Department

The DNRC encompasses six divisions, each with distinctly different missions, but all connected with components of Montana's natural resources.

- Conservation and Resource Development Division
- Forestry Division
- Reserved Water Rights Compact Commission
- Trust Land Management Division
- Water Resources Division
- Board of Oil and Gas Conservation (The BOGC is separate from the department, attached for administrative purposes only.)

Trust Land Management Division Overview

The mission of the Trust Land Management Division (TLMD) is to administer and manage the state trust timber, surface, and mineral resources for the benefit of the Common Schools and other endowed institutions in Montana, under direction of the Board of Land Commissioners. The Land Board consists of Montana's top five elected officials:

- Governor – Steve Bullock
- Attorney General – Tim Fox
- Secretary of State – Linda McCulloch
- Commissioner of Securities and Insurance – Monica Lindeen
- Superintendent of Public Instruction - Denise Juneau

The division is divided into four primary programs: agriculture and grazing management, forest management, minerals management, and real estate management. Staff and program specialists in Helena and Missoula provide program administration, direction, oversight, and support. Field personnel throughout the state provide on-the-ground management.

Under the Land Board's direction, the department's obligation is to obtain the greatest benefit for the school trusts pursuant to 77-1-202, MCA. The greatest monetary return must be weighed against the long-term productivity of the land to ensure continued future returns to the trusts.

History

By the Enabling Act approved February 22, 1889, the Congress of the United States granted to the state of Montana, for Common Schools (K-12) support, sections 16 and 36 in every township within the state. Some of these sections had been homesteaded, some were within the boundaries of Indian reservations, and others had been disposed of before passage of the Enabling Act. Other lands were selected by the state in lieu of these lands.

The Enabling Act and subsequent acts also granted acreage for other educational and state institutions, in addition to the Common Schools. The trust beneficiaries of these institutions include:

- The University of Montana
- Montana State University–Morrill Grant
- Montana State University–Second Grant
- Montana Tech of the University of Montana
- State Normal School (MSU–Billings and U of M–Dillon)
- Public Buildings
- Veterans Home
- School for the Deaf and Blind
- State Reform School (Pine Hills)

Total acreage has fluctuated through the years due to land sales and acquisitions. Surface acreage totals more than 5.1 million acres; mineral acreage exceeds 6.2 million acres. Mineral acreage exceeds surface acreage because the mineral estate is retained when lands (even subsequently acquired) are sold. The Enabling Act states that proceeds from the sale and permanent disposition of any of the trust lands, or part thereof, shall constitute permanent funds for the support and maintenance of public schools and the various state institutions for which the lands had been granted. The Montana Constitution provides that these permanent funds shall forever remain inviolate, guaranteed by the state of Montana against loss or diversion. These funds are often referred to as "nondistributable." The Permanent Fund balance at FYE 2012 was $509.6 million.

Agriculture and Grazing

The Agriculture and Grazing Management Bureau supervises the management and leasing of approximately 10,000 agreements for crop and range land uses on 4.68 million acres of school trust lands throughout the state. This responsibility includes evaluation and assessment of range and crop land condition; compliance with the Montana Environmental Policy Act (MEPA); administration of archaeological, paleontological, and historical properties on state trust land; investigations of lease noncompliance; participation in the federal Farm Program; and oversight of water developments, water rights, and improvement projects such as range renovation and resource development.

In FY 2012, revenues totaling $15.6 million were received from agricultural leasing on 580,000 acres. The majority of the leases are on a crop-share basis with the minimum share of 25% set by statute. In FY 2012, revenues increased by $1.6 million compared to the prior year, due to continued strong commodity prices as well as excellent production throughout the state.

In addition to receiving rental payments from lessees, the state participates in and receives Farm Program payments from the U. S. Department of Agriculture (USDA) Farm Service Agency. For FY 2012, this amount exceeded $2.3 million for direct payment contracts and lands enrolled in the Conservation Reserve Program (CRP).

Approximately 8,500 agreements include grazing use of trust lands. The nearly 4.1 million acres of classified grazing lands and forest lands have an estimated carrying capacity of 990,000 animal-unit-months (AUMs). The minimum rental rate ($9.94/AUM) for grazing leases is set by a formula, which includes the average weighted price for beef cattle sold in Montana during the previous year. In FY 2012, grazing leases generated $8.2 million.

Wind Farms

The 135 Megawatt (MW), 90-turbine Judith Gap Wind Farm has been in operation for more than six years as of the end of FY 2012. The wind farm is operated by Invenergy (USA) and averages revenue to the Common Schools trust of more than $55,000 annually. In addition, more than 25,000 acres are currently under land use licenses for future development as wind farms. In early 2012, Gaelectric LLC was awarded the right to pursue a wind power lease on state and private lands near Harlowton. Phase 1 is planned as 80 MW and Phase 2 is planned as 350 MW; expectations are that 5-12 towers could be on state lands depending on final tower layout and turbine selection. As wind projects develop each would be analyzed on a project level under the Montana Environmental Policy Act (MEPA) for impacts to Sage grouse habitat.

Other

The Real Estate Management Bureau administers activities on lands classified as "other" and all secondary activities on lands classified as grazing, agriculture, or timber. The sources of FY 2012 revenues generated from Real Estate Management Bureau activities include:

- Leasing & licensing, 1,800 commercial & residential leases licenses for $3,534,700.00
- granting of easements (rights-of-way), 295 rights-of-way applications for $952,200.00
- land sales through the Land Bank Program, 3,151 acres for $1,894,000.00
- acquisitions of land through the Land Bank Program, none in FY12
- land exchanges, 2 exchanges for 3,027 acres valued at $1,788,800.00
- The bureau also manages non-trust land activity for other agencies.

Oil and Gas Program

The oil & gas program is responsible for the leasing and management of the oil & gas rights held by the trust beneficiaries. As of FYE 2012, this consisted of 5,546 oil and gas leases covering 2.65 million gross acres. Oil and gas exploration and development is inherently speculative; many acres are leased for every acre that is found to contain oil & gas reserves. Of the total state trust land acreage leased, only 641 leases covering 241,476 gross acres are productive.

Oil & gas leasing interest can vary significantly with fluctuations in oil and natural gas prices and advancements in exploration and production technology. The number of producing leases is less variable over time, increasing as new wells are completed, but offset by plugging old wells that have reached the end of their productive life. For example, the number of leases currently issued is double what it was ten years ago, while the number of producing leases increased only 18%.

Revenue from oil & gas development on state school trust lands is significant. In FY 2012, lease rentals and production royalties generated $21.0 and $16.6 million, respectively, for a total of $37.6 million. This represented 42% of all revenues generated from the department's management of school trust lands. (When combined with coal revenues from school land, the leasing and production of minerals from school trust land represented one-half of all land management revenues in FY 2012.)

Coal Mining

The Minerals Management Bureau currently manages 44 active coal leases, of which only 3 leases are currently producing (Spring Creek) on 480 acres of State minerals. In FY 2012 4.2 million tons of coal was produced from State Trust Lands, generating $7.5 million to the School Trust.

Recent coal activity involves the issuance of 14 leases to Ark Land Company for the development of the Otter Creek Tracts and the leasing of an expansion of the Bull Mountain Mine. The Otter Creek tracts are estimated to contain nearly 570 million tons of coal on State minerals and the Bull Mountain Mine contains 12 million tons of recoverable State coal.

Other Mineral Leasing

Other active mineral leasing involves gravel and scoria mining. At this time, there are 52 active and producing gravel pits on Trust Lands. An increase in active oil rigs drilling in the Williston Basin has spurred the demand for gravel and scoria to construct well pads and access roads. As a result of this activity, royalties from scoria leases have increased from $1/yard to $3/yard. All recent scoria activities are located near in eastern Richland and Roosevelt counties; therefore, are not located within the general or core sage grouse habitat areas.

An active bentonite mine also exists in Carter County, which has roughly 900 acres of Trust Lands under lease. This bentonite operating area is located in the extreme southeast corner of the State.

Land Ownership Characteristics

The majority of state school trust lands are individual parcels distributed across the landscape, surrounded by federal and private ownership. With the notable exceptions of western Daniels and central Valley Counties, this is particularly true in eastern Montana.

State school trust mineral ownership exceeds surface ownership by 1 million acres. In a typical area, about 1 acre out of 6 is split-estate where the State does not own the surface. The State also owns approximately 240,000 acres of split-estate surface lands, where the State does not own the minerals.

This scattered ownership pattern can affect and restrict land management options for oil and gas operations on state lands, including those for sage grouse.