

**2006 CAPITAL BUDGET**  
**Buying Out Trust Fund Lands**  
**Governor's Recommendation: \$1,000,000**

**Purpose of this request**

This request starts the buy out of some of the remaining school trust lands located within the statutory boundaries of state parks and peatland SNAs. This request for \$1 million is the first of a series of funding requests to complete the trust land buy out when other options have been exhausted.

**How DNR prioritizes**

Since the 1980s and in accordance with Minn. Stat. § 92.121, the DNR has worked through land exchanges to remove school trust lands located within the state parks. Two more land exchanges are in process to remove school trust lands from Savanna Portage State Park and Tettegouche State Park. Legislation being proposed for 2006 would adjust the boundary of Schoolcraft State Park and thus remove the school lands from the park boundary. In a few instances, such as Hill Annex State Park, there is revenue generation through the leasing of the school trust lands.

This bonding proposal will address some of the school trust lands remaining in state parks and some of the 51,000 acres of school trust lands located within the 18 peatland scientific and natural areas when the options of exchange, boundary changes, or revenue generation activities are not possible.

After completion of the pending land exchanges, there will be about 1,460 acres of school trust lands remaining in state parks that are not generating revenue to the trust fund. The combined estimated value of these lands is between \$3 and \$4 million.

When the peatland SNAs were created by the legislature in 1991, the legislature directed the DNR to acquire by exchange or condemnation the surface of the school trust lands located within the peatland SNAs (see Minn. Stat. § 84.035, subd. 9). The

peatland SNA trust lands have an estimated value of \$20 to \$26 million.

**It is needed because**

The operating guidelines, written in statute, for each of these management areas limits the department's ability to generate revenue on these trust lands. The condemnation and buy out process will enable the state to fulfill a fiduciary responsibility to the trust. The lands condemned will remain in state ownership, classified as acquired rather than trust lands, and the trust will be compensated for the value of the lands.

**Project locations**

The priorities for condemnation will focus on the following:

- ◆ State park in-holdings of 1,461 acres, of which 1,000 acres are in Itasca State Park (Clearwater County) and 461 acres in Nerstrand-Big Woods State Park (Rice County); and
- ◆ Peatland SNA in-holdings of approximately 51,000 acres.

Future bonding requests will address:

- ◆ Wildlife management areas, approximately 99,450 acres;
- ◆ State recreation areas, approximately 400 acres.

**Impact on Agency Operating Budgets (Facilities Notes)**

There will be no impact on the agency's operating budget as the trust lands are reclassified as acquired lands and compensation paid to the trust fund.

**Project Contact Person**

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**Buying Out Trust Fund Lands**

**2006 STATE APPROPRIATION REQUEST:** \$5,000,000

**AGENCY PROJECT PRIORITY:** 5 of 9

**PROJECT LOCATION:** Statewide

**Project At A Glance**

- ◆ Purchase school trust lands in state parks, peatland SNAs, WMAs and recreation areas. Maximizing revenue earnings on trust lands is inconsistent with the management objectives of the four management areas noted.

**Project Description**

This request starts the buy out of the remaining school trust lands located within the statutory boundaries of different management areas—state parks, peatland SNAs, wildlife management areas, and recreation areas. The cost to buy out the trust lands is currently estimated at \$73.5 million. This request for \$5 million is the first of a series of funding requests to complete the trust land buy out.

The operating guidelines, written in statute, for each of these management areas limits the department's ability to generate revenue on these trust lands. The condemnation and buy out process will enable the state to fulfill a fiduciary responsibility to the trust. The lands condemned will remain in state ownership, classified as acquired rather than trust lands, and the trust will be compensated for the value of the lands.

The priorities for condemnation will focus on the following:

- ◆ State park in-holdings of approximately 1,460 acres;
- ◆ Peatland SNA in-holdings of approximately 51,000 acres;
- ◆ Wildlife management areas, approximately 99,450 acres; and
- ◆ State recreation areas, approximately 400 acres.

**Impact on Agency Operating Budgets (Facilities Notes)**

There will be no impact on the agency's operating budget as the trust lands are reclassified as acquired lands and compensation paid to the trust fund.

**Previous Appropriations for this Project**

No previous appropriations have been authorized for this purpose.

**Other Considerations**

The act of condemning trust fund lands has been used in the past. The Office of the Legislative Auditor, in its February 1998 program evaluation report on school trust land, recommended condemnation as one of the methods used to compensate the permanent school trust for non-revenue generating uses of the trust lands.

During the 1980s and 1990s the DNR worked to address the issue of permanent school trust fund lands located within state parks. In 1992 about 5,357 acres of permanent school lands valued at \$1.2 million were exchanged for other DNR acquired lands of similar value. A land exchange completed in FY2004 removed 680 acres of trust lands from state parks. The DNR is currently working on transactions that will exchange an additional 3,170 acres of trust lands from within state parks.

After those transactions are complete about 1,460 acres, valued at \$3 to \$4 million, of school trust lands will remain within state parks.

In 1991 the legislature established and designated 18 peatland SNAs. M.S. Section 84.035 directs the DNR to acquire the 51,000 acres of school trust lands within the SNAs. The value of these trust lands is estimated to be \$20 to \$26 million.

The DNR estimates 99,450 acres of trust lands are located in WMAs. With the primary objective on WMA to manage for habitats and wildlife, maximizing the revenue potential on trust lands is often a conflicting objective. The value of these trust parcels is estimated just over \$43 million.

**Buying Out Trust Fund Lands**

About 400 acres of trust lands are in state recreation areas. Again, the management strategy for recreation may not be consistent with the management approach on trust lands. The value of this category is about \$250,000.

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**Governor's Recommendations (To be completed by the Department of Finance at a later date)**

Department of Natural Resources  
2006 Capital Budget Recommendations

Category Project Title	2006 Agency Request	2006 Governor's Recommendation	3/15/2006	3/21/2006	2006 Conference Committee
			2006 House Chair Recommendation	2006 Senate Recommendation	
<b>Health and Safety</b>					
Flood Hazard Mitigation Grants	12,000	9,000	10,500	24,170	
Dam Repair / Reconstruction / Removal	2,000	2,000	2,000	2,000	
Rapidan Dam (General Fund)			60		
<b>Forests</b>					
Large Scale Forest Conservation Easements	10,000	10,000	10,000	6,000	
State Land Reforestation	6,000	4,000	4,000	4,000	
State Forest Land Acquisition	6,000	4,000	2,000	1,000	
Forest Roads and Bridges	2,000	-	2,000		
<b>Fish and Wildlife Habitat</b>					
Wildlife Area Acquisition and Improvement	20,000	15,000	15,000	10,000	
Native Prairie Bank Easements and Development	1,000	1,000	1,000	1,000	
Fisheries Acquisition and Improvement	6,000	4,000	4,000	2,000	
Waterfowl Habitat Structures	1,000	1,000	1,000	1,000	
Fish Hatchery Improvements	1,000	1,000	1,000	1,000	
Stream Protection and Restoration	2,000	2,000	2,000	1,000	
SNA Acquisition and Development	5,000	3,000	3,000	3,000	
Metro Greenways and Natural Areas	1,000	-	1,000	1,000	
Local Initiative Grants	2,000	-	4,680	1,000	
Sensitive Riparian Lands Acquisition (CWL)			1,000		
<b>Outdoor Recreation</b>					
State Park Building Rehabilitation	10,000	3,000	3,000	6,000	
State Park Infrastructure Rehab and NR Restoration	10,000	3,000	3,000	6,000	
State Park and Recreation Area Acquisition	6,000	2,000	4,000	4,000	
State Park Camper Cabins	2,000	2,000	2,000	2,000	
Glacial Lakes/Sibley State Parks			- 300		
Monson Lake State Park			50		
Big Bog Recreation Area				1,600	
Water Access Acquisition, Development and Fishing Piers	5,000	3,000	3,000	2,000	
State Trail Acquisition, Rehabilitation and Repair	5,000	2,000	2,000		
Blufflands			300	650	
Casey Jones			500		
Cuyuna Lakes			400		
Gateway			750		
Gitchi Gami			1,185	1,185	
Glacial Lakes			2,000	1,000	
Goodhue Pioneer			200	200	
Heartland				1,000	
Mill Towns			1,800	750	
Minnesota River				250	
Minn Valley-Big Stone			226		
North Shore			300		
Paul Bunyan			2,000	1,000	
Root River			100		
Shooting Star			750	750	
Lake Superior Safe Harbors	3,000	-	3,000	3,000	
ORV Recreation Area	1,500	1,500	1,500	1,500	
Local Trail Grants					
Agassiz Recreational Trail Bridge				648	
Cedar Ave. Bridge			300		
Cedar Lake Trail			600		
Great River Ridge Trail				625	
Mesabi Trail-Boundary Waters Connection			950	950	
St. Louis River Trail				500	
Soo Line Trail			260	550	
Vento Trail			300		
Xcel Regional Trail				485	
<b>Assets and Trust Fund Lands</b>					
Statewide Asset Preservation	3,000	2,000	2,000	2,000	
Field Office Renovation and Improvement	3,000				
Buying Out Trust Fund Lands	5,000	1,000	1,000		
<b>Local Grants - Miscellaneous</b>					
Spring Brook Nature Center			1,000		
Como Zoo			1,000		
Prairie Wetlands ELC			2,500		
Ottertail River Restoration			320		
<b>Total Capital Budget Recommendation</b>	<b>130,500</b>	<b>75,500</b>	<b>106,831</b>	<b>96,813</b>	<b>-</b>
General Obligation Bonding	127,000	72,000	106,771	93,313	-
General Fund	-	-	60	-	-
User Finance Bonding	3,500	3,500		3,500	-