

ITEM 149-103-R1110

Distribution of Timber Sales Revenue

THAT

The Board of Regents of Higher Education elects to continue to designate trust land timber sales revenue as distributable revenue in years FY2011 through FY2013.

EXPLANATION

When SB 511 amended §§ 77-1-109 and 17-3-1003(1), MCA, in 2001, it was understood that the Regents would have discretion to direct timber sales revenue either to the permanent fund or as distributions to the campus beneficiaries of the trusts. In 2002, pursuant to that discretion, the Board of Regents adopted Policy 901.12, in which the Board elected to designate timber sales revenue as non-distributable permanent fund revenue. A major reason for the election was that the Department of Natural Resources and Conservation (DNRC) was at that time not withholding administrative assessments on revenue designated as non-distributable.

In FY2004, DNRC began withholding assessments on all university timber sales revenue (except revenue from Morrill Act lands). This factor removed the incentive to designate the revenue as non-distributable.

In the fall of 2004, the Legislative Auditor advised DNRC that timber sale revenue must be distributed, so in FY2005, DNRC distributed the revenue to the campuses. In the fall of FY2006, the Legislative Auditor reversed his previous opinion and agreed that the Regents may elect to distribute or reinvest timber sales revenue. At this point, given these developments, the Board of Regents needs to elect how to treat these revenues for the future. The revenue is currently being distributed to the campuses on a monthly basis.

SB 65, which passed during the 2009 session, requires the Board of Regents to designate, at least once a biennium, whether the timber sale proceeds from Montana University System lands must be distributed to the beneficiaries or placed in the permanent trust.

Campuses will use the money as set forth in Policy 901.12, for the repayment of debt to which these revenues are pledged, the elimination or reduction of chronic or material negative fund balances, or for deferred maintenance and equipment and fixed asset expenditures that are non-recurring in nature.