

**State of Utah
School and Institutional
Trust Lands Administration**
Fiscal Year 2020 Annual Report



Senior Staff

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Message from the Director



This year brought unprecedented challenges for everyone. However, the most difficult times often prove our perseverance, resilience, and strength.

We heard from teachers, parents, and administrators who stated that transitioning from classroom to online learning was made easier in part by trust land funds. Of the \$82.66 million in funds distributed to Utah schools last year, School Community Councils chose to spend approximately 25 percent or \$20 million to purchase computers and tablets. This computer technology was loaned out to students when the pandemic hit, which allowed them to connect with their teachers and resume learning online.

Our Information Technology Team ensured all employees had the tools and technology to work from home to stay healthy and safe. Our entire SITLA team continued to communicate and collaborate electronically, while our Board of Trustees adjusted to teleconferencing with each other, the public, and our team.

Fiscal year 2020 ends with more than \$2 billion in total revenue since SITLA's inception in 1994. The School and Institutional Trust Funds Office, which manages and invests Utah's permanent funds, reports all funds now exceed \$2.6 billion. Utah State Treasurer David Damschen announced annual Permanent School Fund distributions totaled \$88.83 million this school year and will top \$92 million next year.

Regardless of where and how we work, our mission remains the same: We advance education in Utah by optimizing revenue from constitutionally-granted trust lands through independent and self-funded action, innovative and prudent management, and responsible stewardship.

A handwritten signature in blue ink that reads "David Ure".

David Ure

Cash Flow Fiscal Year 2020

Land Sales Revenue	\$33.23 million
Other Revenue	
Oil and Gas	\$23.30 million
Surface	\$ 9.81 million
Mining	\$ 7.21 million
Real Estate	\$ 1.70 million
Interest	\$ 1.07 million
Unused appropriation from FY18	\$ 2.04 million

**Total Revenue Deposited
into Permanent Funds** **\$57.27 million**

Stated on a cash basis.

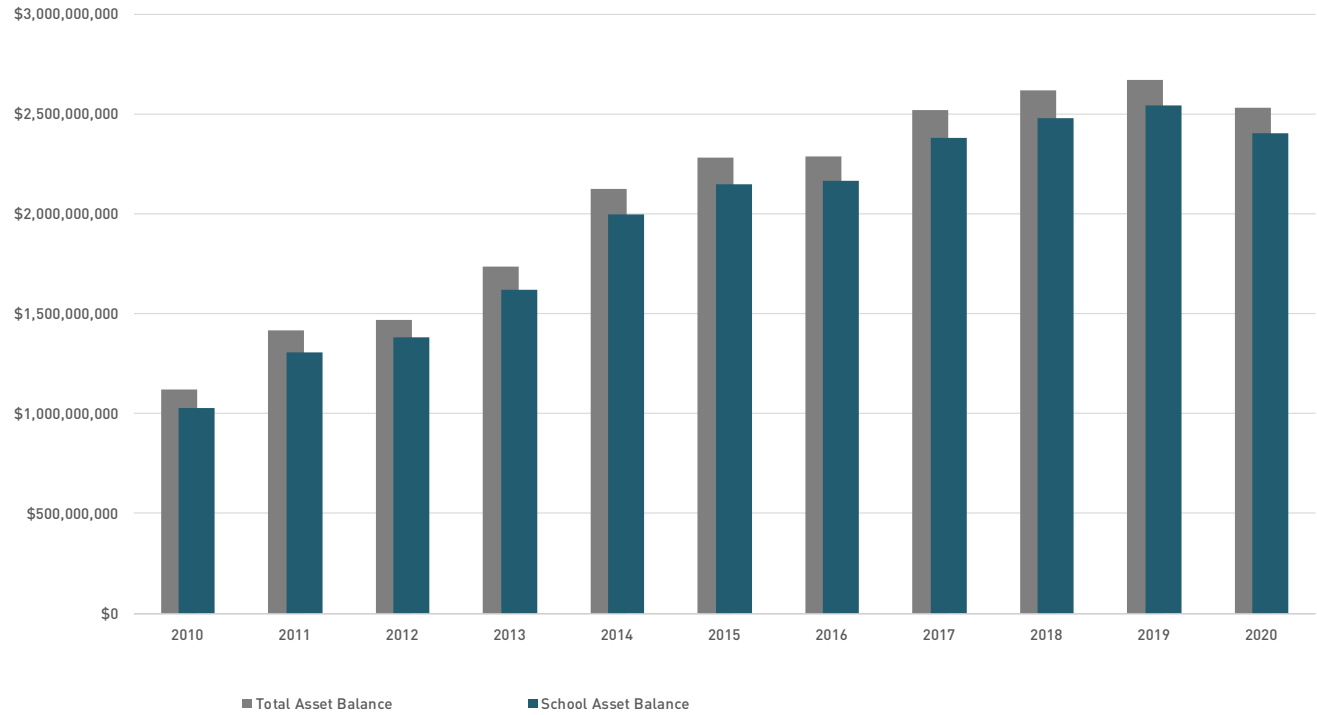
Total Revenues by Business Group

Group	Revenue
Mining	\$ 7,216,556
Oil and Gas	\$ 23,299,042
Real Estate Planning and Development	\$ 34,464,651
Surface	\$ 10,272,940
TOTAL	\$ 75,253,189

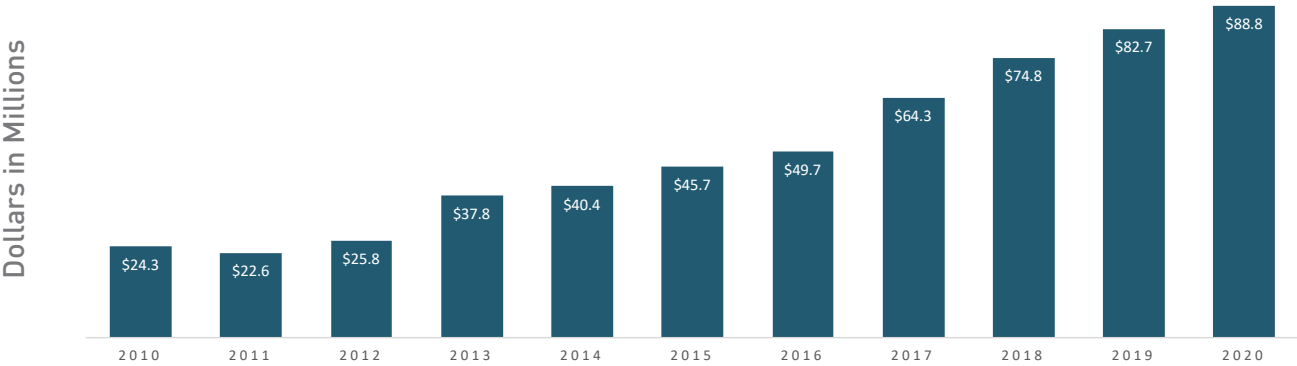
Total Investment Earnings Distributed to Each Beneficiary

	Distribution
College of Mines & Earth Sciences, University of Utah	\$ 159,611
Juvenile Justice Services	\$ 50,399
Miners Hospital, University of Utah Medical Center	\$ 2,200,538
Public Buildings, Division of Facilities Construction and Management	\$ 0
Public Schools	\$ 88,829,088
Reservoirs, Division of Water Resources	\$ 286,005
School for the Blind	\$ 837,067
School for the Deaf	\$ 93,218
Teaching Colleges	\$ 206,341
University of Utah	\$ 230,315
Utah State Hospital	\$ 139,655
Utah State University	\$ 135,578
TOTAL	\$ 93,167,815

Asset Value Fiscal Years 2010 - 2020



Distributed to Schools Fiscal Years 2010 - 2020



This information is unaudited. Final audited information will be available online at trustlands.utah.gov by January 1, 2021.

2020 Fiscal Year Highlights

Audit Group **Revenue Compliance:** The Audit Group recovered \$626,000 in unpaid rents and royalties last fiscal year while conducting 25 audits across a range of industries.

Information Technology (IT) and Geographic Information Systems (GIS) Group **Royalty Reporting:** IT programmers deployed an application that compares lessee production reports against business system data. This new application automates an intensive task, saving both time and money.

Improvements to Virus Detection: The IT group analyzed existing virus detection software and determined it was insufficient to protect the agency from sophisticated ransomware attacks. After installing new software, SITLA is now protected against attacks that have cost other agencies millions of dollars.

Pandemic Solutions: The IT group facilitated a remote workforce in a very short time. The team replaced some desktop computers with laptops, and implemented video conferencing solution for public meetings allowing public comments, recordings, and separation of closed sessions. The IT group worked quickly and efficiently to ensure employee productivity during turbulent times.



Geographic Information Systems (GIS)

SITLA Renewable Energy: The GIS Team collaborated with the Renewable Energy group to identify trust lands with potential for utility-scale solar generation and development. Slope, irradiance, and proximity to transmission lines were three parameters used with GIS tools to generate a surface that showed areas suitable for site construction. These efforts resulted in the GIS Team receiving an award in the ArcGIS Analytical Methods and Results category from the 2020 ESRI User Conference Map Gallery.

Lake Mountain Roads Inventory: The GIS Team continues work with the Surface group to implement a road inventory project on Lake Mountain in Utah County. A mapping project was designed for users to collect road data in the field, which will help identify unneeded roads and support advanced management goals.

Parcel Fabric: The GIS Team continues to work with the Automated Geographic Reference Center (AGRC) and the Bureau of Land Management (BLM) to migrate land ownership into a parcel fabric environment.

Mining Group Mining activity on trust lands produced gross revenue of \$7.2 million in FY 2020. Similar performance is expected for FY 2021.

Markets for sand and gravel, rock aggregate, calcined limestone, and potash remained strong during FY20. Coal revenue continued to decline. Less focus on exploration and increased interest in copper and gold drove leasing success in the West Desert. Lithium remains of high interest. Lands leased for industrial sands in the eastern part of the Uinta Basin are being evaluated for fracking material.



Oil and Gas Group **Revenues:** Oil revenues suffered a dramatic decline starting in March, largely due to the COVID-19 pandemic. The decline flattened quickly and is increasing steadily. Gas revenues continued their natural decline as operators are not drilling gas wells to replace reserves, due to low economic returns. Of note, Anadarko sold the largest gas field in Utah to Caerus. SITLA is engaged in a liquified natural gas emission life cycle study with the University of Utah aimed at lowering global greenhouse gas emissions by displacing Asian coal with Rockies natural gas. This study seconds the original 2018 study conducted in British Columbia.

Helium and Hydrogen Exploration: Helium is defined as a critical mineral and sells at a high value, which can generate significant royalties for trust land beneficiaries. SITLA Resource Specialist Tyler Wiseman published a joint helium research project with the Utah Geological Survey and American Association of Petroleum Geologists. Hydrogen is evolving. The push for economical green hydrogen is being led by the Los Angeles Department of Water and Power and a SITLA lessee through conversion of the Intermountain Power Plant (IPP) in Delta. The hydrogen project at IPP has the ability to advance SITLA's revenue dramatically, while also providing a transition into the renewable economy.

Stewardship: The Oil and Gas group is improving standard operating procedures, with a focus on increasing efficiencies relating to lease obligations, compliance of lease operations, and automation of processes to better quantify and track performance metrics. Research Analysts Dorothy Taylor and Aly Gold are improving our administrative, lease assignment, competitive mineral offerings, and online nomination procedures. Resource Specialist Tyson Todd manages the Vernal Office, where he mitigates field issues and represents the agency in many projects specific to the Uinta Basin.

Real Estate Planning and Development Group

Revenue: The Real Estate Planning and Development group continues to enhance revenue potential on trust land parcels through prudent land planning, infrastructure investment, and partnerships that bring improved lands to the market. The housing market has been particularly robust and SITLA has several residential projects in active development throughout the state. Of note are the Desert Color, Sienna Hills, Hidden Valley, and Coral Canyon projects in Washington County. Additionally, the Trust is a partner in residential developments at Iron Horse in Cedar City, Overlook in Eagle Mountain, and Lions Back in Moab.

Industrial Development: The group is also involved in major industrial developments throughout the state. SITLA partners with the private sector and local governments to enhance economic development opportunities for communities while forwarding the Trust mission. Planning and construction continue in the Northwest Quadrant of Salt Lake City, Fort Pierce Industrial Park in St. George, Port 15 in Iron County, and Price Industrial Park in Carbon County. The group, in cooperation with local municipalities and private partners, earned more than \$34 million this fiscal year.



Renewable Energy Group

Renewable Energy Revenue: SITLA has a fast-growing renewable energy portfolio comprising solar, geothermal, wind, and energy storage projects. The Surface group manages most of the Trust's solar and wind leases, which are in various stages of application, pre-development, and operation, with the balance managed by the Development group. Geothermal projects are managed by the Minerals group.

FY2020 renewable energy revenue totaled over \$1.2 million with solar leases earning \$444,978; geothermal leases \$418,237; energy storage \$285,027; and wind leases \$70,620. Additionally, the agency is exploring possible future efforts in collaboration with local utilities, municipal cooperatives, and institutions of higher education to increase renewable energy revenue through additional projects.

Energy Storage: Trust land beneficiaries stand to benefit greatly from a renewable energy storage project near the Intermountain Power Plant (IPP) in Delta. The coal-fired Intermountain Power Project (IPP) will be replaced by a plant burning natural gas and hydrogen beginning in 2025, with plans to transition fully to hydrogen by mid-century.

Beneath the surface of trust lands in this area is a unique geological feature known as a salt dome. Magnum Energy, which leases a large amount of trust land around the IPP, has successfully created caverns within this salt dome. The caverns are capable of storing millions of barrels of liquids or gases including compressed air and hydrogen. The location of the caverns in relation to IPP, high voltage transmission lines, and other important infrastructure qualify these trust lands as an ideal location to test creating, storing, and using hydrogen as a fuel source on an industrial scale.

Surface Group **FY2020 Overview:** Of the Trust's 16 revenue-producing programs, 11 are administered by the Surface group. Total earnings for this group topped \$10.27 million this fiscal year. The Surface group also engages in significant non-revenue producing activities necessary for the Trust to conduct business: water rights management, cultural resource compliance, wildfire rehabilitation, trespass resolution, public and governmental interface, environmental compliance, and stewardship projects.

Easements: Easements for pipelines, roads, utility lines, and other uses are issued regularly. This fiscal year, an easement for a 13-mile, 500kv power line earned approximately \$640,000 for the Trust.

Water Rights: Water rights are crucial to the future development and value optimization of the Trust's land assets. The Surface group recently purchased 400 acre-feet of water rights in the Colorado River drainage that will be useful for future development.

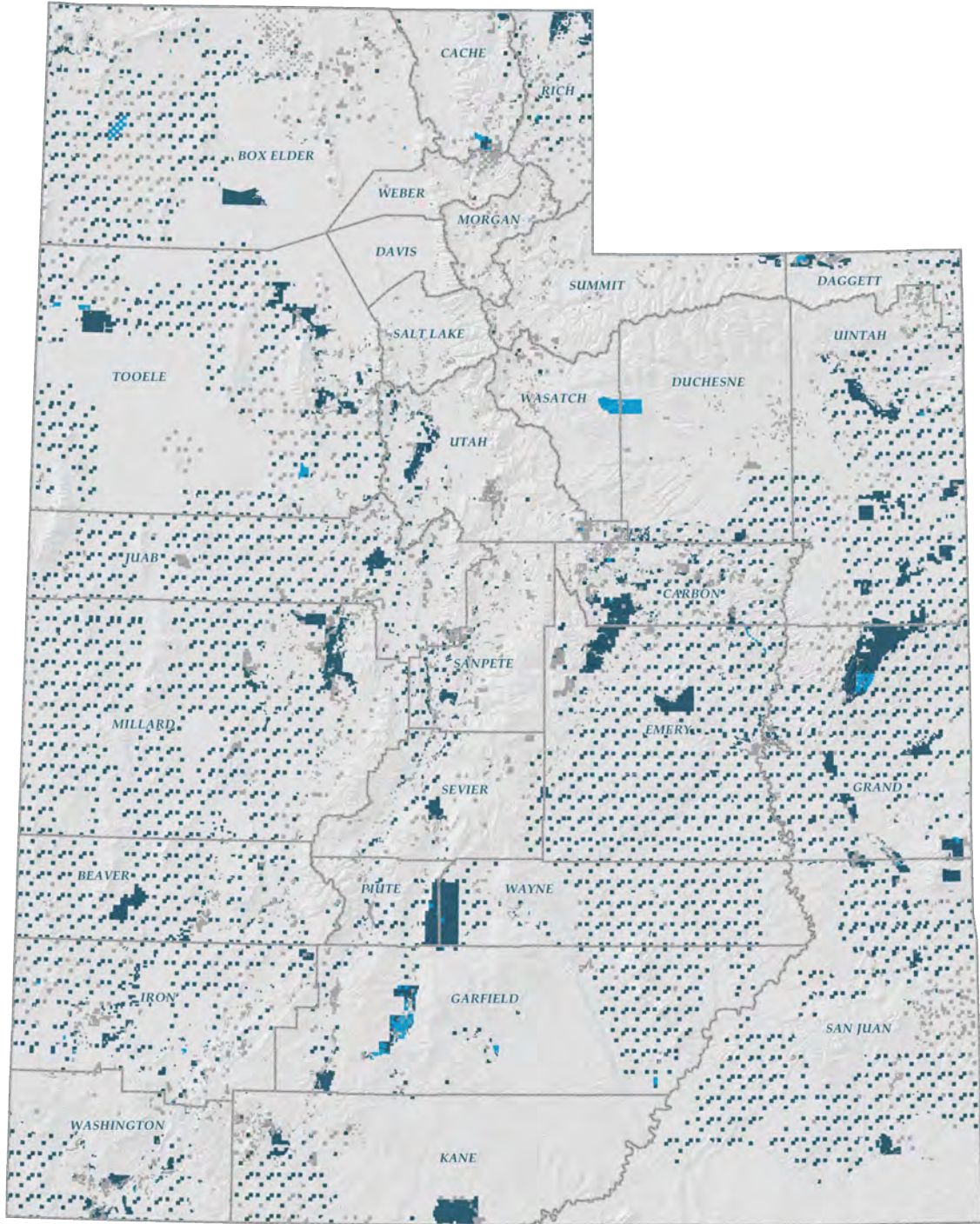
Sales: The group held an auction in fall 2019, selling seven trust land parcels and generating more than \$343,000 for the Trust. The spring auction was cancelled due to COVID-19, but will resume in FY 2021.

Stewardship Projects: During FY2020, the Trust used various funding mechanisms, including a grant received from the Utah Division of Forestry, Fire and State Lands, for an aspen regeneration project focused on 148 acres on Tabby Mountain in Duchesne County. A seeding and weeds-reduction project in the Glendale Bench area in Kane County was undertaken, and other projects to improve vegetation and range health are ongoing. The Trust also partnered with other state and federal agencies on fuels reduction and other forest health projects, as well as on the rehabilitation of nearly 2,000 acres of trust lands damaged by fires.

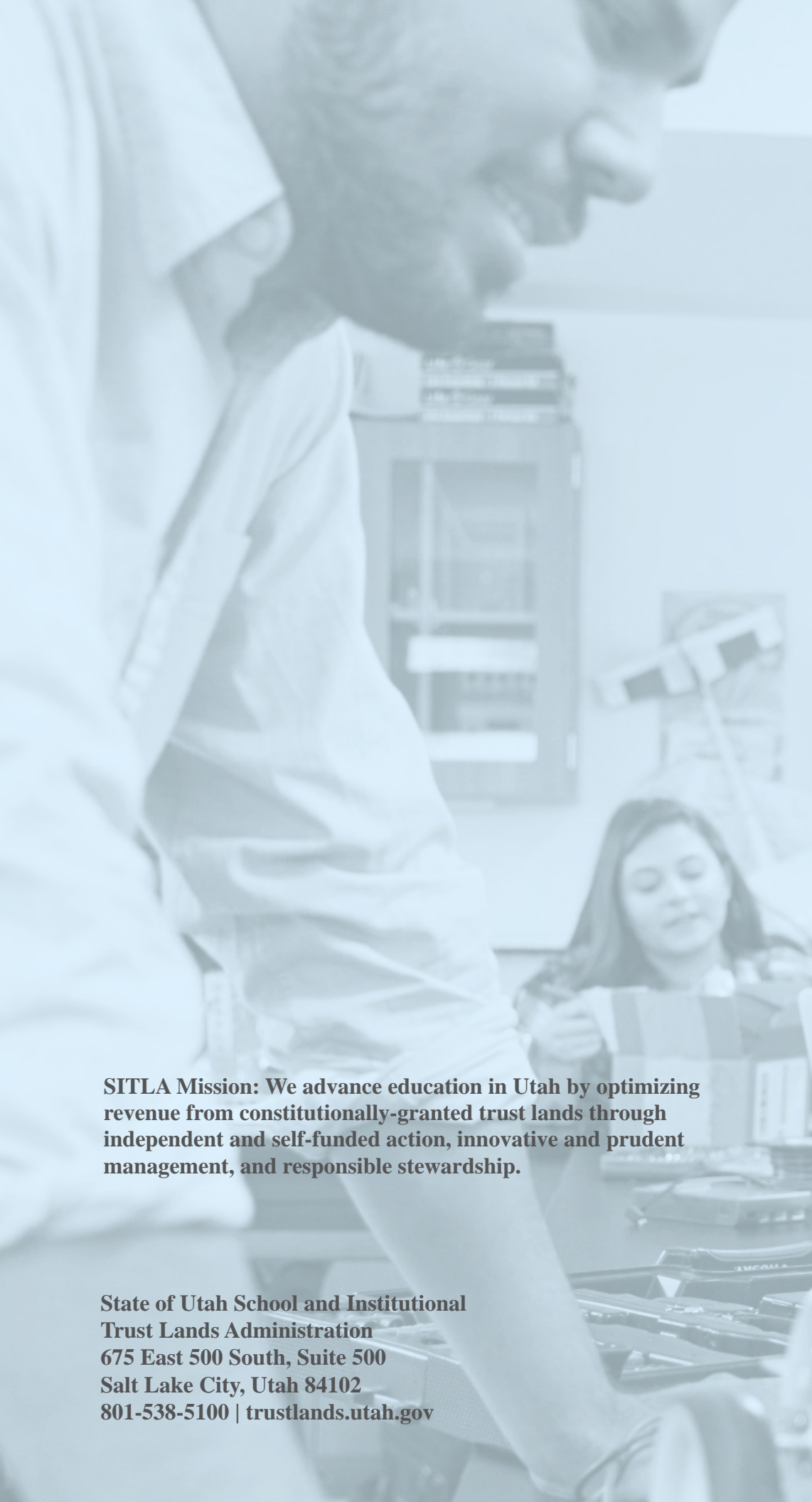
Land Exchanges: The Surface group continues work on a complex federal land exchange in connection with the expansion of the Utah Test and Training Range in the West Desert. The exchange was authorized as part of the National Defense Authorization Act for FY2017. When complete, SITLA will convey 83,609 acres to the BLM, and the school trust will receive 89,784 acres of federal public land. This land exchange, which is anticipated to close in FY2021, will bring increased opportunities for mineral, industrial, residential, and renewable energy development to the Trust.

The John D. Dingell, Jr. Conservation, Management and Recreation Act, enacted on March 2, 2019, directed another large land exchange between SITLA and the BLM in connection with the creation of new wilderness and recreation areas within the San Rafael Swell. SITLA will convey approximately 116,000 acres to the BLM and will receive approximately 100,000 acres of federal public land. Implementation of this land exchange will begin in earnest during FY2021.

Trust Land Access: SITLA is a cooperating agency with the Bureau of Land Management as it continues to develop new travel management plans in 13 BLM planning areas. Approximately 840,000 acres of surface and severed mineral estate are located within these planning areas. As access to trust lands is crucial to maximizing their economic development, the Surface group represents the Trust in these planning processes and invests significant time and resources ensuring trust land access is protected. ■



■ Surface Estate Only
 ■ Mineral Estate Only
 ■ Minerals with Surface Estate



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