

Trust Fund Lands

Department of Natural Resources

School Trust Land FTEs

BWCAW Sale and Exchange

Further Review of DNR Cost Certification Process

DNR Cost Certification Process Review

- ▶ DNR committee met from Nov. 2010 to Mar. 2011 – to examine current process and alternatives with 1998 legislative auditor’s report in mind.
- ▶ Objectives:
 - Transparency
 - Determine True Cost of Managing Trust Land
- ▶ Alternatives were reviewed
 - Most alternatives within current authorizing statute (MS16A.125)
 - Some alternatives would require legislative change
- ▶ The alternatives examined:
 - The Current Certification Process
 - Certifiable Activities
 - Alternative Calculation Methods
 - Alternatives to the Certification Process

Recommended Cost Certification Alternative

Fiscal Year 2011 (est.)	Current Process	Recommended Process
Certifiable Costs	\$8.3 million	\$7.4 million
Transfer to FMIA	\$4.9 million	\$4.9 million
Transfer to General Fund	\$3.4 million	\$2.5 million
Transfer to PSF	\$1.8 million	\$2.6 million

Percent revenue to PSF (current certification process)

2007	2008	2009	2010
28.3	28.8	2.0	10.1

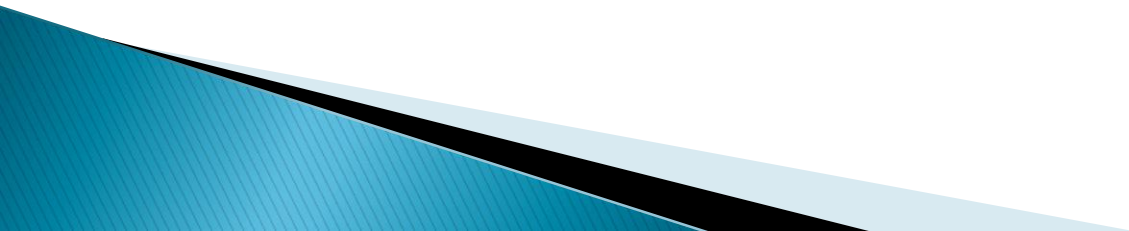
Percent revenue to PSF (2011 est. by alternatives)

Current	Proposed Stratify by Area
18.2%	26.6%

Fortune 500 Top industries: Most profitable (Return on Revenues)		
Industry Rank	Industry	2008 Profits as % of Revenues
1	Network and Other Communications Equipment	20.4
2	Internet Services and Retailing	19.4
3	Pharmaceuticals	19.3
4	Medical Products and Equipment	16.3
5	Railroads	12.6
6	Financial Data Services	11.7
7	Mining, Crude-Oil production	11.5
8	Securities	10.7
9	Oil and Gas Equipment, Services	10.2
10	Scientific, Photographic, and Control Equipment	9.9
12	Utilities: Gas and Electric	8.7
13	Aerospace and Defense	7.6
18	Commercial Banks	5.2
19	Telecommunications	5.1
23	Information Technology Services	4.5
24	Computers, Office Equipment	4.3
25	Metals	3.9
28	Specialty Retailers	3.2
32	Beverages	2.9
34	Health Care: Medical Facilities	2.4
35	Health Care: Insurance and Managed Care	2.2
36	Petroleum Refining	2.1
48	Hotels, Casinos, Resorts	-4.5
49	Automotive Retailing, Services	-7.9
50	Forest and Paper Products	-9.6
51	Entertainment	-10
52	Real Estate	-13.4
53	Airlines	-13.5

Source: money.cnn.com

Overview on Process for Selecting Areas for Timber Sales



Timber Sale Selection Process

- ▶ State Forest Resource Management Planning Process (SFRMP) uses inventory to look at:
 - Stand Age
 - Timber Type
 - Distribution
- ▶ Stands selected for examination that are
 - Mature or at an age that harvest treatments should start (thinning)
 - Provide even distribution of a timber type and stand ages

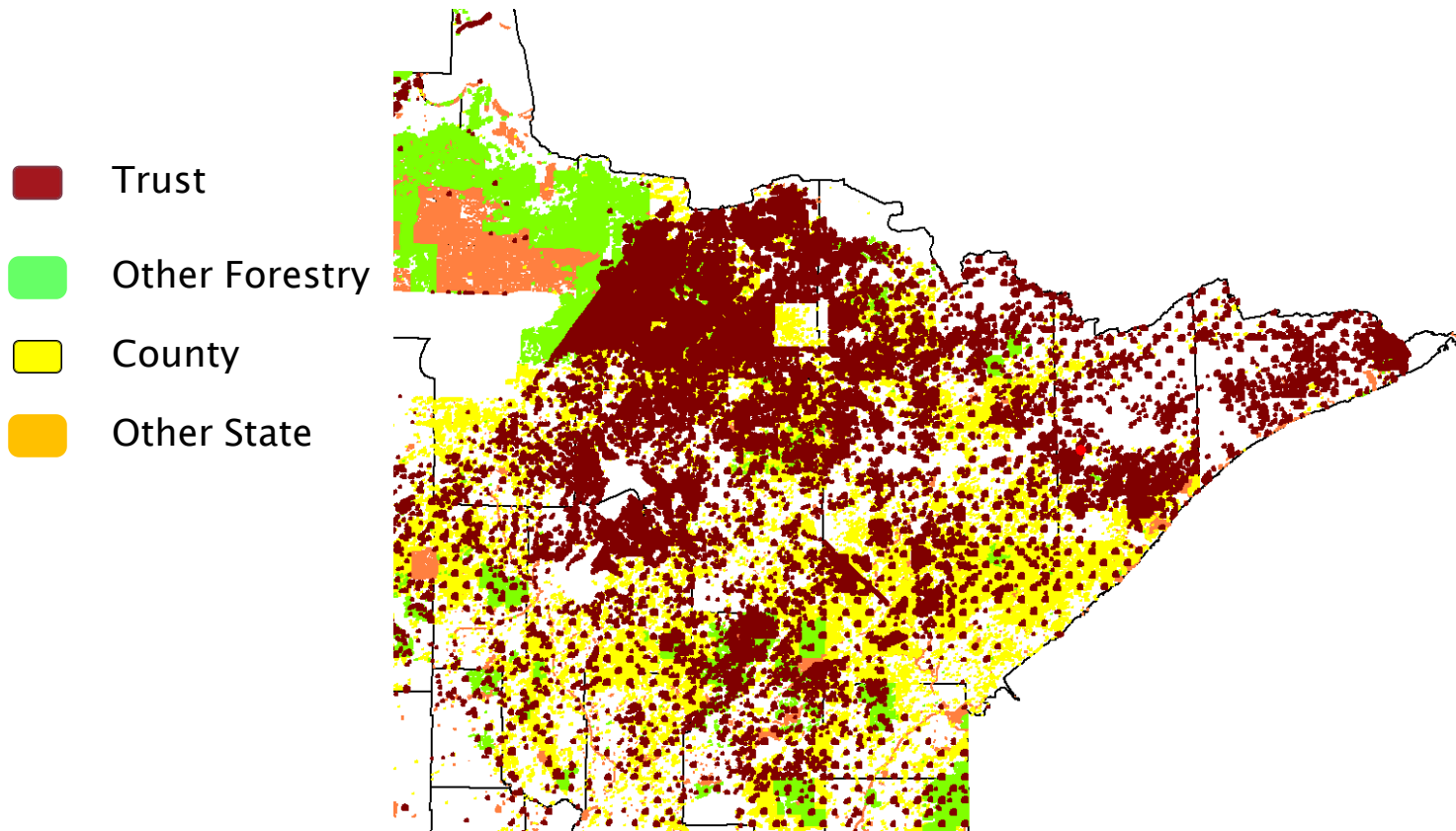
Timber Sale Selection Process

- ▶ Selected stands are examined:
 - Inventory correct?
 - Any issues exist to preclude harvest?
 - Timber not ready or incorrect inventory
 - Access problems
 - Environmental concerns
 - Timber ready to harvest? If so:
 - Determine value & volume
 - Mark boundaries of a sale
 - Timber is sold via oral auction or sealed bid to the highest bidder

Timber Sale Selection Process

- ▶ All state land included in the process, regardless of land type (Trust, Acquired, etc.)
 - Greater planning efficiency
 - Allows a landscape approach to management

Trust Land is Scattered



- ▶ Intermingled with other Forestry land and other ownerships

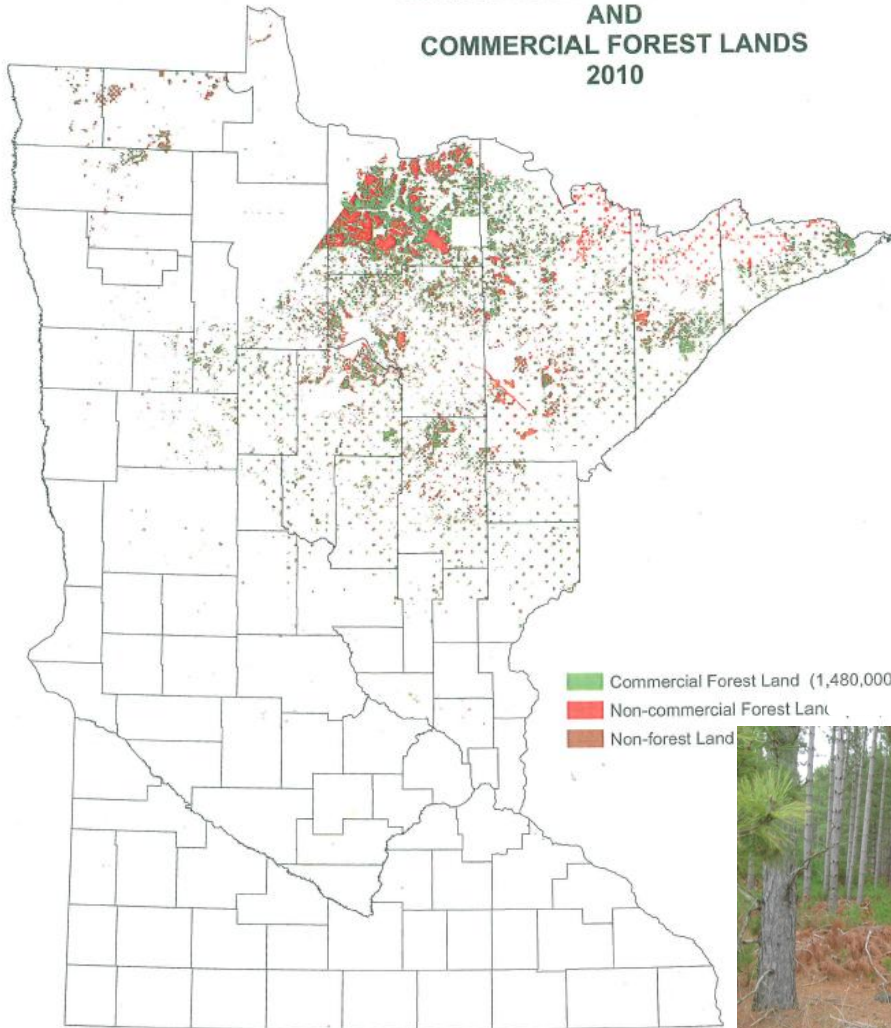
Review of Internal Land Swap Initiatives / Process

**Review total acreage producing
revenue vs non-revenue**

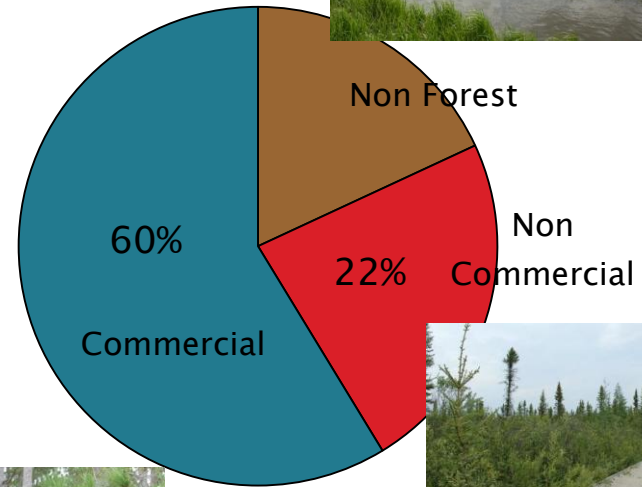


2.4 Million Acres Trust Land

SURFACE SCHOOL TRUST LANDS
AND
COMMERCIAL FOREST LANDS
2010



Commercial Forest Land (1,480,000 ac)
Non-commercial Forest Land
Non-forest Land



(stagnant, BWCAW, old growth)

Forestry-related revenue sources on Trust land

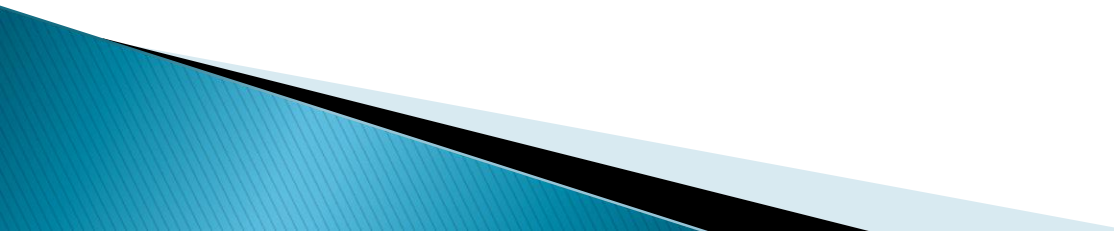
▶ Commercial Forest

- Timber products
- Most efficient land to manage

▶ Non-Commercial Forest

- Decorative forest products, potential future biomass
- Difficult land to manage, low value products

▶ Non-Forest

- Leases – gravel, agricultural, peat, other
 - Relatively easy land to manage
 - Note: revenue from leases is not certified against
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Update on Operational Order

Follow-up Questions

- ▶ Fire Protection cost alternatives

Fire Protection Costs

- ▶ Why does DNR charge the Trust for fire protection?
 - Authorized in State Statute (MS 16A.125) [since 1955]
 - Recommended by Legislative Auditor (1998 report)
- ▶ Why is tax forfeit and other land not charged for fire protection?
 - Not authorized by statute

Follow-up Questions

- ▶ Fire Protection cost alternatives
- ▶ Where are administration costs at, and where are they going?

Administration Costs

- ▶ Costs increased 2006–2010
 - Full cost accounting
 - Activities can be traced to Trust land, PLUS
 - Activities generate revenue
 - Aging Workforce
 - Less Fire Activity
 - More time spent on Management, Improvement & Roads, which increases administration costs

Administration Costs

- ▶ Future costs
 - 2010–2011 costs stabilizing
 - Retirements reduce costs
 - Fire is a wildcard

A photograph of a pine forest. The trees are tall and thin, with grey bark and green needles. The ground is covered in brown pine needles and some fallen branches. The word "Questions?" is written in large, white, sans-serif font across the center of the image.

Questions?