ANNUAL REPORT FISCAL YEAR 2020

Trust Lands Management Division

Montana Department of Natural Resources and Conservation

MISSION

Manage the State of Montana's trust land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.

Photo by Scott Allen, Southwest Land Office

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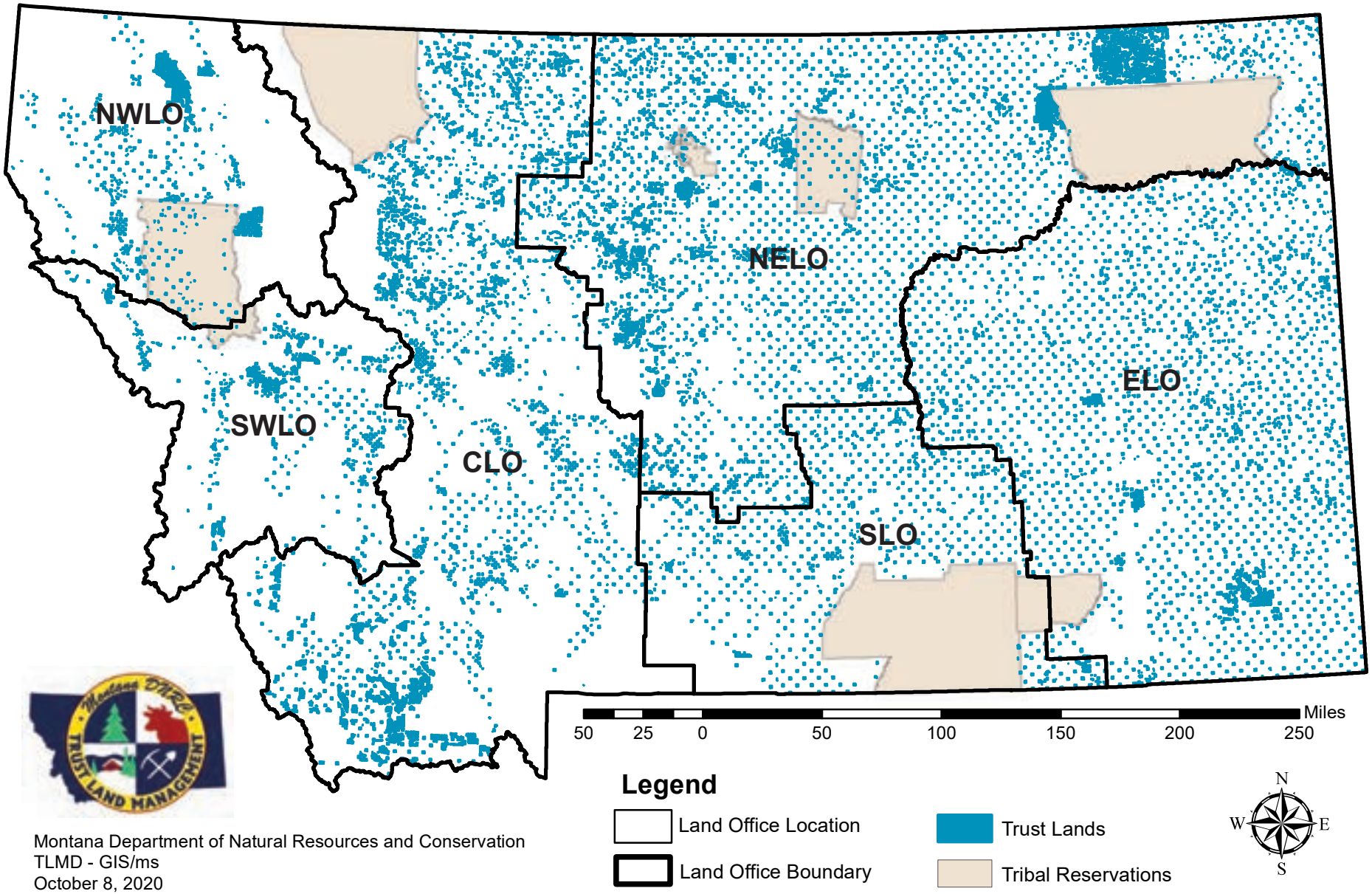
Photo by John Reddy

MONTANA TRUST LANDS



Montana Department of Natural Resources and Conservation
TLMD - GIS/ms
October 8, 2020

AREA & UNIT OFFICES

DNRC Headquarters
1539 Eleventh Avenue
Helena, MT 59620-1601

1. Northwestern Land Office
655 Timberwolf Parkway
Kalispell, MT 59901
with unit offices in
Kalispell, Libby, Plains, Stillwater, Swan

2. Southwestern Land Office
1401 27th Avenue
Missoula, MT 59804
with unit offices in
Missoula, Clearwater, Anaconda, Hamilton

3. Central Land Office
8001 N Montana Avenue
Helena, MT 59602
with unit offices in
Helena, Bozeman, Conrad, Dillon

4. Northeastern Land Office
613 NE Main Street
Lewistown, MT 59457
with unit offices in
Lewistown, Glasgow, Havre

5. Southern Land Office
1371 Rimtop Drive
Billings, MT 59105

6. Eastern Land Office
321 Main Street
Miles City, MT 59301

QUICK FACTS

127.30 TOTAL DIVISION FTE

8,926 AG & GRAZING LEASES

326,926 TREE SEEDLINGS PLANTED

238 RIGHTS OF WAY PROCESSED

5.2 MILLION TOTAL SURFACE ACRES

6.2 MILLION TOTAL MINERAL ACRES

45.3 MMBF TIMBER HARVESTED

41 CABIN SITES SOLD AT AUCTION

64 ACTIVE TIMBER SALES

1,298 OIL & GAS LEASES

123 COMMERCIAL LEASES

764 ACTIVE LAND USE LICENSES

31 COAL LEASES

517 ACTIVE RESIDENTIAL LEASES

12 LAND SITES SOLD AT AUCTION

Photo by John Reddy

FY 2020 TRUST LANDS OVERVIEW

The mission of the Trust Land Management Division (TLMD) is to administer and manage the state trust timber, surface, and mineral resources for the benefit of the Common Schools and other endowed institutions in Montana, under direction of the Board of Land Commissioners. The Board of Land Commissioners, which is also known as the "State Land Board," consists of Montana's top elected officials:

Secretary of State
Corey Stapleton

Attorney General
Tim Fox

Governor
Steve Bullock

Superintendent of Public Instruction
Elsie Arntzen

Commissioner of Securities & Insurance
Matthew Rosendale

Montana State Capitol - Flickr Stock Photo

The division is divided into four primary programs: agriculture and grazing management, forest management, minerals management, and real estate management. Staff and program specialists in Helena and Missoula provide program administration, direction, oversight, and support. Field personnel throughout the state provide on-the-ground management. Additional program information can be found at the division's website: www.dnrc.mt.gov/divisions/trust

The department's obligation is to obtain the greatest benefit for the school trusts pursuant to 77-1-202, MCA. The greatest monetary return must be weighed against the long-term productivity of the land to ensure continued future returns to the trusts.

HISTORY

By the Enabling Act approved February 22, 1889, the Congress of the United States granted to the state of Montana, for Common Schools (K-12) support, sections 16 and 36 in every township within the state. Some of these sections had been homesteaded, some were within the boundaries of Indian reservations, and others had been disposed of before passage of the Enabling Act. Other lands were selected by the state in lieu of these lands. The Enabling Act and subsequent acts also granted acreage for other educational and state institutions. The trust beneficiaries are as follows:

- *Common Schools (K-12)*
- *The University of Montana*
- *Montana State University – Morrill Grant*
- *Montana State University – Second Grant*
- *Montana Tech of the University of Montana*
- *State Normal School (Montana State University at Billings, Universtiy of Montana at Dillon)*
- *Public Buildings*
- *Veterans Home*
- *School for the Deaf & Blind*
- *State Reform School (Pine Hills)*
- *Montana Developmental Center (Sir Trust 2007)*
- *Montana State Hospital (Sir Trust 2007)*
- *Public Land Trust Navigable Rivers (2010)*
- *Acquired Lands Trust (2011)*

In FY 2007, approximately 2,600 acres were donated to the State of Montana for school trust land. This donation added acreage to the School for the Deaf and Blind and created a trust for the Montana Developmental Center and the Montana State Hospital. Two other trusts have been created since then, Public Land Navigable Rivers and Acquired Lands.

The total acreage has fluctuated through the years due to land sales and acquisitions. Surface acreage at the end of FY 2020 was approximately 5.2 million acres and mineral acreage, approximately 6.2 million acres. Mineral acreage exceeds surface acreage because the mineral estate has been retained when lands were sold (See Table 10).

FY 2020 PROGRAM HIGHLIGHTS
AGRICULTURE & GRAZING MANAGEMENT BUREAU

The Agriculture and Grazing Management Bureau along with Area and Unit Office staff supervise the management and leasing of 4.7 million acres under approximately 8,900 agreements for crop and range land throughout the state.

SURFACE LEASING

The Surface Leasing Program is responsible for surface lease agreements. Last year, program staff processed approximately 1,000 lease renewals; advertised, competitively bid, and issued new leases; reviewed and processed assignments, subleases, pasturing agreements, custom farming agreements, pledges, and mortgages; and collected, verified, and posted rentals and fees.

LAND MANAGEMENT

The Land Management Program manages agricultural and grazing resources on state trust land. Responsibilities include the evaluation and assessment of range and crop land condition; administration of archaeological, paleontological, and historical properties on state trust land; investigations of lease noncompliance; participation in the federal Farm Program; and oversight of water developments, water rights, and improvement projects such as range renovation and resource development.

AGRICULTURE AND GRAZING LANDS

Currently, 2,752 agreements cover agricultural use of state trust lands. Crops raised on these lands are primarily dry land hay and small grains, but also include irrigated grain crops, corn, sugar beets, potatoes, peas, lentils, garbanzo beans, canola, safflower, flax, alfalfa seed, and native grass seed.

In FY 2020, agricultural leasing on 589,000 acres yielded $14.9 million in revenue. The majority of these leases are on a crop-share basis with a minimum share of 25% set by statute. Montana also participates in the Farm Program and receives payments from the US Department of Agriculture (USDA) Farm Service

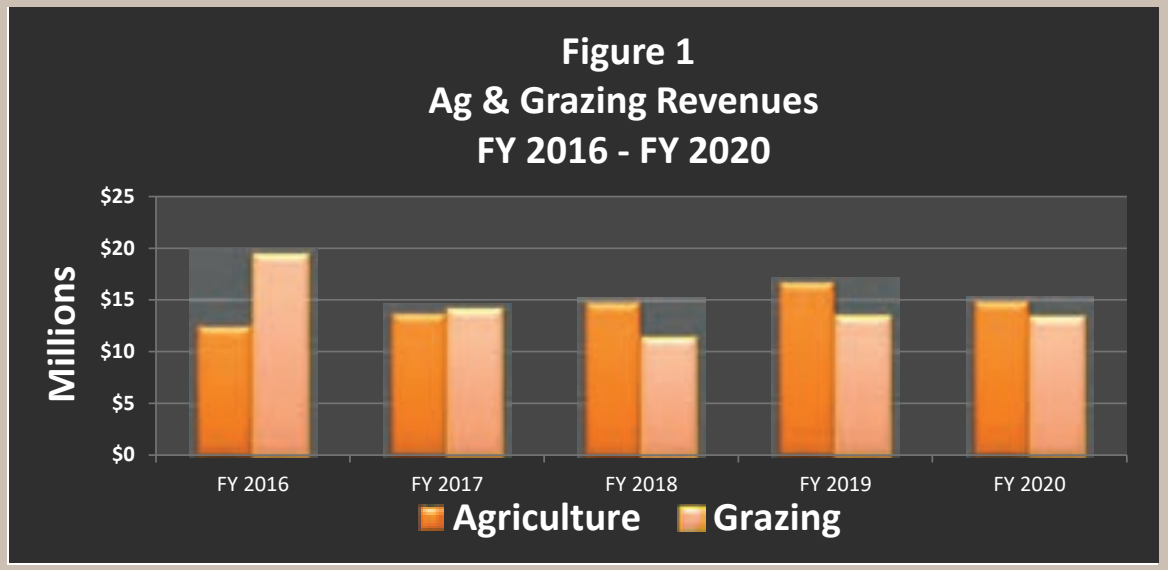


Photo by John Reddy

Agency. For FY 2020, these payments totaled $636,600, (included in total ag revenue) primarily for lands enrolled in the Conservation Reserve Program (CRP) and from Price Loss Coverage (PLC) contracts.

Approximately 8,029 agreements allow grazing on trust lands. The nearly 4.1 million acres of classified grazing lands and forest lands have an estimated carrying capacity of nearly 982,300 animal-unit-months (AUMs). The minimum rental rate for grazing leases, $12.92 per AUM, is set by a formula which includes the average weighted price for beef cattle sold in Montana during the previous year. In FY 2020, grazing leases generated $13.3 million in revenue. See Figure 1 for agriculture and grazing revenues from FY 2016 – FY 2020.

RECREATIONAL USE

Legally accessible state trust lands are open to recreational use by the public by purchasing a conservation or general recreational use license. Sportsmen with a current conservation license are authorized to hunt, fish, and trap on these lands with the exception that trapping also requires a special recreational use license from DNRC at no additional charge. Through an agreement with the Department of Fish, Wildlife & Parks, $2 from the sale of each conservation license goes to trust beneficiaries in compensation for use of the land. The public can also purchase a general recreational use license for all other types of noncommercial and/or non-concentrated activities, such as hiking, biking, bird watching, berry picking, sight-seeing, horseback use etc.

In FY 2020, 526,455 conservation licenses were sold, generating $1,052,910 in gross revenue. General recreational use licenses generated a total of $203,681. Special recreational use licenses generated $171,522.

Photo by John Reddy

FOREST MANAGEMENT BUREAU

Each year, foresters, scientists, and managers conduct activities to ensure the long-term sustainability of forested state trust lands. Annual activities are aimed at generating income, monitoring and improving practices, investing in future productivity of forested stands, and conserving an array of resources. Revenue from these lands is derived mainly from the sale of forest products. While DNRC oversees less than 4% of the statewide forested landscape, the program accounts for nearly 20% of Montana's total timber volume sold per year. Statute directs DNRC to sell a consistent amount of timber each year, which in turn provides a consistent revenue source for the trust beneficiaries and a consistent source of material for the wood products industry.

Our forest management standards and philosophy are based on biodiversity, sustainability, and active management. We are guided by the State Forest Land Management Plan (SFLMP) and associated rules (2003) and DNRC's Forested State Trust Lands Habitat Conservation Plan (2011).

FOREST PRODUCT SALES

The forest product sales program incorporates activities and expenditures required to grow, harvest, and sell forest products from state trust lands. All timber sales and permits are developed, analyzed, and reviewed in the field by foresters and resource specialists to ensure that sales comply with all applicable laws, policies, and management direction. The current annual sustainable yield from forested state trust lands is 56.9 million board feet (MMBF). TLMD maintained a successful forest products sales program in FY 2020, though the forest products market fluctuated throughout the fiscal year. The Forest Management Program offered 59.4 MMBF of timber for sale, of which 53.9 MMBF was sold through timber sales and permits. The average stumpage price was $171 per thousand board feet, an 12% decrease compared to FY 2019. The volume sold has an estimated total stumpage value of $9,250,617 and additional expected revenue of $1,229,476 in Forest Improvement fees. A total of 45.3 MMBF of timber and a minor amount of other miscellaneous forest products (posts, pulp, boughs, etc.) were harvested from state trust lands during FY 2020. This volume generated $8,527,471 in stumpage revenue for the year. Table 1 shows the volume and value of the timber sold by area office.

Photo by Gary Frank, Forest Management Bureau

TABLE 1 VOLUME & VALUE OF TIMBER SOLD BY AREA OFFICE FY 2020				
Area Office	**Volume (MBF)**	**Average Price ($/MBF)**	**Stumpage Value**	**Forest Improvement Fees**
CLO	2,400	$53	$127,832	$16,016
Eastside (NELO, ELO, SLO)	1,250	$65	$80,864	$1,243
SWLO	13,219	$133	$1,759,767	$316,835
NWLO	37,047	$197	$7,282,153	$895,382
Total Statewide	53,916	$172	$9,250,617	$1,229,476

Figure 2
Timber Volume Sold and Harvested

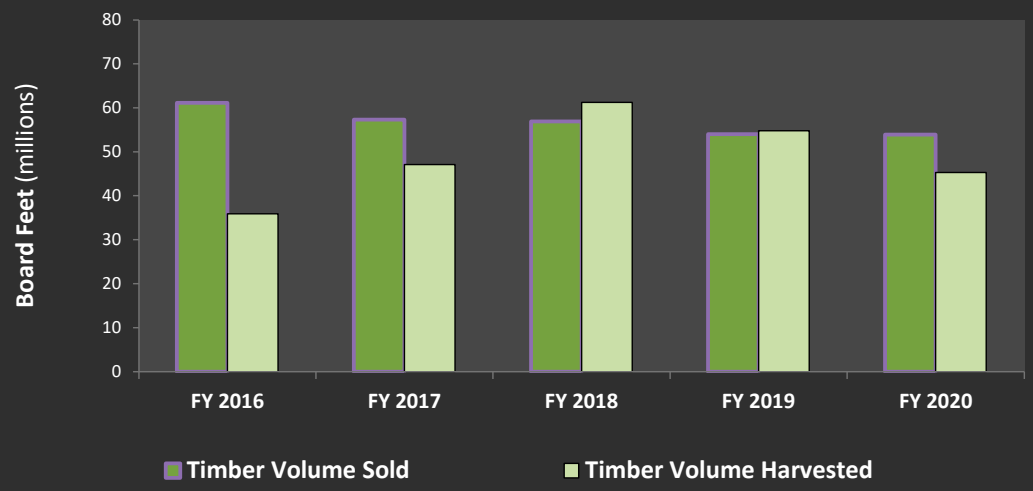


Photo by Dale Peters, Northwest Land Office

FOREST IMPROVEMENT

The Forest Improvement Program uses fees from harvested timber to improve the health, productivity, and value of forested trust lands. Use of these fees authorized by statute, includes disposal of logging slash, reforestation, access, road maintenance necessary for harvest operations, other treatments necessary to improve the condition and income potential of state forests, and compliance with other legal requirements associated with timber harvest.

In FY 2020, DNRC collected $742,327 in Forest Improvement fees, as shown in Table 2. In addition to other Forest Improvement Program projects, DNRC planted 326,926 seedlings on 1,690 acres of state trust land, completed precommercial thinning treatments on 724 acres, and site preparation (brush piling and scarification for natural regeneration) on 316 acres in FY 2020.

TABLE 2
FOREST IMPROVEMENT FEES COLLECTED BY TRUST FY 2020

Trust	Amount
Common Schools	$ 507,308
Montana State University - Second Grant	$19,173
Montana Tech	$20,652
State Normal School	$48,515
School for the Deaf and Blind	$17,152
State Reform School	$5,377
Public Buildings	$120,855
Acquired Land	$3,295
Total	**$742,327**

Photo by Jon Hayes, Southwest Land Office

MINERALS MANAGEMENT BUREAU

The Minerals Management Bureau is responsible for leasing, permitting, and managing approximately 1,413 oil and gas, metalliferous and nonmetalliferous minerals, coal, and sand and gravel agreements on more than 547,000 acres of the available 6.2 million acres of school trust land and approximately 11,885 acres of other state-owned land throughout Montana.

OIL & GAS ACTIVITY

In FY 2020, the bureau managed 1,295 total leases, 615 of which are currently productive. Compared to FY 2019, the total number of leases issued is down 0.2%, but producing leases increased by 0.7%. Even though the average gas and oil prices decreased, speculation associated with the Bakken and other formations remained constant, leading to leases being retained.

FY 2020 royalty revenues totaled $7,026,806, down 32.49% from FY 2019 due to a decrease in oil prices as well as the negative oil prices that occurred in March. Rentals, non-drilling penalties, and bonus revenues totaled $1,198,953, down 45.71% compared to FY 2019. This decrease was driven by a combination of cancelled or terminated leases and a decrease in bonus revenue from quarterly lease sales. See Figure 3 for a summary of revenues. Oil and gas production from state lands is summarized in Table 3. Figure 4 shows the FY 2020 mineral revenue by type and percentage.

COAL ACTIVITY

In FY 2020, the bureau managed 31 total leases, 6 of which are currently productive. Coal lease counts remained constant between 2019 and 2020. Royalty revenues totaled $13,672,960 which was a 20.25% increase from FY 2019. Rental revenues totaled $25,046. Coal production from state lands is summarized in Table 3.

TABLE 3
MINERAL PRODUCTION

	FY 2019	FY 2020	% Change	Five-Year Average
Oil (barrels)	1,224,902	990,617	-19.1%	1,192,668
Gas (mcf*)	2,353,164	2,357,467	0.1%	2,630,876
Coal (tons)	6,294,235	5,952,191	-5.4%	5,067,312

*mcf=thousand cubic feet

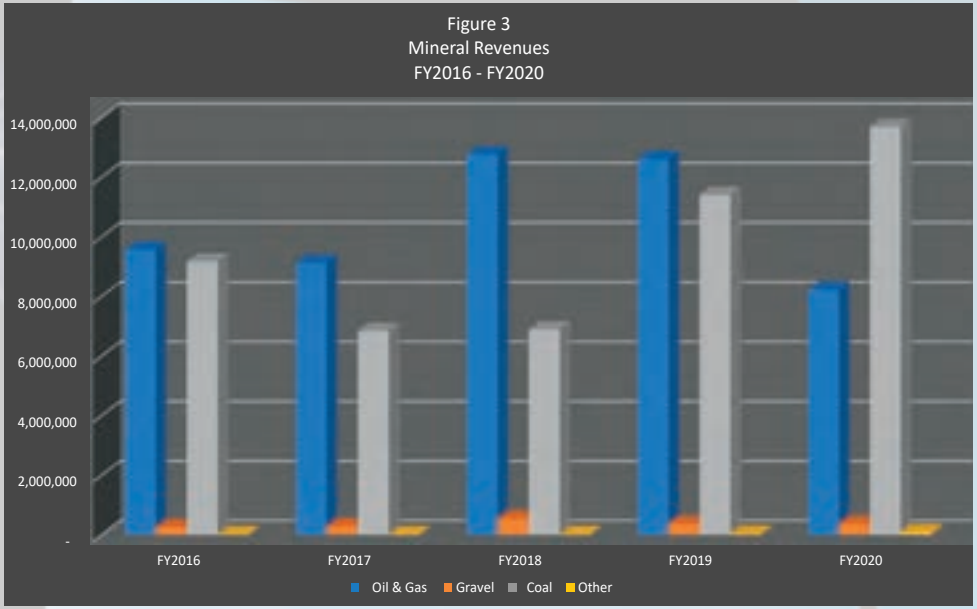


Photo by John Reddy

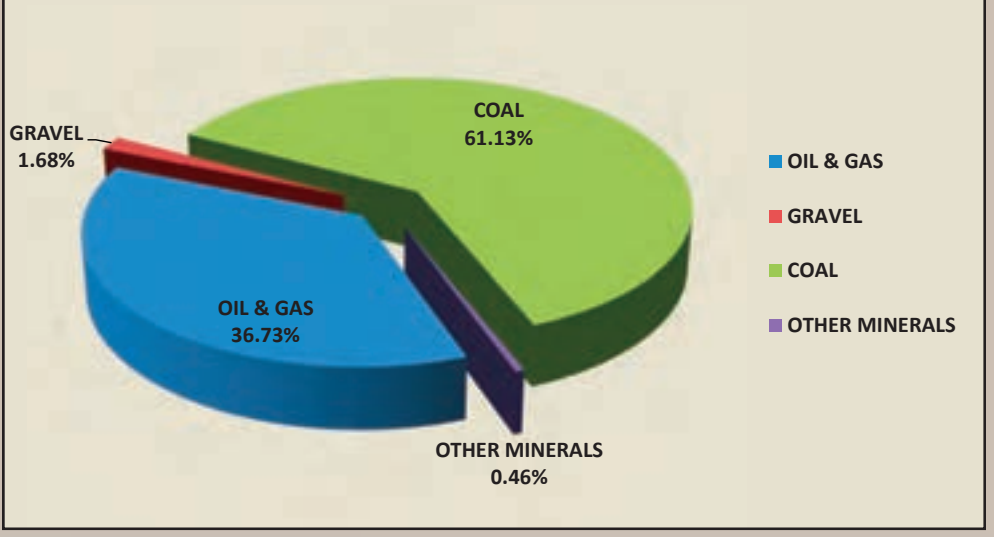
OTHER MINERALS

The bureau also issues land use licenses and leases for gravel and other minerals. In FY 2020, gravel revenues totaled $376,933, which is an 1.73% decrease from FY 2019. Revenues for all other mineral activities totaled $102,957.

RIVERBED LEASING

On navigable waterways in Montana, the state owns those lands below the low-water mark; islands and their accretions formed in riverbeds after statehood; and certain abandoned channels formed by avulsion. The bureau continues its efforts to clarify title to the riverbeds and islands of navigable rivers. Because two navigable rivers in Montana flow through areas with major oil and gas resources, DNRC has conducted numerous riverbed studies to determine and document state ownership in those areas. Studies are also required in urban and developing areas. In FY 2020, the program managed 9,908 acres of leased riverbed and island tracts. These tracts provided the state with $633,822 in oil and gas revenues.

Figure 4
Mineral Revenue By Type FY 2020



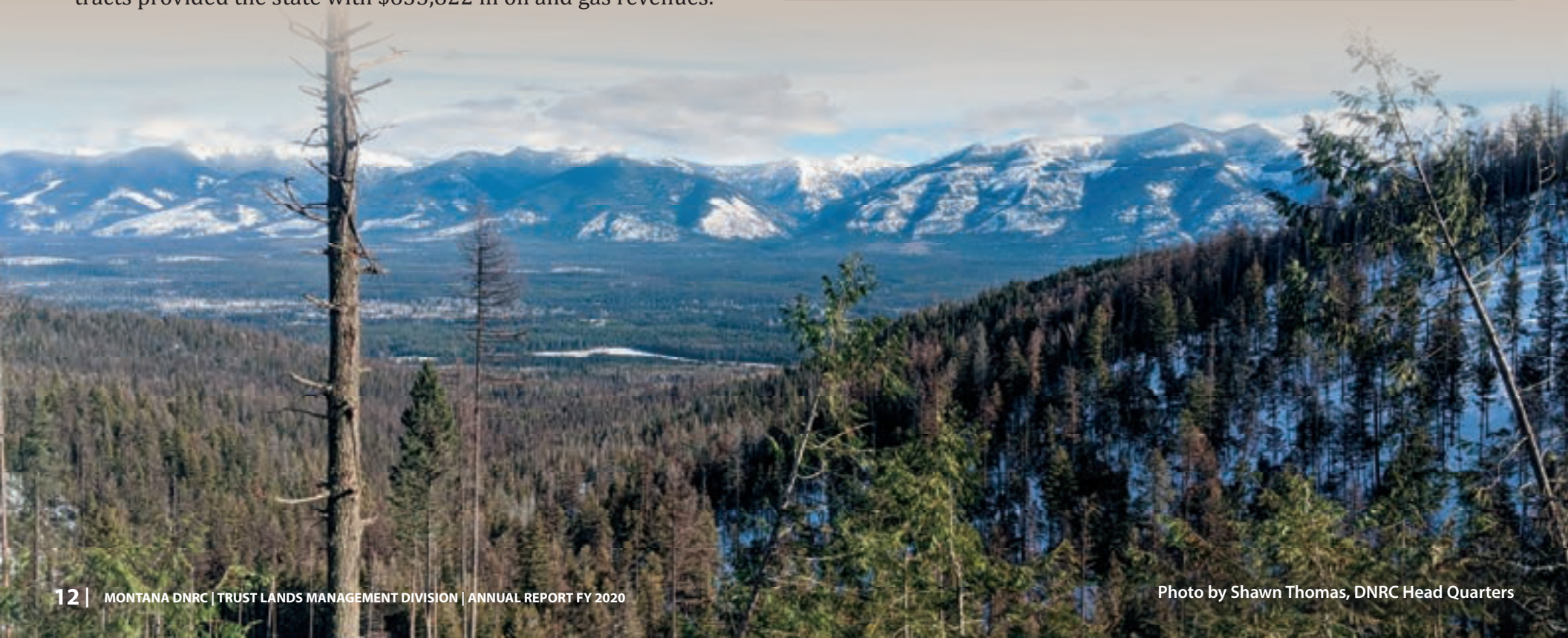


Photo by Shawn Thomas, DNRC Head Quarters

REAL ESTATE MANAGEMENT BUREAU

The Real Estate Management Bureau administers a diverse set of programs involving land acquisitions, and dispositions, land exchanges to improve the trust land base, rights-of- way and access transactions, as well as, commercial and residential ground leases. Licenses for secondary more short-term activities are also managed by the bureau. Fee title land transactions greatly improve the land base and management diversity through land consolidation, legal access, and greater revenue generating capacity for the trusts served by the department. The real estate bureau contributes annual distributable revenue through commercial and residential leasing. A new and exciting prospect for commercial revenue through large-scale renewable energy developments has increased significantly over the last year in Montana and many western states, with many companies looking to Montana's eastern plains for potential wind and solar renewable energy expansion. Many factors are driving the recent peaked interest in Montana's eastern counties and the bureau has positioned state trust lands to be responsive and competitive for this demand. Income generated from rights-of-way grants and easements are deposited into the permanent fund and assigned to specific trusts. The bureau also assists other state agencies with the management of non-trust state land assets and records management. Figure 5 shows real estate revenues from FY 2016 - 2020.

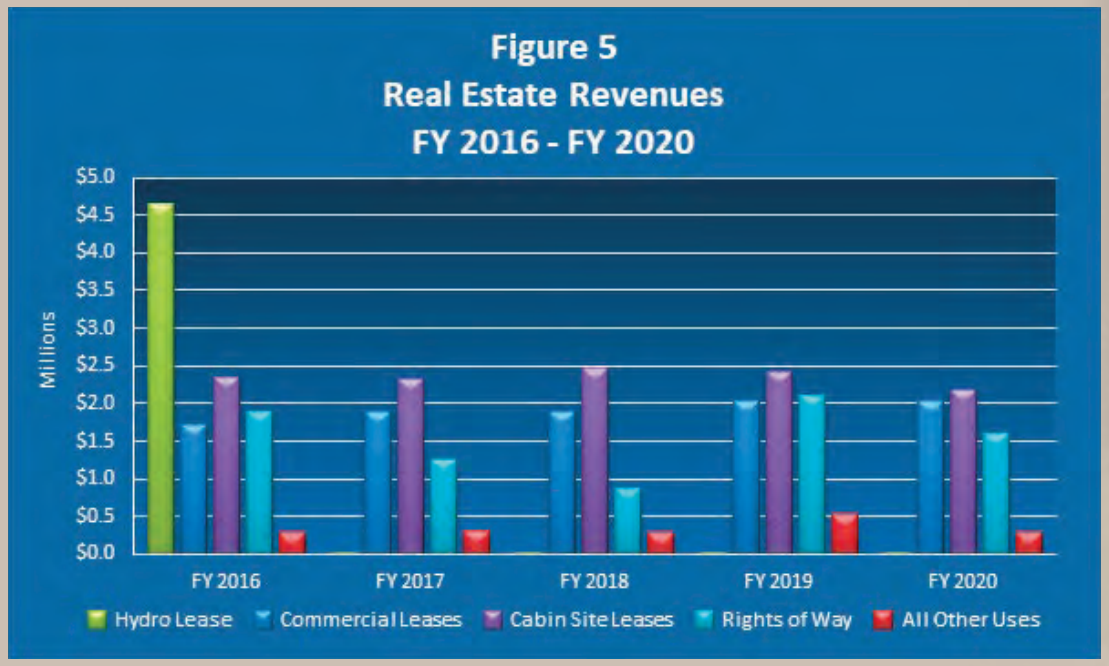


Photo by Real Estate Management Bureau

TABLE 4

LAND AND CABIN SITES SOLD BY TRUST FY 2020

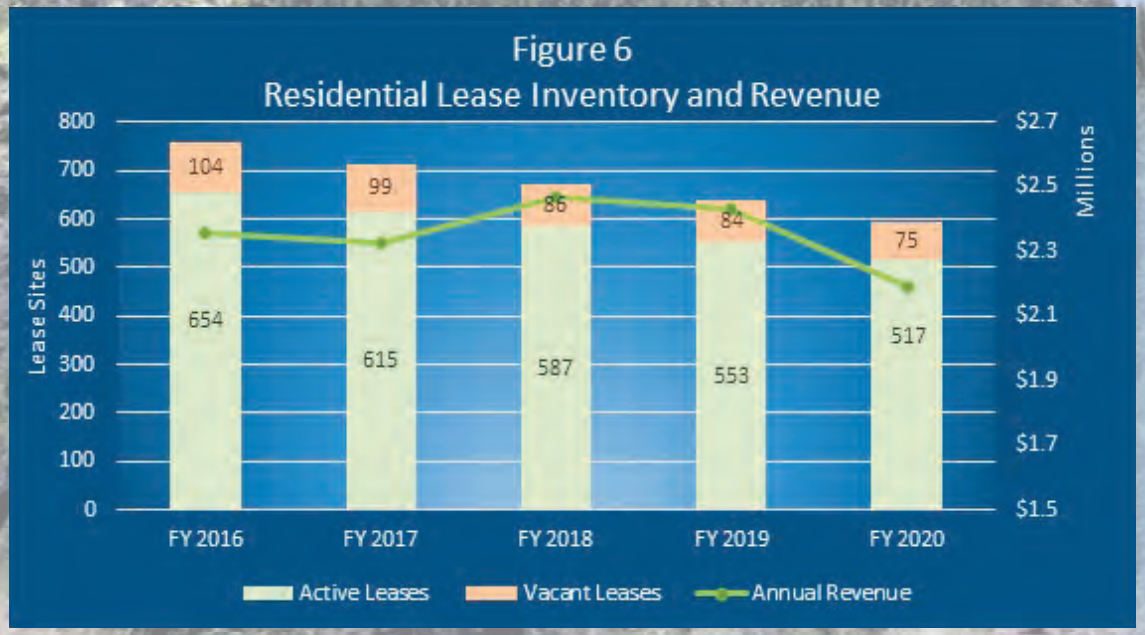
Trust	Program	Acres	Sales Price	# of Parcels	Average Three-Year Income	Return
Common Schools	Land	5,640.00	$3,295,001	11	$12,062	0.37%
Public Buildings	Land	0.043	$319,000	1	$5,140	1.61%
Total Land Sales		**5640.04**	**$3,614,001**	**12**	**$17,202**	**.48%**
Trust	**Program**	**Acres**	**Sales Price**	**# of Parcels**	**Average Three-Year Income**	**Return**
MSU - 2nd Grant	Cabin Site	23.20	$4,006,000	16	$128,667	3.21%
Common Schools	Cabin Site	53.47	$323,500	8	$7,585	2.34%
Public Buildings	Cabin Site	6.85	$195,000	4	$3,294	1.69%
Montana Tech	Cabin Site	19.80	$2,586,000	10	$80,573	3.12%
Western/Eastern	Cabin Site	1.07	$235,000	1	$3,022	1.29%
Pine Hills School	Cabin Site	1.24	$185,000	2	$8,668	4.69%
Total Cabin Sites		**105.63**	**$7,530,500**	**41**	**$231,809**	**3.08%**
Combined Total		**5745.67**	**$11,144,501**	**53**	**$249,011**	**2.23%**

LAND SALES, ACQUISITIONS, AND EXCHANGES

In FY 2020, the Land Banking and Cabin Site Sale Program sold 5745.67 acres for a total sales price of $11,144,501. Table 4 shows the acres sold by the trust, average income, and rate of return.

The Lands Section sales continue to increase with more than 24 land banking sales and nearly 80 cabin site sales currently in progress. Priority is given to selling isolated, low producing and vacant land. One Land Exchange is in process and is expected to be completed by 2020 calendar year end.

Photo by Charles Maddox, Central Land Office



RESIDENTIAL LEASES

In FY 2020, two rounds of bidding yielded eight bids and ultimately resulted in 5 new cabin site leases. This bidding activity represents 5.9% of the available vacant leases, and the average bid rate was 4.36% of the land value. Over the year, 42 new leases were executed, including the renewal of 37 existing leases. The cabin site lease vacancy rate at the end of FY 2020 was 12.67%, largely due to sales of active lease sites from the inventory. Figure 6 shows residential lease inventory and revenues from FY 2016 – FY 2020.

Photo by Mark Harvel, Real Estate Management Bureau

COMMERCIAL LEASING

In FY 2020, the bureau executed 7 new commercial development leases and 3 new lease options that together generated $316,730 in revenue (see Table 5).

At the end of FY 2020, there were 5 active commercial lease options and 123 active commercial leases on trust land, which includes all leases that are not agriculture, grazing, or residential in nature. Hydro-electric leases generated $4.98 million in revenue, which are normally distributable, however, these funds ($19.4 million to date) are currently held in escrow pending a court challenge by Avista Corporation over state riverbed ownership.

TABLE 5

FY 2020 NEW LEASES

Name	Location	Acres	Annual Base Rent	
Northwest Montana Adventure LLC	Flathead County	540.35	$3,500	
Ace Storage	Gallatin County	10	$14,000	*Converted from Lease Option*
TransCanada Keystone Pipeline	Phillips	11.99	$15,000	
North Park Development Partners, Phase 1	Gallatin County	22.4	$53,600	*Converted from Lease Option*
North Park Development Partners, Phase 2	Gallatin County	10.7	$34,000	*Converted from Lease Option*
North Park Development Partners, Phase 3	Gallatin County	25.5	$61,200	*Converted from Lease Option*
North Park Development Partners, Phase 4	Gallatin County	28.8	$69,000	*Converted from Lease Option*
Total New Leases		**649.74**	**$250,300**	

FY 2020 NEW LEASE OPTION

Name	Location	Acres	Annual Option Fee	Annual Base Rent Upon Lease (hypothetical)
Martinsdale Wind Farm	Wheatland, Meagher Counties	3,080.35	$7,700	*Greater of 3% of Land Value, or $2,500/ MW Installed, or 3% of Gross Revenues*
Yellowstone Utility Services	Yellowstone County	15.4	$18,500	$18,500
Clearwater Energy Resources	Garfield, Rosebud, Custer Counties	5,120	$40,030	$40,030

Photos by Anne Moran, Northwestern Land Office

RIGHTS-OF-WAY/EASEMENTS

In FY 2020, the bureau processed and brought 238 Rights-of-Way (ROW) applications to the Land Board for approval. All historic right of way applications associated with infrastructure owned by NorthWestern Energy were completed during the fiscal year, along with other applications sought by Flathead Electric Cooperative. Staff within Trust Lands Management Division continued to work with county governments in regard to county road encroachments and processed several new applications during the year. Additionally, progress has been made in pursuing permanent easements with certain counties that had begun the application process but did not finish the process. The historic right of way statute is due to sunset in October, 2021 unless extended by the Legislature in the upcoming session.

Revenue for FY 2020 slightly decreased from the previous fiscal year, bringing in $1,591,194 to the various trust permanent funds. Easements which produced above-average revenue include several highway projects, utility projects located in and near urban developments, fishing access sites and oil and gas pipelines in and near the Bakken formation.

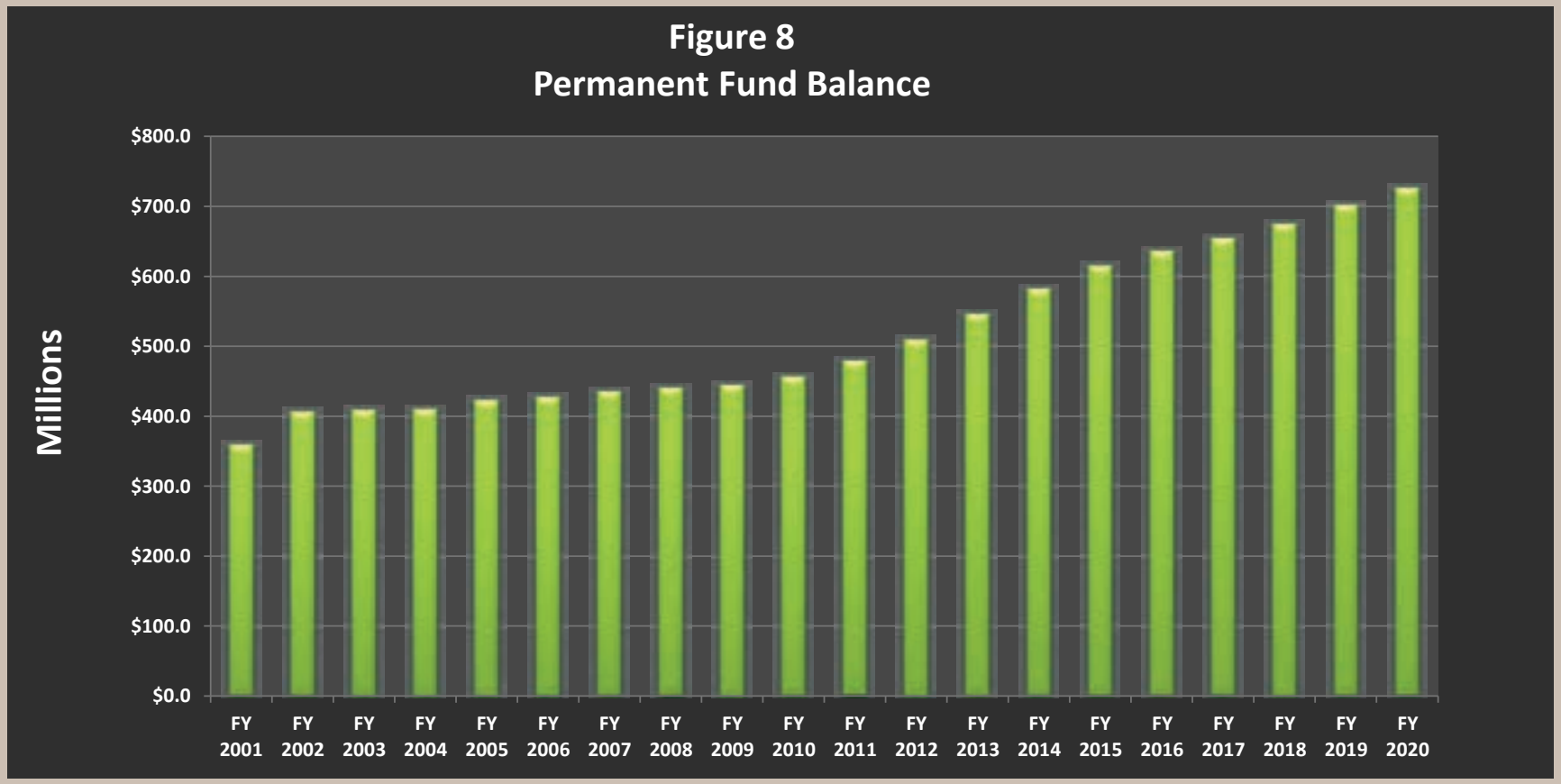
The section continues to work on cost share and reciprocal easement exchange packages and has actively engaged in negotiation of direct easement acquisitions to support the forestry and land management activities. During FY 2020 progress was made in processing cost share agreements with the US Forest Service; reciprocal agreements and easement exchanges were completed with an industrial partner and private landowners; and agreements to initiate reciprocals with a few additional private landowners have been reached. Department staff also negotiated three direct purchases of easements with multiple landowners to benefit a variety of land uses. Figure 7 shows rights-of-way activity over the last ten years.

Photo by Real Estate Management Bureau

FINANCIAL HIGHLIGHTS

THE PERMANENT FUND

Under the Enabling Act proceeds from the sale and permanent disposition of any of the trust lands, or part thereof, shall constitute permanent funds for the support and maintenance of public schools and the various state institutions for which the lands had been granted. The Montana Constitution provides that these permanent funds shall forever remain inviolate, guaranteed by the state of Montana against loss or diversion. These funds are often referred to as "non-distributable." Figure 8 shows the Permanent Fund balance over the last 20 years. The balance of the Permanent Fund was $727,170,509 for FY 2020



*The 2001 Legislature passed Senate Bill 495, which authorized the department to obtain a loan from the Coal Severance Tax Trust Fund and purchase mineral production rights from the Common Schools Trust. The loan amount of $46.4 million was deposited into the Common Schools Permanent Fund in lieu of future mineral royalties in FY 2002. The loan was repaid during FY 2010, at which time the mineral royalties were deposited into the permanent fund once again.

REVENUES

Figure 9 details the Net Revenue Distributions for the combined trusts over the last 10 years.

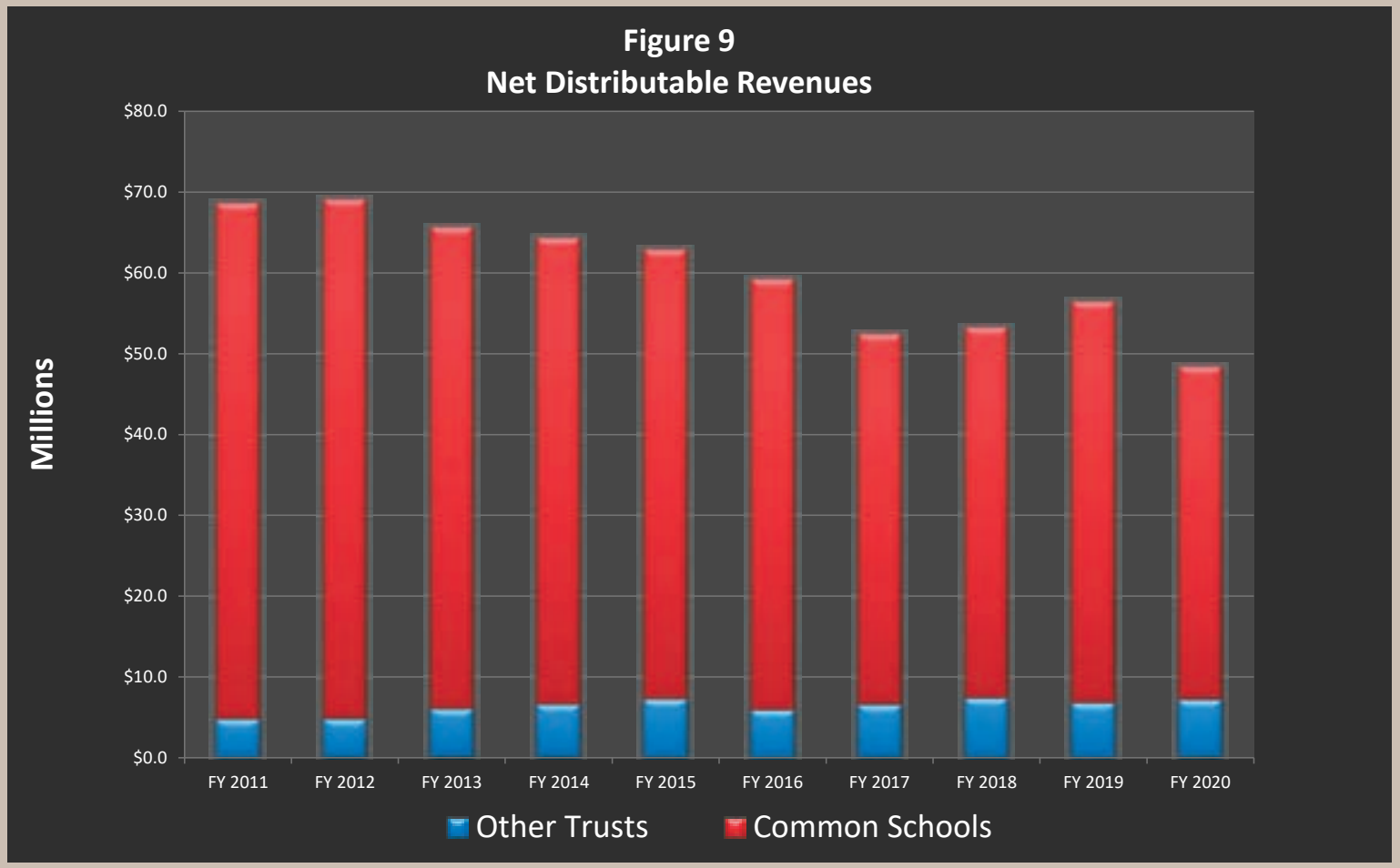


Table 6 shows the gross distributable and non-distributable interest and income proceeds for each of the trust beneficiaries for FY 2020. A small portion of trust revenues are used to fund administrative appropriations through the Trust Administration Account.

TABLE 6

REVENUES BY TRUST FY 2020*

Distributable Revenue Trust	Gross Distributable Revenues	Trust Earnings Reserves	Trust Admin Account [2]	Net Distributable Revenues	Distributed to School Facility & Technology Acct[5]
Common Schools [3] [4] [5]	$54,121,365	$1,000,000	$11,935,085	$41,186,280	$1,750,262
Public Land Trust – Navigable Rivers [3] [5]	439,161	0	270,719	168,442	
The University of Montana	275,207	0	49,644	225,563	0
MSU - Morrill Grant [1]	868,208	0	0	868,208	0
MSU - Second Grant	1,396,115	(100,000)	367,514	1,128,601	0
Montana Tech	1,525,219	(16,670)	314,503	1,227,386	0
State Normal School	1,219,039	0	317,234	901,805	0
School for the Deaf and Blind	464,604	(12,303)	201,203	275,704	0
State Reform School	569,032	(19,798)	227,613	361,217	0
Veterans Home	15,536	0	7,261	8,275	0
Public Buildings	3,280,023	0	1,092,980	2,187,043	0
MT Developmental Center	6,103	0	978	5,125	0
MT State Hospital	6,103	0	970	5,133	0
Lands Acquired - Public School [3] [5]	33,225	0	14,841		18,384
Total	**$64,218,940**	**$851,229**	**$14,800,545**	**$48,548,782**	**$1,768,646**

Nondistributable Revenue Trust	Gross Nondistributable Revenues	Net Nondistributable Revenues	Permanent Fund Balance
Common Schools - permanent	$23,575,823	$23,575,823	$670,202,942
Public Land Trust – Navigable Rivers	836,850	836,850	11,752,918
The University of Montana	22,345	22,345	1,653,504
MSU - Morrill Grant [1]	28,174	28,174	5,433,949
MSU - Second Grant	52,199	52,199	12,610,049
Montana Tech	84,781	84,781	7,239,908
State Normal School	77,715	77,715	6,685,649
School for the Deaf and Blind	158,718	158,718	6,072,397
State Reform School	251,672	251,672	5,441,472
Veterans Home	3,450	3,450	48,923
Lands Acquired - Public School	3,023	3,023	28,798
Total	**$25,094,750**	**$25,094,750**	**$727,170,509**

* Trust balances reflect deposit activity by DNRC and do not include valuation adjustments from investment activities by the Board of Investments.

[1] MSU-Morrill Grant administrative costs were transferred to the appropriation from fund 02297 per House Bill 19.

[2] Trust Land Administration Account reflects the FY 2019 actual expenditures and accruals by trust.

[3] Less 5% to permanent fund.

[4] Org 59 STIP and Trust & Legacy Revenue.

[5] School Facility and Technology Fund (77-1-218, MCA).

SCHOOL FACILITY AND TECHNOLOGY ACCOUNT

The School Facility and Technology Account is managed by the Department of Commerce. This account contains certain revenues from the sale of timber on Common Schools' land, as defined in 20-9-516, MCA, revenues from activities on the Lands Acquired Trust, and Public Land Trust – Navigable Rivers. TLMD generated $1,937,088 for the year, including revenue of $1,750,262 from the sale of timber on Common Schools' land (in excess of 18 million board feet (MMBF), $168,442 from hydro lease revenue on the Public Land Trust, and $18,384 from grazing leases, timber sales, commercial licenses and recreational use on the Lands Acquired Trust in the Potomac area.

SUMMARY – GROSS REVENUES

In addition to management activities on behalf of trust beneficiaries, the Trust Land Management Division generated other revenues and distributions in FY 2020. The five-year summary presented in Table 7 shows gross revenues of more than $92 million for all division activities. This table contains not only trust revenues, but also those revenues collected for other state entities, the General Fund, revenues generated to fund appropriations, and other miscellaneous revenues.

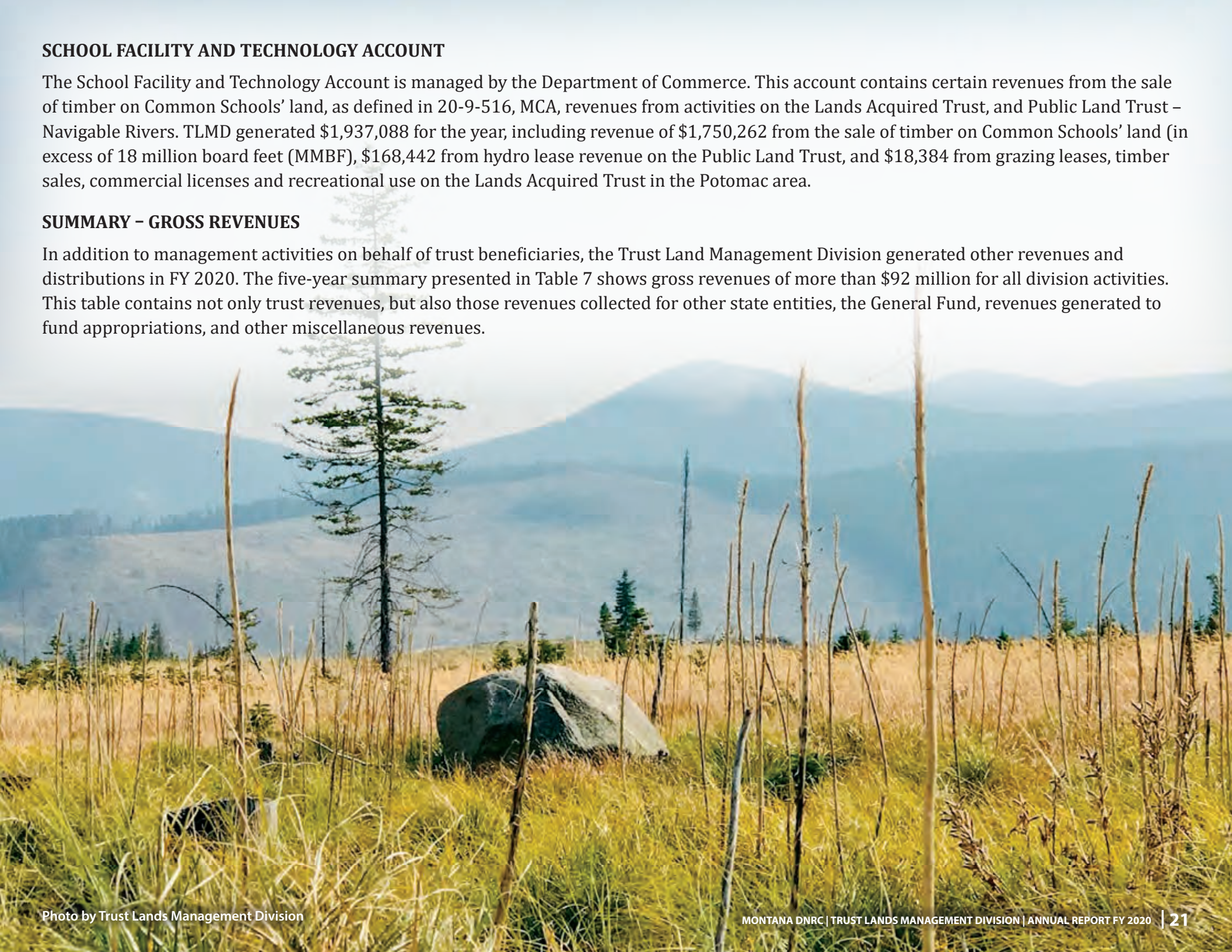


Photo by Trust Lands Management Division

TABLE 7

FIVE-YEAR SUMMARY OF GROSS REVENUE GENERATED BY ACTIVITY

Activity	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Agriculture & Grazing Management					
Grazing Leases	$19,462,841	$14,174,423	$11,427,352	$13,499,087	$13,348,287
Agriculture Leases	12,467,630	13,735,506	14,821,916	16,777,948	14,898,934
Totals	**31,930,471**	**27,909,929**	**26,249,268**	**30,277,035**	**28,247,221**
Recreational Use					
General Licenses	89,526	87,800	88,652	149,856	203,681
Conservation Licenses	990,186	993,414	940,904	999,938	1,052,910
Special Recreation Use Licenses	153,513	157,591	143,055	191,600	171,522
Totals	**1,233,225**	**1,238,805**	**1,172,611**	**1,341,394**	**1,428,113**
Forest Management					
Timber Sales	7,317,120	9,683,017	9,601,084	9,598,881	8,325,644
Forest Improvement Fees	1,249,331	1,275,232	1,084,043	896,366	742,327
Totals	**8,566,451**	**10,958,249**	**10,685,127**	**10,495,247**	**9,067,971**
Minerals Management					
Oil & Gas Revenues					
Rentals/Bonuses/Penalties	1,614,519	1,649,392	3,110,997	2,208,226	1,198,953
Royalties	7,968,489	7,486,741	9,659,886	10,408,310	7,026,806
Seismic Exploration	0	0	1,217	1,016	3,635
Aggregate Minerals					
Rentals/Bonuses	0	400	0	600	1,600
Royalties	251,163	291,048	553,265	382,965	375,333
Coal					
Rentals/bonuses	49,535	45,696	59,075	38,317	25,046
Royalties	9,124,779	6,801,760	6,832,266	11,370,152	13,672,960
Other Minerals					
Rentals/Penalties	21,214	16,692	37,068	12,043	23,103
Royalties	11,309	12,082	1,020	40,103	79,854
Totals	**19,041,008**	**16,303,811**	**20,254,794**	**24,461,732**	**22,407,290**
Real Estate Management					
Rights-of-way/Easements	1,895,210	1,272,013	857,646	2,102,621	1,592,694
Residential Leases/Licenses	2,393,963	2,356,628	2,488,304	2,452,520	2,220,310
Other Leases/Licenses					
Commercial	1,842,357	2,029,069	2,051,577	2,489,005	2,249,274
Conservation	97,410	97,751	97,922	18,204	15,615
Other	40,966	61,298	20,121	31,591	28,867
Hydro Leases/Navigable Rivers	4,639,418	19,841	13,244	16,137	18,693
Totals	**10,909,324**	**5,836,600**	**5,528,814**	**7,110,078**	**6,125,453**
Other					
Trust and Legacy Interest	23,904,622	23,631,102	22,961,850	24,324,125	24,201,939
Other Revenues	262,502	359,721	628,149	1,198,900	595,344
Totals	**24,167,124**	**23,990,823**	**23,589,999**	**25,523,025**	**24,797,283**
TOTALS	**$95,847,603**	**$86,238,217**	**$87,480,613**	**$99,208,511**	**92,073,332**

REVENUE DISTRIBUTION - COMMON SCHOOLS, UNIVERSITIES, AND OTHER TRUSTS

The distribution of revenues generated from Common Schools trust land is illustrated in Figure 10. From the distributable receipts, a small percentage is used to fund the Trust Administration Account (see Table 7). Ninety-five percent of the remaining distributable revenue is distributed yearly to the state Guarantee Account for use by public schools of the state. The Permanent Fund comprises the other 5 percent, together with nondistributable revenue. The interest earned on the Permanent Fund is also distributed to the Guarantee Account for use by public schools, with the exception of 5 percent, which is returned to the Permanent Fund for reinvestment.

Distribution of revenues to the university trusts and other trusts is similar to that of the Common Schools trust. The exception is the MSU-Morrill Grant, whose administrative costs are funded by the General Fund (House Bill 19, 2007 legislature). For the University System trusts, timber sale revenues are considered distributable. The Public Buildings trust does not have a permanent fund; therefore, remaining receipts are distributed to the Department of Administration.

In addition to state trust land, the division manages some land for other agencies. Revenue generated from other agency land is transferred directly to the appropriate state agency.

Figure 10

Distribution of Revenues Common Schools Trust Land FY 2020

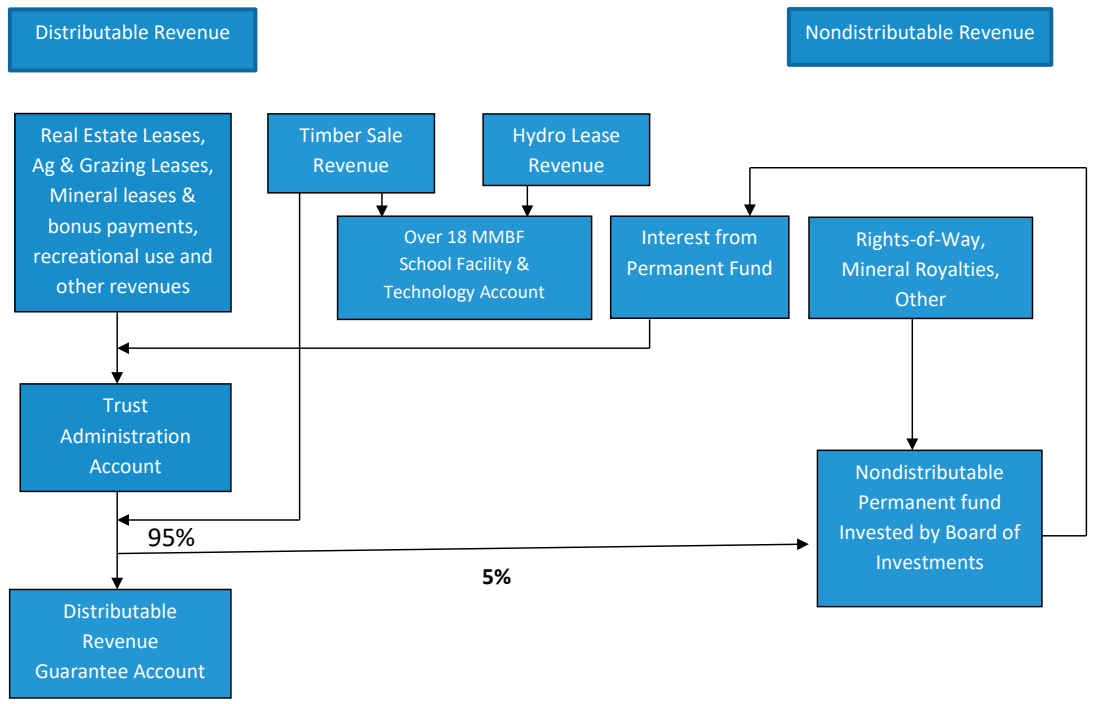


TABLE 8
ACRES BY TRUST

Trust	Surface Acres*	Mineral Acres*
Common Schools	4,644,876	5,600,431
University of Montana	17,248	33,754
MSU - Morrill Grant	63,474	77,929
MSU - Second Grant	31,811	46,598
Montana Tech	63,447	86,267
State Normal School	63,572	80,455
School for the Deaf and Blind	36,461	41,171
State Reform School	67,663	73,488
Veterans Home	1,417	1,276
Public Buildings	185,572	172,323
Acquired Lands	32,295	0
Public Land Trust – Navigable Rivers	4,463	20,387
Sir Trust**	2,600	0
Total	**5,214,899**	**6,234,079**

* TLMS Acreage Query as of 8/20/2020. Mineral acres are based on Oil & Gas acres

** Sir Trust is split equally between the School for the Deaf & Blind, the Montana Developmental Center, and the Montana State Hospital

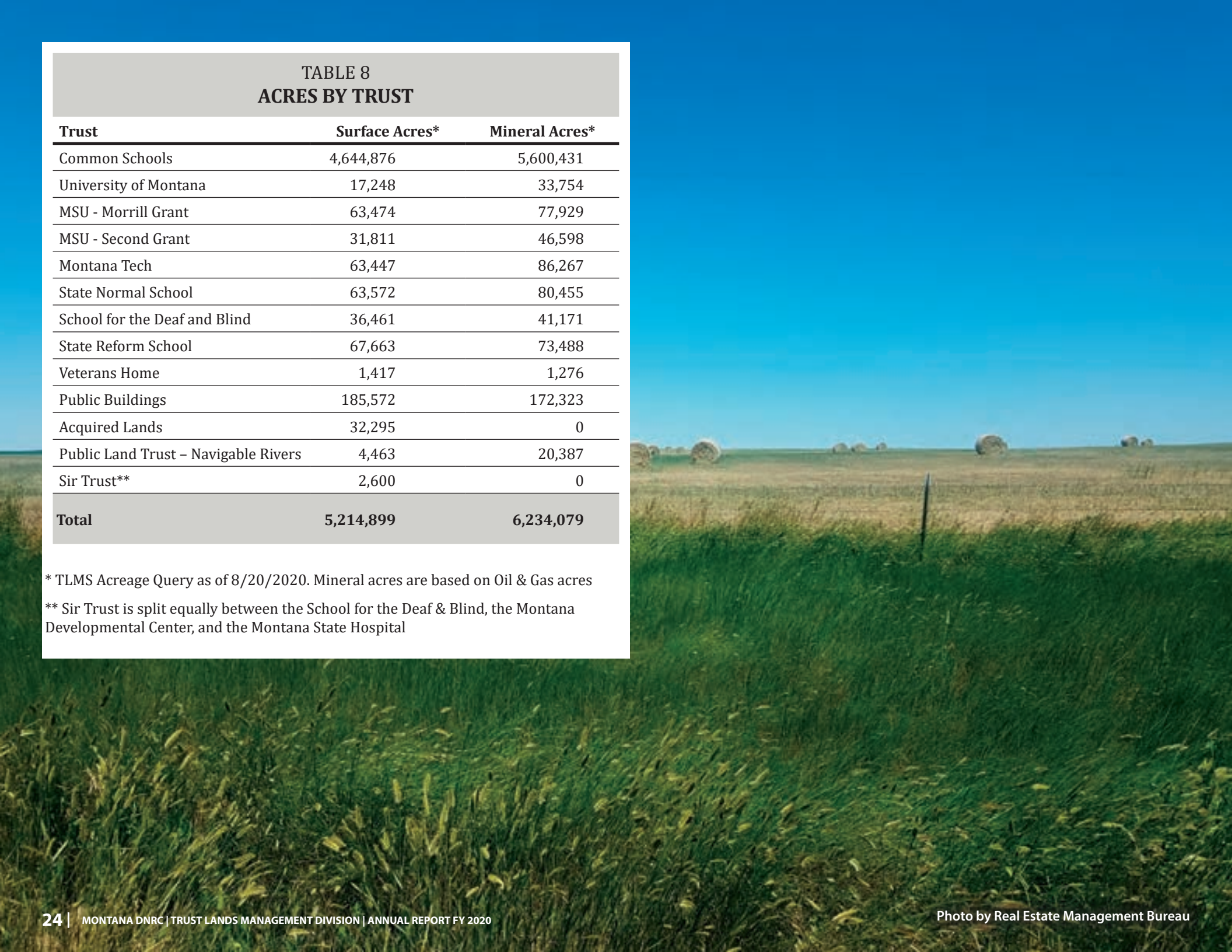


Photo by Real Estate Management Bureau

Montana State Trust Lands Return on Assests FY 2020

Manage the State of Montana's trust land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.

Photo by Gary Frank, Forest Management Bureau

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PREFACE

This Return on Assets Report is an annual publication from the Trust Lands Management Division (TLMD) of the Department of Natural Resources and Conservation (DNRC) detailing the earnings and business trends of state trust land and mineral management. This edition of the Return on Assets Report covers fiscal year 2020 (FY 2020), which began July 1, 2019 and ended June 30, 2020.

The Return on Assets Report is three sections which examine market conditions affecting trust revenues; return on assets for each trust; and land management program performance, including classified forest lands returns as required by law, see (MCA 77-1-223) and (MCA 15-44-103).

The Return on Assets Report is made available with specific accounting limitations. This report is not an official income or cash flow statement. Asset values and returns are estimated based on the best available data, revenues and expenses may vary from those reported in DNRC's Annual Report due to the inclusion or exclusion of specific accounts. Returns reported are income returns which do not account for year-over-year changes in asset values. Finally, unless otherwise noted, dollar values throughout the report are expressed in nominal terms.

Photo by Steve Lorch, Northwest Land Office

MARKETS

Montana state trust lands are, principally, working lands. These lands are held in trust for the perpetual yield of revenues to support Montana's public education institutions. The majority of business transactions on school trust lands are the result of derived demand for land and resources in open markets. For example, grazing land must be leased by private ranching operations as part of their business operation to raise and sell livestock. Grazing land rental value is thus derived from and directly connected to the supply and demand for U.S. livestock. Changes in consumer preferences for beef (i.e. changes in the direct demand for beef) could affect the rental value and contracting opportunity on school trust lands.

Though most business generated by the school trust lands occurs in traditional industries (i.e. commercial forest products, livestock grazing, irrigated and dryland agriculture, energy and mineral resource development, and real estate development) there are a few alternative revenue streams generated from: recreation, ecosystem services and technology related industries. For both the traditional and emerging business revenue streams, future opportunities for revenue center around land use and depend on local, national and global economic conditions and market trends.

In this section, data on these related market trends associated with state trust land business are shared.

TIMBER AND FOREST PRODUCTS

Indicators for timber and forest products industry health in Montana include private sector employment, forest product prices, and quantities of timber harvested and sold from various land ownerships. Demand for timber and subsequent timber contract prices are derived ultimately from consumer demand for lumber and other finished forest products.

In Montana, where many rural economies are supported by logging services and forest products manufacturing, it's important to observe industry trends from a private employment perspective. Figure 11 shows statewide industry employment trends with an approximate fifty percent decline in total employment from 2000 to 2019. From a historic perspective, sawmills, paper mills, and other forest products manufacturing has lost a tremendous amount of invested capital, due to a multitude of external reasons. Some of the impacts to the industry have included: local supply shortages, international trade agreements, and shocks to lumber prices resulting from financial sector securitization excess and the 2008-2012 mortgage crisis and housing recession. Forest products markets hit an upswing in the last quarter of FY 2020, as housing starts rapidly recovered from an early 2020 Covid-19 related slowdown (Figure 12) and supply chain backlogs created a competitive market.

Figure 11. Montana Forestry and Forest Product Private Employment

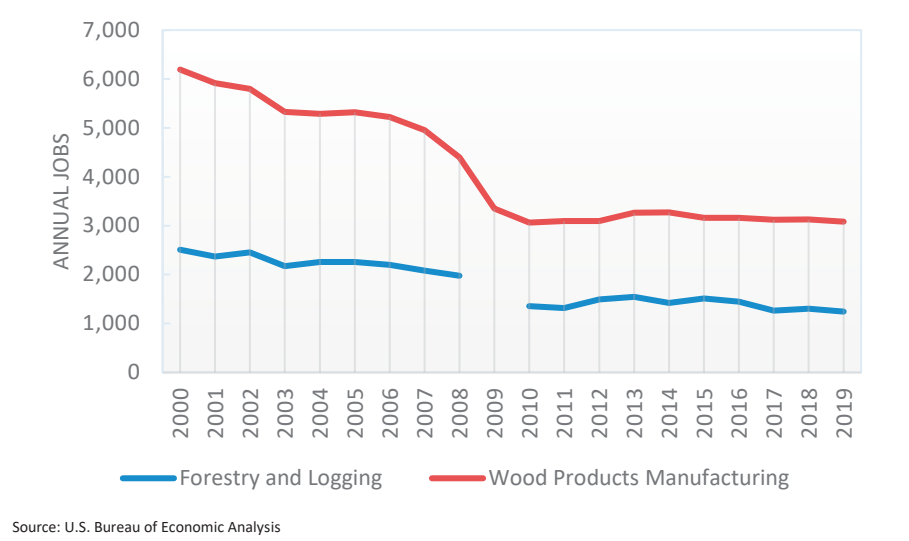
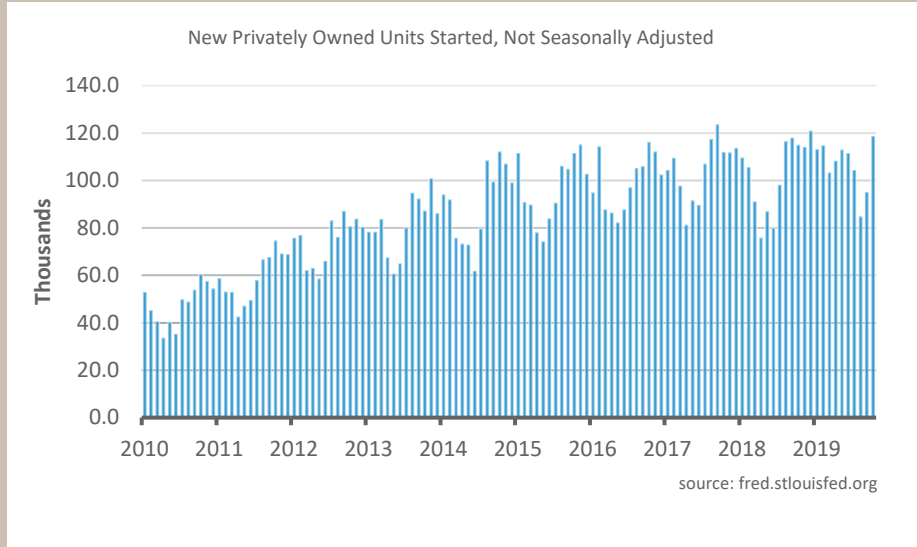


Figure 12. National Housing Starts, 2010-2020, thousands

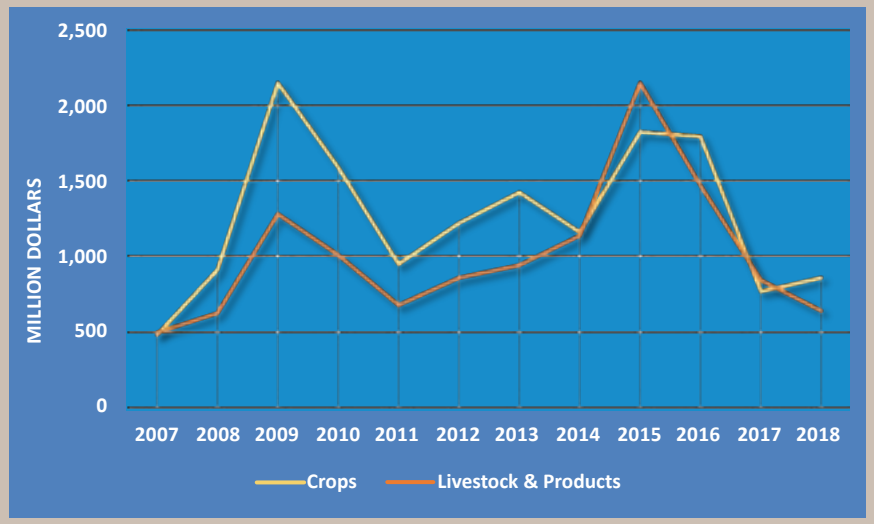


AGRICULTURE AND GRAZING

Indicators for agriculture and livestock grazing industry health in Montana include private sector employment, crop and livestock prices, farm production quantities, and gross farm sales. Demand for agriculture and range land and subsequent land lease prices are derived ultimately from consumer demand for crops, and food, including meat.

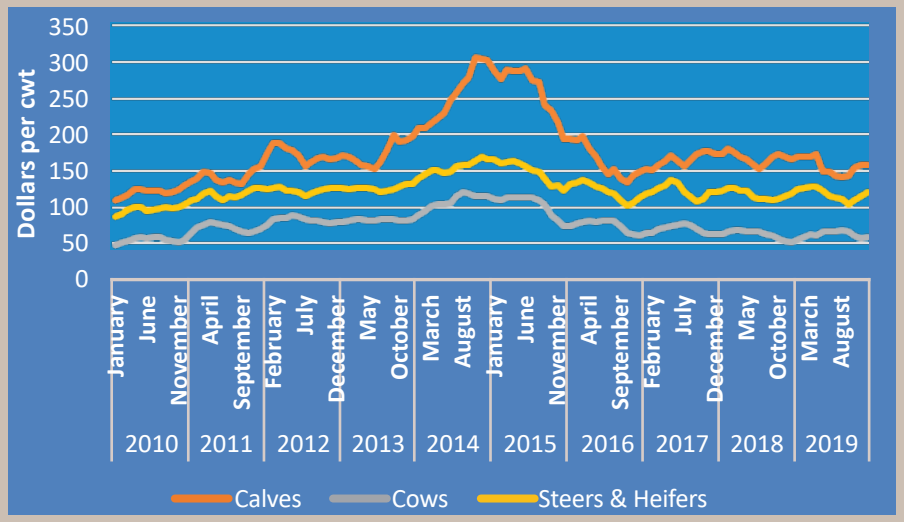
Montana's agriculture sector is vast and provides a high percentage of jobs in many rural communities across the state. Additionally, Montana's agriculture production is tracked by USDA, and other entities. For a quick look at industry trends, Figure 13 shows inflation adjusted gross agriculture product across Montana. Sales have dropped in recent years but have not departed from historic variation. Trust Lands grazing revenues are linked to cattle prices, shown in Figure 14. For most of FY20, feeder markets stayed low and are a source of concern for Montana operations. Disruptions in packer margins and stock of animals on feed due to Covid-19 played a big role in creating uncertainty in feeder markets.

Figure 13. Montana Agriculture Production Value
(2015 adjusted dollars)



Source: www.nass.usda.gov (the 2019 publication does not provide these values for 2019 at the time of this publication.)

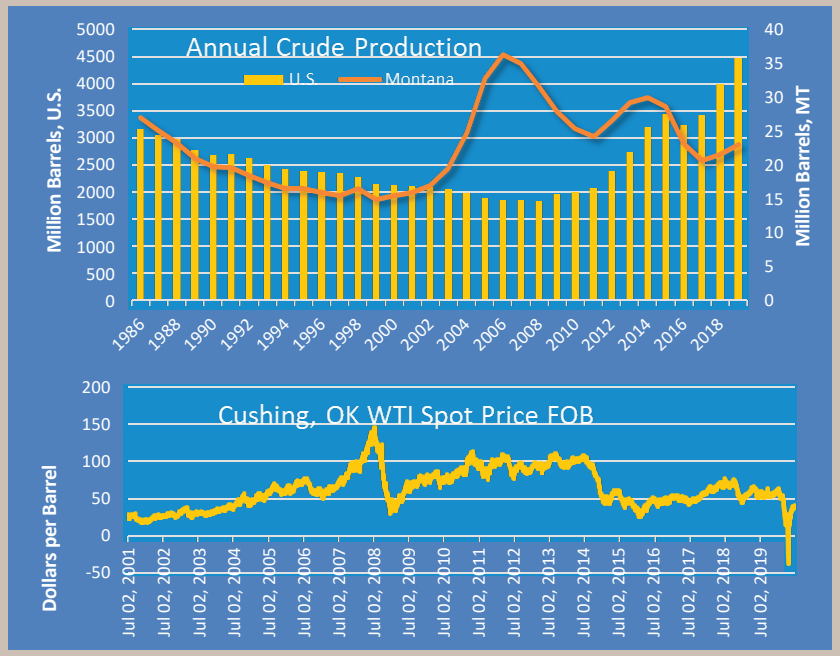
Figure 14. U.S. Cattle Prices Received



MINERALS

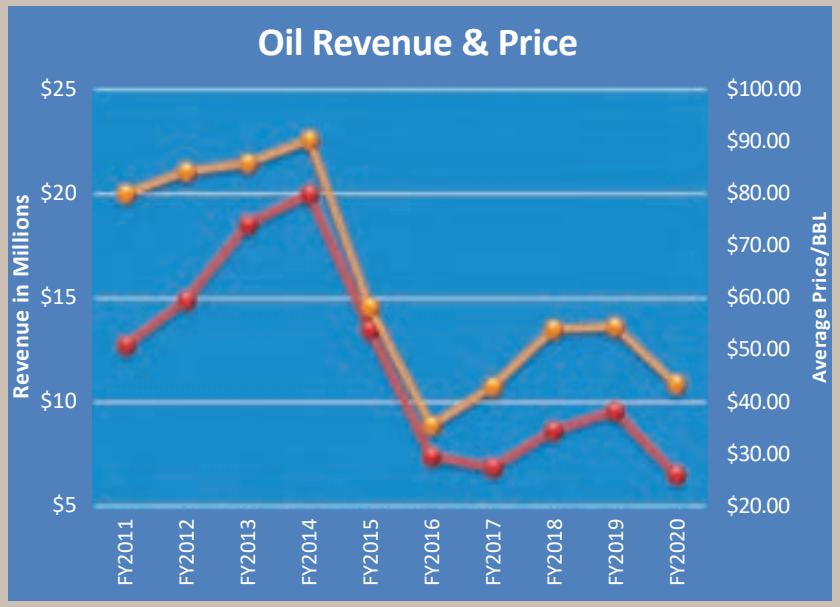
The Minerals Management Bureau is responsible for leasing, permitting and managing approximately 1,900 oil and gas, coal and other mineral agreements on nearly 760 thousand acres of the 6.2 million acres of school trust mineral rights throughout Montana. Most revenue generated by the Minerals Program comes from oil and coal markets. Oil production, and prices received, in Montana are driven by national oil markets as depicted in Figure 15. In Figure 16, the oil supply glut can be observed as sharply reduced prices and domestic production, which in turn impacted trust mineral revenues in fiscal years 2015 and 2016. Oil prices and revenues had partially recovered over the last three fiscal years, however markets are in turmoil since early in calendar year 2020. Oil royalties are the largest revenue source in the Minerals Program, followed by coal.

Figure 15. Crude Oil Production and Prices, U.S. and Montana



Source: https://www.eia.gov/petroleum/data.php

Figure 16. DNRC Minerals Management Oil Revenues and Market Price (FY 2011-2020)



REAL ESTATE

Less than one percent of statewide surface ownership is classified Other, designating properties under lease or development for real estate purposes. The primary categories of leasing revenue within the Real Estate Program are driven by residential home site and cabin site leasing, and commercial leasing for a variety of purposes. Real estate lease revenues for residential or commercial use are driven by the value of Trust Land parcels, which tend to respond to trends in population and housing prices as shown in Figure 17, as well as other factors such as employment, consumer spending and business investment. Montana employment in Real Estate leasing and Building construction is illustrated in Figure 18. Revenues from Trust Lands real estate leasing activities retreated in FY 2020, as shown in Figure 5 of the FY 2020 Trust Lands Annual Report.

Figure 17. Montana Population and Housing Price Index, 2010-2019

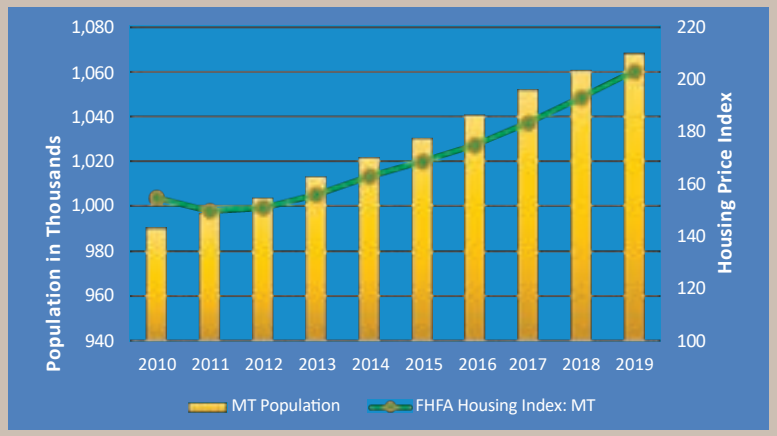
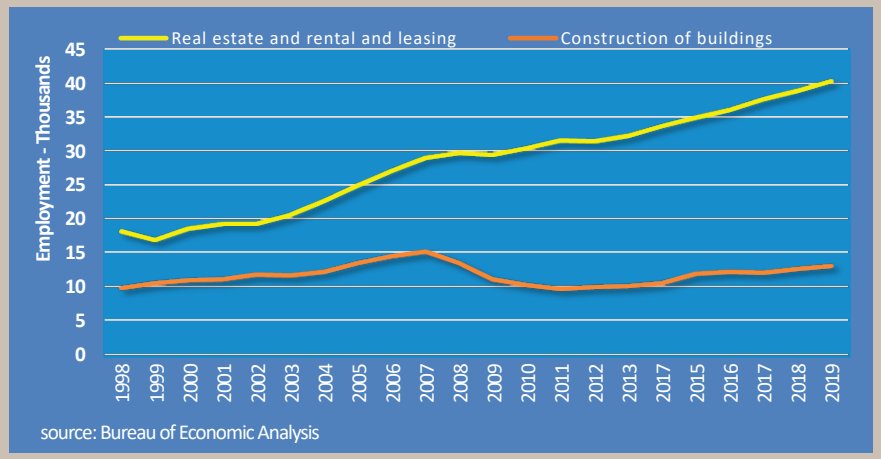


Figure 18. Montana Real Estate Rental and Construction Employment



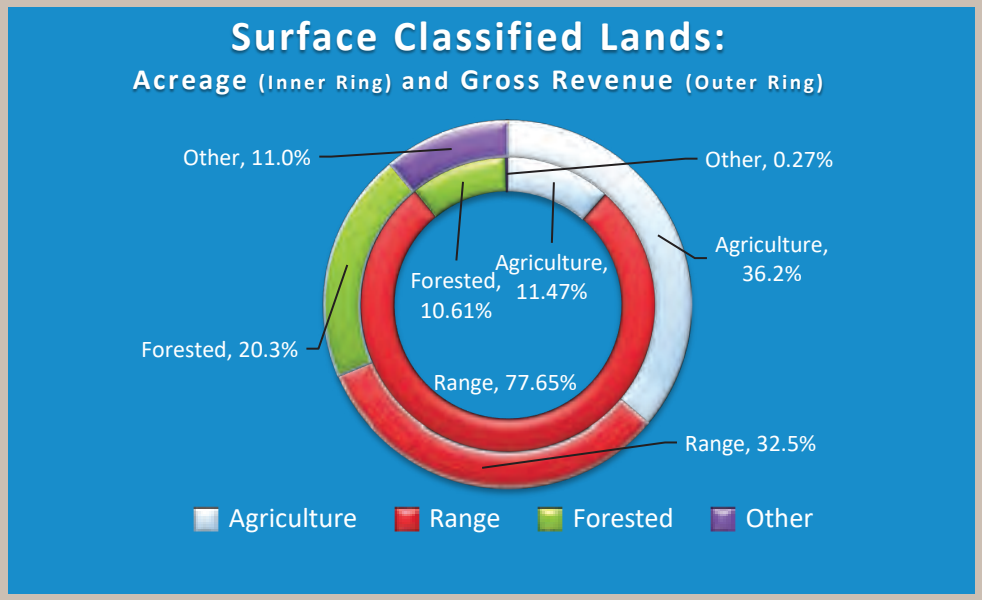
Rights-of-way revenues have also been a significant portion of Real Estate revenues. These are more difficult to forecast, as they are largely driven by outside requests. Many counties are still working through the historic road rights-of-way process, and new access agreements in support of other property sales, exchanges, and developments will likely continue to bring in revenues over future years. State Trust Performance

STATE TRUST PERFORMANCE

Montana state trust surface and mineral rights total 5.2 million surface acres and 6.2 million subsurface acres, respectively. Figure 9 highlights the approximately 78 percent of trust surface acres that are classified as grazing lands, which are located primarily east of the continental divide. The remaining acres are classified as agriculture and forested lands, at 11 and 10 percent of total surface ownership, respectively. Finally, less than one percent of the trust portfolio surface acreage is designated for developed real estate business activities including residential, commercial, community, and conservation properties. Figure 19 also illustrates the gross revenue contributions from each classification of surface lands. License revenues are excluded from this calculation, as they can be generated on any classification of land as a secondary use.

These multi-category lands represent the bulk of school trust assets, the remaining assets are fixed investments in commercial and government bonds. Land asset values, which are important for benchmarking the financial performance of trust land business over time, are largely estimated. The exception to this is when transaction evidence is available to trust land managers. Since 2003, land banking legislation (MCA 77-2-361-367) has legally permitted a limited number of state trust parcels to be exchanged, bought or sold through careful provisions. While operating to improve income generation, accessibility, and other parallel land management objectives, the Land Banking Program also produces data on the value of a limited number of trust surface parcels. These data, in combination with USDA National Agriculture Statistics Service (NASS), help support the evaluation of aggregated asset values. Finally, mineral rights are excluded from valuation estimates in this report, because mineral estate rights are permanently reserved assets of the State (MCA 77-2-304) and cannot be sold, except by a rental and royalty basis as provided by law.

Figure 19. Trust Land Acreage and Gross Revenue by Land Class



To better understand the diversity of ownership in the school trust portfolio, Figure 20 and Table 9 share the percentage and total acreage of surface ownership represented by the various trust beneficiaries, respectively. The largest single trust is Common Schools which owns over 90 percent, or 4.6+ million acres of all school trust land in Montana. The remainder of school trusts make up a small portion of the total business volume and surface ownership of the trust portfolio. Ownership percentages can shift over time, depending on sales and acquisitions resulting from land banking and exchanges. Such occurrences would typically reflect changes in acreage, rather than asset book values, due to requirements to exchange land of par values.

In the central columns of Table 9, existing surface ownership details are provided. Mineral estate ownership details are shown in the right most column. Overall, a very small portion of mineral acreages will ever be developed.

Figure 20. Trust Land Acreage by Trust Ownership

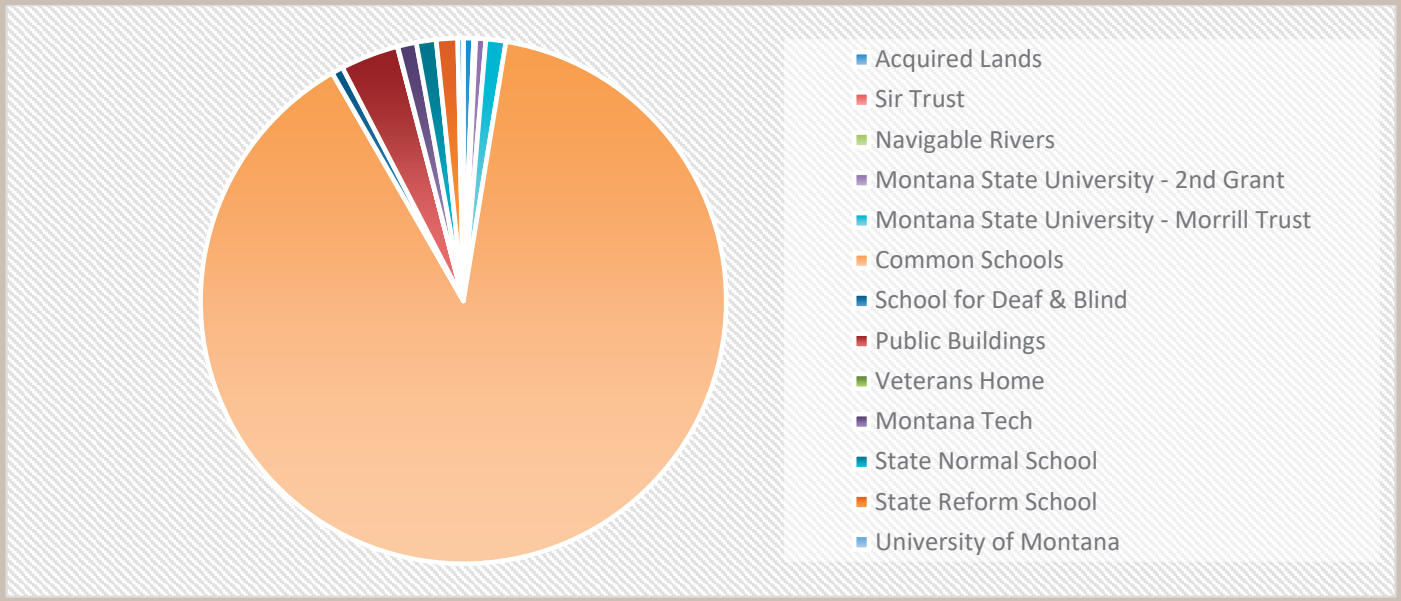


Table 9. Surface and Subsurface Estate Acres by Trust Ownership and Land Classification

Trust	Agriculture Acres	Range Acres	Forested Acres	Other Acres	All Surface Acres*	Oil, Gas, Coal Estate Acres**
Common Schools	572,261	3,704,628	360,818	6,969	4,644,676	5,597,011
Public Buildings	5,304	106,602	71,841	1,825	185,571	172,323
MSU – Second Grant	84	9,043	22,320	368	31,815	46,598
MSU – Morrill Grant	2,030	55,876	5,522	45	63,473	77,929
State Normal School	2,908	45,810	14,661	191	63,571	80,455
Montana Tech	10,405	37,047	15,771	226	63,448	86,267
University of Montana	2,306	13,481	1,440	21	17,248	33,754
School for Deaf & Blind	1,409	24,577	10,399	76	36,461	41,171
State Reform School	996	48,584	18,007	76	67,663	73,488
Veterans Home	90	1,270	0	57	1,418	1,276
Sir Trust	477	2,123	0	0	2,600	-
Public Land Trust- Navigable Rivers	0	172	0	4,184	4,356	20,332
Acquired Lands – Public Schools	0	0	32,295	0	32,295	-
Total	**598,271**	**4,049,212**	**553,072**	**14,038**	5,214,593	**6,230,605**

**Total acreage may differ from other reports due to the timing of sales and acquisitions through Land Banking and Cabinsite Sales.*

***Oil & Gas acreage used for reporting. True acreage when including Coal Estate acres having no overlapping Oil & Gas rights would be larger.*

Table 10 reports historical USDA National Agricultural Statistics Service (NASS) survey data on farm real estate values in Montana from 2011 to 2020. NASS data are not region specific but are useful as an aggregated observation of rural and working land value trends in Montana.

Table 10. Annual Montana Farm Real Estate Values (Acres and U.S. dollars reported by USDA NASS 2012-2020)

Calendar Year	All Farm Land		Agricultural Crop Land		Range, Pasture Land	
	Price/Acre	Annual Change (%)	Price/Acre	Annual Change (%)	Price/Acre	Annual Change (%)
2012	760	7.00%	853	5.70%	570	7.50%
2013	790	3.90%	890	4.20%	580	1.80%
2014	860	8.86%	987	10.90%	640	10.34%
2015	890	3.49%	997	1.01%	650	1.56%
2016	900	1.12%	1010	1.30%	650	0.00%
2017	917	1.89%	1010	0.00%	660	1.54%
2018	916	-0.11%	1020	0.99%	667	1.06%
2019	915	-0.11%	1040	1.96%	680	1.95%
2020	915	0.00%	1030	-0.96%	680	0.00%

Table 11. Average Trust Surface Asset Values by Area and Classification (U.S. dollars per acre estimated by DNRC FY 2020)

Land Office	Agriculture Average Asset Value/Acre	Grazing Average Asset Value/Acre	Forest Average Asset Value/Acre
Central	835	727	1042
Eastern	358	243	0
Northeastern	596	305	348
Northwestern	2379	1452	2024
Southern	893	546	0
Southwestern	1310	969	1330

*** Real estate values reflect existing DNRC land appraisals, proximity to urban areas, and other developed land market factors, and vary widely within Area Offices. Annual adjustments are made using average land appreciation. Land appraisals do not include privately owned structures on cabin sites, or other real estate improvements.**

Table 11 reports FY 2020 estimated average asset values on a per acre basis. These values are appreciated from a FY 2011 baseline valuation with a conservative methodology utilizing the trend data provided by the USDA in Table 10. Rural and forested lands are appreciated based on a proportion of appreciation reported annually by USDA farm and rural land surveys. Real estate and other special use lands are valued using the same approach except where existing appraisals (i.e. transaction evidence) can provide timely market valuation data. Forest land valuation is commonly estimated using income-approach methods. In the case of school trust lands, and for tracking and benchmarking assets over multiple years, a less volatile valuation methodology, which can account for real estate and alternative values, is preferred.

Table 12 reports FY 2020 beginning estimated total asset values for each trust. Trust real assets totaled approximately $3.379 billion. These sums are derived through the application of Table 12 data with Table 9 current classified acres.

Table 12. Total Average Surface Estate Assets by Trust and Classification (U.S. dollars estimated by DNRC FY 2020)

	Agriculture Assets	Grazing Assets	Forest Assets	Other Assets	Total Assets*
Common Schools	356,327,453	1,567,019,594	638,822,548	81,744,877	2,643,914,473
Public Buildings	3,732,848	71,765,241	123,041,070	7,862,559	206,401,719
MSU – Second Grant	73,148	6,627,643	37,908,111	9,484,075	54,092,977
MSU – Morrill Grant	1,400,511	34,304,173	9,691,152	1,156,650	46,552,486
State Normal School	1,808,160	26,383,878	26,346,164	2,721,564	57,259,766
Montana Tech	7,011,583	19,934,625	28,014,362	9,790,563	64,751,133
University of Montana	1,425,326	5,639,294	2,026,108	1,101,655	10,192,383
Deaf & Blind School	977,554	16,584,464	19,599,185	2,369,356	39,530,560
State Reform School	764,421	30,125,488	21,461,840	3,955,224	56,306,973
Veterans Home	214,140	387,289	0	2,318,414	2,919,843
Sir Trust	170,811	516,475	0	0	687,285
Public Land Trust - Navigable Rivers	0	62,995	0	154,322,333	154,385,328
Acquired Lands – Public Schools	0	0	42,949,914	0	42,949,914
Total Assets	373,905,955	1,779,351,158	949,860,454	276,827,273	3,379,944,840

* Excludes mineral rights and Permanent Fund valuations.

Table 13 reports FY 2020 trust lands management net income by trust. MSU-Morrill Trust shows a 95% Profit Ratio due to its unique funding mechanism; these management costs are not funded from the gross revenues but rather appropriated separately and legislatively capped.

The Sir Trust, included in acreage and asset tables above, does not hold financial accounts. Revenues generated on parcels acquired in the Sir Trust are split across three small trusts: the MT Development Center, the MT State Hospital, and the School for the Deaf & Blind.

Table 13. Net Revenues by Trust (U.S. dollars estimated by DNRC 2020)

	SubSurface	Surface Assets								
	Minerals Management	Ag and Grazing Management	Rec Use	Real Estate Management	Forest Management	Land Services	Subtotal: Surface Asset Management	Net from Other Assets	Total Net Operating Income	Profit Ratio
Common Schools	$20,581,624	$24,463,993	$1,083,807	$2,013,513	$694,323	-$443,244	$27,812,392	$18,724,379	$67,118,395	84%
Capitol Buildings	$100,406	$414,799	$30,210	$4,410	$1,867,938	-$19,675	$2,297,681	-$198,813	$2,199,274	65%
MSU - Second Grant	$1,313	$39,430	$4,263	$682,437	-$88,578	-$33,293	$604,258	$374,215	$979,785	71%
MSU Morrill	$3,576	$278,682	$18,427	$21,148	$360,233	$25,558	$704,048	$148,322	$855,945	95%
Western / Eastern	-$3,218	$225,031	$15,170	$41,211	$370,291	$16,793	$668,496	$165,137	$830,414	62%
Montana Tech	-$1,785	$421,297	$17,105	$451,000	$146,725	-$4,098	$1,032,030	$182,020	$1,212,265	76%
University of Montana	$611	$130,130	$3,798	$72,573	-$4,804	$4,519	$206,216	$39,828	$246,655	83%
Deaf & Blind School	-$4,531	$152,120	$10,444	$63,680	$48,202	-$52,073	$222,372	$166,549	$384,391	60%
Pine Hills School	-$167	$161,554	$14,247	$148,796	$73,829	$45,340	$443,767	$127,390	$570,990	69%
Veterans Home		$5,739	$366	$6,164	$0	-$1,572	$10,698	$960	$11,658	61%
MT Development Center		$4,955	$203	$0	$0	-$30	$5,128	$0	$5,128	84%
MT State Hospital		$4,955	$203	$0	$0	-$22	$5,136	$0	$5,136	84%
Public Land Trust - Navigable Rivers	$535,753	$116	$0	-$126,299	$10	$221,648	$95,475	$374,537	$1,005,765	79%
Acquired Lands - Public Schools		$9,502	$7,570		$674	$5,169	$23,165	$1,044	$24,208	61%
						$0		$263,273	$263,273	
Grand Total	$21,213,583	$26,312,304	$1,205,812	$3,378,884	$3,468,843	-$234,982	$34,130,860	$20,368,838	$75,713,281	82%

*Land services revenue includes Forest Improvement, right-of-way, and Other categorized payments.
** Surface asset management costs reflect division costs not including mineral program administration.

Table 14 presents calculated income rates of return on land classifications by Trust, based on estimated asset values and revenues reported in other tables in this document.

Table 14. FY 2020 Income Returns by Surface Lands Asset Class

	Ag & Grazing	Forested	Other Real Estate	Surface Assets Income Returns***
Common Schools	1.3%	0.1%	2.5%	1.05%
Capitol Buildings	0.5%	1.5%	0.1%	1.11%
MSU – Second Grant	0.6%	-0.2%	7.2%	1.12%
MSU Morrill	0.8%	3.7%	1.8%	1.51%
Western / Eastern	0.8%	1.4%	1.5%	1.17%
Montana Tech	1.6%	0.5%	4.6%	1.59%
University of Montana	1.8%	-0.2%	6.6%	2.02%
Deaf & Blind School	0.9%	0.2%	2.7%	0.56%
Pine Hills School	0.5%	0.3%	3.8%	0.79%
Veterans Home	1.0%		0.3%	0.37%
Public Land Trust-Navigable Rivers	0.2%		-0.1%	0.06%
Acquired Lands – Public Schools		0.0%		0.05%
TOTAL SURFACE ASSETS INCOME RETURN	1.13%	0.58%	1.22%	1.02%

***Income returns are a dividend equivalent and calculated as the ratio of surface net operating income to estimated average surface asset value of this fiscal year.

TRUST LAND PROGRAM PERFORMANCE

Total program revenues and operational expenses (i.e. costs of doing business) have generally increased over the last eight years. Table 15, Table 16, and Table 17 summarize program revenues, costs, and net operating income, respectively, and Figures 21, 22 and 23 illustrate the trends in program revenues and costs over the same years.

Table 15. Trust Land Total Program Revenues FY 2013 through FY 2020 (U.S. dollars reported by DNRC TLMD)

Program	Agriculture and Grazing Mgmt	Forest Mgmt	Real Estate Mgmt	Minerals Mgmt	Recreational Use Mgmt	Total Program Revenues	Permanent Fund Earnings / Other	Total Revenues
FY 2013	27,827,321	10,504,738	8,139,565	38,873,679	1,089,037	92,052,551	23,431,753	115,484,304
FY 2014	28,495,222	11,204,002	9,049,364	39,116,340	1,101,392	90,958,006	23,460,822	114,418,828
FY 2015	28,894,893	11,950,115	8,974,400	28,553,590	1,233,102	84,895,976	24,207,216	109,103,192
FY 2016	31,930,471	8,566,451	9,014,114	19,041,008	1,233,225	71,680,479	24,167,124	95,847,603
FY 2017	27,909,929	10,958,249	4,564,587	16,303,811	1,238,805	62,247,394	23,990,823	86,238,217
FY 2018	26,249,268	10,685,127	4,671,168	20,254,794	1,172,611	63,890,614	23,589,999	87,480,613
FY 2019	30,277,035	10,495,247	5,007,457	24,461,732	1,341,394	73,685,486	25,523,025	99,208,511
FY 2020	28,247,221	8,325,644	4,532,759	22,407,291	1,428,113	67,276,049	24,797,283	92,073,332

*Rights of Way revenues not included in Real Estate column, but are included in Total Program Revenues. These revenues can be generated on any classification of surface trust land ownership.

Figure 21. Annual Revenues by Program, FY 2012 through FY 2019

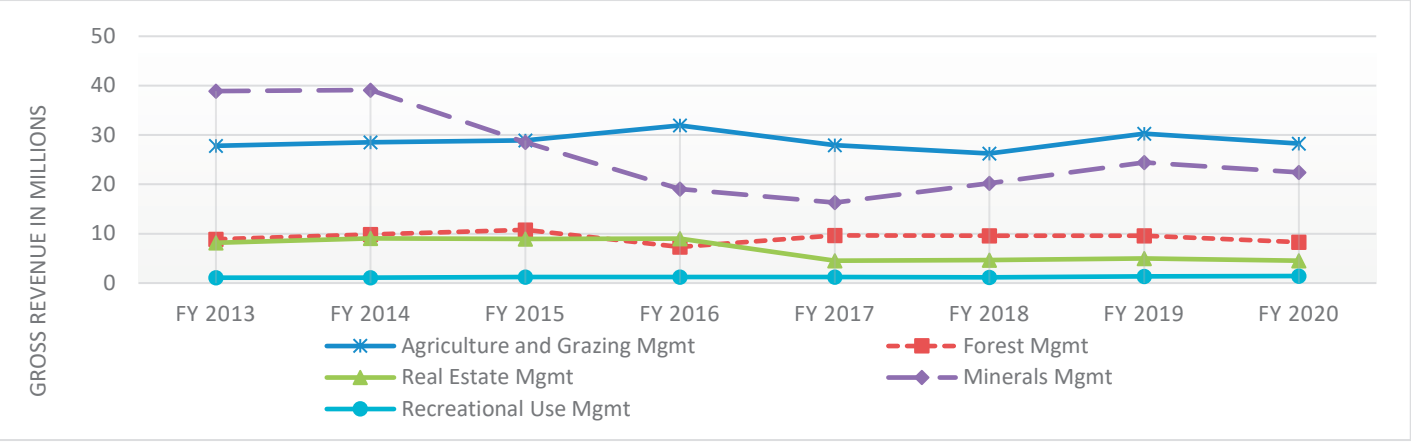


Table 16. Trust Land Total Program Costs FY 2013 through FY 2020 (U.S. dollars reported by DNRC TLMD)

Program	Agriculture and Grazing Management Costs	Forest Management Costs	Real Estate Management Costs*	Minerals Management Costs	Recreational Use Management Costs	Total Program Costs**	Division Management Costs	Total Division Costs
FY 2013	1,618,377	5,662,690	1,669,435	993,887	174,996	10,119,385	2,481,035	12,600,420
FY 2014	1,735,023	5,421,067	1,826,934	987,336	194,708	10,165,068	2,923,007	13,088,075
FY 2015	1,741,498	6,022,300	1,889,774	933,227	185,322	10,772,121	3,274,242	14,046,363
FY 2016	1,872,312	5,681,176	1,987,614	1,030,263	207,129	10,778,494	3,484,667	14,263,161
FY 2017	1,941,820	5,709,143	2,072,777	1,071,173	168,151	10,963,064	3,735,123	14,698,187
FY 2018	1,818,708	4,120,890	*1,059,940	982,674	202,622	10,614,499	3,885,685	14,500,184
FY 2019	1,877,798	4,435,468	*690,643	1,018,308	230,446	11,104,686	3,793,567	14,898,256
FY 2020	1,927,869	4,856,801	*1,151,882	1,141,512	222,801	11,912,750	4,207,697	16,120,446

*Land Transactions/ Rights of Way costs excluded from Real Estate Management column in FY 2018/FY 2019, included in previous years in this column. These costs are associated with all classified surface trust lands and are included in the Total Program Costs column in FY 2018/FY 2019.

**Includes Forest Improvement. These expenses are used for various land asset improvements, including acquiring access to Trust parcels. These expenses were included in the Forest Management Costs column for years prior to FY 2018.

Figure 22. Annual Costs by Program, FY 2013 through FY 2020

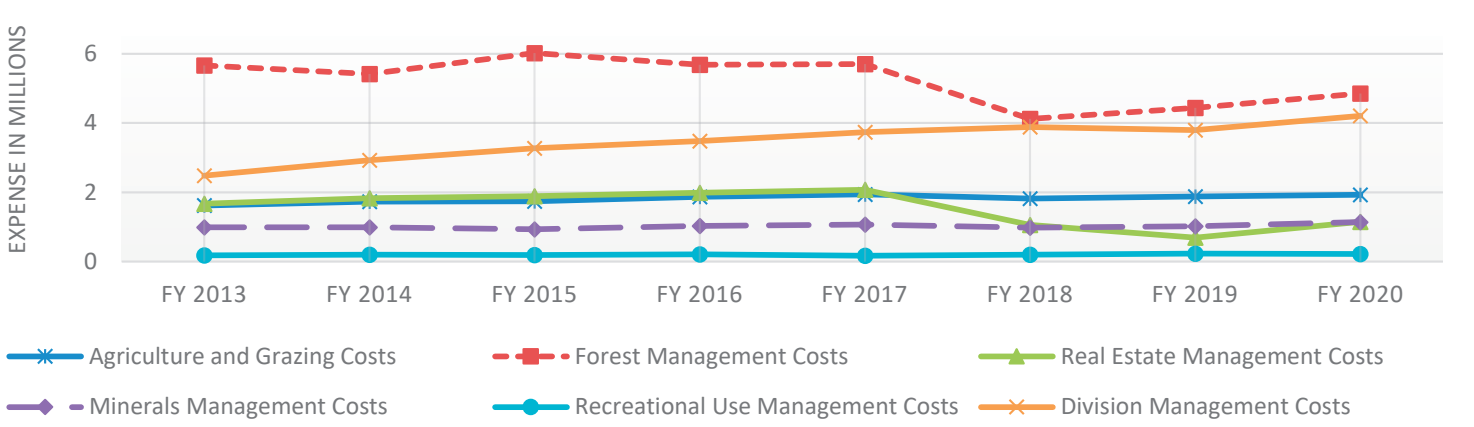
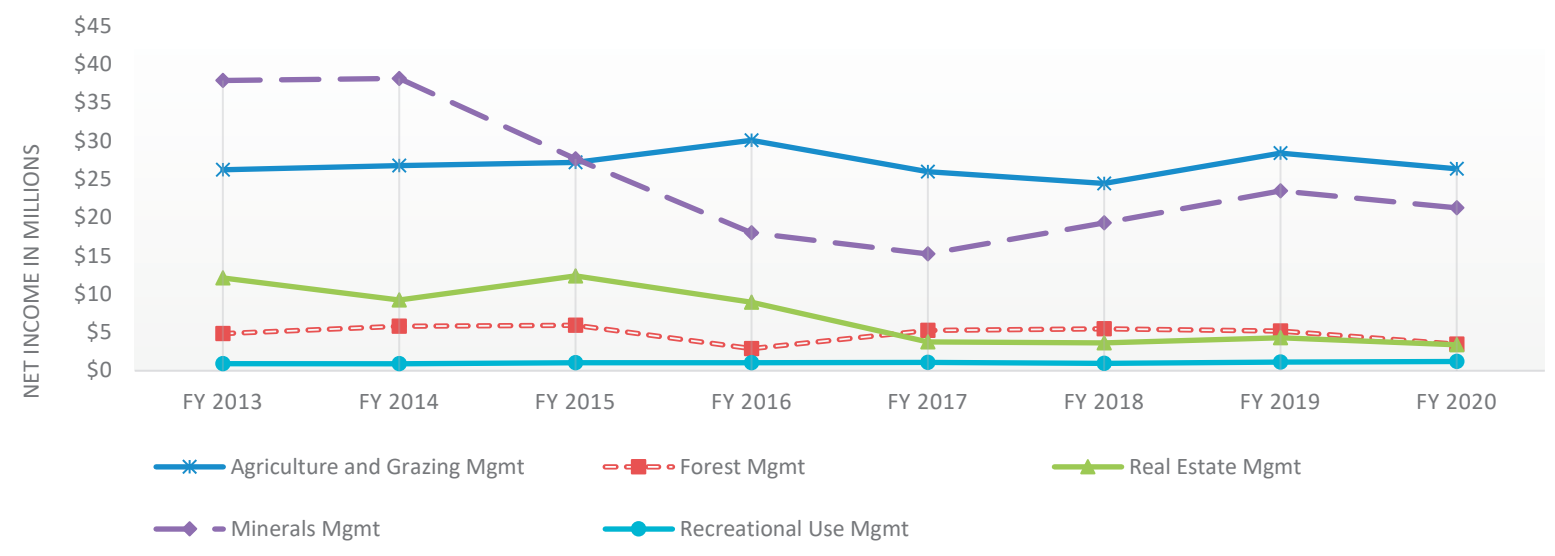


Table 17. Trust Land Program Net Operating Income FY 2013 through FY 2020 (U.S. dollars reported by DNRC TLMD)

Program	Agriculture and Grazing Mgmt	Forest Mgmt	Real Estate Mgmt	Minerals Mgmt	Recreational Use Mgmt	Total Program Net Operating Income	Real and Financial Assets Net Operating Income
FY 2013	26,208,944	4,842,048	12,088,341	37,879,792	914,041	81,933,166	102,883,884
FY 2014	26,760,199	5,782,935	9,214,116	38,129,004	906,684	80,792,938	101,330,753
FY 2015	27,153,395	5,927,815	12,374,502	27,620,363	1,047,780	74,123,855	95,056,829
FY 2016	30,058,159	2,885,275	8,921,710	18,010,745	1,026,096	60,901,985	81,584,442
FY 2017	25,968,109	5,249,106	3,763,823	15,232,638	1,070,654	51,284,330	71,540,030
FY 2018	24,430,560	6,564,237	3,611,228	19,272,120	969,989	53,276,115	72,980,429
FY 2019	28,399,237	6,059,779	4,282,591	23,443,424	1,110,948	62,580,800	84,310,255
FY 2020	26,319,353	3,468,843	3,380,877	21,265,778	1,205,312	55,363,299	75,952,886

Figure 23. Annual Net Operating Income by Program, FY 2013 through FY 2020



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