



COLORADO

State Board of Education

201 East Colfax Avenue
Denver, CO 80203-1799

Angelika Schroeder
Chairwoman
2nd Congressional District

Steve Durham
Vice-Chairman
5th Congressional District

Val Flores
1st Congressional District

Jane Goff
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Rebecca McClellan
6th Congressional District

Joyce Rankin
3rd Congressional District

Debora Scheffel
4th Congressional District

Resolution supporting State Land Board Efforts to Improve Financial Outcomes for Beneficiaries from School Trust Assets

WHEREAS: The Colorado State Land Board and the Public School Fund Investment Board manages a \$4.3 billion endowment of assets held in the School Trust for the intergenerational benefit of Colorado’s K-12 schoolchildren and public institutions; and

WHEREAS: Current statutes require School Trust revenues be distributed in two ways:

- The greater of 50 percent of annual operating revenues or \$40 million go to the Building Excellent Schools Today (BEST) grant program
- \$21 million of Permanent Fund interest goes to the School Finance Act, with any spillover directed to BEST; and

WHEREAS: The School Trust is shrinking. The trust assets are forecasted to decline by 5 percent to just \$4.1 billion in 2037 and annual distributions to beneficiaries are forecasted to decline by 33 percent; and

WHEREAS: School Trust assets are shrinking because the majority of the School Trust revenues come from asset sales (e.g. oil and gas royalties) and half of the proceeds of these sales are then distributed, leaving the Trust; and

WHEREAS: The Trust’s financial assets do not grow from reinvestment because 100 percent of the income from the Permanent Fund gets distributed each year; and

WHEREAS: The Trust’s financial assets are shrinking on a nominal basis because the current School Trust asset allocation consists predominantly of low-yielding, low-growth, illiquid assets (agricultural land and bonds) that fail to keep up with inflation; and

WHEREAS: As the trust corpus shrinks, so will its ability to earn distributions for the beneficiaries. As a result, the next generation of schoolchildren will receive less funding from the trust. The subsequent generation will receive even less; and



WHEREAS: The State Land Board has proposed two changes to increase the value of the trust corpus and increase distributions to beneficiaries:

- Implementing a new beneficiary distribution formula
- Implementing a new asset allocation model

The anticipated result is an increase in the value of the corpus and an increase in distributions to beneficiaries; and

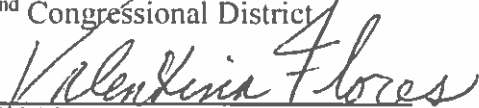
WHEREAS: The State Board of Education believes that the funding from School Trust assets is crucial to the successful operation of Colorado's K-12 education system.

BE IT
RESOLVED: The State Board of Education supports policymakers in efforts to ensure the long-term health of the School Trust

DATED THIS 11TH DAY of April, 2019



Angelika Schroeder, Chairwoman
2nd Congressional District



Val Flores
1st Congressional District



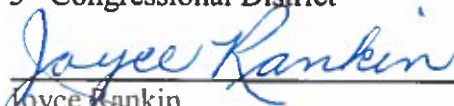
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