

Lost Revenue to the Permanent School Trust Fund

Estimations of contributions to the Permanent School Trust Fund show that a potential **\$245.6 million in market value has been lost**. If land sales or exchanges, cost control, and maximum economic development had occurred, the Permanent School Fund could have had a total estimated market value of **\$1.03 billion** instead of the actual present value of \$785.1 million.

The total contributions from 1981 to 2011 could have added \$167.5 million to the Permanent School Fund. That would have represented **\$150 million in additional payout to schools**. Table 1 below shows the assessed values of the Trust Lands in areas where the potential for revenue has been lost.

Table 1

Lost Revenue Opportunities

Land	Years of Lost Revenue	Assessed Value
BWCAW	1981-2011	\$35 million
State parks (1st exchange)	1981-mid 1990s	\$1.2 million
State parks (2nd exchange)	1981-2006	\$4-5 million
Nerstrand Big Woods State	1981-2006	\$1 million
Itasca State Park	1981-2006	\$528,000
Lakeshore leases	1981-1998	\$5 million
Peatland	1991-2011	\$3.8 million
Forestry Account	1986-2009	\$54.43 million (a)
(a) See Forestry Account table.		

These estimates show the possible opportunities to increase revenue that were lost.

Forestry Account

An analysis of the Forestry Account shows a low return on investment. Certified costs have never sunk below 53% of total forestry revenue since 1986. **Costs have averaged 73%**. The average return on investment is 27%.

The average increase rate for costs is 7.51%. This increase in costs is especially glaring in 2006. That year, costs were 53% of gross revenue. The next year costs jumped to 81% of gross revenue. (Figure 1)

The high cost of expenses in the Forestry Account is a sign of mismanagement in this area. If certified forestry costs were capped at a maximum rate of 30% of gross revenue, an additional **\$54.45 million would have been added** from 1986 to 2009.

This would have more than doubled the \$47.71 million that was added to the corpus of the School Trust Fund between 1986 and 2009. (Table 2)

Figure 1

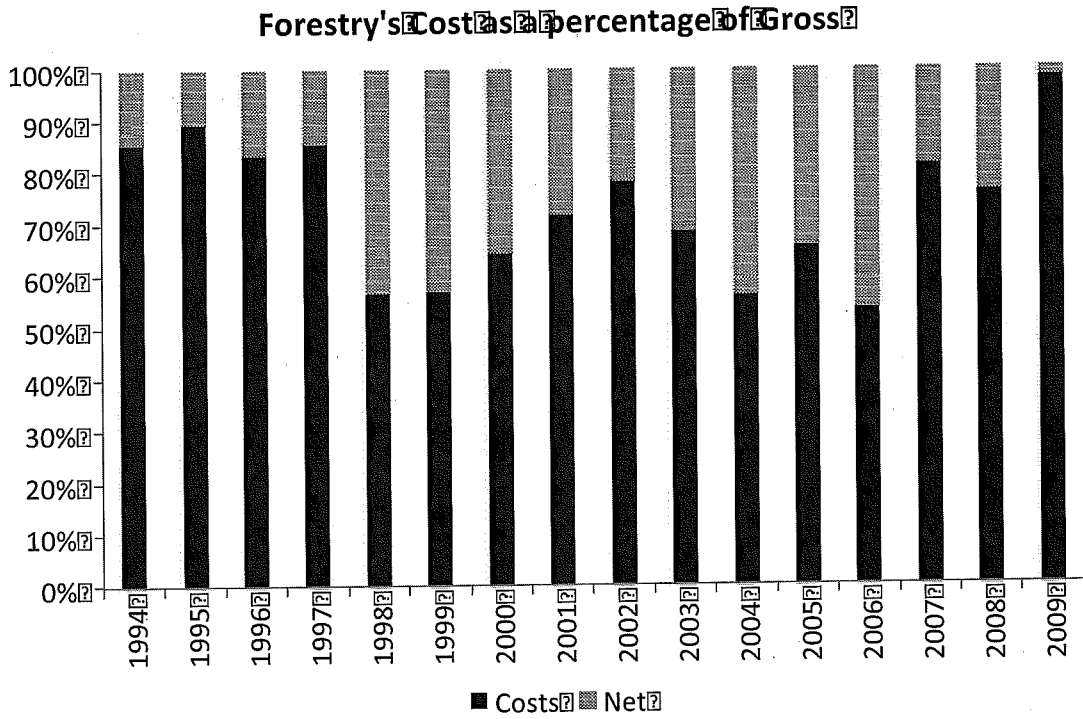


Table 2
Forestry Expenses

Fiscal Year	Gross Revenue (a)	Net Revenue (b)	Certified Costs or Expenses (c)	Costs as a percent of gross revenue (c/a)	Return on Investment (d)	Net from Logging costs at 30% (e)	Difference between Net (with costs capped at 30%) and actual net (e-b)
1986	\$2.15 million		\$4.15 million			\$1.5 million	\$1.5 million
1987	\$2.15 million		\$4.47 million			\$1.5 million	\$1.5 million
1988	\$1.93 million		\$4.76 million			\$1.35 million	\$1.35 million
1989	\$2.35 million		\$5.22 million			\$1.65 million	\$1.65 million
1990	\$2.43 million		\$3.62 million			\$1.7 million	\$1.7 million
1991	\$2.77 million		\$3.75 million			\$1.94 million	\$1.94 million
1992	\$3.24 million	\$292,000	\$3.64 million			\$2.27 million	\$1.98 million
1993	\$3.2 million	\$299,000	\$3.69 million			\$2.24 million	\$1.94 million
1994	\$4 million	\$1.4 million	\$3.42 million	85.50%	14.50%	\$2.8 million	\$1.4 million
1995	\$3.8 million	\$1.19 million	\$3.4 million	89.40%	10.60%	\$2.66 million	\$1.47 million
1996	\$4.77 million	\$1.64 million	\$3.97 million	83.20%	16.80%	\$3.34 million	\$1.7 million
1997	\$5.18 million	\$1.69 million	\$4.44 million	85.70%	14.30%	\$3.63 million	\$1.94 million
1998	\$5.9 million	\$2.57 million	\$3.33 million	56.40%	43.60%	\$4.13 million	\$1.56 million
1999	\$6.46 million	\$2.79 million	\$3.67 million	56.80%	43.20%	\$4.52 million	\$1.73 million
2000	\$7.46 million	\$3.52 million	\$4.78 million	64.07%	35.93%	\$5.22 million	\$1.7 million
2001	\$8.33 million	\$3.31 million	\$5.95 million	71.42%	28.58%	\$5.83 million	\$2.52 million
2002	\$7.15 million	\$2.56 million	\$5.57 million	77.90%	22.10%	\$5 million	\$2.44 million
2003	\$8.91 million	\$3.69 million	\$6.09 million	68.35%	31.65%	\$6.24 million	\$2.55 million
2004	\$10.62 million	\$5.59 million	\$5.93 million	55.83%	44.17%	\$7.43 million	\$1.84 million
2005	\$9.48 million	\$4.17 million	\$6.2 million	65.40%	34.60%	\$6.64 million	\$2.47 million
2006	\$11.33 million	\$6.39 million	\$6.03 million	53.22%	46.78%	\$7.93 million	\$1.54 million
2007	\$9.87 million	\$2.74 million	\$8 million	81.05%	18.95%	\$6.90 million	\$4.16 million
2008	\$12.26 million	\$3.77 million	\$9.3 million	75.85%	24.15%	\$8.58 million	\$4.81 million
2009	\$10.2 million	\$0.1 million	\$10.09 million	98%	2.00%	\$7.14 million	\$7.04 million
TOTAL		\$47.71 million		Average: 73%	Average: 27%	\$102.14 million	\$54.43