Minnesota Department of Natural Resources

Division of Forestry

M.S. 16A.125, Subd 5. Certification Report

State Forest Suspense Account FY2025

	REVENUES	School Susp. Fund: 3800	Univ. Susp. Fund: 2000	School+Univ Susp. Total
[A]	**Revenues Forestry Qualifying**	$ 12,600,943	$ 105,723	$ 12,706,666
[B]	Revenues Non-Qualifying	$ 187,983	$ 677	$ 188,660
[C]	**Total Revenues**	$ 12,788,926	$ 106,400	$ 12,895,326
	DIRECT APPROPRIATIONS			
	OSTL Direct Appropriations (Transferred Out of Forest Suspense Account)			
	DNR LAM St For Susp. Land Sales & Aggregate 23 060 01 003 02C	$ 218,000	$ -	$ 218,000
	OSTL Base Perm School 23 060 01 003 09D	$ 334,000	$ -	$ 334,000
	R290288 - OSTL Recreational Use Study PS 24 116 01 003 15	$ 417,000	$ -	$ 417,000
	R290287 - OSTL Trans BWCAW PS 23 060 01 003 09C	$ 150,000	$ -	$ 150,000
[D]	**Total Direct Appropriations**	$ 1,119,000	$ -	$ 1,119,000
[E]	**Prior year cancellations**	$ -	$ -	$ -
	EXPENDITURES			
	Forestry Expenditures			
[F]	Forest management, improvement, roads	$ 15,832,476	$ 181,288	$ 16,013,763
[G]	Division of Forestry Administration M.S. 16A.125, Subd. 5(d)(3)	$ 3,799,794	$ 43,509	$ 3,843,303
	OSTL General Fund Expenditures			
[H]	Legislative Permanent School Fund Commission (LPSFC)	$ 170	$ -	$ 170
	M.S. 16A.125, Subd. 5(d)(3)			$ -
[I]	Office of School Trust Director M.S. 16A.125, Subd. 5(d)(3)	$ 206,559	$ -	$ 206,559
[J]	**Forestry net income**[1] Forestry qualifying revenues minus forestry certified costs [A-F-G]	(7,031,327)	(119,074)	$ (7,150,401)
[K]	**Total funds available for Transfer** [C-D+E]	11,669,926	106,400	$ 11,776,326

FUND TRANSFERS

[L]	**Transfer to Forest Management Investment Account** M.S. 16A.125, Subd. 5(d)(1) - Certified forest management, improvement, roads expenditures [F], or amount available from line [K] minus non-qualified revenue [B]	**$ 11,481,943**	**$ 105,723**	**$ 11,587,666**
[M]	**Transfer to State General Fund** [G+H+I], or available balance after line [L] transfer	**$ -**	**$ -**	**$ -**
[N]	**Transfer to Permanent Trust Funds** M.S. 16A.125, Subd. 5(d)(4) - [C-D+E-L-M], or available balance after line [M] transfer	**$ 187,983**	**$ 677**	**$ 188,660**

Totals may not align due to line item rounding.

Signatures

Signatures

X Patty Thielen
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Date: 2026.06.15 16:47:54 -05'00'

Patty Thielen
Director, DNR Division of Forestry

X Mary Robison
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Mary Robison
Chief Financial Officer, DNR OMBS

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Garrett Schoonover
Executive Budget Officer, MMB

Forest Management Cost Certification Report for Trust Fund Lands, FY2025

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

June 3, 2026

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 $14,900 to prepare.

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 report provides 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; (ii) the General Fund (GF) for administrative costs.

The DNR manages trust lands for long-term economic return, in accordance with sound natural resource conservation and management principles and other specific policy provided in state law, as directed by Minn. Stat. 127A.31.

Timber prices remained stable in fiscal year 2025 (FY2025) compared to the last ten-year period; but have stagnated over time due to declining demand for paper and structural timber products. Reduced mill capacity, and thus demand, in Minnesota, Michigan, and Wisconsin diminished interest in timber sales in Minnesota. Stagnant wood fiber values over the past decade, coupled with rising labor, fleet, administrative, and other trust land management costs, have resulted in minimal returns to the corpus of the trust. Qualifying revenue from School Trust lands totaled $12.6 million. Certified forestry expenditures related to management, improvement, and roads on School Trust lands totaled $15.8 million, while associated administration costs (e.g. human resources, facilities, technology, and staff support) totaled $3.8 million.

Minnesota's public K–12 education system is supported by multiple funding sources, including revenue generated through School Trust land management. School Trust lands contribute to education funding both through interest earnings on the trust corpus and through the broader economic activity of the forest products industry, which generates income and corporate tax revenue deposited into the state's general fund.

Forest management costs including salary, contracting, administration, and fuel have increased, mirroring inflation trends in the broader economy. For the past decade, DNR has discounted costs related to forest management on trust lands out of priority for fiduciary benefit of the school trust. The DNR can no longer afford these discounts and implemented a fuller cost accounting approach beginning fiscal year 2025 in consultation with the Office of Schol Trust Lands. Certified costs for FY2025 totaled $19.8 million. This change in combination with weak market conditions resulted in zero net profit.

Table 1: FY2025 School and University Trust Fund Lands Forest Management Financial Results.

FORESTRY QUALIFYING REVENUES	School Trust	University Trust	Total
Revenue Total	**$12,600,943**	**$105,723**	**$12,706,666**
FORESTRY EXPENSES			
Management, Improvement, Roads, & Administration Total	**$19,632,270**	**$224,797**	**$19,857,067**
TIMBER VOLUMES & PRICES (a)			
Total volume Sold (cords)	423,500	1,800	425,300
Average Sold Price (per cord)			$27.85
Total volume Scaled (cords)	398,200	1,900	400,100
Average Scaled Price (per cord)			$28.75

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 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 conducts forest management to support forest sustainability for multiple values (including wildlife habitat, biodiversity, wood supply and healthy natural resource economies, carbon storage, forest health, recreation, and water quality and quantity), in alignment with the DNR mission as well as statutory, forest certification, and fiduciary obligations. Trust land management has a fiduciary obligation for long-term economic return with sound natural resource conservation and management principles and other specific policies provided in state law, as directed in Minn. Stat. 127A.31.

Annually, the DNR certifies its trust land forest management costs by reporting what it spent on salary and project activities against timber and surface land use receipts. In FY2024, DNR and the Office of School Trust Lands (OSTL) began efforts to establish standardized systems and methodologies to identify, attribute, and compile cost information for school trust lands management across the department. This work is occurring because school trust land specific costs have not recently been captured or tracked independently of other DNR land types. A detailed review of the school trust lands timberlands asset class costs is included as part of this effort.

Concurrently, DNR Forestry began reviewing and revising its cost certification approach to improve consistency and transparency in FY2024. This led to an informed understanding that DNR had been discounting costs, and in FY2025 DNR established a more comprehensive methodology. As a result, expenditures reported for FY2024 and FY2025 are higher than previous years due to changes in the cost certification methodologies.

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 - those acres which 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. Trust lands account for approximately 52.4 percent of all timberlands managed by DNR.

Minnesota's public K–12 education system is supported by multiple funding sources, including revenue generated through School Trust land management. School Trust lands contribute to education funding both through interest earnings on the trust corpus and through the broader economic activity of the forest products industry, which generates income and corporate tax revenue deposited into the state's general fund.

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 from forested trust lands. Trust lands play a vital role in supporting Minnesota's forest products industry, Minnesota's fifth largest manufacturing sector by employment[1], by supplying about 15 percent of the fiber used in our state. Timber harvest from trust lands is linked to the generation of over 10,000 jobs and $44 million in state tax revenue. This broader economic activity and revenue is an important component of the general fund base that supports K-12 education and helps to maintain healthy, vibrant communities in Minnesota.

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 by the DNR to continue its sustainable forest management of trust lands. The interdependent relationship of sustainable forest management planning by the DNR; authorized harvesting by logging professionals following permit conditions and site-level guidelines designed to protect water quality, essential habitat, and rare plant communities among other things; and wood consumption by mills maintains and 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

"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, following state statute and DNR policy, requires conducting a detailed tree inventory, reviewing cultural resources, safeguarding statutoraly protected federal and state threatened and endangered species, establishing timber sale design and ownership boundaries, calculating timber volume and value, developing and posting the permit for auction, and other related work. In FY2025, the new timber volume offered for sale from trust lands and the volume sold

[1] Minnesota Forest Industry at a Glance report, 2025

was 466,750 cords and 402,818 cords, respectively, representing a sell rate of 86% (School and University Trust combined).[2] These totals are consistent with recent years for trust lands and also align with DNR's sell rate of 87 percent for new volume offered across all DNR managed forest lands in FY2025.

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 FY2025 the total timber volume offered from state trust lands was 624,000 cords, and the total volume sold was 425,300 cords. These totals are consistent with those from the past ten years (Figure 1).

Figure 1. Total volume offered and sold from School and University Trust lands including new timber offered cords, reoffered permits, and all units of measure converted to cords (e.g., board feet, tons, and pieces).

[2] 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 wood (pieces, tons, etc.), converted to cords.

Timber Pricing and Volume Scaled

DNR timber permits are typically valid for three to five years from the sale date. The majority of timber is sold at auction, going to the highest bidder. Timber harvested from the permit is scaled, that is, measured, concurrently with harvesting operations throughout the duration of the permit. In FY2025, the average price received for timber scaled was $28.75 per cord; this average reflects relatively flat prices over the past 10 years (Figure 2). The stalled value of wood fiber and increasing costs (salary, fleet, administration, etc.) have been factors leading to low financial returns.

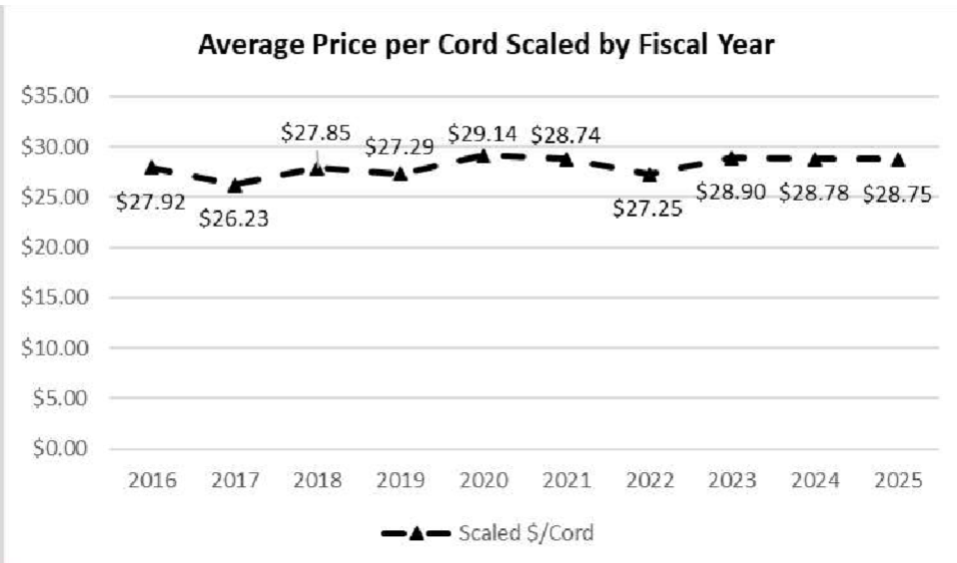

Figure 2. Average price per cord scaled by fiscal year, 2016-2025. Scaled volume includes all units of measure converted to cords.

Scaled timber volume from state trust lands in FY2025 was slightly up from previous years at 400,100 cords (Figure 3). Timber harvest levels on state trust lands, following our sustainable forest management plan, are largely driven by demand. In FY2025, lower consumer demand for paper products and higher interest rates – which reduced demand for wood used in home construction – led to fewer mill orders and weakened overall value of wood fiber. Additionally, mill closures in Wisconsin have resulted in lower demand for wood and higher levels of available fiber across the Lake States, including Minnesota. Wood fiber moves across state lines between Minnesota, Wisconsin, and even the upper peninsula of Michigan. Gross timber revenue accounts for the largest proportion of qualifying revenue from state trust lands (relative to other surface uses described); therefore, qualifying revenue typically tracks with scaled timber volume.

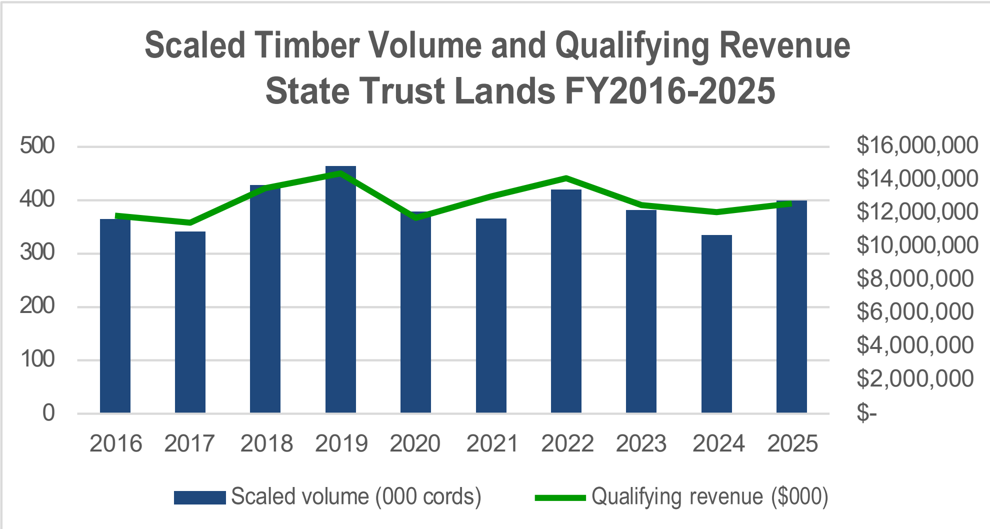

Figure 3. Scaled timber volume and qualifying forestry revenue from state trust lands, FY2016-2025. Qualifying revenue includes timber permit sales, timber harvest permit interest and penalties, and revenue from resource access permit, surface leases, and easements.

III. REVENUES AND EXPENDITURES

Qualifying Revenues

"Qualifying revenues" are the dollars generated by forest management that can be transferred to the 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, damage costs, subsurface mineral revenue, etc.) are excluded from this total. Qualifying revenue from state trust lands totaled $12.7 million in FY2025 (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 timber appraisal and supervision, 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 related to state trust lands, which are eligible for cost recovery as specified in Minn. Stat. 16A.125, subd. 5. 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 preparation and sale, timber harvest supervision, forest management planning, forest inventory, state forest road work, 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 FY2025 total allocation for trust lands was $16.0 million, representing 53 percent of total certified expenditures, aligning with the proportion of DNR's timberlands which are trust lands. (Table 2). School Trust lands account for 52.4 percent of DNR managed timberlands, while University Trust accounts for 0.6 percent.

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 central cost rate (24 percent in FY2025). Based on this, the FY2025 administration allocation for trust lands is $3.8 million (Table 2).

Table 2: Fiscal year 2025 state trust forest management financial summary.

FORESTRY QUALIFYING REVENUES	School Trust	University Trust	Total
Timber Sales, Interest/Penalty	$11,152,244	$68,857	$11,210,525
Surface Lease, Easements, Access Permits	$1,448,698	$36,866	$1,485,564
Revenues Total	**$12,600,943**	**$105,723**	**$12,706,666**
FORESTRY CERTIFIED EXPENDITURES			
Management, Improvement, Roads	$15,832,476	$181,288	$16,013,763
Administration	$3,799,794	$43,509	$3,843,303
Expenditure Total	**$19,632,270**	**$224,797**	**$19,857,067**

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.[3] 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, p 81). 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 comparative data on management portfolio, revenue, expenditures, operational efficiency, and profitability for the closest available land management entities, St. Louis County and Chippewa National Forest. DNR's trust land portfolio is two to three times the acreage of St. Louis County and Chippewa National Forest. Trust acres are also more geographically dispersed across the state compared to the other two entities. Land management objectives vary between the three agencies.

While timber sale revenue as a whole was higher for trust lands compared to the other two agencies aligning with higher total timberland acres managed, the Chippewa National Forest and St. Louis County generated a higher proportion of total revenue from surface land uses compared to trust lands. Each of the agencies under comparison reported a negative operating margin, likely due to stagnant market conditions limiting revenue and complex requirements

[3] 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.

involved in managing public lands. Agencies reported similar revenue per cord scaled, with differences likely due to localized market conditions and/or accessibility and composition of species available for harvest and their relative market value. Agencies reported differences in timber revenue per acre of managed timberland as well as revenue per acre of all lands adminstered (including lands not actively managed for timber harvest). These differences are likely tied to the varying land management objectives for each land type based on state and federal statute as well as differences in agencies' respective land portfolios and the suitability of the land to support revenue generating activities.

Table 3: Financial performance comparisons.

	MN School & Univ. Trust	St. Louis County	Chippewa National Forest
	FY2025	CY2024	FFY2024
MANAGEMENT PORTFOLIO			
Timber Management Acres	1,464,538	471,131	459,313
Total Administered Acres	2,354,358	903,339	666,522
REVENUE			
Timber Sales	$11,221,102	$4,724,335	$2,076,396
Surface Land Use	$1,485,564	$1,274,067	$910,090
Total Qualifying Revenue	$12,706,666	$5,998,402	$2,986,486
EXPENDITURES AND INCOME			
Forest Management Expenditures	$15,923,119	$6,924,740	$6,247,262
Operating Income	$(3,216,453)	$(926,338)	$(3,260,776)
Operating Margin	-25.3%	-15.4%	-109.2%
OPERATIONAL EFFICIENCY			
Average Cost Per Cord Sold	$37.44	$38.09	$77.34
Operating Profit/(Loss) Per Cord Harvested	$(8.04)	$(6.37)	$(42.07)
Average Cost Per Management Acre	$10.87	$14.70	$13.60
PROFITABILITY			
Volume Sold (Cord Equivalent)	425,300	181,778	80,773

Volume Scaled (Cord Equivalent)	400,100	145,460	77,516
Timber Revenue Per Cord Scaled	$28.05	$32.48	$26.79
Timber Revenue Per Management Acre	$7.66	$10.03	$4.52
Surface Land Use Revenue Per Administrative Acre	$0.63	$1.41	$1.37

Appendix A: DNR Forest Resource Management Acres and Timberland Acres by Land Status

Land Status	Forest Resource Management Plan Managed Acres	Timberland Acres
Acquired	983,307 (20.4%)	551,217 (19.7%)
Consolidated Conservation	1,359,967 (28.2%)	696,253 (24.9%)
Beltrami Island, Land Utilization Project Lands	74,297 (1.5%)	53,895 (1.9%)
Other Leased	218 (0%)	184 (0%)
School Trust	2,354,358 (48.8%)	1,464,538 (52.4%)
University Trust	23,524 (0.5%)	16,536 (0.6%)
Volstead Lands	28,945 (0.6%)	12,224 (0.4%)
Total	**4,824,616 (100%)**	**2,794,847 (99.9%)**