MONTANA DNRC

TRUST LANDS MANAGEMENT DIVISION

ANNUAL REPORT FY 2016

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.

Meagher County — Photo by Casey Kellogg

TRUST LANDS MANAGEMENT DIVISION ANNUAL REPORT FY 2016

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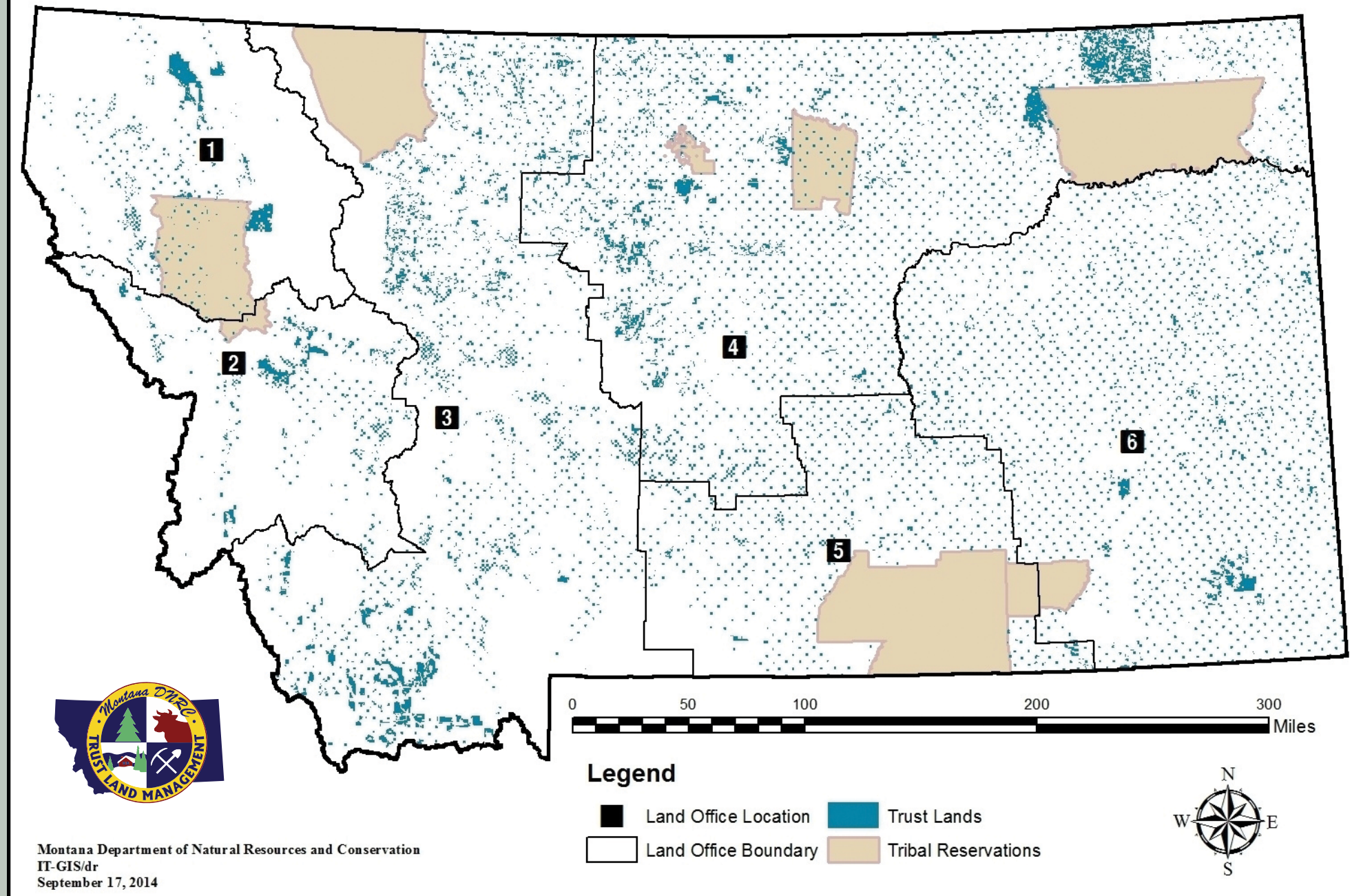
MONTANA TRUST LANDS



Montana Department of Natural Resources and Conservation
IT-GIS/dr
September 17, 2014

Six Area Offices Statewide

1. **Northwestern Land Office – Kalispell**
   Kalispell Unit, Libby Unit, Plains Unit, Stillwater Unit, Swan Unit
2. **Southwestern Land Office – Missoula**
   Missoula Unit, Clearwater Unit, Anaconda Unit, Hamilton Unit
3. **Central Land Office – Helena**
   Helena Unit, Bozeman Unit, Conrad Unit, Dillon Unit
4. **Northeastern Land Office – Lewistown**
   Lewistown Unit, Glasgow Unit, Havre Unit
5. **Southern Land Office – Billings**
6. **Eastern Land Office – Miles City**

QUICK FACTS About Trust Lands for FY 2016

124.36	Total Trust Lands FTE
5,176,252	Total Surface Acres
6,210,224	Total Mineral Acres
51	Active Timber Sales
35.9	MMBF Timber Harvested
191,906	Tree Seedlings Planted
8,920	Agriculture & Grazing Leases
133	Commercial Leases
648	Active Residential Leases
748	Active Licenses
306	Rights-of-Way Processed (grants and acquisitions)
8	Cabin Sites Sold at Auction
6	Land Banking Parcels Sold at Auction
1,742	Oil & Gas Leases
35	Coal Leases
99	Other Mineral Leases, including Gravel

Carbon County — Photo by John Reddy

FY 2016 Trust Lands Management Division 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:

- Governor - Steve Bullock
- Attorney General - Tim Fox
- Secretary of State – Linda McCulloch
- Auditor – Monica Lindeen
- Superintendent of Public Instruction - Denise Juneau

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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/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:

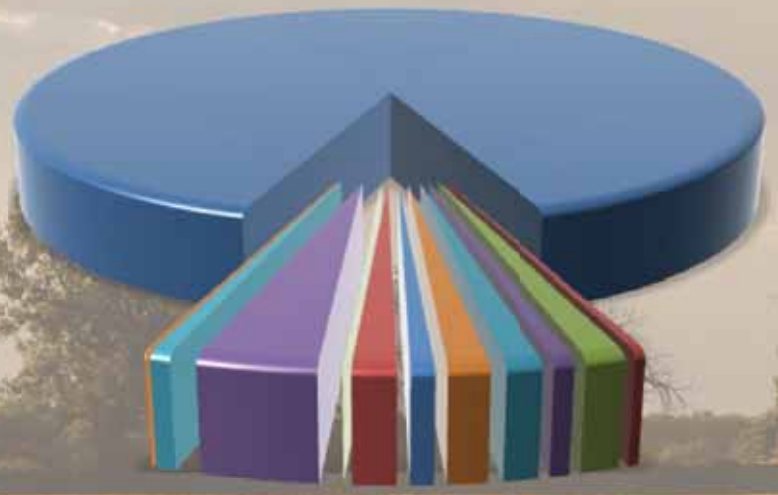
- Common Schools (K-12)
- The University of Montana
- Montana State University–Morrill Grant
- Montana State University–Second Grant
- Montana Tech of The University of Montana
- State Normal School (Montana State University – Billings and The University of Montana–Western)
- Public Buildings
- Veterans Home
- School for the Deaf and 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 (see **Figure 1** and **2**) has fluctuated through the years due to land sales and acquisitions. Surface acreage at the end of FY 2016 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.

Figure 1

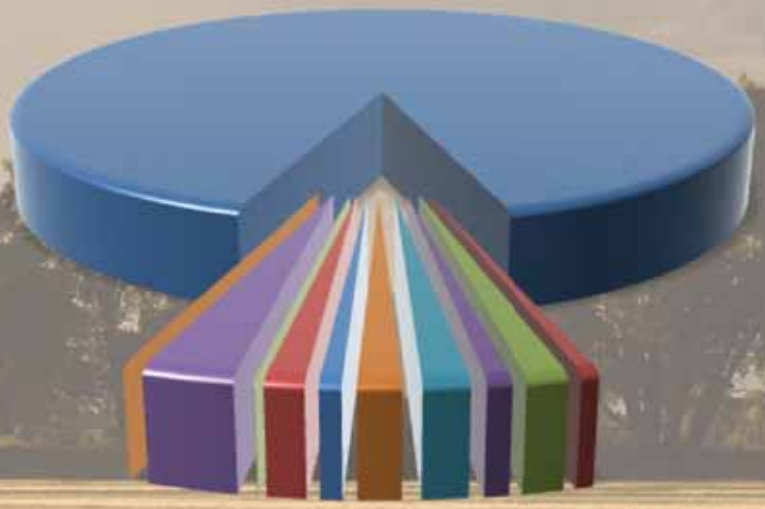
Surface Acres by Trust



- Common Schools 4,616,534
- MSU - Second Grant 31,686
- School for the Deaf and Blind 36,461
- Public Buildings 184,656
- University of Montana 17,262
- Montana Tech 59,356
- State Reform School 67,295
- Acquired Lands 32,295
- MSU - Morrill Grant 63,474
- State Normal School 63,217
- Veterans Home 1,417
- Sir Trust 2,600

Figure 2

Mineral Acres by Trust



- Common Schools 5,596,963
- MSU - Second Grant 46,598
- School for the Deaf and Blind 41,171
- Public Buildings 172,323
- University of Montana 33,754
- Montana Tech 86,267
- State Reform School 73,488
- Acquired Lands 0
- MSU - Morrill Grant 77,929
- State Normal School 80,455
- Veterans Home 1,276
- Sir Trust 0

Treasure County — Photo by John Reddy

FY 2016 Program Highlights

Liberty County Cows — Photo by John Reddy

Agriculture and Grazing Management

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

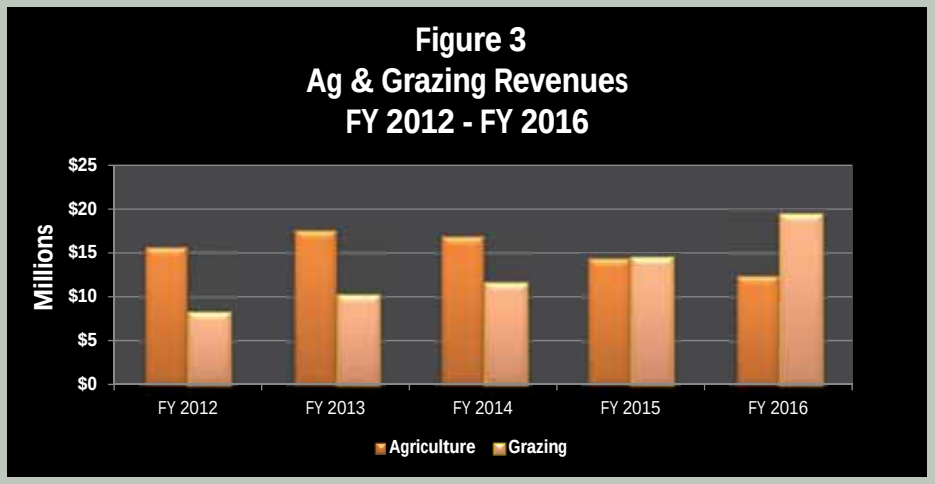
The program is responsible for maintaining surface lease agreements. This section processed approximately 1,000 lease renewals; advertising, competitively bidding, and issuing new leases; reviewing and processing assignments, subleases, pasturing agreements, custom farming agreements, pledges, and mortgages. They also collect, verify, and post rentals and fees.

Land Management

The program manages the agricultural and grazing resources. This responsibility includes 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.

Agricultural and Grazing Lands

Currently, 2,800 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, alfalfa seed, and native grass seed.



In FY 2016, revenues totaling $12,467,630 were received from agricultural leasing on 575,000 acres. The majority of the leases are on a crop-share basis with the minimum share of 25% set by statute. Revenues declined from the previous year were a result of a continuing decline in commodity prices. In addition to receiving rental payments from lessees, the state participates in and receives Farm Program payments from the U. S. Department of Agriculture (USDA) Farm Service Agency. For FY 2016, this amount exceeded $1.1 million, largely for lands enrolled in the Conservation Reserve Program (CRP).

Approximately 8,100 agreements include grazing use of trust lands. The nearly 4.1 million acres of classified grazing lands and forest lands have an estimated carrying capacity of 960,000 animal-unit-months (AUMs). The minimum rental rate ($19.57/AUM) for grazing leases is set by a formula, which includes the average weighted price for beef cattle sold in Montana during the previous year. In FY 2016, grazing leases generated $19,462,841. See **Figure 3** for agriculture and grazing revenues from FY 2012 – FY 2016.

Recreational Use

Legally accessible state lands are open to recreational use by the public. Sportsmen who possess a current Conservation License are authorized to hunt and fish on these lands. Through an agreement with the Department of Fish, Wildlife & Parks, two dollars from the sale of each conservation license is paid to the trust beneficiaries to compensate for that use. Other recreational activities can be undertaken by purchasing a general or special recreational use license.

In FY 2016, 495,093 conservation licenses were sold generating $990,186 in gross revenue. A total of 7,700 general recreational use licenses were sold with revenues of $89,526. Special recreational use licenses generated $153,513.

Recreational Use Sign — Photo by Neil Simpson

Forest Management

Each year, 54 foresters, scientists, and managers conduct several 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 the Department oversees less than 4% of the statewide forested landscape, the program accounts for nearly 18% of Montana's total timber volume sold per year. Statute directs the Department 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.

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

Photo by Northwestern Land Office staff.

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.

The division maintained a successful forest products sales program through FY 2016, as the forest products market remained steady through the fiscal year-end. TLMD's Forest Management Program sold 61.1 million board feet (MMBF) through timber sales and permits, including one 4.6 MMBF sale that was re-sold. The average stumpage price decreased by 31% compared to FY 2015, to $151 per thousand board feet. The volume sold has an estimated total stumpage value of $9,247,803 and additional expected revenue of $1,348,526 in Forest Improvement fees. A total of 35.9 MMBF of timber and a minor amount of other miscellaneous forest products (posts, pulp, boughs, etc.) were harvested from state trust lands during FY 2016 (**Figure 4**). This volume generated $7,317,120 in stumpage revenue for the year. **Table 1** shows the timber sold volume and value by Area 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, acquiring access, maintaining roads necessary for timber harvest, 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 2016, the department collected $1,249,331 in Forest Improvement fees, as shown in **Table 2**.

Figure 4
Timber Volume Sold and Harvested
FY 2012 - FY 2016

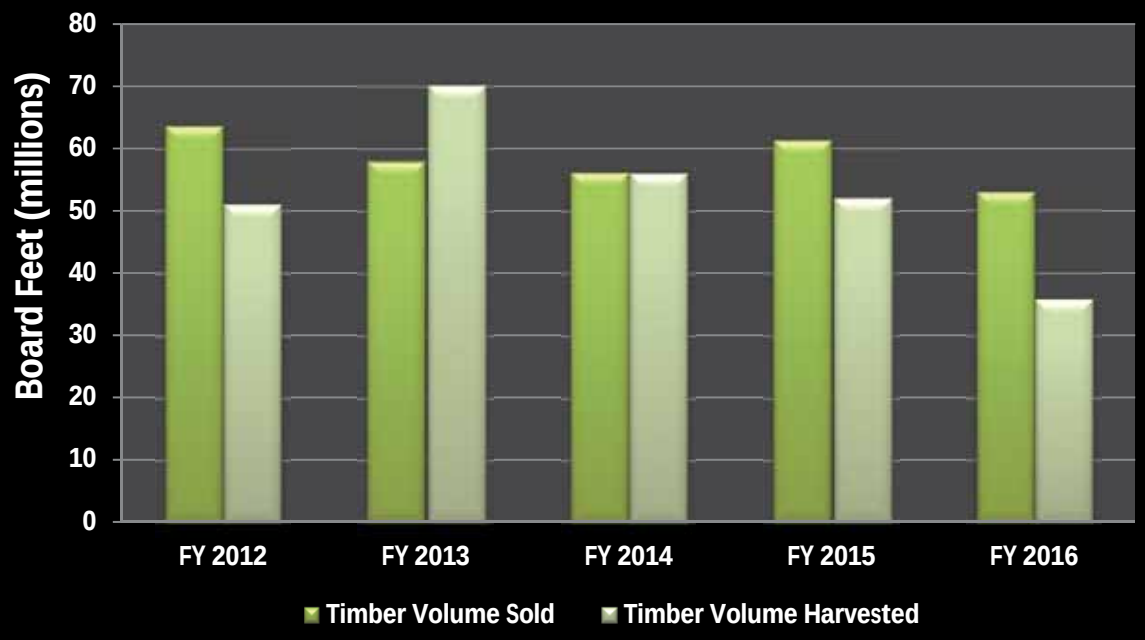


Table 1
FY 2016 Timber Sold Volume & Value by Area Office

Area Office	Volume (MBF)	Average Price ($/MBF)	Stumpage Value	Forest Improvement Fees
CLO	7,508	$101	$ 757,604	$ 61,295
Eastside (NELO, ELO, SLO)	2,010	$ 22	$ 43,800	$ 5,990
SWLO	12,808	$152	$1,940,681	$ 289,768
NWLO	38,819	$168	$6,505,708	$ 991,474
Statewide	61,145	$151	$9,247,793	$1,348,527

Ravalli County — Photo by John Reddy

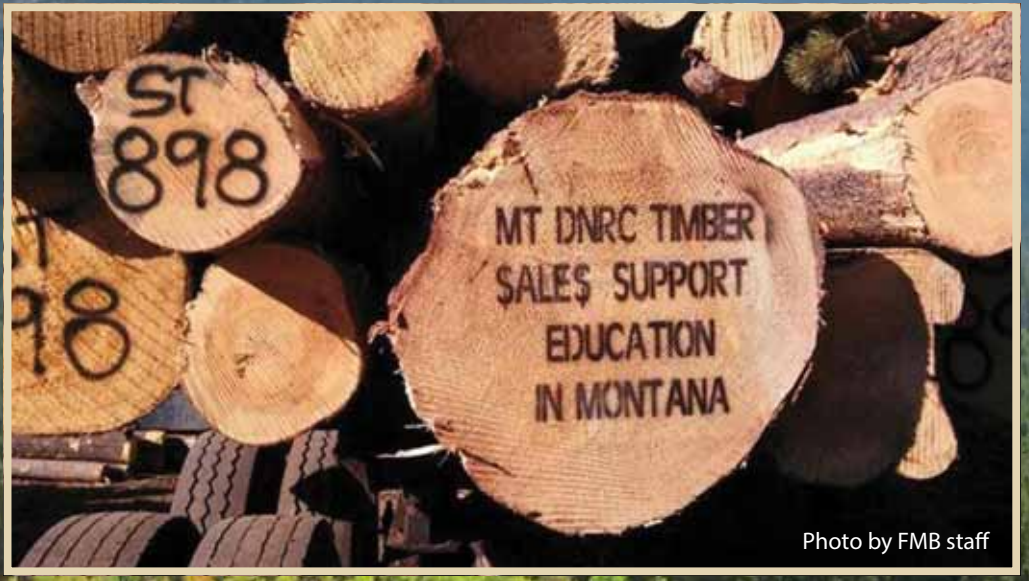


Photo by FMB staff

Table 2
FY 2016 Forest Improvement Fees Collected By Trust

Trust	Amount
Common Schools	$ 754,963
Montana State University - Second Grant	134,195
Montana Tech	37,615
University of Montana	36
State Normal School	19,780
School for the Deaf and Blind	23,382
State Reform School	20,493
Public Buildings	256,406
Acquired Lands	2,461
Total	**$1,249,331**

Palisades Timber Sale — Photo by Gary Frank

Minerals Management

The Minerals Management Bureau is responsible for leasing, permitting, and managing approximately 1,876 oil and gas, metalliferous and non-metalliferous minerals, coal, and sand and gravel agreements on over 750 thousand acres of the available 6.2 million acres of school trust land and approximately 11,885 acres of other state-owned land throughout Montana. **Figure 5** shows the FY 2016 mineral revenues over the last five years. **Figure 6** shows revenue by type and percentage. **Table 8** shows a summary of mineral revenues by amount.

Oil and Gas Activity

In FY 2016, the bureau managed 1,742 total leases, 672 of which are currently productive. Compared to FY 2015, total leases issued are down 51.4%, and producing leases remained constant. This decrease reflects the drastic drop in oil and gas prices and the current industry trend to discontinue leases in more speculative areas and focus development efforts in traditional oil producing areas, including the Bakken formation in eastern Montana.

FY 2016 royalty revenues totaled $7,968,489, down 46.4% over FY 2015, due to lower oil and gas prices and production. Rentals, non-drilling penalties, and bonus revenues totaled $1,614,519, down 68.7% over FY 2015. This decrease was driven once again by the decrease in oil and gas prices, which resulted in the industry releasing leases that were not active. See **Figure 5** and **Table 8** for a summary of revenues. Oil and gas production from state lands is summarized in **Table 3**.

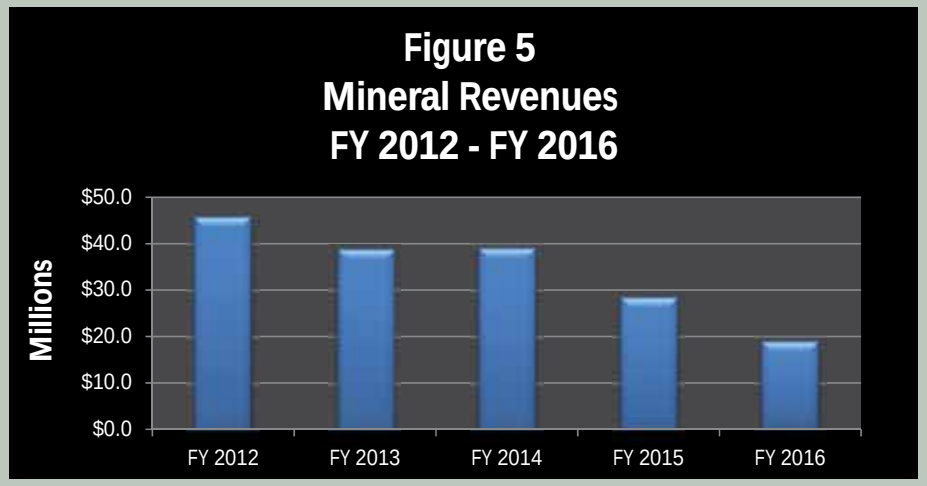
Coal Activity

In FY 2016, the bureau managed 35 total leases, 7 of which are currently productive, which is an increase of one producing lease. Royalty revenues totaled $9,124,779, which was a 16% increase from FY 2015. Rental revenues totaled $49,535. Coal production from state lands is summarized in **Table 3**.

Table 3
Mineral Production

	FY 2015	FY 2016	% Change	5-yr Average
Oil (Barrels)	1,592,111	1,345,167	-15.5%	1,482,870
Gas (mcf*)	2,882,188	2,846,484	-1.2%	3,387,986
Coal (tons)	4,673,194	4,748,656	1.6%	4,582,495

***mcf=thousand cubic feet**



Fallon County — Photo byJohn Reddy

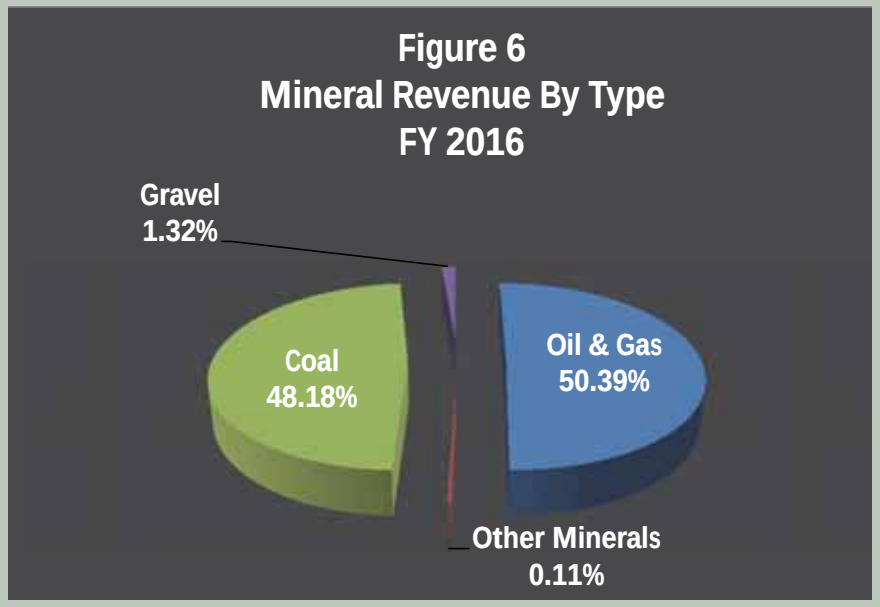
Other Minerals

The bureau also issues land use licenses and leases for gravel and other minerals. In FY 2016, gravel revenues totaled $251,163, which is a 50.3% decrease from FY 2015. Revenues for all other mineral activities totaled $32,523.

Riverbed Leasing

In Montana on navigable waterways, the state owns those lands below the low-water mark; islands and their accretions formed in the riverbeds after statehood; and certain abandoned channels formed by avulsion. The Minerals Management Bureau continues its efforts to clarify title to the beds and islands of navigable rivers. Because two navigable rivers in Montana flow through areas with major oil and gas resources, the department 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 2016, the program managed 12,196 acres of leased riverbed and island tracts. These tracts provided the state with $585,514 in oil and gas revenues.



Missouri River — Photo by John Reddy

Real Estate Management

The Real Estate Management Bureau administers activities on lands classified as "other" and all secondary activities on lands classified as grazing, agriculture, or timber. The sources of FY 2016 real estate management revenues are summarized in **Table 8**. Real estate activities include leasing, licensing, granting of easements (rights-of-way), land sales through the Land Bank Program, acquisitions of land and land exchanges. The bureau also manages non-trust land activity for other agencies. **Figure 7** shows real estate revenues from FY 2012 - FY 2016.

Land Sales, Acquisitions, and Exchanges

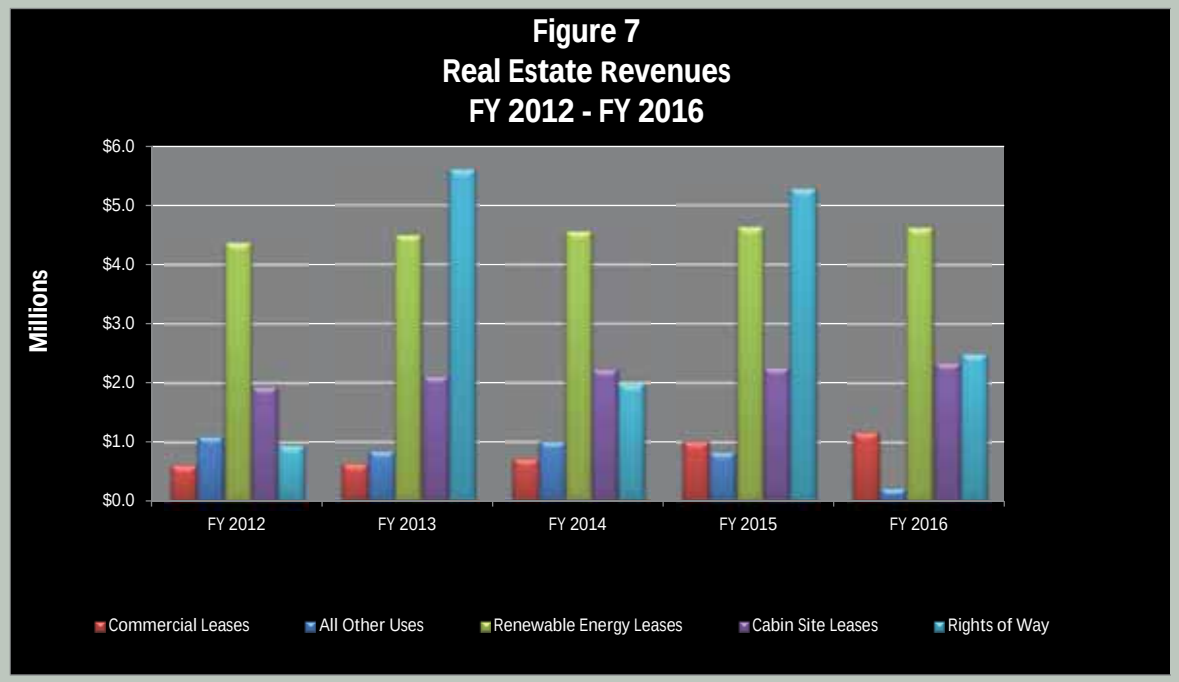
In FY 2016, the Land Banking and Cabin Site Sale Program sold 1,289.63 acres for a total sales price of $2,831,996. **Table 4** shows the acres sold by trust, income, and rate of return. **Table 5** shows the land purchased during the year.

Table 4
Land and Cabin Sites Sold by Trust - FY 2016

Trust	Program	Acres	Sales Price	# of Parcels	Annual Income	Return
Common Schools	Land	1,115,51	$ 969,804	4	$ 6,621	0.68%
State Normal School	Land	160.00	$ 70,192	2	897	1.28%
Total Land		**1,275.51**	**$1,039,996**	**6**	**$7,518**	**0.72%**
Trust	**Program**	**Acres**	**Sales Price**	**# of Parcels**	**Annual Income**	**Return**
Montana Tech	Cabin Site	8.72	1,714,00	6	$ 47,271	2.89%
MSU - 2nd Grant	Cabin Site	5.40	78,000	2	2,062	2.64%
Total Cabin Sites		**14.12**	**$1,792,000**	**8**	**$49,333**	**2.75%**

Table 5
Land Purchased by Trust - FY 2016

Name	Trust	Acres	Purchase Price
Clapper Flat	State Reform School	377.00	$ 295,000
	Public Buildings	240.00	$ 195,00
Total Land		**617.00**	**$490,000**



Residential Leasing

A new cabin site leasing program was implemented, including new fee structures, bidding processes, and lease terms. In June, vacant cabin site leases were put out for competitive bidding through the new program. The results of bidding within the new program will be provided in the FY 2017 report.

In FY 2016, cabin site revenue was at an all-time high of $2.4 million. Throughout FY 2016, the cabin site lease vacancy rate held steady at 12%, which is unchanged from FY 2015.

Commercial Leasing

In FY 2016, the bureau released multiple Requests for Proposals (RFP's) for commercial development of trust lands, and ultimately executed two new leases and signed three new Options to Lease for potential development. These contracts together generate $47,500 in new annual revenues.

Kalispell: Work continues to advance on the Spring Prairie IV lease, the newest development on Section 36, with the opening of a new 101 room Marriott Springhill Suites.

Bozeman: Development progresses on the Lewis and Clark Subdivision, including breaking ground on a 90 room Marriott Springhill Suites.

Helena: Construction on the new DNRC Headquarters building at 1539 11th Avenue with an anticipated move in target of early September 2016.

At the end of FY 2016, there were 134 active commercial leases on trust land, which includes all leases that are not agriculture, grazing, or residential in nature. Annual revenues from commercial leasing continue to grow each year, and leasing/license revenue reached $1.9 million for the first time in FY2016. Hydro lease revenue brought in an additional $4.6 million.

Table 6
FY 2016 New Leases

Name	Location	Acreage	Annual Base Rent	Annual Option Fee
JMF Services	Lincoln County	40.00	$6,000	0
Spring Creek Coal, LLC	Dry Creek - Decker	193.00	11,580	0
Total New Leases		**233.00**	**$17,580**	**0**

Name	Location	Acreage	Annual Base Rent Upon Lease	Annual Option Fee
Montana Getaway Group, LLC	Lower Stillwater Lake	7.20	$20,280	$7,605
Braxtom & Klein	Lewis & Clark Commerce Center, Lot 4 - Bozeman	3.01	26,200	9,825
McManis	Alaska Road - Belgrade	3.30	32,400	12,500
Total Option to Lease		**13.51**	**$78,880**	**$29,930**

Spring Prairie Commercial Development — Photo by Steve Lorch

Renewable Energy

In FY 2016, the bureau received proposals for both wind and solar development projects. A 70 MW solar development was proposed on trust land near Billings (west of the airport), and 18MW of a 100 MW wind development was proposed on trust lands near Wibaux. Both proposals are undergoing review, negotiations and eventual MEPA analysis and scoping is anticipated in FY 2017.

Rights-of-Way/Easements

In FY 2016, the bureau processed 300 rights-of-way applications (ROW), which were approved by the Board of Land Commissioners. NorthWestern Energy began submission of historic applications for existing electrical and natural gas facilities encroaching on State Trust Lands and the department continues to work with county governments to complete historic applications for county roads.

Revenue remained steady at $1.8 million, which is typical in years without significant easement projects. Applications of note in FY 2016 include a private access road to the Shay Lake Road User's Association for $192,000 and amendments to existing easements for Bridger Pipeline Company with $100,000 in revenue.

The department initiated multiple cost share and reciprocal/easement packages during FY 2016, while continuing to work on projected needs for timber management related access needs across several national forests, BLM, and private landowners. Several reciprocal/easement exchange agreements were completed, with access received to 9,100 acres of trust land, 6,800 acres being accessible by the general public, via approximately 40 miles of road.

Liberty County — Photo by John Reddy

Financial Highlights Fiscal Year 2016

Trust Land Management Division
Gross Revenue $95.8 million

Land Management Gross Revenue
$71.6 million

Interest Income and Other Gross
Revenue $24.2 million

Division Expenditures
$12.4 Million

Common School Permanent Fund
Revenues $20.9 million
Other Beneficiaries Permanent Fund
$1.2 million

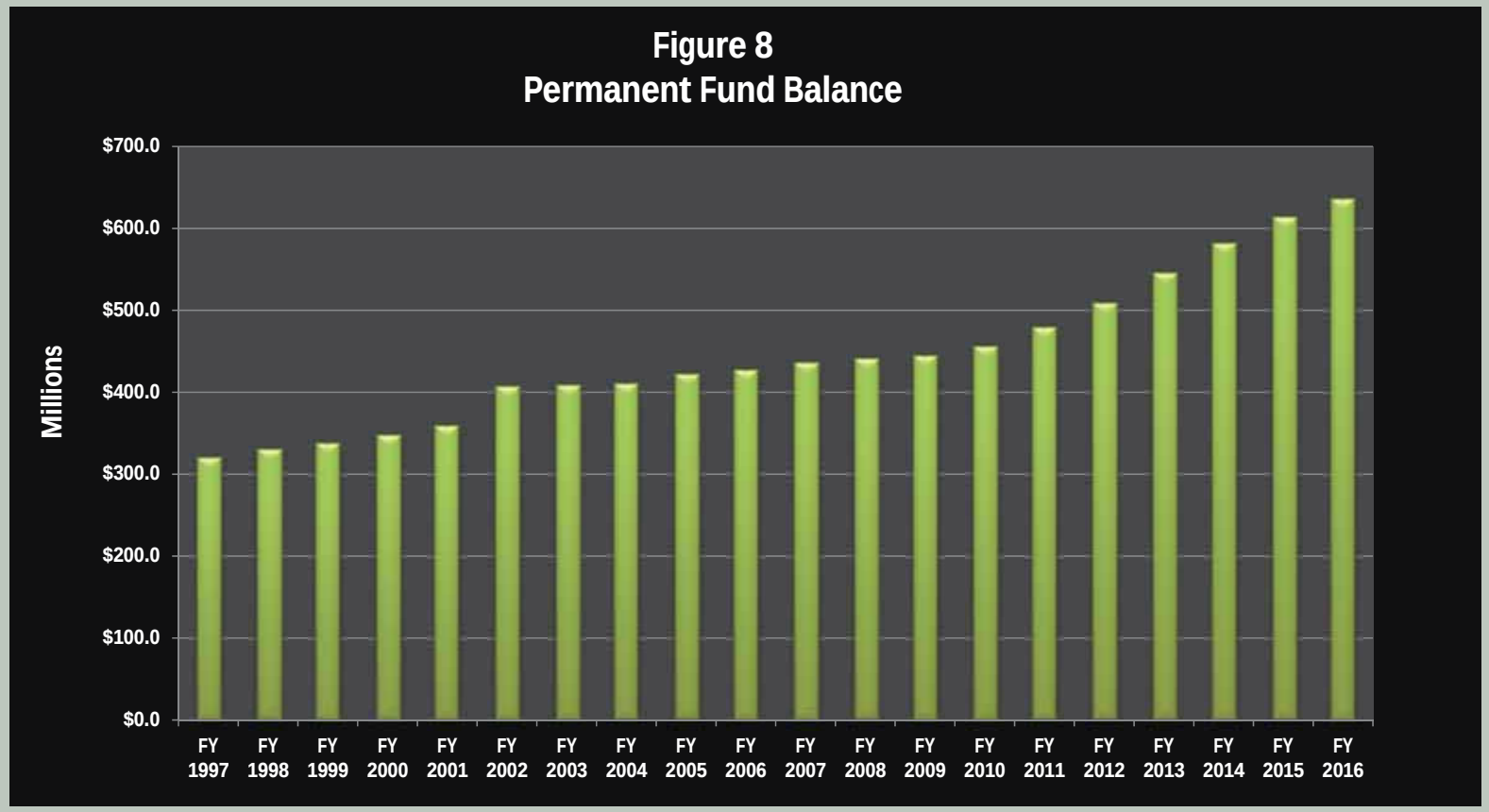
Common Schools Distributed
Net Revenues - $47.0 million
School Facility Account $6.3 million
Other Beneficiaries Distributable
Revenues $6.0 million

Permanent Fund Balance $636.8 million
Common Schools Permanent Fund
Balance $585.7 million
Other Beneficiaries Permanent Fund
$51.1 million

The Permanent Fund

The Enabling Act states that 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 $636,809,898 for FY 2016.

* 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. It should be noted that in FY 2010, the mineral royalties identified in Senate Bill 495 were no longer distributable, but placed in the permanent fund. Also in FY 2010, a one-time only bonus payment of $85.9 million was received on the Otter Creek coal tracts on behalf of the Common Schools.

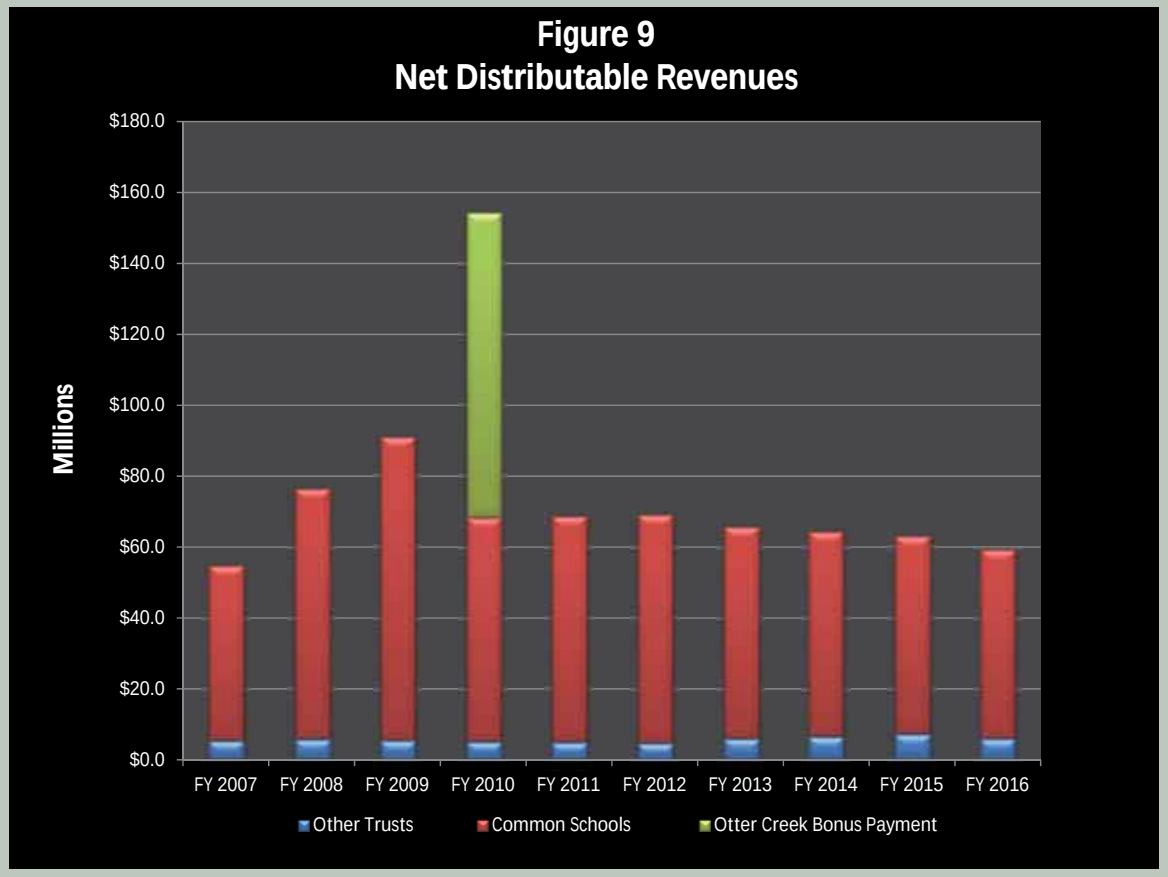


Table 7 shows the gross distributable and non-distributable interest and income proceeds for each of the trust beneficiaries for FY 2016. A small portion of trust revenues are used to fund administrative appropriations through the Trust Administration Account.

Table 7
Revenues by Trust FY 2016*

Distributable Revenues Trust	Gross Distributable Revenues	Trust Earnings Reserves	Trust Admin Account [2]	Net Distributable Revenues	Distributed to School Facility & Technology Acct [6]
Common Schools [3] [4] [6]	$ 57,433,656	$ 0	$ 10,419,165	$ 47,014,491	$ 1,822,455
Public Land Trust – Navigable Rivers [3] [4] [5]	4,708,400	0	268,147	0	4,440,253
The University of Montana	323,286	12,411	27,420	283,455	
MSU - Morrill Grant [1]	596,602	0	0	596,602	
MSU - Second Grant	1,516,791	-119,355	415,930	1,220,216	
Montana Tech	1,241,576	-150,378	350,064	1,041,890	
State Normal School	691,604	-163,142	256,002	598,744	
School for the Deaf and Blind	498,721	23,854	133,964	340,903	
State Reform School	612,907	29,120	191,339	392,448	
Veterans Home	17,219	268	1,268	15,683	
Public Buildings	2,631,448	317,973	803,744	1,509,731	
MT Developmental Center	8,997	0	1,274	7,723	
MT State Hospital	8,997	0	1,274	7,723	
Lands Acquired - Public School [3] [6]	32,324	0	8,931	0	23,393
Total	**$ 70,322,528**	**$ -49,249**	**$ 12,878,522**	**$ 53,029,609**	**$ 6,286,101**

Non-distributable Revenues Trust	Gross Non-distributable Revenues	Net Non-distributable Revenues	Permanent Fund Balance
Common Schools - Permanent	$ 20,934,069	$ 20,934,069	$ 585,702,212
Public Land Trust – Navigable Rivers	815,333	815,333	7,970,913
The University of Montana	1,103	1,103	1,544,063
MSU - Morrill Grant [1]	13,667	13,667	5,371,439
MSU - Second Grant	88,320	88,320	12,441,815
Montana Tech	77,371	77,371	7,037,336
State Normal School	979	979	6,498,961
School for the Deaf and Blind	60,814	60,814	5,301,881
State Reform School	128,344	128,344	4,886,528
Veterans Home	0	0	27,905
Lands Acquired - Public School	15,730	15,730	26,845
Total	**$ 22,135,730**	**$ 22,135,730**	**$ 636,809,898**

* 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 2016 actual expenditures and accruals by trust.

[3] Less 5% to permanent fund.

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

[5] Public Land Trust net revenue is distributed to the School Facility and Technology Fund as of FY 2015.

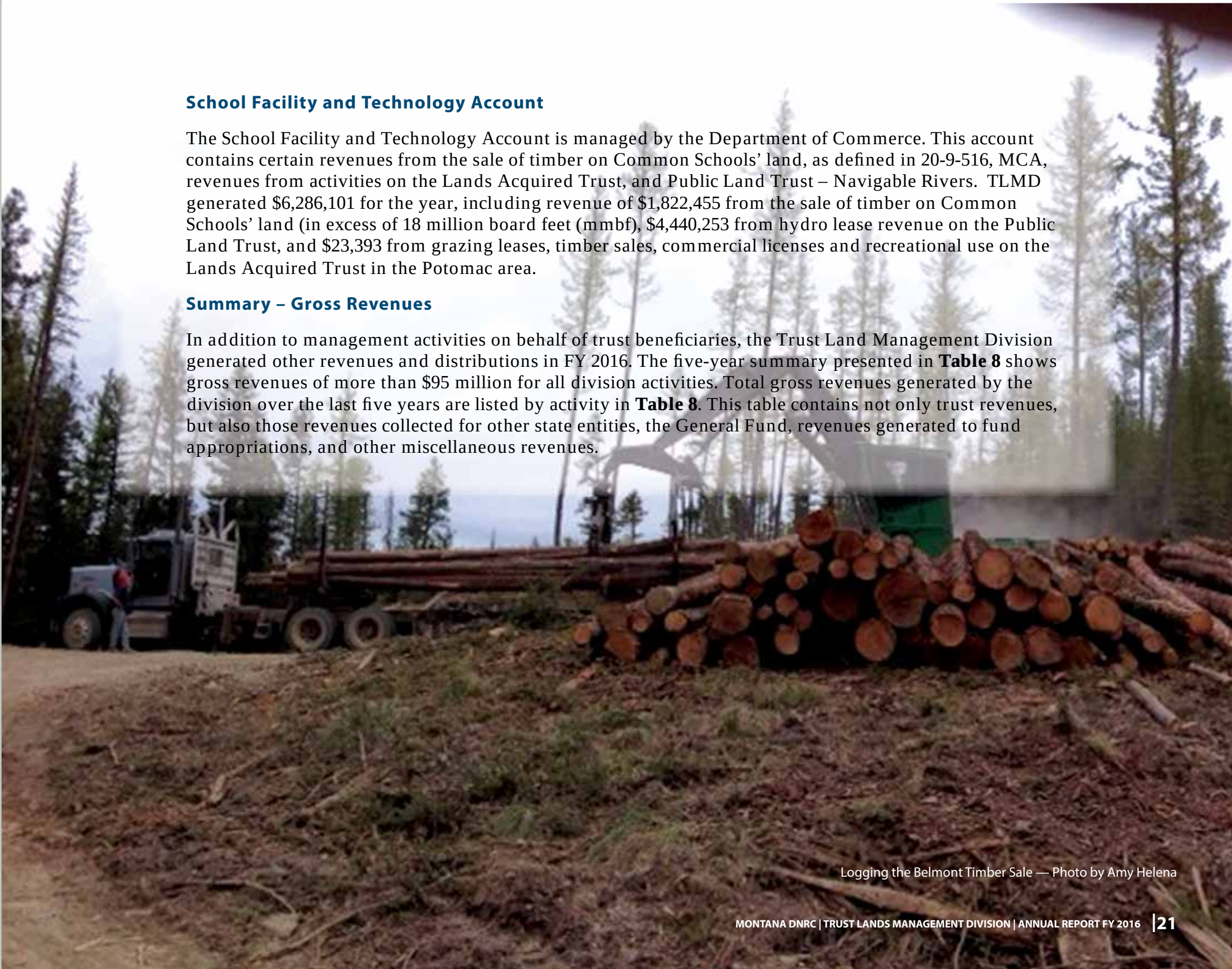
[6] School Facility and Technology Fund (77-1-218, MCA).

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 $6,286,101 for the year, including revenue of $1,822,455 from the sale of timber on Common Schools' land (in excess of 18 million board feet (mmbf), $4,440,253 from hydro lease revenue on the Public Land Trust, and $23,393 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 2016. The five-year summary presented in **Table 8** shows gross revenues of more than $95 million for all division activities. Total gross revenues generated by the division over the last five years are listed by activity in **Table 8**. 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.



Logging the Belmont Timber Sale — Photo by Amy Helena

Table 8
Five-Year Summary of Gross Revenue Generated by Activity

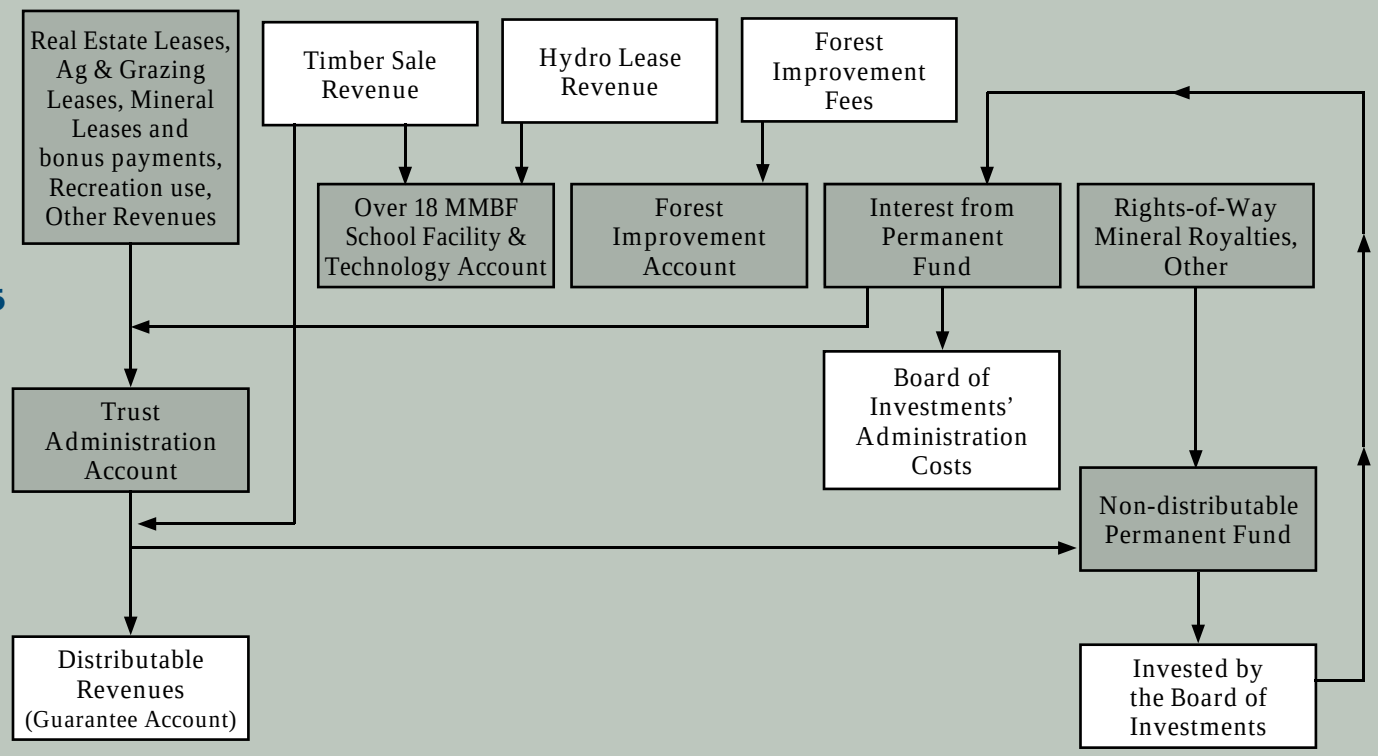
Activity	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Agriculture & Grazing Management					
Grazing Leases	$ 8,262,292	$ 10,238,748	$ 11,607,840	$ 14,486,097	$ 19,462,841
Agriculture Leases	15,636,680	17,588,573	16,887,382	14,408,796	12,467,630
Totals	**23,898,972**	**27,827,321**	**28,495,222**	**28,894,893**	**31,930,471**
Recreational Use					
General Licenses	103,699	64,399	60,196	72,361	89,526
Conservation Licenses	872,696	899,378	889,294	997,112	990,186
Special Recreation Use Licenses	124,625	125,260	151,902	163,629	153,513
Totals	**1,101,020**	**1,089,037**	**1,101,392**	**1,233,102**	**1,233,225**
Forest Management					
Timber Sales	5,553,562	8,878,990	9,849,623	10,781,916	7,317,120
Forest Improvement Fees	1,619,921	1,625,748	1,354,379	1,168,199	1,249,331
Totals	**7,173,483**	**10,504,738**	**11,204,002**	**11,950,115**	**8,566,451**
Minerals Management					
Oil & Gas Revenues					
Rentals/Bonuses/Penalties	20,944,289	7,499,496	8,104,867	5,159,942	1,614,519
Royalties	16,560,446	19,940,488	21,835,231	14,868,183	7,968,489
Seismic Exploration	10,115	10,730	5,688	0	0
Aggregate Minerals					
Rentals/Bonuses	500	100	200	800	0
Royalties	788,591	949,571	947,294	504,535	251,163
Coal					
Rentals/bonuses	66,315	3,636,835	49,515	53,355	49,535
Royalties	7,400,024	6,803,308	8,130,763	7,862,948	9,124,779
Other Minerals					
Rentals/Penalties	70,817	27,223	28,208	79,233	21,214
Royalties	5,378	5,929	14,574	24,594	11,309
Totals	**45,846,475**	**38,873,680**	**39,116,340**	**28,553,590**	**19,041,008**
Real Estate Management					
Rights-of-way/Easements	952,198	5,618,211	1,991,686	5,289,876	1,895,210
Residential Leases/Licenses	1,978,372	2,156,384	2,262,202	2,290,410	2,393,963
Other Leases/Licenses					
Commercial	1,556,316	1,308,690	1,531,681	1,682,656	1,842,357
Conservation	94,506	94,529	93,763	97,148	97,410
Other	64,876	75,571	588,696	257,085	40,966
Hydro Leases/Navigable Rivers	4,382,113	4,504,391	4,573,022	4,647,101	4,639,418
Totals	**9,028,381**	**13,757,776**	**11,041,050**	**14,264,276**	**10,909,324**
Other					
Trust and Legacy Interest	24,209,865	23,216,495	23,285,811	24,048,099	23,904,622
Other Revenues	333,773	215,258	175,011	159,117	262,502
Totals	**24,543,638**	**23,431,753**	**23,460,822**	**24,207,216**	**24,167,124**
TOTALS	**$ 111,591,969**	**$ 115,484,305**	**$ 114,418,828**	**$ 109,103,192**	**$ 95,847,603**

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.

Figure 10

Distribution of Revenues from Common Schools Trust Land FY 2016



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.

APPENDIX

Table 9: Acres by Trust

Trust	Surface Acres*	Mineral Acres*
Common Schools	4,616,534	5,596,963
University of Montana	17,262	33,754
MSU - Morrill Grant	63,474	77,929
MSU - Second Grant	31,686	46,598
Montana Tech	59,356	86,267
State Normal School	63,217	80,455
School for the Deaf and Blind	36,461	41,171
State Reform School	67,295	73,488
Veterans Home	1,417	1,276
Public Buildings	184,655	172,323
Acquired Lands	32,295	0
Sir Trust**	2,600	0
	5,176,252	**6,210,224**

* TLMS Acreage Query as of 10/16/2016. 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

Deer Lodge County — Photo by John Reddy

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