

SB 142
Leasing/licensing forestland

EXHIBIT 1
DATE 3.4.05
SB 142

Senate Bill 142 is a bill designed to do three things:

- 1) Increase revenue to schools from the sale of timber
- 2) Improve stewardship of forest and range resources
- 3) Increase management flexibility

DNRC manages 5.2 million surface acres of trust land to generate money for 10 different institutional beneficiaries. In FY04, we distributed a total of \$56.2 million to the K-12 and University school systems from all management activities. Of the 5.2 million acres managed, about 4.6 million acres are under lease/license for agricultural production, grazing, oil and gas production, residential development, or commercial development. The roughly 500,000 acres of timberland are not currently leased for timber production. Timber sales are bid out typically under 3-year contracts with options to extend those contracts up to about 5 years.

In FY04, the average price/mbf received from timber sales was \$210/mbf. Under SB 142, we project an increase in average stumpage price received to climb to \$240/mbf. This projected increase in revenue is due to long-term lease assurances, flexible harvest scheduling, and lower haul costs.

Most state land grazing lessees are good land stewards. These folks (Steve Roth – Big Sandy, Schutters – Manhattan, Ray Marxer - Dillon) take pride in their management of state land, which in many cases is indistinguishable from the management of their deeded land. We believe that potential forestland lessees would exhibit similar pride as agricultural and grazing lessees in their land stewardship. Forestland licensees would also have to opportunity to manage timber encroaching on classified grazing ground to improve forage production on native range. Additionally, with the potential emerging markets for carbon sequestration, lands that have been denuded from forest fires or have had difficulty with regeneration of seedlings would have additional resources to encourage reforestation.

DNRC has been very successful in managing timber resources for the past 10 years. Our current sustained yield requirement is 53.2 mmbf/year. This equates to roughly 8 percent of the timber harvested in the state annually. In the past 5 years, we have generated approximately \$50 million for schools through the harvest of approximately 225 mmbf. (Only 22 percent of that timber volume harvested has been purchased by companies employing >500 employees.) However, as any business must constantly evaluate its efficacy and refine its operations, it is important for DNRC to explore additional management tools to reduce costs and improve efficiencies. As leadership expert John Maxwell states, "The greatest detriment of your success tomorrow is your success today." Sports teams, businesses, and organizations are tempted to ride on their laurels when at the top of their game. We at DNRC are continuously looking to improve the bottom line, improve our land stewardship, and improve our public involvement processes.

Here is an excerpt from John Maxwell regarding the demise of the department store,
Montgomery Ward.

[Maxell story on Ward's]

In summary, I ask for your support on this bill. SB 142 has the potential to: 1) increase revenues to schools, 2) improve forest stewardship with long-term leases, and 3) increase management flexibility and improve efficiencies. The handout I have distributed summarizes the main points of the bill. I am available for any questions. Thank you for your time.