



Department of Natural Resources Fact Sheet



2013 POLICY FACT SHEET Forestry Bill

It is needed because

This initiative adds statutory language (M.S. 84.633) to create efficiencies in the land transaction process providing for state land access; revises M.S. 89.0385 to provide for the quarterly transfer of timber revenue to the Forest Management Investment Account (FMIA); and revises M.S. 90 to improve the efficiency of the Department of Natural Resources' (DNR) resource management, operations, and business practices.

This initiative creates efficiencies in the land transaction process that provides for state land access. Access to state land is critical to maintaining healthy, productive forests and for the economic stability of Minnesota communities that depend on healthy timber and tourism industries. The majority of easement exchanges occur in the forested regions of the state where there are significant industrial forest land holdings. This proposal would allow for the exchange of access easements between the state and other entities to be completed as one, instead of two, acquisition transactions, reducing easement transaction costs and the time required to complete access easement transactions with partners by 50 percent.

This initiative also enables revenue from timber sales on state lands to be transferred to the FMIA on a more consistent basis. It revises language in M.S. 89.0385 to improve cash flow to pay for forest management costs closer to the time the costs are incurred. Management is critical to ensuring that the state's forest resources, which provide economic stability to Minnesota communities through the timber and tourism industries, remain healthy and productive. A consistent cash flow is essential to support ongoing forest management practices.

Lastly, this initiative revises M.S. 90, the primary legislation governing the state timber sales program.

It improves timber permit business and financial practices, provides more flexibility in the marketing of state timber, and increases efficiencies in the administration of the timber sales program. A successful timber sales program supports state forest land management and associated conservation outcomes (e.g., wildlife habitat and water quality), while contributing economic value to the forest products industry.

A formal review of the entire chapter was conducted to determine appropriate changes to state statutes and related internal timber sale policy. The review focused on timber permit financial management, consumer scaling, trespass, timber auctions, and the terms of the timber permit.

The proposed changes to M.S. 90 will enable DNR to implement improved processes that save time and dollars without compromising the quality of services provided. Results will be achieved by:

- Removing the requirement to obtain attorney general approval for the compromise and settlement of casual and involuntary trespass claims. Compromised settlement claims are generally minor in value and not significant enough to merit review by the attorney general. The statute will retain the need for the commissioner to notify the attorney general of such settlements.
- Clarifying the requirements of a purchaser, or person, as a responsible bidder to purchase or conduct logging operations on state timber permits.
- Treating all permit holders equally in financial penalty in cases of permit forfeiture prior to any cutting activity.
- Providing the state more flexibility to sell timber during difficult market conditions by expanding the time period for offering unsold auction

timber, making available unsold intermediate auction timber to all responsible bidders, and increasing the number of informal permits available to an individual purchaser.

- Removing the requirement on the permit holder to provide an additional performance deposit for the purpose of advance road building within the timber permit. Permit holders have already provided the state a down payment and advance road building adds value to state timber.
- Making minor revisions as needed to clarify, simplify, and update chapter language.

Overview

Section 1. Exchange of Road Easements. This change 1) provides the ability for two parties to exchange access easements, reducing both costs and the time involved in completing those transactions; and 2) allows for a “substantially equal determination” to be used for value determination in lieu of expensive and time-consuming appraisals.

Sec. 2. Forest Management Investment Account; Cost Certification. This revises language in M.S. 89.0385 to enable timber revenue to be transferred to the FMIA on a quarterly basis throughout the fiscal year instead of waiting until the fiscal year is over. It has no fiscal implication other than maintaining consistent cash flow from current revenue sources.

Secs. 3-7, 15-16, 29, 31-32, 34, 36-42. Technical changes. This provides for minor revisions as needed to clarify, simplify, and update chapter language.

Sec. 8. Executive Council and Commissioner Powers. This change increases the size of timber sale the Executive Council needs to approve from 6,000 cords to 12,000 cords. The higher limit better fits the broader range of forest management practices today.

Secs. 9-14. Commissioner Powers and Duties. This change updates trespass reporting requirements, expands utility of forest improvement contracts, consolidates timber permit administrative fee charges into a new centralized fee schedule, and clarifies the authority to debar a permit holder.

Sec. 17. Timber Sold at Public Auction. This change enables the state to offer unsold sales from a timber auction for purchase at appraised price for a period of

no more than one year instead of six months. This will allow the state to maintain more timber in the market between auctions and in areas with declining market demand. Only persons qualified as responsible bidders will be able to bid at timber auctions and on unsold sales.

Sec. 18. Intermediate Auction Sales; Maximum Lots of 3,000 Cords. This change will enable any qualified bidder to purchase an unsold intermediate sale after a 30-day period. Large logging companies and mills employing more than 30 employees were previously excluded from being able to purchase unsold intermediate timber sales.

Sec. 19. Purchaser Qualifications, Registration, and Requirements. This change clarifies the requirements of a purchaser operating a state timber permit and the registration system process that establishes the qualifications of a responsible bidder.

Secs. 20-27. Permits to Cut and Remove Timber. This provides better business practices for the state’s timber sale customers, including: 1) some streamlining to the issuance of the timber permit and short-term extension needs; and 2) removing the inequities in current statute dealing with the financial penalty incurred by the permit holder during the forfeiture of a permit.

Sec. 28. Surety Bonds for Auction Timber Permits; Purchasers or Assignee’s Cash in Lieu of Bond. This change combines the two sections (90.161 and 90.173) into one section and reorders them both under section 90.161; changes the term “to bond” to “security deposit” to better reflect the current timber permit financial administration process; clarifies the forfeiture if a permit is not harvested and removes the penalty on the purchaser for changing security.

Sec. 30. Timber Permit Development Option. Adds language that removes the requirement of a performance deposit when a purchaser wants to build a road into the permit area in advance of full harvest operations.

Sec. 33. Informal Sales of State Timber; Maximum Lots of 500 Cords. This change 1) increases the number of informal sales any person is allowed to hold from two to four; and 2) removes language

describing how partnerships and corporations are defined compared to a person.

Sec. 35. Special Use and Product Permit. This change consolidates the use of the special permit for various forest products and adds timber from road right-of-way clearings to the list of uses for the special permit.

Sec. 43. Repealer. This replaces 90.163 with 90.164; moves the language from 90.173 into 90.163; and removes 90.41, subdivision 2 because it's covered in 90.151 and 90.301.

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