

**Permanent School Fund Advisory Committee  
Forest Management Subcommittee  
DNR – Forestry Report**

**Division of Forestry Staff**

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**OVERVIEW OF FOREST MANAGEMENT**

**CONSTITUTIONAL & LEGISLATIVE DIRECTION**

**MINNESOTA CONSTITUTION - ARTICLE XI**  
**APPROPRIATIONS AND FINANCES**

Sec. 8. Establishes the permanent school fund and requires that all income from trust lands be credited to the fund.

Sec. 11. Sets apart land better adapted for timber production as state forest, requires management on forestry principles and net revenue used for purposes for which the lands were granted to the state.

**MINNESOTA STATUTES**

**1.0451 - Establishment** - This statute explains how the State gained ownership to the school trust lands from the federal government through the Organic Act, dedicating sections 16 & 36 of each township for school purposes.

**16A.125 – Forest Suspense Account** - This statute explains how revenue and costs from the state forest trust lands are managed. Revenue from the forest trust fund lands is deposited into the Forest Suspense Account. The costs for managing trust lands are certified by Minnesota Management and Budget. Allowable costs are for protection, improvement, administration, and management of forest lands; and for construction and maintenance of forest roads. The general fund is reimbursed for protection and administration costs. The Forest Management Investment Account is reimbursed for improvements, management, and forest roads. The balance is deposited into the Permanent School Fund.

**84.027 sub 18 – Goals** - This statute establishes the goals for management of the school trust lands to: (1) manage the school trust lands efficiently; (2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund; (3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and (4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principles.

**127A.31 – Fiduciary Responsibility** - The legislature intends that it is the goal of the permanent school fund to secure the maximum long-term economic return from the school trust lands consistent with the fiduciary responsibilities imposed by the trust relationship established in the Minnesota Constitution, with sound natural resource conservation and management principles, and with other specific policy provided in state law.

## SCOPE

### TRUST FUND LAND BASE

Type of Grant	Original Acres Granted	Acres Owned in 2007
School	2,900,000	957,865
Swampland	4,706,503	1,550,898
Internal Improvement	500,000	6,509
<b>TOTAL</b>	<b>8,106,503</b>	<b>2,515,272* (excludes Univ Trust)</b>

	Acres
Protected by DNR Division of Forestry (16mm acres forestland & 7mm acres brushland)	22,829,589
Subject to Forest Management Activities	5,613,721
Within State Forest Boundaries	3,109,114
Trust Fund Lands (inside and outside State Forest Boundaries)	2,578,368
Trust Fund Lands Subject to Cost Certification (includes 18,516 ac of University Trust)	2,393,818

## DIRECTION & ACTIVITIES

### DIVISION OF FORESTRY MISSION:

*Through shared information, technology, and understanding, we empower others and ourselves to: sustain and enhance functioning forest ecosystems; provide a sustainable supply of forest resources to meet human needs (e.g., material, economic, and social); protect lives and property from wildfires; and provide a dollar return to the permanent school trust.*

### FOREST MANAGEMENT ACTIVITIES

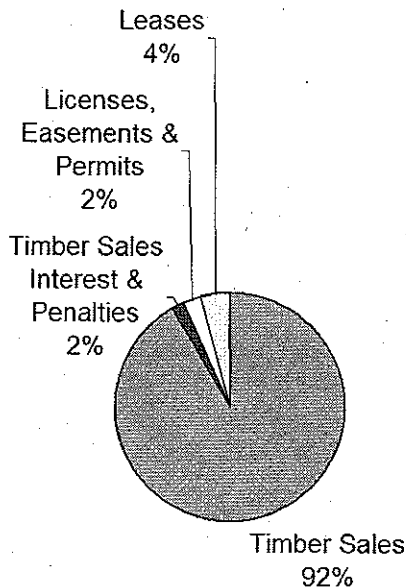
The Division of Forestry (DOF) is charged by the Commissioner of Natural Resources to manage state forest lands, along with all state trust fund lands. Forest Management includes:

- i. Protection – includes:
  1. Wildfire suppression
  2. Fire presuppression
  3. Fire prevention
  4. Fuels management & Firewise
- ii. Management – includes:
  1. Timber sales
  2. Leases and Permits
  3. Insect & Disease control
  4. Inventory
- iii. Improvement – includes:
  1. Site Preparation
  2. Reforestation
  3. Timber Stand Improvement
- iv. Forest Roads – includes:
  1. Road construction & maintenance
  2. Signing
  3. Culverts, bridges, erosion control
- v. Administration – includes:
  1. Facilities, Fleet & Equipment management
  2. Office & Clerical Support

# FOREST MANAGEMENT REVENUE

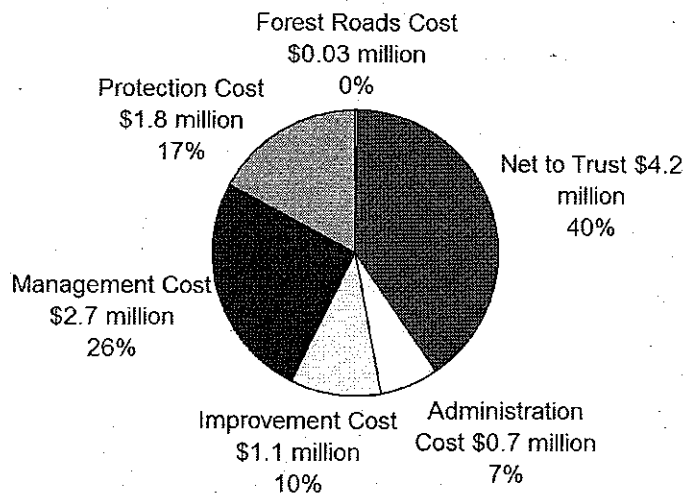
## \$10.6 Million per Year Average Gross Revenue from Trust Fund Lands (2002-2007)

### Trust Land Revenue Sources



Trust management costs vs. Trust revenues	
All Trust Fund lands require management; a small percentage of Trust Fund acres generates revenue in any year.	
2.24 million acres Trust Land managed by Forestry	100%
Of that, 1.49 million acres capable of producing commercial quantities of timber	66%
29,000 acres reserved from harvest	2%
About 18,000 acres harvested in any year	~1%
	Of commercial forest

### FY2002-FY2007 Average Distribution of Gross Trust fund Revenue from the Forest Suspense Account



## **FISCAL YEAR 2008**

• Timber Sales Income on all lands = \$25.3 million

Total State Forest Income on Trust Land = \$13.1 million\*

Less Certified Costs - \$9.4 million

TOTAL NET INCOME to CORPUS of TRUST = \$3.7 million

\*State Forest Income on Trust Lands includes:

Timber sales (\$12.2 million) + Land use permits, easements, leases & licenses (\$0.9 million)

## **COST CERTIFICATION**

Cost Type	School Trust	University Trust	Total
Timber Mgmt	\$4,366,253	\$34,035	\$4,400,288
Improvement	\$774,375	\$6,036	\$780,411
Forest Roads	\$40,206	\$313	\$40,519
Administration	\$1,915,094	\$14,929	\$1,930,023
Protection	\$2,206,996	\$17,204	\$2,224,200
TOTALS	\$9,302,924	\$72,517	\$9,375,441

### Examples of Allowable Costs for Certification

#### **Protection**

Wildfire suppression  
Fire presuppression  
Fire prevention  
Fuels management & Firewise

#### **Administration**

Payroll  
Facilities, Fleet & Equipment  
Office & Clerical Support

#### **Management**

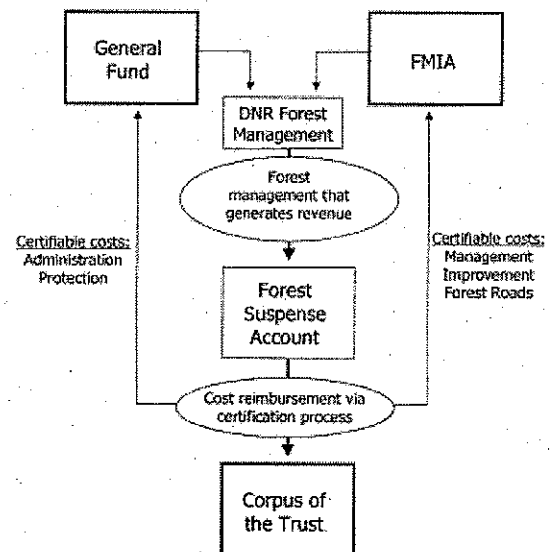
Timber sales  
Leases and Permits  
Insect & Disease control  
Inventory

#### **Forest Roads**

Road construction  
& maintenance  
Signing  
Culverts, bridges,  
& erosion control

#### **Improvement**

Site Preparation  
Reforestation  
Timber Stand Improvement



## **REVENUE ENHANCEMENT INITIATIVES**

The following are being studied by DNR:

Wetland Credits – DOF currently spends about \$10,000 annually on wetland credits to mitigate forest roadwork in wetlands. There may be opportunities for the DNR to generate our own wetland credits to not only save this expense but generate income from non-DNR entities that are in need of purchasing wetland credits.

Carbon Credits – With the worldwide concern over atmospheric carbon mitigation, a relatively new concept is the creation of carbon credits from activities that sequester atmospheric carbon to mitigate industries that generate more carbon than allowed. One such possibility is forest management activities.

Expansion of Leases – The DOF currently generates about \$900,000 in gross trust revenue from land use leases, licenses and permits. Marketing additional trust land leases would generate more income for the trust.

Improving timber sales opportunities – There are opportunities to increase the value of timber on trust lands through improving access. One example is to build temporary bridges to provide summer access to traditional winter access wood.

Timber sale marketing and administration improvements – The DOF is constantly looking at ways to streamline and improve efficiencies. Some additional things we are looking at are additional forest thinnings and increase timber sale enforcement.

All of these initiatives are investments for the future, to enhance the long-term economic return for the school trust fund.

