Department of Natural Resources and Conservation
LAND BANKING REPORT
July 2010

Background:

HB 223 (77-2-361 through 367, MCA) passed the Legislature in 2003 with bipartisan support, including unanimous support from the Land Board. HB 223 enacted a Land Banking program whereby the proceeds of trust land sales would be placed in a special land banking account which could only be used to acquire other real property interests (land, easements, or improvements. In 2009 the Legislature passed HB 402, removing the sunset and capping the number of acres that could be sold through Land Banking at 250,000.

Statute requirements:

- Limits sale of land to 250,000 acres
  - 75% of the 250,000 acres must be isolated land
  - Limits sales to 20,000 acres until replacement properties were purchased
- Replacement land must generate as much or more revenue than the land sold
- The Department is required to provide a report to the Environmental Quality Council prior to each regular legislative session, which describes the results of the Land Banking program in detail.

Goals of the program:

- Increase public access to state trust land
  - 154,252 acres have been nominated for sale
  - 42,968 acres have been sold, 94.9% were isolated
  - 46,170 acres have been purchased, all are legally accessible with recreational opportunities
- Improve the investment portfolio of the beneficiaries by diversifying land holdings
  - lands sold generated $63,598 annually
  - lands acquired will generate $303,746 annually
  - lands sold are predominately isolated grazing lands and the lands acquired include agricultural, grazing and timbered lands
- Enhance management and stewardship activities with land consolidation
  - lands acquired are contiguous and in most cases consolidate existing state ownership

Milestones:

- A Negotiated Rulemaking process was approved by the Board of Land Commissioners in June 2004, and the Committee was initiated in October 2004.
- Administrative Rules (ARM 36.25.801 through 817) were given final approval by the Board of Land Commissioners in September 2005. Rules have been amended to reflect 2007 statutory changes.
- **544** parcels containing **154,252** acres have been nominated for sale since program inception. Processed and sold **42,968** acres of land consisting of **183** parcels. **40,779** acres were isolated (94.9%), while **2,189** acres were legally accessible (5.1%).
- Agency is currently processing **11,510** acres of land for sale; 9,341 isolated (81.2%); 2,169 legally accessible (18.8%).
- **46,170** legally accessible acres in **10** parcels have been purchased.
- Agency has received final Land Board approval to purchase the Chamberlain Creek acquisition for $5,936,000, with a total of 14,582 acres in Powell & Missoula Counties. The acquisition is scheduled to close by July 20, 2010.

EQC
JULY 22, 2010
EXHIBIT 24

LAND BANKING SALES CLOSED

Land Banking Rules require a rigorous examination of trust land prior to sale, including evaluation using the Montana Environmental Policy Act (MEPA) process, appraisal, notification of lessees, beneficiaries, adjacent landowners, licensees, publication of legal notices, culminating in public auctions after which final Board approval is required.

Trust Land Sold via Land Banking 2006 – July 1, 2010

Sales by Trust

ACRES	GRANT	SALES PRICE	ANNUAL INCOME	AVERAGE RATE of RETURN
38,935	**Common Schools**	$20,056,452	$55,627	.28%
600	**MSU Morrill**	$600,000	$1,377	.23%
1,914	**Public Building**	$697,585	$3,846	.55%
80	**School of Mines**	$20,000	$172	.86%
679	**State Industrial School**	$157,290	$1,014	.64%
120	**State Normal School**	$24,000	$739	3.08%
640	**University of Montana**	$256,000	$823	.32%
42,968	**TOTALS**	**$21,811,327**	**$63,598**	**.29%**

Sales by County

ACRES	COUNTY	SALES PRICE	ANNUAL INCOME
1,000	Beaverhead	$564,000	$1,532
1,280	Blaine	$324,450	$2,639
181	Broadwater	$181,000	$236
935	Carbon	$1,598,250	$1,034
65	Carter	$14,715	$89
2,906	Chouteau	$644,246	$4,222
9,648	Custer	$1,496,800	$11,460
161	Fergus	$63,000	$192
85	Flathead	$6,400,000	$1,119
11,546	Garfield	$1,647,900	$14,178
484	Hill	$132,100	$617
1,520	Lewis & Clark	$1,474,000	$2,626
597	Liberty	$149,453	$919
479	Madison	$886,298	$601
200	Meagher	$200,000	$226
306	Pondera	$61,200	$718
1200	Powell	$1,824,000	$3,880
3,520	Rosebud	$524,500	$3,713
480	Sweet Grass	$1,506,000	$2,340
600	Teton	$524,000	$2,288
2390	Toole	$481,725	$3,976
1,600	Treasure	$368,000	$2,039
1,625	Wheatland	$668,790	$2,545
160	Yellowstone	$76,900	$411
42,968	**TOTAL**	**$21,811,327**	**$63,598**

Average Sale Price per acre for Sold Parcels = $507
Average Income per acre for Sold Parcels = $1.48
* Average Rate of Return calculated not using Flathead Co. sale

Department of Natural Resources and Conservation – July 2010

LAND BANKING ACQUISITIONS

Criteria for tracts acquired:

- Increasing rate of return compared with the land sold.
- Improving access and consolidating land holdings.
- Maintaining a similar land base consistent with the state's fiduciary duty.
- Considering equalization of land base through sales and acquisitions by geographic area.

The following table summarizes replacement property acquired with Land Banking proceeds. Note that while **42,968** acres were sold generating **$21,811,327** in sales revenue, the state has acquired **46,170** acres while spending **$21,435,627**. Additionally, the replacement acreage is all publicly accessible, while producing more then twice the rate of return to the beneficiaries.

Tracts Acquired Through Land Banking 2006 – July 2010

Tract	County	Acres	Purchase Price	Appraised Value	Annual Net Income	Estimated Rate of Return	Purchase Date
Eustance Ranch (Ulm Pishkin)	Cascade	897.2 Grazing/Ag	$718,256	$969,600	$15,502	2.16%	October-06
Capdeville Ranch	Valley	530 Ag	$618,000	$619,000	$11,752	1.90%	December-06
North Lincoln	Lewis and Clark	1041 Graz/Timber	$1,131,636	$1,480,000	$912	0.08%*	December-06
Ovando Mtn.	Powell	1,439 Graz/Timber	$540,735	$975,000	$745	0.14%*	December-06
Wolf Creek Ranch	Fergus	1,842.55 Grazing/Ag	$1,290,000	$1,290,000	$27,078	2.10%	January-07
Tongue River Ranch	Custer	18,544.18 Grazing/Ag	$4,800,000	$4,800,000	$70,243	1.46%	April-07
Tupper Lake	Powell	1,777.67 Timber/Grazing	$1,271,000	$1,271,000	$18,441	1.45%**	July-08
DeBruycker Farm	Teton	5,211.98 Ag/Grazing	$4,980,000	$4,980,000	$157,580	3.16%**	December-08
Valentine Water Project	Fergus	304 Grazing	$150,000	$150,000	$1,493	1.00%**	January-09
Chamberlain Creek	Missoula	1,171.9 Graz/Timber	$1,336,000	$1,336,000	$96,163 For the entire property	1.62%	July , 2010
Chamberlain Creek with CE	Missoula & Powell	13,410.6 Timber	$4,600,000	$4,600,000			
	TOTALS	**46,170**	**$21,435,627**	**$22,470,600**	**$399,909**	**1.87% Avg.**	

Average Cost per Acre for Acquisitions = $491
Average Income per Acre for Acquisitions = $9.62

* Rate of Return only reflects secondary income from grazing, timber will be harvested from the property during the next 60 years.

** Rate of Return based on projected income at time of purchase.

Eustance Ranch
Cascade County
Grazing/Ag Acres 897. 2

Capdeville Ranch
Valley County
Ag Acres 530

North Lincoln
Lewis and Clark County
Graz/Timber Acres 1,041

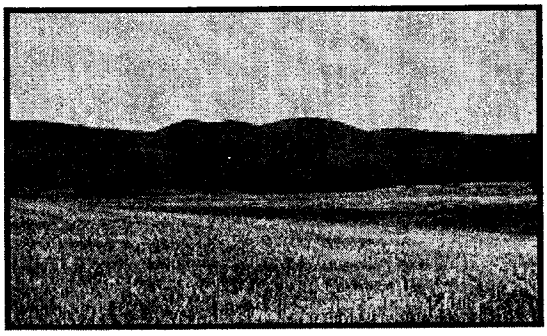
Ovando Mtn.
Powell County
Graz/Timber Acres 1,439

Wolf Creek Ranch
Fergus County
Grazing/Ag Acres 1,842.55

Tongue River Ranch
Custer County
Grazing/Ag Acres 18,544.18

Tupper Lake
Powell County
Graz/Timber Acres 1,777.67

DeBruycker Farm
Teton County
Grazing/Ag Acres 5,211.98

Valentine Water Project
Fergus County
Grazing Acres 304

Chamberlain Creek
Missoula & Powell Counties
Graz/Timber Acres 14,582