

|                              |                                                  |                                     |
|------------------------------|--------------------------------------------------|-------------------------------------|
| <b>Trust Land Management</b> |                                                  | <b>Agency/Program #:</b> 5706-35-G1 |
|                              |                                                  | <b>Division:</b> Trust Land         |
|                              |                                                  | <b>Program:</b>                     |
| <b>Agency Name:</b>          | Department of Natural Resources and Conservation |                                     |
| <b>Agency Contact:</b>       | Tom Schultz                                      | 444-4978                            |
| <b>LFC Contact:</b>          | Representative Ripley, Representative Erickson   |                                     |
| <b>LFD Liaison:</b>          | Barbara Smith                                    | 444-5347                            |
| <b>OBPP Liaison:</b>         | James Chamberlain                                | 444-1338                            |

**Program or Project Description:**

| Appropriation, Expenditure and Source |            |            |            |            |                                                        |
|---------------------------------------|------------|------------|------------|------------|--------------------------------------------------------|
| Fund Name:                            | 2008       |            | 2009       |            | Approp & Expenditure numbers are as of August 29, 2008 |
|                                       | Approp.    | Expended   | Approp.    | Expended   |                                                        |
| General Fund                          |            |            |            |            |                                                        |
| State Special                         |            |            |            |            |                                                        |
| Federal Funds                         |            |            |            |            |                                                        |
| <b>Total:</b>                         | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> | <b>\$0</b> |                                                        |

**Goal(s):**

Maximize annual gross revenues for the trust beneficiaries from existing trust land management activities, including agriculture and grazing management, mineral development, forest management, and real estate management, while also implementing new and alternative methods of revenue generation from land management.

**Performance Measures :**

- 1) Land Banking
  - Process and sell 20,000 acres of trust land (avg. ROR < 1%) over the next biennium to generate \$15 million for the Land Bank Fund.
  - Acquire a minimum of 15,000 acres of legally accessible lands with the funds from the land sales. The annual rate of return (ROR) on the lands acquired will average approximately 1.6 % or greater.
- 2) Leasing of Navigable Rivers
  - The Trust Land Management Division will issue a minimum of 8 new hydroelectric leases.
- 3) Timber Salvage
  - FY2008 – Salvage 25 mmbf of timber from the forested lands that are beetle-infested or were burned in 2007.
- 4) Contract Harvesting
  - FY 2009 – Harvest an additional 1 mmbf of timber utilizing contract harvesting authorities, which is projected to generate an additional \$45,000 in net revenues when compared to existing timber sales.

| 2009 Biennium Significant Milestones: | Completion Dates |        |
|---------------------------------------|------------------|--------|
|                                       | Target           | Actual |
| 1                                     |                  |        |
| 2                                     |                  |        |
| 3                                     |                  |        |
| 4                                     |                  |        |
| 5                                     |                  |        |

**Performance Report:****1 Land Bank Summary****Parcels sold    Acres Sale Amounts**

FY 2008            9    5,095    \$2,782,630  
 FY 2009 (projected) 141    18,032    \$14,803,474  
 Projected ROR on sales <1%

**Parcels acquired    Acres Purchase Amounts**

FY 2008            0            0            \$0  
 FY 2009 (projected) 4            21,803    \$13,701,000  
 Projected ROR on acquisitions >1.6%

2 - Avista settlement and associated lease for the Clark Fork Dam near Noxon. Annual Revenue of \$4 million, lease signed January 2008.

PacifiCorp settlement for the Big Fork Dam – lease draft complete except for finalization of payment calculation (approximately \$40,000 to \$50,000 annually).

District Court Judge Honzel ruled in the state's favor in PPL Montana, LL, v. State of Montana. Initial value of that settlement is approximately \$34.7 million with annual lease rentals in the neighborhood of \$6 million. On August 21, 2008, Notice of Entry of Judgment was given in PPL Montana, et al. v. State of Montana, Cause No. CDV 2004-846, in Montana's 1st Judicial District Court. The filing of this notice of entry of judgment granted PPL Montana 60 days under Rule 4, M.R.App.P. to appeal Judge Honzel's ruling in this case to the Montana Supreme Court. The appeal of the case is underway and n

3 - Forest Management Bureau sold 24 mmbf of salvage timber in FY 2008.

4 -The contract harvesting program is currently developing contract templates and reviewing project priorities. The bureau anticipates selling a minimum o

**Program    FY08 Approximate Gross Revenue - Total    \$81 million**

Agriculture and Grazing Management \$19.9 million

Recreational Use    \$1.0 million

Forest Management – Timber Sales \$10.0 million

Forest Improvement Collections \$1.1 million

**Minerals Management**

Oil & Gas    \$31.3 million

Aggregate Minerals \$174 thousand

Coal    \$5.9 million Other Minerals \$86 thousand

**Real Estate Management**

Rights-of-Way/Easements \$2.1 million

Residential leases/licenses \$1.5 million

Land Sales    \$2.8 million

Commercial leases/licenses \$980 thousand

Conservation leases \$101 thousand

Hydropower lease \$4 million

**LFD Narrative:**

FD ASSESSMENT: On Track

APPROPRIATION STATUS: Appropriation and expenditure data were not provided. Trust activities are funded from trust revenues, in knowing how much was spent in administering trust land provides a measure of revenues per dollar invested. The workgroup may wish to inquire about expenses.

COMMENTS/ISSUES: See Above

OPTIONS: 1) Schedule an additional Report; 2) Dismiss.

Version

Date

Author

Change Description

LFD

|                 |         |       |
|-----------------|---------|-------|
| 5706-35-G1-CC-1 | 12/6/07 | Smith |
| 5706-35-G1      | 9/24/08 | Smith |
|                 |         |       |

|                   |
|-------------------|
| Add LFD Narrative |
| Workgroup Update  |
|                   |