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# **Forest Management Cost Certification Report for Trust Fund Lands, FY2024**

In accordance with Minnesota Statutes, Section 16A.125, Subdivision 5

June 23, 2025

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## Legislative charge

Minnesota Statutes 16A.125, Subd. 5:

*Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used in this subdivision, means public land in trust under the constitution set apart as "forest lands under the authority of the commissioner" of natural resources as defined by section [89.001, subdivision 13](#).*

*(b) The commissioner of management and budget shall credit the revenue from the forest trust fund lands to the forest suspense account. The account must specify the trust funds interested in the lands and the respective receipts of the lands.*

*(c) After a fiscal year, the commissioner of management and budget shall certify the costs incurred for forestry during that year under appropriations for the improvement, administration, and management of state forest trust fund lands and construction and improvement of forest roads to enhance the forest value of the lands. The certificate must specify the trust funds interested in the lands. After presentation to the Legislative Permanent School Fund Commission or by June 30 each year, whichever is sooner, the commissioner of natural resources shall supply the commissioner of management and budget with the information needed for the certificate. The certificate shall include an analysis that compares costs certified under this section with costs incurred on other public and private lands with similar land assets.*

*(d) After a fiscal year, the commissioner shall distribute the receipts credited to the suspense account during that fiscal year as follows:*

- (1) the amount of the certified costs incurred by the state for forest management, forest improvement, and road improvement during the fiscal year shall be transferred to the forest management investment account established under section 89.039;*
- (2) the amount of costs incurred by the Legislative Permanent School Fund Commission under section 127A.30, and by the school trust lands director under section 127A.353, shall be transferred to the general fund;*
- (3) the balance of the certified costs incurred by the state during the fiscal year shall be transferred to the general fund; and*
- (4) the balance of the receipts shall then be returned prorated to the trust funds in proportion to their respective interests in the lands which produced the receipts."*

## Author

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## Cost of Report Preparation

As requested by Minnesota Statute 3.197: This report cost approximately \$9,240 to prepare, including staff time, printing and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, Braille, or audio recording. Printed on recycled paper

## EXECUTIVE SUMMARY

The purpose of this report is to provide an annual accounting of the costs incurred for the improvement, administration, and management of forests on school and university trust fund lands and construction and improvement of forest roads to enhance the forest value of these trust lands. Per Minnesota Statutes 16A.125, Subdivision 5, this report documents forest management cost recovery by the Minnesota Department of Natural Resources (DNR), which consists of the transfer of funds from the State Forest Suspense Account to (i) the Forest Management Investment Account (FMIA) for forest management, improvement, and road expenditures; and (ii) the General Fund (GF) for administrative costs.

The DNR manages trust lands for long-term economic return, with sound natural resource conservation and management principles and other specific policy provided in state law, as directed by Minn. Stat. 127A.31. From 2013-2022, approximately 25% of annual gross revenue from school trust lands was generated from forest management activities.<sup>1</sup>

Timber prices remained stable in fiscal year 2024 (FY2024) compared to the last 10-year period. However, timber harvest activities were reduced year over year due to abnormally warm winter weather conditions and declining demand for paper and structural timber products. This resulted in annual revenue from timber permit sales in FY2024 that fell into the lower range of annual timber permit sales revenue from state forest trust fund lands during the most recent 10-year period. Qualifying revenue from state forest trust fund lands totaled \$12.1 million. Certified forestry expenditures related to management, improvement, and roads on state forest trust fund lands totaled \$9.3 million, while associated administration costs (e.g. human resources, facilities and staff support) totaled \$1.7 million. Net income related to forestry activities on trust lands totaled \$1.1 million.

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<sup>1</sup> See [Forest Management/Minnesota Office of School Trust Lands](#). Totals may not align due to line item rounding.

Table 1: FY2024 School and University Trust Fund Lands Forest Management Financial Results.

<b>FORESTRY QUALIFYING REVENUES</b>	<b>School Trust</b>	<b>University Trust</b>	<b>Total</b>
<b>Revenue Total</b>	<b>\$11,836,043</b>	<b>\$255,752</b>	<b>\$12,091,795</b>
<b>FORESTRY EXPENSES</b>			
Management, Improvement, Roads	\$9,185,047	\$103,982	\$9,289,029
Administration	\$1,653,308	\$18,717	\$1,672,025
<b>Expenses Summary</b>	<b>\$10,838,355</b>	<b>\$122,698</b>	<b>\$10,961,053</b>
<b>Net Income</b>	<b>\$997,688</b>	<b>\$133,053</b>	<b>\$1,130,741</b>
<b>TIMBER VOLUMES &amp; PRICES (a)</b>			
Volume Sold (000 cords)	423.4	7.1	430.5
Average Sold Price (per cord)			\$29.46
Volume Scaled (000 cords)	332.8	1.5	334.3
Average Scaled Price (per cord)			\$28.78

a) Sold and scaled (harvested and measured) cord equivalents, all units of measure. Prices are averaged over all DNR administered land types based on data availability.

## I. INTRODUCTION: ECONOMIC IMPACT OF WOOD FIBER PRODUCTION ON STATE TRUST LANDS

The Minnesota Department of Natural Resources (DNR) is responsible for sustainably managing the state's forest resources to achieve economic, environmental, and social goals (M.S. 89A) in alignment with other applicable laws concerning various resources and land statuses. The DNR implements forest management to manage forests sustainably for multiple values (including wildlife habitat, biodiversity, wood supply and healthy natural resource economies, carbon storage, forest health, recreation, and water quality and quantity), adhere to the DNR mission, and meet the department's statutory, forest certification, and fiduciary obligations. This includes the DNR's fiduciary obligation to manage trust lands for long-term economic return, with sound natural resource conservation and management principles and other specific policy provided in state law, as directed in Minn. Stat. 127A.31.

Annually the DNR certifies its trust fund forest management costs by reporting what it spent on salary and projects against timber and lease receipts. In FY2024, DNR revised the cost certification processes to increase transparency and consistency. Cross-year comparisons may vary slightly from previous reports due to adjustments in data sources and analysis processes.

Included in the DNR's total acres of forest management responsibility are 2.5 million acres of trust lands. About 1.5 million acres of trust land are considered timberland and those acres have the potential to produce wood products, like pulp for paper and sawlogs for lumber. The remaining 1 million trust acres are peatlands, wetlands, and other environmentally valuable lands. Combined, trust lands account for approximately 54 percent of all timberlands managed by DNR.

The DNR employs timber harvest permits as a key tool to initiate and manage the disturbance necessary to maintain a mix of young, intermediate, and older forest conditions on state-managed lands to ensure that multiple forest values are available to Minnesotans now and into the future. The sale of timber harvest permits is the primary source of revenue to the university and school trust funds from forested state trust lands. State trust lands play a vital role in supporting the forest products industry, Minnesota's fifth largest manufacturing sector by employment<sup>2</sup>, by supplying 12 to 14 percent of the fiber that contributes to the state's wood market. Timber harvest from state trust lands is linked to the generation of nearly 10,000 jobs and \$40 million in state tax revenue. Forest products businesses are cornerstone members of many Minnesota communities and require a reliable source of wood fiber to remain operable. At the same time, timber harvest is an important tool used in sustainable forest management. The interdependent relationship of sustainable forest management planning by the DNR; authorized harvesting by logging professionals following permit conditions and site-level guidelines designed

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<sup>2</sup> [Minnesota Forest Industry at a Glance report, 2025](#)

to protect water quality, essential habitat, and rare plant communities among other things; and wood consumption by mills maintains, and many times enhances, the health and productivity of trust lands for long term benefit.

## II. TIMBER PRODUCTION AND PRICING

As noted in the previous section, the DNR uses timber sale permits as a key tool to initiate and manage the disturbance necessary to create age class distributions and species mixes that provide forest benefits over time. The extent of disturbance achieved is a function of the volume of timber offered for sale (measured in cords) that is ultimately sold and harvested. The revenue generated from trust lands each year is also a function of the volume of timber offered and sold.

### **New Timber Volume Offered and Sold from All State Administered Lands**

“New timber volume” is an amount of wood that is offered for sale on a DNR timber permit for the first time, and typically includes wood pulp and sawlogs. Offering new timber volume entails conducting a detailed tree inventory, cultural history and ecological site reviews, timber sale design and ownership boundary determination, volume calculation and value determination to prepare an appraisal, internal review of the appraisal, developing and posting a permit for auction, and other related work. In FY2024, the new timber volume offered for sale from all state lands and the volume that sold were 794,850 cords and 685,161 cords, respectively.<sup>3</sup> These volumes were consistent with the volumes offered and sold over the past several years. The DNR had a sell rate of 86 percent across all DNR managed forest lands.

### **Total Timber Volume Offered and Sold from Trust Lands**

The total timber volume offered from trust lands is highlighted in Figure 1. Total volume includes new volume plus 1) permits that have gone previously unsold and are made available again, and 2) biomass and other products like limbs, pieces, and tops. In FY2024 the total timber volume offered from state trust lands was 655,800 cords, and the total volume that sold was 430,400 cords. These totals are consistent with those from the past 10 years (Figure 1).

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<sup>3</sup> Note: New Timber Volume Offered and Sold is measured in cords (cd) and million board feet (MMBF). Total Timber Volume Offered and Sold includes all units of measure for available wood (pieces, tons, etc), converted to cords.

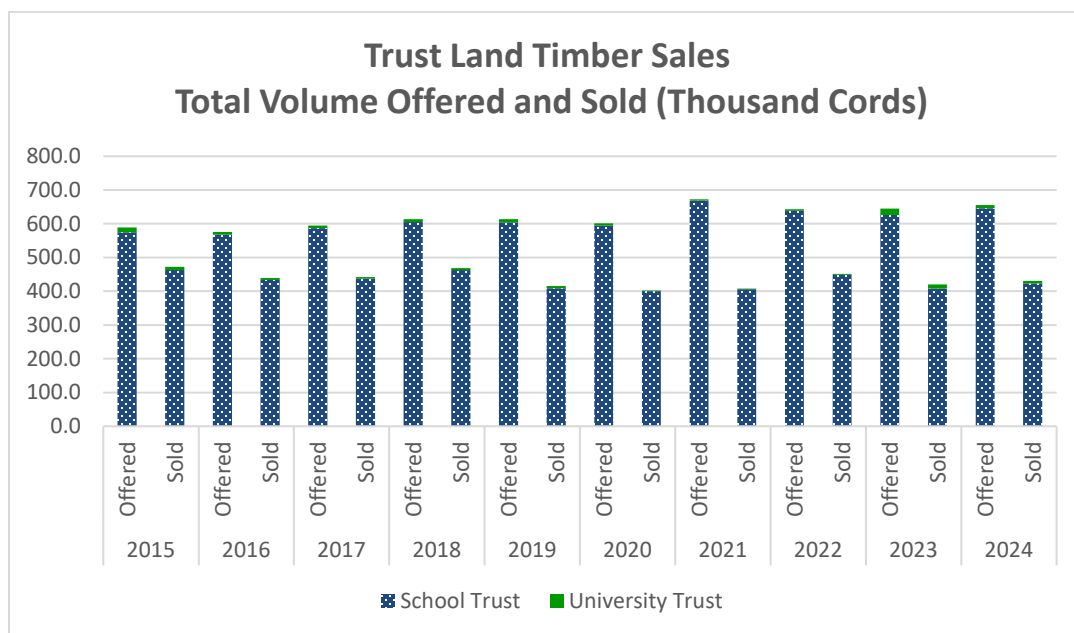


Figure 1. Total volume offered and sold from school and university trust lands including first time offered cords, reoffered permits, and all units of measure converted to cords (e.g., board feet, tons, and pieces).

### Timber Pricing and Volume Scaled

DNR timber permits are typically valid for three to five years from the sale date. The price of timber is set at the time of purchase. Wood harvested from the permit can be scaled, meaning measuring the cut wood, at any point during the duration of the permit. In FY2024, the average price received for timber scaled was \$28.78 per cord; this average reflects relatively flat prices over the past 10 years (Figure 2).

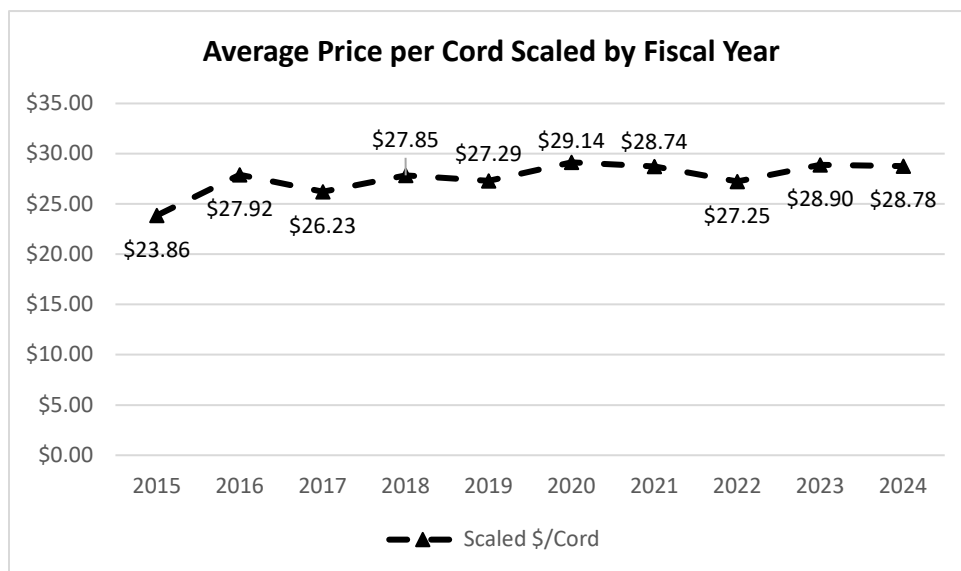


Figure 2. Average price per cord scaled by fiscal year, 2015-2024. Scaled volume includes all units of measure converted to cords.

Scaled timber volume and associated revenue from state trust lands in FY2024 was slightly down from previous years at 334,313 cords and \$12.1 million, respectively (Figure 3). Reduced timber harvest was the result of three main factors: 1) challenging weather conditions that impeded winter harvest, 2) decreased mill orders caused by a continued downturn of consumer demand for paper products, and 3) rising interest rates that negatively affected the demand for wood products used to build homes.

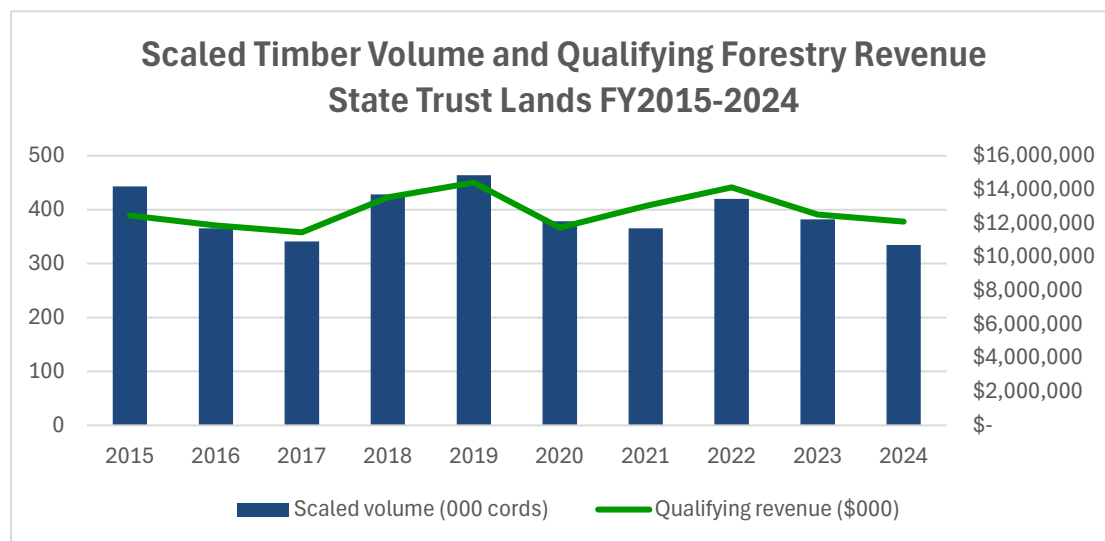


Figure 3. Scaled timber volume and qualifying forestry revenue from state trust lands, FY2015-2024. Qualifying revenue includes timber permit sales, timber harvest permit interest and penalties, and revenue from resource access permit, surface leases, and easements.

### III. REVENUES AND EXPENDITURES

#### Qualifying Revenues

“Qualifying revenues” are the dollars generated by forest management that can be transferred to the forest management investment account (FMIA) through the certification process. Qualifying revenue sources include timber permit sales, timber harvest permit interest and penalties, and revenue from resource access permit, surface leases and easements. Revenue generated from other management activities (e.g., state forest camping fees, land crossing licenses, subsurface mineral revenue, etc.) are excluded from this total. Qualifying revenue from state trust lands totaled \$12.1 million in FY2024 (Table 2).

#### Certified Expenditures

Certified expenditures include expenses necessary for planning, implementing, and monitoring the forest management activities undertaken by the DNR on state trust lands. The DNR budgets



and tracks spending using funding codes that classify the purpose and nature of the expenditures. These codes capture salary, in-forest management work, forest health monitoring, and other necessary forest management activities benefiting state trust lands. The funding codes are used to classify expenses and identify the forest management, forest improvement, and road improvement expenditures for state trust lands, which are eligible for cost recovery as specified in Minn. Stat. 16A.125, subd. 5. Expenditures for fire prevention and suppression are excluded from cost-recovery certification, as those activities are supported through statewide appropriations without regard for land ownership or status. Only those costs paid from General Fund dollars appropriated for forest management or the FMIA are included in the cost certification. Costs paid from rider appropriations, dedicated revenue accounts, federal funds, and capital investment budgets are excluded.

### ***Forest Management, Forest Improvement, and Road Improvement***

Forest management, forest improvement, and road improvement are interrelated costs that include activities such as timber permit sale preparation, timber harvest supervision, forest management planning, forest inventory, state forest road work coordination, and operational costs requisite to complete those activities. Forest management costs are calculated for all land types managed by the DNR, and then allocated based on the ratio of trust acres to total managed acres (Appendix A). The FY2024 trust allocation was \$9.3 million, representing 54 percent of the \$17.3 million total certified expenditures (Table 2).

### ***Administration***

Administrative services provided by DNR include: human resources, procurement, accounting, leadership, facilities, information technology and other costs related to staff support.

Administrative costs are calculated proportionally to certified expenditures based on the DNR Division of Forestry's annual indirect expenditure rate (18 percent in FY2024). Based on this, the FY2024 administration allocation for trust lands is \$1.7 million (Table 2).

### ***Net Income***

Net income from forest management on state trust lands is equal to the gross qualifying revenues less the certified expenditures, including administration. For FY2024, net income from forest management on state trust lands was \$1.1 million (Table 2).

Table 2: Fiscal year 2024 state trust forest management financial summary.

<b>FORESTRY QUALIFYING REVENUES</b>	<b>School Trust</b>	<b>University Trust</b>	<b>Total</b>
Timber Sales, Interest/Penalty	\$10,285,121	\$42,231	\$10,327,352
Surface Lease, Easements, Access Permits	\$1,550,922	\$213,521	\$1,764,444
<b>Revenues Summary</b>	<b>\$11,836,043</b>	<b>\$255,752</b>	<b>\$12,091,795</b>
<b>FORESTRY CERTIFIED EXPENDITURES</b>			
Management, Improvement, Roads	\$9,185,047	\$103,982	\$9,289,029
Administration	\$1,653,308	\$18,717	\$1,675,025
<b>Expenditures Summary</b>	<b>\$10,838,355</b>	<b>\$122,699</b>	<b>\$10,961,054</b>
<b>Net Income</b>	<b>\$997,689</b>	<b>\$133,053</b>	<b>\$1,130,741</b>

## IV. FINANCIAL PERFORMANCE COMPARISONS

Minn. Stat. 16A.125, Subd. 5(c), provides that “the [cost] certificate shall include an analysis that compares costs certified under this section with costs incurred on other public and private lands with similar land assets.” This topic was further addressed in the 2014 Office of the Legislative Auditor (OLA) Evaluation Report on DNR Forest Management.<sup>4</sup> In this report, the OLA concluded “...that differences in forest management goals, policies, and land features prevent meaningful comparisons of profitability between state forest managers and other land managers” (2014 OLA Report, p81). With that being said, a comparative analysis of financial performance is provided in the paragraphs below, with the following caveats:

1. Profit potential, a function of land productivity, species-product mix, management policy, and geography, is somewhat variable within the Upper Midwest region.
2. Availability of detailed financial reporting in the public domain is extremely limited.
3. Organizational differences in land and resource management entities result in a variety of combinations of land-related management activities including forest management, real estate, minerals, and recreation being combined for operational and accounting purposes. Every attempt has been made to adjust external financial reporting to allow for comparability.
4. Sources of revenue and other funding are highly variable among organizations.
5. Fiscal years and cost accounting formats are not uniform across land management organizations. Reported accounting numbers are imperfect and require adjustments to be made comparable.
6. All financials are self-reported and unaudited.

The analysis of financial performance presented in Table 3 includes profit potential, profitability, management efficiency, and land productivity. For the three land managing entities analyzed, operating margins were -91.6 percent for the Chippewa National Forest (CNF), -9.3 percent for St. Louis County (SLC), and 9.4 percent for DNR’s management of trust lands. Profit potential, calculated as gross revenue per cord, ranged from CNF’s \$26.18 per cord to SLC’s \$29.19 per cord, with trust land at \$27.01 per cord. In terms of management efficiency, average cost per cord sold ranged from \$25.46 for DNR trust land, CNF’s \$68.84, with SLC at \$60.10 per cord sold. In terms of land productivity, cords sold per managed acre were 0.18 for CNF, 0.28 for SLC, and an average 0.29 cords sold per managed acre for trust land.

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<sup>4</sup> Office of the Legislative Auditor, Program Evaluation Division. 2014. Evaluation Report DNR Forest Management. Saint Paul, MN: Office of the Legislative Auditor, State of Minnesota. 107p.

Table 3: Financial performance comparisons.

	DNR Trust Land	SLC	CNF
	FY2024	CY2023 (a)	FY2023 (a)
<b>REVENUES (\$000)</b>			
Timber Sales	\$10,327,352	\$4,238,464	\$2,072,056
Surface Land Use	\$1,764,443	\$3,555,587	\$830,199
Total Qualifying Revenue	\$12,091,795	\$7,794,051	\$2,902,255
<b>EXPENSES (\$000)</b>			
Total Forest Mgmt. Expenditure	\$10,961,054	\$8,518,169	\$5,560,721
<b>INCOME FROM OPERATIONS (\$000)</b>			
Profit/(Loss) from Operations	\$3,939	\$943	(\$518)
<b>PROFIT POTENTIAL (\$)</b>			
Gross Revenue per Mgmt. Acre (b)	\$8.18	\$15.17	\$6.32
<b>PROFITABILITY</b>			
Operating Margin	9.4%	-9.3%	-91.6%
Operating P/(L) per Cord Harvested	\$3.38	\$(4.86)	\$(34.30)
<b>MANAGEMENT EFFICIENCY</b>			
Avg. Cost per Cord Sold	\$25.46	\$60.19	\$68.84
Avg. Cost per Mgmt. Acre	\$7.42	\$16.57	\$12.11
<b>LAND PRODUCTIVITY</b>			
Cords Sold per Mgmt. Acre	0.29	0.28	0.18
<b>STATISTICAL DATA (acres in thousands)</b>			
Fiscal Year end	June 30	Dec 31	Sept 30
Cords Sold	430,443	141,526	80,774
Cords Harvested	334,313	148,880	77,517
Timber Mgmt. Acres	1,477,887	513,919	459,313
Total Admin Acres	2,438,906	903,339	666,522

a) SLC and CNF information sourced from direct contact financial data requests

b) Revenue divided by average of cords sold and harvested

Comparisons of operating margins for the past five years are provided in Figure 4, with the same caveats as the annual comprehensive financial comparisons. Over the past five years, DNR trust land operating margins ranged from 9.4 percent to 32 percent, with differences largely due to fluctuations in revenue and annual fixed costs. CNF's operations are primarily focused on maintaining and enhancing wildlife habitat; CNF had negative operating margins in each of the past five years. SLC has similarly seen small or negative operating margins, ranging from -9 to 13 percent over the past five years.

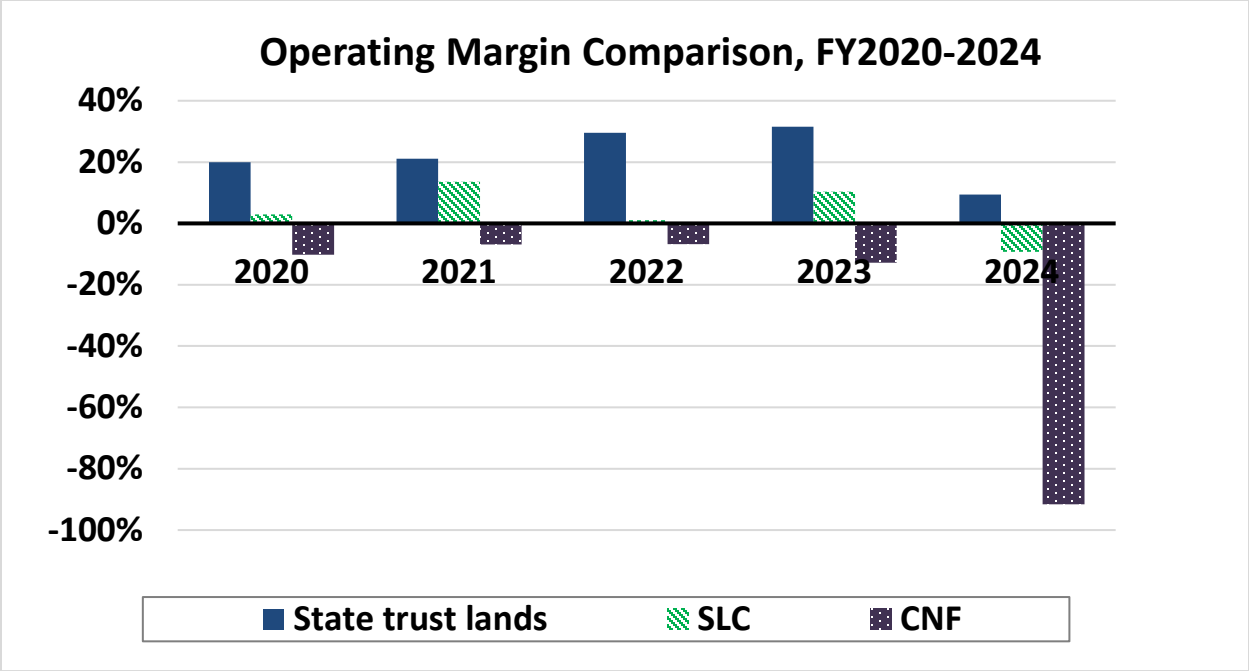


Figure 4: Comparison of operating margins five-year history.

## Appendix A: State Timberlands by Land Status

	Land Status							
	DNR Acquired	Camp Ripley	Consolidated Conservation	Beltrami Island Land Utilization Project	School Trust	University Trust	Volstead	Total
<b>Acres</b>	514,279	-	691,380	53,604	1,461,915	15,972	12,254	2,749,403
<b>Percent of total</b>	18.7%	0.0%	25.1%	1.9%	53.2%	0.6%	0.4%	100.0%

**Minnesota Department of Natural Resources**  
**M.S. 16A.125, Subd 5. Trust Land Certification Report**  
**Fiscal Year 2024**

	Permanent School	Permanent University
<b>Forestry Expenses Compared to Forestry-Related Revenue</b>		
[A] Qualifying Forestry Revenue <sup>1</sup>	11,836,043	255,753
[B] Forestry Expenditures Certified	\$ (10,838,355)	\$ (122,699)
[B1] Management, Improvement, Roads	\$ (9,185,047)	\$ (103,982)
[B2] Administration	\$ (1,653,308)	\$ (18,717)
[C] Revenues Compared to Expenditures [A]+[B]	997,688	133,054
<b>Other Revenues and Appropriations</b>		
[D] Non-qualifying Revenue <sup>2</sup>	\$ 228,451	\$ -
[E] FY2024 Appropriations	(965,627)	\$ -
[F] Unused Prior Appropriations	\$ 1,223,622	\$ -
<b>Return to Funds</b>		
[G] Dollars to Permanent School Fund [A]+[B]+[D]+[E]+[F]	\$ 1,484,134	
[H] Dollars to Permanent University Fund [A]+[B]+[D]+[E]+[F]		\$ 133,054

**SIGNATURES**

<p><b>Patty Thielen</b>  X  Digitally signed by Patty Thielen  Date: 2025.06.27 09:54:13 -05'00'</p>	<p><b>Mary Robison</b>  X  Digitally signed by Mary Robison  Date: 2025.06.27 11:54:20 -05'00'</p>	<p><b>Ryan Merz</b>  X  Digitally signed by Ryan Merz  Date: 2025.06.27 12:06:29 -05'00'</p>
Patty Thielen Director, DNR Division of Forestry	Mary Robison Chief Financial Officer, DNR OMBS	Ryan Merz Executive Budget Officer, MMB

<sup>1</sup>Qualifying revenue sources include: timber sales, interest & penalty, surface leases, and resource access permits

<sup>2</sup>Non-qualifying revenue sources include: forest campgrounds, damage costs, wild rice leases, and land crossing licenses