulative Net Growth

\$456,075,384

Note: Net asset growth total may differ from SITFO audit reports due to impact of revenue vs. cash reporting between SITLA and SITFO.

* Prior to Dec. 2019 renewables were included as "industrial" revenue.

** The Protection & Advocacy Office began operating in 2019.



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**Utah Land Trusts
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