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State Land Board & the Permanent Fund

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When Colorado became a state, the federal government granted the state lands to be held in an intergenerational public trust to support public education. This trust is made up of about 2.8 million acres of surface land and 4.0 million subsurface acres, and is managed by the State Land Board (SLB) in the Deparment of Natural Resources. This *issue brief* discusses how revenue earned on those lands is used, invested, and spent for public education.

State Land Board Revenue

The Colorado Constitution requires the SLB to manage the lands such that they produce reasonable income over time, and to protect the long-term productivity and stewardship of the state's school land trust.

Revenue Distribution

State lands are leased or used for agriculture, grazing, recreation, oil and gas development, renewable energy projects, easements, real estate, and other commercial uses.

In FY 2023-24, state school lands generated about $230 million in revenue from leases, mineral royalties, fees, among other sources. Specific revenue amounts can be found in the *SLB Annual Report.* As shown in Figure 1, revenue earned is distributed for the following purposes:

- **capital construction** assistance for public schools (greater of $40 million or 50 percent); and
- SLB **operational costs** (about $6.5 million), and **investment** back into the state lands (up to $5 million); with
- all remaining revenue credited to the **Permanent Fund**.

Permanent Fund

Created in the Colorado Constitution, the Public School Fund, known as the Permanent Fund, is an inviolate endowment fund for education. This means that interest and investment earnings can be used to support and maintain public schools, but money in the fund cannot be transferred or used for any other purpose.

The Public School Fund Investment Board in the Department of Treasury oversees the investment of the Permanent Fund as specified in state law. At the end of FY 2023-24, the fund had a principal balance of $1.6 billion, which generated $48.6 million in interest earnings.

Revenue Distribution

Permanent Fund interest and investment earnings are distributed for the following purposes in amounts specified in state law:

- Public School Fund Investment Board **expenses**;

- **school finance** and education programs; and
- public school **capital construction**.

State Public School Fund

After expenses, the first use of Permanent Fund interest and earnings is the State Public School Fund (not to be conflated with the Public School Fund, the official name of the Permanent Fund). Money in the State Public School Fund is primarily used for the state share of school finance, but may also be used for other programs or uses related to education as determined by the General Assembly.

The fund also receives federal mineral lease revenue, marijuana special sales tax revenue, other transfers, and any revenue collected above the Public School Capital Construction Assistance Fund (PSCCAF) revenue limit.

Public School Capital Construction Assistance Fund

The next use of the Permanent Fund interest and earnings is the PSCCAF. Money in the PSCCAF is used to provide grants and loans for public school construction through the Building Excellent Schools Today (BEST) Program, as well as for charter school capital construction.

In addition to a direct distribution of SLB revenue, the fund receives marijuana excise tax revenue, lottery proceeds, and other one-time transfers. Beginning in FY 2024-25, total revenue to the PSCCAF is capped at $150 million, a limit that will be adjusted for inflation in future years. Any revenue above the limit is transferred to the State Public School Fund. The limit excludes Permanent Fund earnings that exceed $41 million.

Figure 1
State Land Board Revenue & Permanent Fund Interest Distribution