

FACT SHEET

Gary D. Prezler, Commissioner

HOW ARE MINIMUM BIDS CALCULATED?

The **Fair Market Value Method (FMVM)** of calculating the minimum opening bid on school trust grasslands was initiated in 1990. The FMVM is based on cash rents for grassland in your region (see map), adjusted for those factors which make school land different from private leased land. (Crop and hay tracts use similar methods.)

Where do we get the cash rent in your region?

Each year the U.S. Department of Agriculture does a cash rent survey, county by county. Using the USDA survey, we find the lowest average county rent in your region, average the last 5 years of those lowest average rents, and reduce that figure by 10%.

What other adjustments to the lowest county average rent do we make?

- ◆ We deduct barren acres and other non-productive acres.
- ◆ We deduct \$1.50/acre for a fencing allowance since the State does not provide fences.

- ◆ We deduct 1/2 of the cost of leafy spurge control from the minimum opening bid if the tract has spurge. (The other 1/2 of the control costs are eligible for cost share consideration once the work has been completed.)
- ◆ We adjust each tract up or down to account for its potential forage productivity.

By using this method, we are trying to be fair to our lessees, while fulfilling our constitutional duty to use this land to generate income for public schools in North Dakota. The following table shows the difference between the Land Department's average minimum opening bid per acre for the 2004 lease year, compared with the range of private market rents for your region. Keep in mind that unless you have an "average" tract, your rent will be either somewhat higher or lower than the average minimum opening bid we've shown for your region.

As always, if you have any questions or think that we have made a mistake in evaluating the tract that you lease, and wish to request a field review, contact the Land Department. For more information regarding this topic, contact Mike Brand at mbrand@state.nd.us or call (701) 328-2800.

