

2014

Minnesota Department Of Natural Resources Division of Forestry

M.S. 16A.125 Transfer Certification Report

This report identifies forestry revenues attributable to trust lands, the forestry operating costs certified against trust lands, and how the certified costs and net revenues from trust lands are distributed



February 12, 2015

Cost of Preparation

Name of Legislative Report: Transfer Certification Report
Minnesota Statute Reference: M.S 16A.125, Subd. 5(d)
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Description of Cost	Further explanation if necessary	Amount
Staff time (salary & fringe)	190 hours @ \$50/hour	9,500
Duplication	nominal	
Other	nominal	
TOTAL TO PREPARE REPORT		\$9,500

Statutory Provisions

Minnesota Statute 16A.125, Subd. 5 specifies which types of forestry costs are certified against trust fund lands and how the certified costs and net revenues from trust fund lands are distributed. Only those costs paid from the General Fund and Forest Management Investment Account are included in cost certification. Costs charged to dedicated funds and federal funds are excluded from the cost certification process. In addition, only revenues derived from Forestry activities are included in the process. Non-forestry revenues, such as mineral royalties are excluded. Minnesota Laws of 2012, Chapter 249, Section 3, Subd.5c amended 16A.125 to remove protection from certifiable costs effective July 1, 2013.

Executive Summary

Minnesota Department of Natural Resources (MNDNR), Division of Forestry (FOR) is responsible for forest resource management on 2.5 million surface acres of School and University Trust land in Minnesota of which 2.37 million acres are subject to cost certification under Minnesota Statute 16A.125. Qualifying state land forestry revenue totaled \$19.8 million in FY 2014 while qualifying trust land forest management revenue was \$10.1 million, 51.2 percent of qualifying state land forestry revenue (Table 1).

Table 1. FY 2014 Summary of Minn. Stat. 16A.125 Qualifying Revenues

Category	Total Qualifying Revenue	School Trust Qualifying Revenue	Univ Trust Qualifying Revenue	Sum Trust Qualifying Revenue	Trust % of Total
Timber Sales	\$18,922,832	\$9,142,970	\$118,011	\$9,260,982	48.9%
TS Interest & Penalty	\$13,820	\$6,130	\$24	\$6,155	44.5%
Resource Mgmt Access	\$510	\$510	\$0	\$510	n/a
Leases & Land Use	\$871,871	\$854,776	\$17,095	\$871,871	n/a
Column Sum/Avg.	\$19,809,034	\$10,004,387	\$135,130	\$10,139,517	51.2%

In FY 2014, net qualifying expenditures totaled \$18,964,908 with a combined School/University Trust cost recovery proration of \$7,885,498, some 41.6 percent of net expenditures (Table 2).

Table 2. FY 2014 Financial Summary of Minn. Stat. 16A.125 Qualifying Expenditures

Statutory Category	Total Net Qualifying Expense	School Trust Proration	Univ Trust Proration	Sum Trust Proration	Trust % of Total
Management					
sub-Timber Sales	\$9,301,623	\$4,170,111	\$32,273	\$4,202,384	45.2%
sub-Forest Mgmt	\$2,660,614	\$1,192,809	\$9,231	\$1,202,040	45.2%
Improvement	\$2,514,680	\$1,127,383	\$8,725	\$1,136,108	45.2%
Forest Roads	\$1,413,483	\$66,092	\$511	\$66,603	4.7%
Administration	\$3,074,509	\$1,268,545	\$9,817	\$1,278,363	41.6%
Column Sum/Avg.	\$18,964,908	\$7,824,939	\$60,558	\$7,885,498	41.6%

Under 2014 Minn. Stat. 16A.125, Subd. 5d, this report certifies cost recovery and the transfer of funds from the forest suspense account to the Forest Management Investment Account (FMIA) of \$6,607,135 for management, improvement and road costs, and to the General Fund of \$1,278,363 for administration costs; with \$2,278,494 being transferred to the trust (\$2,203,922 to the School Trust and \$74,572 to the University Trust).

I. OPERATING REVENUES AND EXPENDITURES

This cost certification report provides details on forestry revenue and forest management costs for trust fund lands in fiscal year (FY) 2014. Effective July 1, 2013, two key changes were made to Minnesota Statute 16A.125: (i) fire protection was removed from qualifying activities and (ii) language was added requiring "...an analysis that compares costs certified under this section [Subd. 5] with costs incurred on other public and private lands with similar land assets." The cost certification is organized by four statutory categories: Management, Forest Improvement, Forest Roads, and Administration.

Qualifying Revenues

Qualifying revenues are trust land revenues generated by state land forest management (SLFM) expenditures. For FY 2014, trust land revenue was \$10,363,991 comprised of \$10,139,517 qualifying revenue associated with forest management and \$224,475 non-qualifying revenue. The FY 2014 qualifying forestry revenue from trust land increased 30.1 percent as compared to \$7,792,439 in FY 2013.

Qualifying Expenditures

The Division of Forestry identifies base operating expenditures using a set of cost code strings limited by fund, appropriation, and activity. The accounting strings identify qualifying and non-qualifying expenditures by activity (e.g. timber sale preparation and design, forest inventory, forest roads, private forest management, etc.) that generate the expenditure. The qualifying state land forest management (SLFM) activities are grouped into the four (4) statutory cost categories: management, improvement, roads, and administration. In addition, general operations expenditures (fleet, facilities, information technology, and time off) are grouped as a separate category to be prorated across statutory cost categories. General operations expenditures are allocated between qualifying and non-qualifying activities. Then, the qualifying portion of general operations is prorated to each statutory cost category based on the percentage of direct qualifying expenditure in each statutory category (management, improvement, roads, and administration). Qualifying expenditures are limited to SLFM activities that directly generate forestry related revenue and the activities that support forestry related revenue. Activities such as urban forestry, forest recreation, and private land management are excluded from the process.

Discussion

For FY2014, net Minn. Stat. 16A.125 qualifying forestry expenditures totaled \$18,964,908 for all acres subject to cost certification. Some \$12,368,001 was direct expenditures associated with SLFM plus \$6,596,907 in general operations support. Qualifying forestry expenditures for management and improvement are prorated between Trust and non-trust acres on a percentage of total acres basis. Some 2.37 million acres (45.2 percent) of the total 5.3 million state administered acres subject to forest management is trust fund lands.¹ The Trust portion is

¹ In FY 2014, MNDNR administered acres totaled 5.6 million. Primary land uses: cultivation, extractive, recreation, and urban development were removed to derive acres subject to forest management.

allocated on a per acre basis between school and university. Some \$7,885,498 of the total was allocated to the Trust as follows: \$7,824,939 School Trust and \$60,558 University Trust.

Management—Expenditures are divided into two sub-categories; timber sales and forest resource management. Timber activities consist of timber sales preparation, permit supervision, scaling, and timber enforcement. Forest management expenditures, the cost of maintaining forests for future revenue, include: policy development, management planning, harvest scheduling, and forest inventory. Management costs are prorated based on the percentage of trust acres to total acres subject to certification. On a statewide basis, the trust allocation is 45.2 percent, \$5,404,423 of the total \$11,962,237 qualifying expenditures.

Forest Improvement—Activities include site preparation and reforestation and timber stand improvement (TSI) that establish and improve forests for future revenue. Improvement costs are prorated based on the percentage of trust acres to total acres subject to certification. On a statewide basis, the trust allocation is 45.2 percent, \$1,136,108 of the total \$2,514,680 qualifying expenditures.

Forest Roads—State forest roads provide direct access to a relatively small portion of trust lands. Road costs are allocated to the trust based on the number of acres within ¼ mile of designated state forest system roads. On a statewide basis, this amounts to 4.7 percent of total acres managed and \$66,603 of the total \$1,413,483 qualifying roads expenditures.

Administration—Department services provided to the Division of Forestry and Division of Forestry activities include: leadership services, human resources, accounting, general office & clerical, and other direct and necessary costs related to the support of staff that generates revenue. Administrative costs are allocated based on the ratio of trust land expenditures to net qualifying expenditures for: management, improvement, and roads. On a statewide basis, the trust proration is 41.6 percent, \$1,278,363 of the total \$3,074,509 qualifying expenditure.

II. Trust Portion of Forestry Revenue and Cost Recovery

Over the past five fiscal years (FY 2010-14), the combined school and university trust lands averaged 49 percent of gross forestry revenue with all qualifying revenue initially deposited in the Trust Forest Suspense Account (Figure 1). The five-year average FMIA cost recovery was 55 percent of qualifying trust revenue. The five-year average General Fund (GF) cost recovery was 31 percent of qualifying trust revenue. With protection removed from qualifying expenditures effective FY 2014, combined FMIA/GF cost recovery was 78 percent and net to the Trust was 22 percent of qualifying forestry revenue from trust land.

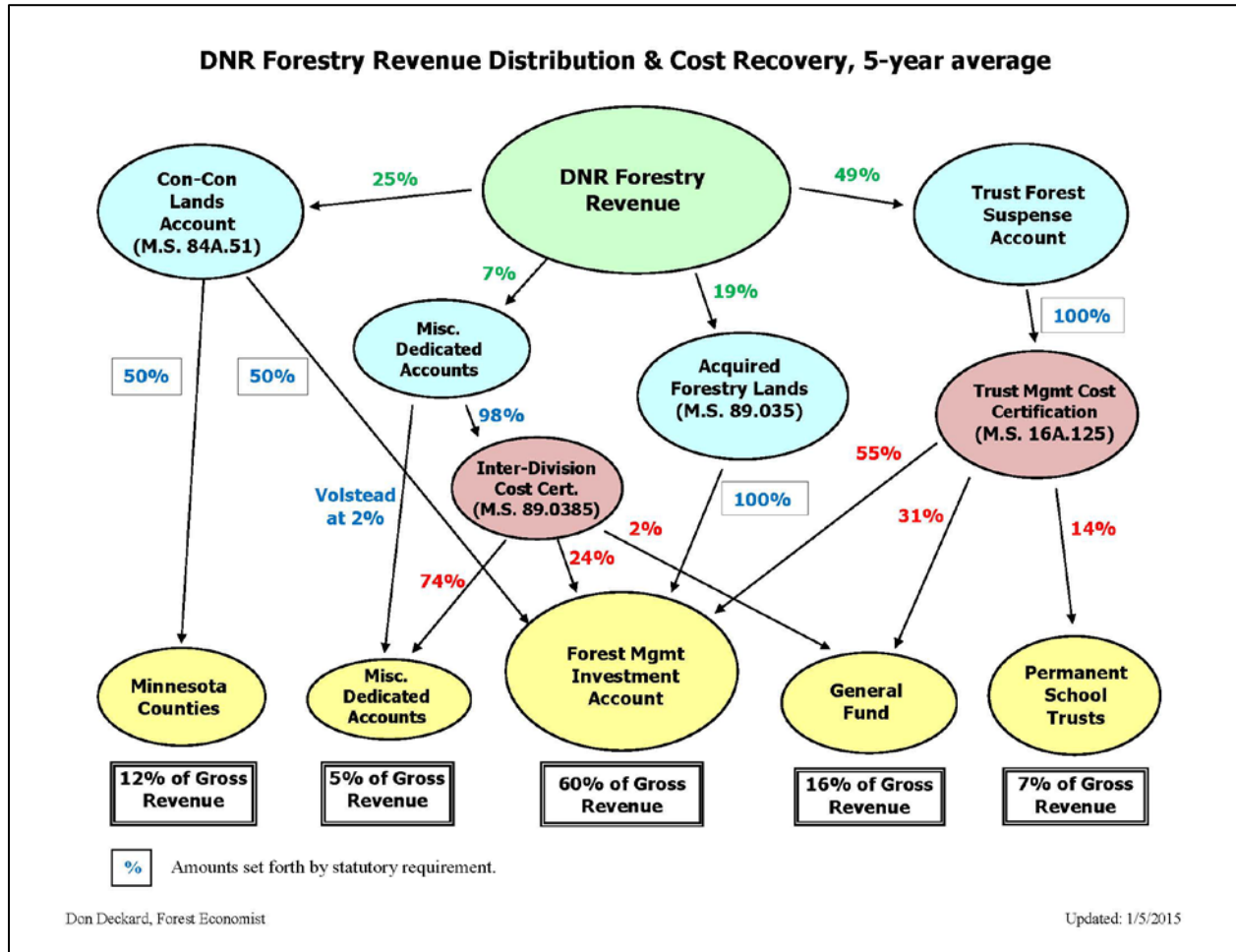


Figure 1. DNR Forestry Revenue Distribution and FMIA Cost Recovery.

Notes to Figure 1 Forestry Revenue Distribution

- 1) Inter-division cost certification under Minn. Stat. 89.0385 effective FY 2012.
- 2) Protection costs removed from certification effective FY 2014.

III. Trust Cost Certification History

Forestry revenue totaled just under \$19 million in FY 2014. Of the total, \$10.1 million qualified for cost certification with net to the trust of \$2.3 million (Table 3a). As per Minn. Stat. 16A.125, Subd 5., certified costs for management, improvement and roads are transferred to FMIA.

Certified costs for administration are transferred to the General Fund. The balance is transferred to the permanent school and university trust funds.

Effective FY 2014, protection costs were removed from qualifying expenditures (Table 3b). FY 2014 management costs increased due to an increase in direct expenditures combined with a change in general operations allocation methodology to fully account for General Fund sourced general operations expenditures by statutory category. Administrative costs decreased due to recategorization of certain activities.

Table 3a. Forest Suspense Account History

(amounts in thousands)	FY10	FY11	FY12	FY13	FY14	5-Yr Avg
Total Forestry Revenue	\$18,946	\$19,564	\$17,114	\$15,931	\$18,982	\$18,107
Qualifying Trust Revenue	\$9,713	\$10,060	\$8,577	\$7,792	\$10,140	\$9,256
Cost Transfer to GF	\$3,793	\$3,026	\$2,793	\$3,551	\$1,278	\$2,888
Cost Transfer to FMIA	\$4,926	\$4,934	\$4,931	\$4,178	\$6,607	\$5,115
Sum Cert. Cost Transfers	\$8,719	\$7,960	\$7,724	\$7,729	\$7,885	\$8,003
Net to Trust (a)	\$980	\$2,403	\$886	\$154	\$2,278	\$1,340

a)Includes non-qualifying revenue.

Table 3b. Forestry Certified Costs History

(amounts in thousands)	FY10	FY11	FY12	FY13(a)	FY14	5-Yr Avg
Protection	\$2,000	\$1,169	\$1,518	\$2,344	n/a	\$1,403
Forest Management	\$4,100	\$4,361	\$4,242	\$3,828	\$5,404	\$4,387
Forest Improvement	\$771	\$557	\$664	\$789	\$1,136	\$783
Forest Roads	\$55	\$16	\$24	\$26	\$67	\$38
Administration	\$1,793	\$1,857	\$1,275	\$1,603	\$1,278	\$1,561
Total	\$8,719	\$7,960	\$7,723	\$8,590	\$7,885	\$8,172

a)Actual transfer was \$7,728,916 due to cost certification exceeding qualifying revenue.

Explanation of Table 3b Color-codes

M.S.16A.125, Subd 5(d)

Forest Management, Forest Improvement and Forest Road Costs are transferred to FMIA.

Effective FY 2014, Protection costs are non-qualifying, only Administration costs are transferred to the General Fund.

IV. DNR Timber Program Trends

In FY 2014, DNR offered over 1 million cord equivalents, sold 836,000 cord equivalents, and harvested 851,000 cord equivalents of all species, products, and units of measure. Volumes offered and sold have been somewhat volatile since 2010 with offer volumes ranging from 930,000 to >1 million cord equivalents and sold volumes ranging from 769,000 to 861,000 cord equivalents. FY 2014 was the fifth consecutive year that state harvest exceeded sold volumes. However, harvest volume has been relatively stable since 2010 with the 5-year average being 858,000 cord equivalents per year (Figure 2).

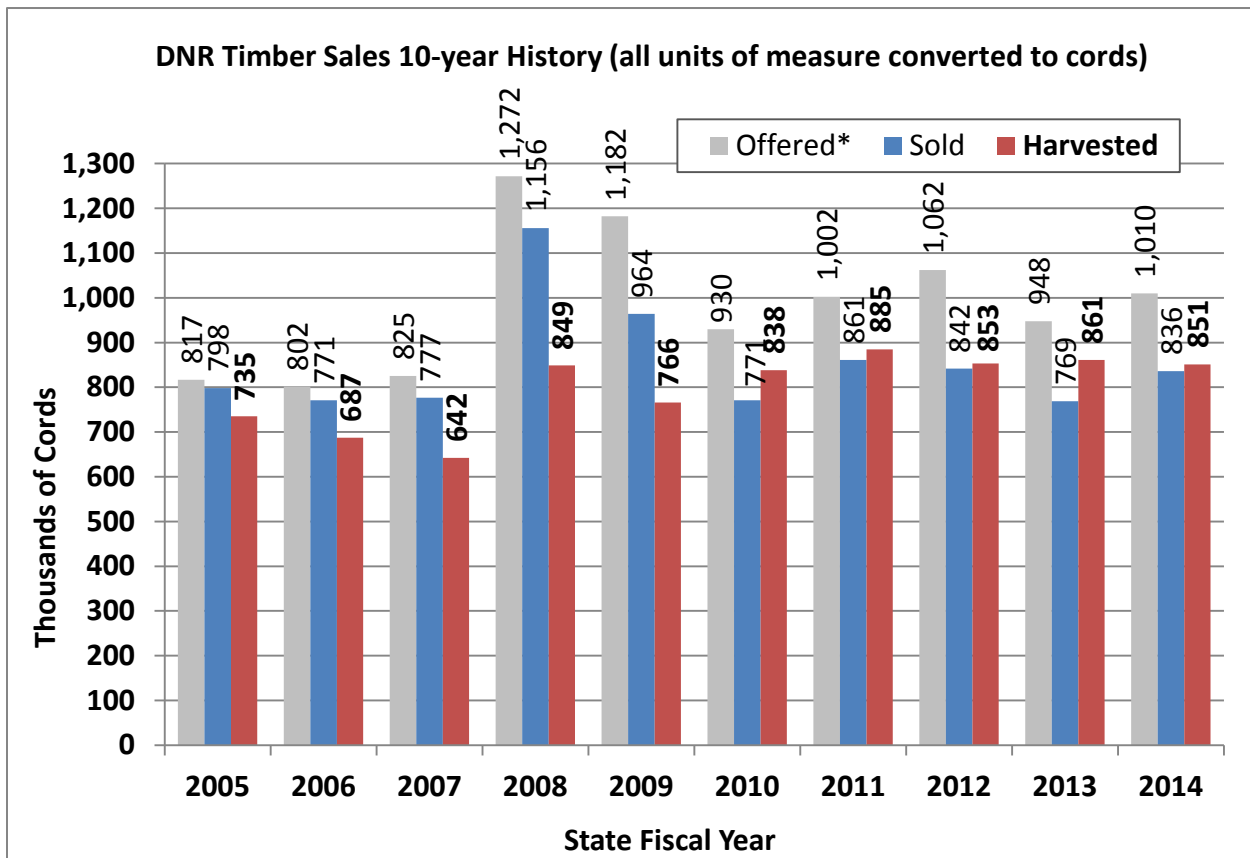


Figure 2. DNR 10-Year Timber Sales History, Volume Offered, Sold, and Harvested.

*The large increase in volume offered and sold in FY2008-09 was due to the re-offering of sales forfeited in 2007. The 885,000 cord equivalents harvested in FY2011 was a record harvest level from state lands.

In FY 2014, the average price received for timber sold increased to \$24.42 per cord equivalent as compared to \$20.59 in FY 2013. In FY 2014, the average price received for timber scaled (harvested) increased to \$22.64 per cord equivalent as compared to \$18.61 in FY 2013 (Figure 3). In a given fiscal year, regular timber sales revenue is a combination of a 15 percent down payment at the time of sale plus the 85 percent balance due when harvested.

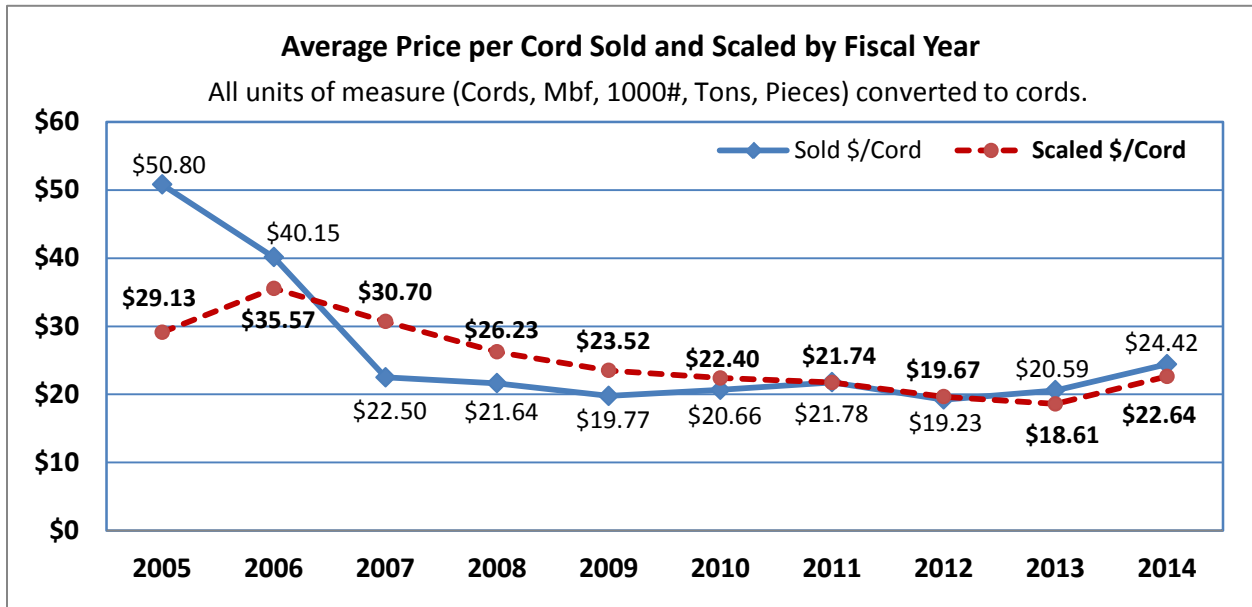


Figure 3. DNR 10-Year History Average Price Received for Timber Sold and Scaled, all Land Types.

Due to the timber market collapse that began in August 2006, the average price per cord sold for state timber dropped 60% in FY2009 compared to the value received in FY2005. Many of the sales that were sold in FY2005-06 for \$40+ per cord were forfeited and then resold in subsequent years at a lower price. Due to the harvest of windstorm-damaged salvage timber sales in FY2012-13, the average price/cord of timber harvested (scaled) decreased.

V. Cost Comparisons

As per Minn. Stat. 16A.125 effective July 1, 2013, the cost certificate "...shall include an analysis that compares costs certified under Minn. Stat. 16A.125 with costs incurred on other public and private lands with similar land assets." This topic was addressed in the recently completed Office of the Legislative Auditor (OLA) Evaluation Report on DNR Forest Management.² In this report, OLA concluded "...that differences in forest management goals, policies, and land features prevent meaningful comparisons of profitability between state forest managers and other land managers" (2014 OLA Report, p81). However, the OLA report included an "efficiency" comparison between DNR's combined Tower, Hibbing, and Cloquet forestry areas and Saint Louis County (SLC) Minnesota Land Department. The basis for comparison was new cords offered per full-time equivalent (FTE). OLA found "...the efficiency of the [DNR] Forestry Division's timber sales activity compared favorably with SLC's activity" (2014 OLA Report, p87).

With that being said, a comparative analysis of financial performance is provided with the following caveats:

1. Profit potential, a function of land productivity, species/product mix, management policy, and location, is somewhat variable within the Upper Midwest region and relatively low when compared with the Pacific Northwest and Southern U.S.
2. Availability of detailed financial reporting in the public domain is extremely limited.
3. Structural and functional differences in land and resource management organizations result in a variety of combinations of land related management activities including: forestry, real estate, minerals, and recreation.
4. Sources of revenue and other funding are highly variable between organizations.
5. Cost accounting formats are not uniform among land managing organizations; available accounting numbers require a range of adjustments to be somewhat comparable.
6. With one exception, financials are self reported and unaudited.

The analysis of financial performance included: profitability, profit potential, management efficiency, and land productivity. Of the land managing entities analyzed, operating margins ranged from 5.8 percent to 48.1 percent with DNR managed School Trust reporting an operating margin of 21.8 percent. Profit potential (gross revenue per cord) ranged from \$17.83 to \$106.98 per cord equivalent with DNR managed School Trust land reporting an average \$24.24 per cord. In terms of management efficiency, cost per cord ranged from \$13.13 to \$55.52 with DNR managed School Trust reporting \$18.96 per cord. In terms of land productivity/policy, cords harvested per acre ranged from 0.21 to 0.46 cords per commercial timber acre with DNR managed School Trust land reporting an average 0.26 cords harvested per commercial timber acre (Table 4).

² Office of the Legislative Auditor, Program Evaluation Division. 2014. Evaluation Report DNR Forest Management. Saint Paul, MN: Office of the Legislative Auditor, State of Minnesota. 99p

Table 4. Minn. Stat. 16A.125, Subd. 5.c. - Financial Performance Comparisons (a)

(amounts in thousands, except as noted)	MNDNR	COMP 1 CY2013	COMP 2 CY2013	COMP 3 CY2013	COMP 4 FY2014	COMP 5 CY2013
	School Trust FY2014					
REVENUES						
Timber Sales (Stumpage)	\$9,149.6	\$1,356.8	\$4,102.9	\$2,020.6	\$3,662.6	\$152,628.5
Leases & Land Use	\$854.8	\$85.0	\$738.6	\$2.2	\$4.6	
Sum Revenue	\$10,004.4	\$1,441.8	\$4,841.5	\$2,022.8	\$3,667.2	\$152,628.5
EXPENSES						
Total Expenditure	\$7,824.9	\$1,153.1	\$4,210.0	\$1,392.1	\$3,455.1	\$79,203.5
NET INCOME						
Profit/(Loss) from Operations	\$2,179.5	\$288.7	\$631.5	\$630.7	\$212.1	\$73,425.0
PROFITABILITY						
Operating Margin	21.8%	20.0%	13.0%	31.2%	5.8%	48.1%
Operating P/(L) per Cord (b)	\$5.28	\$3.57	\$3.70	\$5.95	\$2.12	\$51.46
PROFIT POTENTIAL						
Gross Revenue per Cord (b)	\$24.24	\$17.83	\$28.36	\$19.08	\$36.64	\$106.98
MGMT EFFICIENCY						
Cost per cord (b)	\$18.96	\$14.26	\$24.66	\$13.13	\$34.52	\$55.52
LAND PRODUCTIVITY/POLICY						
Cords Harvested per Acre (c)	0.26	0.46	0.23	0.38	0.21	1.01
STATISTICAL DATA						
Fiscal Year End	June 30	Dec 31	Dec 31	Dec 31	Sept 30	Dec 31
Cords Sold	435.8	80.1	183.8	106.0	103.8	
Cords Harvested	389.6	81.6	157.6		96.4	1,426.7
Avg. of Cords Sold & Harvested	412.7	80.8	170.7		100.1	
Commercial Timber Acres	1,500.0	178.0	693.4		459.3	
Admin Acres	2,520.3	255.7	872.1	277.1	666.5	1,412.0

Notes to Table 4 Financial Performance Comparisons

(a) Financial comparisons 1-5 include: Cass County Minn., Saint Louis County Minn., Douglas County Wis., Chippewa National Forest Minn., and Potlatch Timber REIT Resource Mgmt. Business Segment with timberland in Idaho (50% acres), Southern U.S. (39% acres), and Minn. (11% acres) respectively.

(b) Used cords sold or harvested if avg. cords sold & harvested not available.

(c) Used cords sold if cords harvested not available and used admin acres if commercial timber acres not available.

**Minnesota Department of Natural Resources
Division of Forestry
M.S. 16A.125, Subd 5. Transfer Certification Report
2014**

		<u>School Susp. Fund: 3800</u>	<u>Univ. Susp. Fund: 6000</u>	<u>Trust Total</u>
12 Month Revenues	Revenues Received	\$10,228,861	\$135,130	\$10,363,991
	Minus Revenues not Associated with Forest Management	<u>(\$224,475)</u>	<u>\$0</u>	<u>(\$224,475)</u>
12 Month Revenues	Revenue associated with Forest Management	\$10,004,387	\$135,130	\$10,139,517
12 Month Costs	Management	\$5,362,919	\$41,504	\$5,404,423
	Improvement	\$1,127,383	\$8,725	\$1,136,108
	Administration	\$1,268,545	\$9,817	\$1,278,363
	Forest Roads	<u>\$66,092</u>	<u>\$511</u>	<u>\$66,603</u>
	Certified Forestry Costs⁽¹⁾	\$7,824,939	\$60,558	\$7,885,498

12 Month M.S. 16A.125 Subd. 5(d) Transfers to Other Accounts ⁽²⁾

12 Month Transfer to the Forest Management Investment Account M.S. 16A.125, Subd. 5(d)(1) Transfer ⁽³⁾	\$6,556,394	\$50,741	\$6,607,135
12 Month Transfer to the State General Fund M.S. 16A.125, Subd. 5(d)(2) Transfer ⁽⁴⁾	\$1,268,545	\$9,817	\$1,278,363
Total M.S. 16A.125 Transfers ⁽⁵⁾	<u>\$7,824,939</u>	<u>\$60,558</u>	<u>\$7,885,498</u>

12 Month Net to Permanent Trust Funds

Net Revenues associated with Forest Management minus 16A.125 Transfers	\$2,179,447	\$74,572	\$2,254,019
Revenues not associated with Forest Management	\$224,475	\$0	\$224,475
Less Transfer from State Forest Suspense - Land Sales Minn. Laws 13, Ch. 114, Art. 3, Sec. 4, Subd. 2	(\$200,000)	\$0	(\$200,000)
Net Revenue to Trust Funds ⁽¹⁾	<u>\$2,203,922</u>	<u>\$74,572</u>	<u>\$2,278,494</u>

Notes:

- (1) Totals may not add due to rounding
- (2) Total of all transfers is limited to the lesser of: (a) certified costs or (b) forestry revenues
- (3) Total of forest management, forest improvement, forest road costs
- (4) Total of administration costs
- (5) Lesser of cost or revenue. Transfers reduced by percentage of cost if necessary.

Submitted By:


Forrest Boe
Director
Div of Forestry

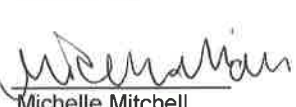
Date: 2/24/15

Reviewed By:


Barb Juelich
Chief Financial Officer
DNR OMBS

Date: 2/24/15

Certified By:


Michelle Mitchell
Exec Bdgt Officer
MN Mgmt & Budget

Date: 2/25/15

**Department of Natural Resources
Division of Forestry
MS 16A.125 Costs for Fiscal Year 2014**

A Base Data from Division of Lands and Minerals, Division of Forestry and MMB Records
Base data to calculate costs for management, improvement, roads, and administration

Acres of Permanent School Fund Land Subject to Cost Certification	2,370,418
Acres of University Trust Fund Land Subject to Cost Certification	18,345
Total Trust Acres Served by State Forest Roads	249,139
Total Acres of Trust Fund Land Subject to Cost Certification	2,388,763
Total Acres of State Land Subject to Forest Management Activities	5,287,326

Net Allowable Forestry Expenditures Paid From the General Fund and FMIA Fund	\$ 18,964,908.27
Direct Costs of Forestry Activities (Admin, Management, Improvement, Roads)	\$ 12,368,001.06
Sum of Allowable Forestry General Operations (support) Costs	\$ 6,596,907.22

B Management Costs for Trust Lands

Management includes preparing and administering timber sales, supervising harvests, maintaining up to date information on timber resources, and controlling forest pests and disease.

1 Forest Management Cost Determination:

Sum of Allowable Forestry General Fund/FMIA Direct Costs for Forest Mgmt	\$ 1,686,897.21
Management Portion of Forestry General Operating GF/FMIA Costs	\$ 973,716.89
Total Forest Mgmt Costs to be Allocated	\$ 2,660,614.10
Forest Management Cost Per Acre	\$ 0.50
School Trust Acres times Forest Mgmt Cost Per Acre (cost per acre times school trust acres)	\$ 1,192,808.53
University Trust Acres times Forest Mgmt Cost Per Acre (cost per acre times university acres)	\$ 9,231.31

⁽¹⁾ The totals charged against school and university acres may be off due to rounding of the cost per acre.

2 Timber Sales Cost Determination:

Sum of Allowable Forestry General Fund/FMIA Direct Costs for Timber Sales	\$ 5,897,466.05
Timber Sales Portion of Forestry General Operating GF/FMIA Costs	\$ 3,404,156.61
Total Timber Sales Costs	\$ 9,301,622.66
Trust Land Timber Sales Cost Per Acre	\$ 1.76
School Trust Acres times Timber Sales Cost Per Acre (cost per acre times school acres)	\$ 4,170,110.52
University Trust Acres times Timber Sales Cost Per Acre (cost per acre times university acres)	\$ 32,273.07

⁽¹⁾ The totals charged against school and university acres may be off due to rounding of the cost per acre.

3 Total General Fund/FMIA Forest Management Costs for Trust Lands:

Sum of Mgmt Costs for School Trust Lands	\$ 5,362,919.05
Sum of Mgmt Costs for University Trust Lands	\$ 41,504.39

C Forest Improvement Costs for Trust Lands

Improving the forest includes ensuring regrowth following harvest, developing better varieties of trees, and promoting tree growth by thinning and removing competing vegetation. Costs are allocated by local effort through area stratification.

Sum of Allowable Forestry General Fund/FMIA Forest Improvement Costs	\$ 1,594,371.12
Forest Improvement Portion of Forestry General Operating GF/FMIA Costs	\$ 920,308.65
Total Forest Improvement Costs	\$ 2,514,679.77
Trust Land Forest Improvement Cost Per Acre Stratified by Area ⁽¹⁾	\$ 0.48
School Trust Forest Improvement Cost (cost per acre times school trust acres)	\$ 1,127,383.14
University Trust Forest Improvement Cost (cost per acre times university trust acres)	\$ 8,724.98

⁽¹⁾ The totals charged against school and university acres may be off due to rounding of the cost per acre.

D Administrative Costs for Trust Lands

Administration includes many support activities that maintain efficiency and allow foresters to concentrate on managing the state's forests.

Sum of Allowable Forestry General Fund/FMIA Administrative Costs	\$ 2,293,082.54
Administrative Portion of Forestry General Operating GF/FMIA Costs	\$ 781,426.43
Total Net Admin Costs	\$ 3,074,508.97
Total Direct Trust Land Costs (includes General Ops allocations)	\$ 6,607,134.87
Total Qualifying General Fund/FMIA Costs Less Admin	\$ 15,890,399.31
Trust Direct Costs as a Percent of Total Qualifying General Fund/FMIA Direct Costs	41.58%
Trust Portion of Administrative Costs	\$ 1,278,362.80
Trust Land Administrative Cost Per Acre ⁽¹⁾	\$0.54
School Trust Administrative Costs (cost per acre times school trust acres)	\$ 1,268,545.35
University Trust Administrative Costs (cost per acre times university trust acres)	\$ 9,817.45

⁽¹⁾ The totals charged against school and university acres may be off due to rounding of the cost per acre.

E Forest Road Costs for Trust Lands

Maintaining the forest road systems includes maintaining bridges, road surfaces, and right-of-way, and installing and maintaining culverts and signs. Costs are allocated by state forest road miles directly serving trust acres.

Sum of Allowable Forestry General Fund/FMIA State Forest Road Costs	\$ 896,184.14
State Forest Roads Portion of Forestry General Operating GF/FMIA Costs	\$ 517,298.64
Total State Forest Road Costs	\$ 1,413,482.78
Trust Land Acreage as a Percent of Total Acres Served by State Forest Roads	4.71%
State Forest Road Costs Allocated to Trust Lands	\$ 66,603.31
Trust Land Forest Road Cost Per Acre	\$0.028
School Trust Forest Improvement Cost (cost per acre times school trust acres)	\$ 66,091.81
University Trust Forest Improvement Cost (cost per acre times university trust acres)	\$ 511.49

⁽¹⁾ The totals charged against school and university acres may be off due to rounding of the cost per acre.

mgmt general ops =	439,925.29
timber general ops =	1,537,997.96
improvements general ops =	415,795.45
admin general ops =	324,917.11
roads general ops =	24,375.11
total trust general ops prorate =	2,743,010.92
	0.41646

Prepared By: Don Deckard, Forest Economist

Date: 2/12/15

Data Date: 10/01/14