

# STATE BOARD OF LAND COMMISSIONERS

August 16, 2022  
Department Report

## Subject

Land Revenue Forecast

## Background

Each year, the Department provides a revenue forecast showing a predicted range of revenue by endowment for the next four fiscal years based on expected levels of operations, prices of existing timber sales under contract, and expected changes in lease revenues and agency expenditures. The four-year net income forecast table is provided as Attachment 1.

An income range is shown for each endowment primarily due to variability in timber markets and the duration of timber sale contracts. Most leasing returns are relatively stable from year to year; however, leasing revenue has declined in recent years due to the sale of residential and commercial real estate.

## Discussion

The Department's gross land management revenue was \$85.4 million in FY2022, approximately \$2.0 million less than FY2021 and \$5.9 million more than the 10-year average. The \$85.4 million total is approximately \$10.5 million below last year's forecasted high and \$11.9 million above the forecasted low. Gross revenue forecasts compared to actual returns are provided as Attachment 2.

The Department's net land management income was over \$57.9 million in FY2022, approximately \$2.5 million less than FY2021 and \$5.3 million above than the 10-year average. The \$57.9 million total is approximately \$9.2 million below last year's forecasted high and \$13.2 million above the forecasted low. Net income forecasts compared to actual returns are provided as Attachment 3.

The timberland asset class accounted for approximately 91 percent of the total gross land management revenue and about 94 percent of the total net income from land management in FY2022. Attachment 4 shows a Monte Carlo simulation of timber harvest based on historical harvest levels and stumpage prices. As we approach Forest Asset Management Plan maximum sale volumes, this analysis shows that we should expect stable gross timber incomes of \$80 million annually.

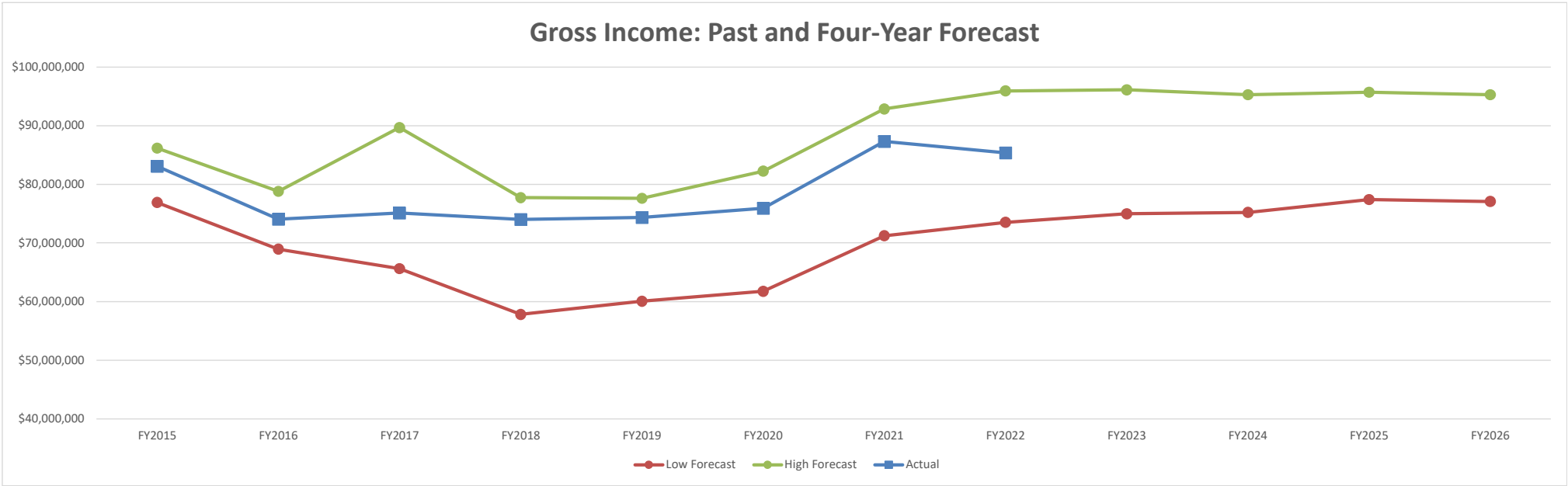
## Attachments

1. Four-Year Net Income Forecast Table (by Endowment)
2. Gross Revenue: Past and Four-Year Forecast Graph
3. Net Income: Past and Four-Year Forecast Graph
4. Monte Carlo Modeled Gross Timber Revenue vs. Actual

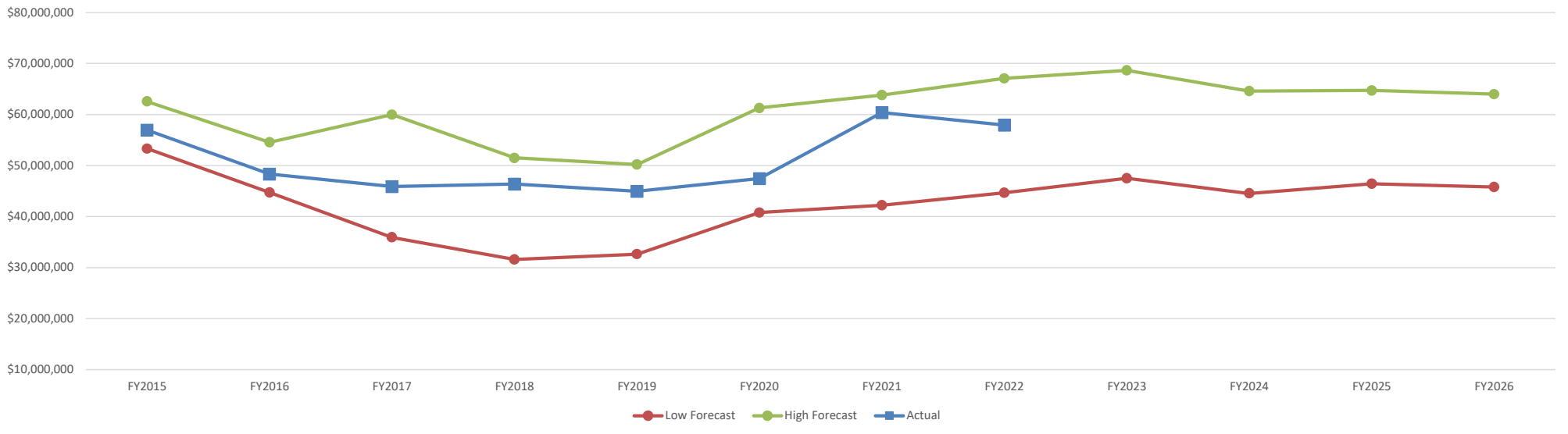
### Four-Year Net Income Forecast

Fiscal Year	Net Income	Public School	Ag College	Charitable Institutions	Normal School	Penitentiary	School of Science	State Hospital South	University	Capitol*	Total
<b>2023</b>	<b>Low</b>	\$ 34,186,665	\$ 701,651	\$ 2,912,935	\$ 2,077,328	\$ 1,251,245	\$ 2,934,107	\$ 1,487,155	\$ 1,965,867	\$ (95,664)	<b>\$ 47,421,287</b>
	<b>High</b>	\$ 49,291,507	\$ 985,210	\$ 4,145,613	\$ 3,139,803	\$ 1,777,030	\$ 4,157,753	\$ 2,372,137	\$ 2,784,508	\$ 11,228	<b>\$ 68,664,789</b>
<b>2024</b>	<b>Low</b>	\$ 32,046,704	\$ 657,730	\$ 2,730,596	\$ 1,947,295	\$ 1,172,922	\$ 2,750,442	\$ 1,394,064	\$ 1,842,811	\$ (116,921)	<b>\$ 44,425,643</b>
	<b>High</b>	\$ 46,143,291	\$ 920,819	\$ 3,878,857	\$ 3,119,866	\$ 1,662,170	\$ 3,888,861	\$ 2,381,919	\$ 2,604,172	\$ (8,959)	<b>\$ 64,590,995</b>
<b>2025</b>	<b>Low</b>	\$ 33,413,591	\$ 685,784	\$ 2,847,064	\$ 2,030,353	\$ 1,222,951	\$ 2,867,757	\$ 1,453,525	\$ 1,921,412	\$ (118,090)	<b>\$ 46,324,345</b>
	<b>High</b>	\$ 46,220,316	\$ 922,839	\$ 3,887,812	\$ 3,137,352	\$ 1,662,170	\$ 3,897,678	\$ 2,393,668	\$ 2,609,899	\$ (9,049)	<b>\$ 64,726,251</b>
<b>2026</b>	<b>Low</b>	\$ 32,953,047	\$ 676,332	\$ 2,807,822	\$ 2,002,368	\$ 1,206,094	\$ 2,828,230	\$ 1,433,491	\$ 1,894,929	\$ (119,271)	<b>\$ 45,683,042</b>
	<b>High</b>	\$ 45,684,783	\$ 911,645	\$ 3,841,913	\$ 3,115,673	\$ 1,645,732	\$ 3,851,237	\$ 2,380,742	\$ 2,578,600	\$ (9,139)	<b>\$ 64,001,186</b>

\*Capitol revenue accrues to the permanent fund rather than the reserve.



### Net Income: Past and Four-Year Forecast



Modeled Gross Timber Revenue vs. Actual

