

Minnesota Department of Natural Resources

500 Lafayette Road · Saint Paul, Minnesota · 55155-4037

Office of the Commissioner

651-259-5555



March 19, 2009

Peter Wattson
Secretary of the Senate
231 State Capitol
St. Paul, Minnesota 55155

Albin Mathiowetz
Chief Clerk, Minnesota House
of Representatives
211 State Capitol
St. Paul, Minnesota 55155

Gentlemen:

Attached please find a report to the Legislature relating to the production of planting stock at Minnesota's state forest nurseries. This report is a requirement of *Minnesota Statutes*, section 89.36, subd. 4. It covers the reporting period of Fiscal Year 2007 (July 1, 2006—June 30, 2007). As directed in the statute, the required number of copies of the report have been sent to the Legislative Reference Library as well.

If you have questions regarding this material or need additional information, please contact DNR Forestry Director David Epperly at 651-259-5289 or Nursery Program Supervisor Olin Phillips at 651-259-5282.

Sincerely,

Mark Holsten
Commissioner

c/ David Epperly, Director, Division of Forestry
Bob Meier, Assistant Commissioner for Policy and Government Relations
Olin Phillips, Nursery Program Supervisor, Division of Forestry
Steve Vongroven, Supervisor, General Andrews Nursery
Craig VanSickle, Supervisor, Badoura Nursery
Senator Satveer Chaudhary, Chair, Environment and Natural Resources Committee
Senator Ellen Anderson, Chair, Envir., Energy, and Natural Resources Budget Div. Committee
Representative Kent Eken, Chair, Environment Policy and Oversight Committee
Representative Jean Wagenius, Chair, Envir. and Natural Resources Finance Div. Committee
Legislative Library (six copies)
DNR Library



**Minnesota Department of Natural Resources
Division of Forestry**

State Forest Nursery Program

Fiscal Year 2007 Legislative Report



For more information, contact:

Olin Phillips—Nursery Program Supervisor, (651) 259-5282

Steve Vongroven—General Andrews Nursery, (218) 372-3182

Craig VanSickle—Badoura Nursery, (218) 652-2385

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Introduction

Minnesota's state forest nurseries began producing conservation-grade seedlings for reforestation in 1932. In approximately three years, the total number of seedlings produced from these nurseries will reach the 1 billion mark. There currently are two state-operated forest nurseries: Badoura Nursery, located 10 miles south of Akeley, and General Andrews Nursery, located three miles north of Willow River.

The Department of Natural Resources is required by law (*Minnesota Statutes*, section 89.36, subd. 4) to annually submit to the Legislature a report on state forest nursery seedling production:

89.36 PRODUCING AND PROCURING PLANTING STOCK

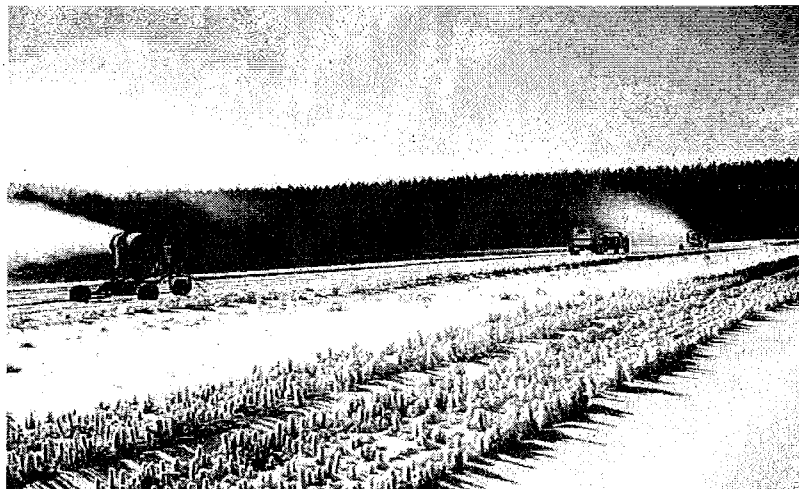
Subd. 4. **Annual report.** The commissioner (of natural resources) shall submit an annual report to the legislature relating to the production of planting stock at state nurseries. The report must include the following:

- (1) sale figures;
- (2) income figures; and
- (3) expenses for operations and administration.

Copies of the report must be filed with the Legislative Reference Library and made available to the public.

The commissioner shall also provide any additional information requested by the legislature relating to the production of planting stock at state nurseries.

This law also requires the state forest nurseries to limit their production to not more than 10 million seedlings each year. Additionally, the state forest nurseries buy between 500,000 and 1 million seedlings each year from private producers for resale to its customers. Seedlings purchased from the state forest nurseries can only be planted in Minnesota and must be used to establish or reforest wood lots, windbreaks, and shelterbelts or used for erosion control, soil and water conservation, environmental education, or permanent food and cover for wildlife.



Snow is blown on seedling beds to prevent winter burn.

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Sales and Production Summary State Forest Nursery Program

Fiscal Year 2007

Table 1: Trees Produced, Purchased, and Sold

Type	Number	Percent
Trees Produced by State Nurseries and Sold	8,551,635	97.3
Privately Produced Trees Purchased by State Nurseries and Sold	214,275	2.4
Replacement Stock Shipped	21,625	0.3
Total	8,787,535	100

Figure 1: Trees Produced, Purchased, and Sold

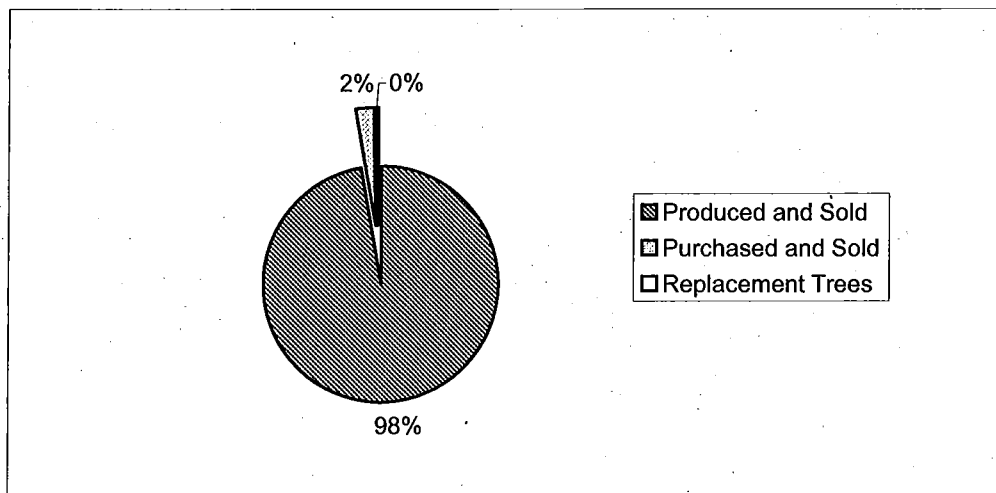


Table 2: Seedling Distribution

Type	Number	Percent
Sales to Public Land	4,472,185	50.9
Sales to Private Lands	4,315,350	49.1
Total	8,787,535	100

Figure 2: Seedling Distribution

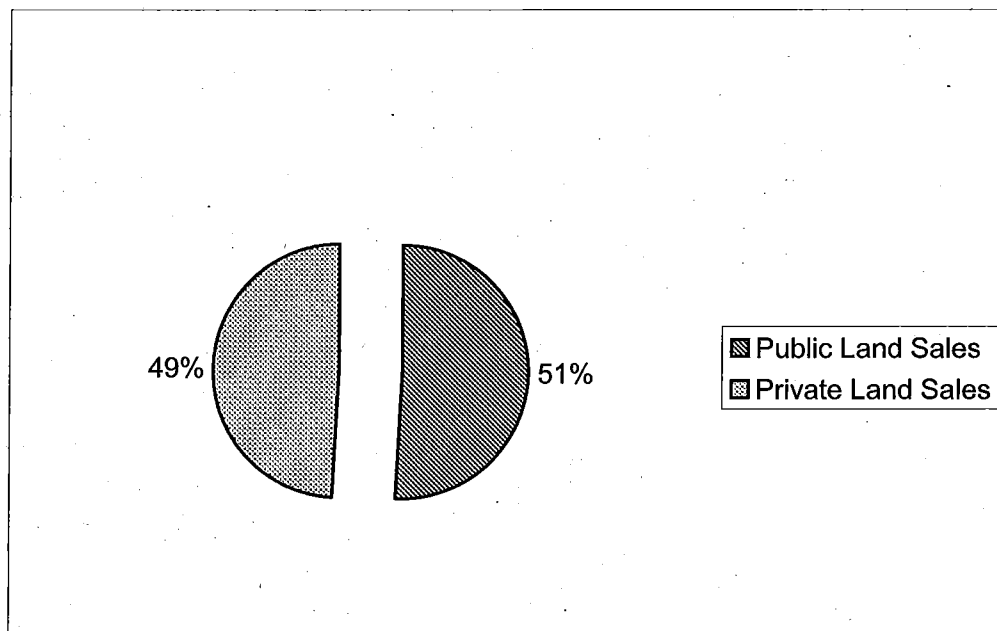
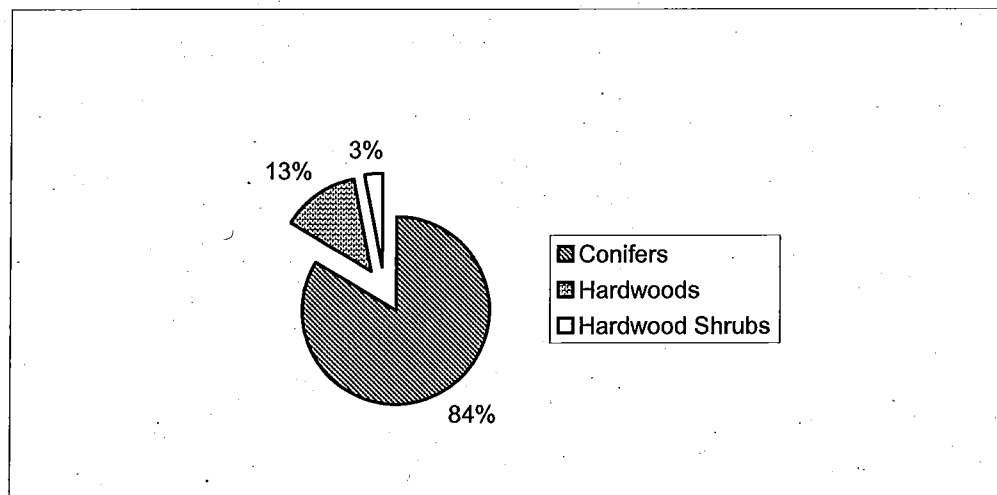


Table 3: Seedling Types

Type	Number	Percent
Conifers (Evergreens)	7,336,835	83.5
Hardwoods (Deciduous)	1,182,000	13.4
Hardwood Shrubs	268,700	3.1
Total	8,787,535	100

Figure 3: Seedling Types



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Summary of FY 2007 Tree Sales by Species and Producer

Product	State Produced Trees Sold	Purchased Trees Shipped	Replacement Trees	Total Trees Shipped
NORWAY PINE SMALL	758,550	0	100	758,650
NORWAY PINE 6"+	2,314,550	0	9,000	2,323,550
NORWAY PINE TR	222,650	0	625	223,275
NORWAY PINE 4-0	91,000	0	0	91,000
WHITE PINE SMALL	141,600	0	0	141,600
WHITE PINE 5"+	648,075	0	700	648,775
WHITE PINE TR	156,000	0	0	156,000
WHITE PINE 4-0	21,100	0	0	21,100
JACK PINE	591,600	0	400	592,000
JACK PINE IMP	89,500	0	0	89,500
WHITE SPRUCE SM	23,400	0	0	23,400
WHITE SPRUCE 6"	718,750	0	5,000	723,750
WHITE SPRUCE SM IMP	24,300	0	0	24,300
WHITE SPRUCE IMP	926,360	0	2,300	928,660
WHITE SPRUCE TR	161,700	0	0	161,700
BLACK SPRUCE	0	0	0	0
BLACK SPRUCE IMP TR	8,000	0	0	8,000
BLACK SPRUCE IMP	71,000	0	0	71,000
BALSAM FIR	53,700	0	0	53,700
TAMARACK	140,575	0	0	140,575
WHITE CEDAR	69,600	0	0	69,600
WHITE CEDAR TR	43,700	0	0	43,700
RED CEDAR	43,000	0	0	43,000
PIN OAK	500	0	0	500
RED OAK	380,050	0	0	380,050
BUR OAK	121,800	0	0	121,800
WHITE OAK	103,800	0	0	103,800
MIXED OAK	71,700	0	0	71,700
BLACK ASH	14,500	0	0	14,500
WHITE ASH	20,300	0	0	20,300
GREEN ASH	77,900	0	3,000	80,900
SILVER MAPLE	37,200	0	100	37,300
ASPEN, TREMBLING	6,000	0	0	6,000
RED MAPLE	21,100	10,000	0	31,100
SUGAR(HARD)MAPLE	0	0	0	0
PAPER BIRCH	41,600	0	0	41,600
YELLOW BIRCH	10,200	0	0	10,200
HYBRID POPLAR	24,450	42,500	0	66,950

COTTONWOOD	14,700	0	200	14,900
BASSWOOD	0	0	0	0
BLACK WALNUT	120,300	0	100	120,400
BUTTERNUT	0	0	0	0
BLACK CHERRY	10,600	10,000	0	20,600
BITTERNUT HICKORY	5,400	0	0	5,400
WILD ROSE	1,275	0	0	1,275
AMERICAN HAZELNUT	2,600	0	0	2,600
BLACK ELDERBERRY	3,400	0	0	3,400
PIN CHERRY	0	0	0	0
NINEBARK	10,400	0	0	10,400
CHOKE CHERRY	0	41,400	0	41,400
JUNE BERRY	100	200	0	300
WILD PLUM	33,200	10,000	0	43,200
HIBUSH CRANBERRY	0	600	0	600
MOUNTAIN ASH	1,950	175	0	2,125
RED OSIER	22,700	35,000	100	57,800
DOGWOOD				
GRAY DOGWOOD	0	10,500	0	10,500
CRABAPPLE	0	14,800	0	14,800
NANNYBERRY	375	1,925	0	2,300
4 SEASON WILDLIFE	40,825	37,175	0	78,000
PKTS				
NORTH HARDWOOD	24,000	0	0	24,000
PKTS				
SOUTH HARDWOOD	10,000	0	0	10,000
PKTS				
TOTALS	8,551,635	214,275	21,625	8,787,535
Total State Produced	8,551,635			
Stock Sold				
Purchased Stock Sold	214,275			
Replacement Trees	21,625			
TOTAL STOCK SOLD	8,787,535			
& REPLACED				

Basis of Accounting

The State Forest Nursery Program is operated on a self-sustaining basis so over time, the revenues must cover expenditures. Some seedlings take up to five years to produce. Each year of production, costs are incurred; however, approximately 70 percent of the total cost is incurred in the last year of production for lifting, packing, and shipping. In a given year, sales are defined as the revenues from seedlings *delivered* to customers that year from July 1 through June 30. The costs associated with that year are the production costs for all the seedlings in the inventory, not just for those seedlings sold. The nursery production is capped by statute at 10 million seedlings produced for sale per year. In addition, a limited amount of seedlings are purchased from outside for resale to meet demand. As a consequence of the above, a small surplus or deficit may occur in a given year, but over time it must balance.

89.36 PRODUCING AND PROCURING PLANTING STOCK

Subdivision 1. **Production at state nurseries.** The commissioner of natural resources may produce tree planting stock for the purposes of sections 89.35 to 89.39 upon any lands under control of the commissioner which may be deemed suitable and available therefore so far as not inconsistent with other uses to which such lands may be dedicated by law. The commissioner may not produce more than 10,000,000 units of planting stock annually, after January 1, 2003.

Subd. 2. **Purchase of stock.** The commissioner of natural resources may purchase tree planting stock for the purposes herein authorized under the provisions of sections 89.35 to 89.39, or any other applicable law now or hereafter in force.

In a given fiscal year, a significant portion of the "sales" has not been paid into the Forest Nursery Account and realized as cash receipts. So, as of the close of the year, an accounts receivable balance is carried. In addition, receipts from prior years' sales have been realized. Therefore, the cash receipts showing in the state accounting system (MAPS) should not be expected to tie to sales for that fiscal year.

The 2005 Legislature (Special Session) added to statute that up to \$250,000 per year could be used from the forest nursery account for forestry education and technical assistance. No monies were used from the forest nursery account for these purposes in FY 2006 or FY 2007.

89.37 DISTRIBUTING PLANTING STOCK

Subd. 4. **Proceeds of sale.** All money received in payment for tree planting stock supplied under this section shall be deposited in the state treasury and credited to a forest nursery account and are available to the commissioner of natural resources for the purposes of sections 89.35 to 89.37, including up to \$250,000 per year for forestry education and technical assistance.

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**Table 4—Statement of Revenues and Costs
Forest Nursery Account
Fiscal Year 2007**

Revenues		
	Total Sales Fiscal Year 2007	\$2,609,484
	Investment Income	\$64,760
	Total Revenues	\$2,674,244
Costs		
	Salary and Other Compensation	\$1,638,582
	Supplies and Expenses	\$443,975
	Equipment and Capital Improvements	\$ 99,982
	Other Costs	\$22,335
	Total Costs	\$2,204,874
Difference	Revenues Minus Costs	\$469,370

**Table 5—Cash Receipts and Expenditures
Forest Nursery Account
Fiscal Year 2007**

Balance Forward—In Prior Year			\$1,310,908
Adjusted Balance			\$-0-
Adjusted Balance Forward—In			\$1,310,908
Cash Receipts			
	Cash From Prior Fiscal Year Sales	\$270,785	
	Fiscal Year 2007 Cash Sales	\$2,041,627	
	Investment Income	\$64,760	
Fiscal Year 2007 Total Receipts			\$2,377,172
Fiscal Year 2007 Expenditures			-\$2,204,874
Balance Forward— Out			\$1,483,206

Table 6—Accounts Receivable Reconciliation Forest Nursery Account Fiscal Year 2007		
Accounts Receivable 6/30/06	\$278,401	
Total sales Fiscal Year 2007	\$2,609,484	
Total		\$2,887,885
Cash Receipts from “Aged” Sales	\$270,785	
Fiscal Year 2007 Cash Sales	\$2,041,627	
Total		\$2,312,412
Subtotal		\$575,473
Adjustment Balance*		(\$238,023)
Accounts Receivable 6/30/07		\$337,450

*Adjustments in WIRES against invoices for cancelling and/or correcting invoice amounts and write offs.

With the Nursery Trees Sales Program integration process with WIRES completed in FY 06, a second year of entry and tracking generated another reliable WIRES report on June 30, 2007.

Manager's Financial Report

Account Balances As Of: 2/29/2008 (Including Salary Expenditures for Pay Periods Ending On or Before: 2/19/2008)
Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts from SEMA4

07 203 300 FORESTRY NURSERIES ACCOUNT

Allotment	Object Class	Allocated	Salary Obligation	Encumbered	Expended	Balance	% Bal
07 203 3738 300	FORESTRY GEN ANDREWS NURSERY (Status = A)						
1A0	FULL TIME	303,777.00	92.05	0.00	266,788.95	36,988.05	12.18 %
1B0	PART-TIME, SEASONAL, LABOR SER	572,296.00	69.97	0.00	421,254.03	151,041.97	26.39 %
1C0	OVERTIME PAY	10,000.00	0.00	0.00	9,882.21	117.79	1.18 %
1D0	PREMIUM PAY	400.00	0.00	0.00	4.29	395.71	98.93 %
1E0	OTHER BENEFITS	80,300.00	0.00	0.00	65,784.41	14,515.59	18.08 %
2A0	SPACE RENTAL, MAINT. & UTILITY	25,000.00	0.00	0.00	24,091.60	908.40	3.63 %
2B0	REPAIRS, ALTERATIONS, & MAINT	22,000.00	0.00	0.00	5,484.33	16,515.67	75.07 %
2C0	PRINTING AND ADVERTISING	5,000.00	0.00	0.00	7,722.71	(2,722.71)	(54.45)%
2D0	PROF/TECH SERVICES OUTSIDE VEN	7,000.00	0.00	0.00	2,760.00	4,240.00	60.57 %
2E0	COMPUTER & SYSTEMS SERVICES	0.00	0.00	0.00	3,288.00	(3,288.00)	0.00 %
2F0	COMMUNICATIONS	22,500.00	0.00	0.00	16,169.84	6,330.16	28.13 %
2G0	TRAVEL & SUBSISTENCE -INSTATE	3,000.00	0.00	0.00	867.00	2,133.00	71.10 %
2H0	TRAVEL & SUBSISTENCE -OUTSTATE	2,000.00	0.00	0.00	0.00	2,000.00	100.00 %
2J0	SUPPLIES	309,668.00	0.00	0.00	154,001.00	155,667.00	50.27 %
2K0	EQUIPMENT	85,500.00	0.00	0.00	57,048.72	28,451.28	33.28 %
2L0	EMPLOYEE DEVELOPMENT	500.00	0.00	0.00	175.00	325.00	65.00 %
2M0	OTHER OPERATING COSTS	39,775.00	0.00	0.00	7,484.80	32,290.20	81.18 %
2N0	AGENCY INDIRECT COSTS	16,000.00	0.00	0.00	0.00	16,000.00	100.00 %
2P0	STATEWIDE INDIRECT COSTS	0.00	0.00	0.00	0.00	0.00	0.00 %
2R0	STATE AGENCY REIMBURSEMENTS	0.00	0.00	0.00	15,946.00	(15,946.00)	0.00 %
2S0	AGENCY PROVIDED PROF/TECH SERV	0.00	0.00	0.00	(6,374.00)	6,374.00	0.00 %
3C0	BUILDINGS & LAND IMPROVEMENTS	6,300.00	0.00	0.00	833.00	5,467.00	86.78 %
5D0	AID/GRANTS TO HIGHER ED INSTIT	0.00	0.00	0.00	0.00	0.00	0.00 %
CLS	EXPENSE BUDGET CLOSING	(428,455.61)	0.00	0.00	0.00	(428,455.61)	0.00 %
Totals for Allotment: 07 203 3738 300		\$1,082,560.39	\$162.02	\$0.00	\$1,053,211.89	\$29,348.50*	2.71 %

*Prior fiscal year balances are not available. Funds either roll forward or cancel depending on appropriation type.

Table 8

Manager's Financial Report

Account Balances As Of: 2/29/2008 (Including Salary Expenditures for Pay Periods Ending On or Before: 2/19/2008)
Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts from SEMA4

07 203 300 FORESTRY NURSERIES ACCOUNT

Allotment	Object Class	Allotted	Salary Obligation	Encumbered	Expended	Balance	% Bal
07 203 3739 300 - FORESTRY BADOURA NURSERY (Status = A)							
1A0	FULL TIME	316,000.00	90.73	0.00	265,557.27	50,442.73	15.96 %
1B0	PART-TIME, SEASONAL, LABOR SER	415,000.00	203.79	0.00	500,678.21	(85,678.21)	(20.65)%
1C0	OVERTIME PAY	15,000.00	0.00	0.00	20,826.05	(5,826.05)	(38.84)%
1D0	PREMIUM PAY	500.00	0.00	0.00	25.73	474.27	94.85 %
1E0	OTHER BENEFITS	88,500.00	0.00	0.00	87,781.07	718.93	0.81 %
2A0	SPACE RENTAL, MAINT. & UTILITY	20,000.00	0.00	0.00	19,911.15	88.85	0.44 %
2B0	REPAIRS, ALTERATIONS, & MAINT	15,000.00	0.00	0.00	1,823.94	13,176.06	87.84 %
2C0	PRINTING AND ADVERTISING	500.00	0.00	0.00	480.48	19.52	3.90 %
2D0	PROF/TECH SERVICES OUTSIDE VEN	2,500.00	0.00	0.00	1,065.70	1,434.30	57.37 %
2F0	COMMUNICATIONS	7,700.00	0.00	0.00	14,015.50	(6,315.50)	(82.02)%
2G0	TRAVEL & SUBSISTENCE -INSTATE	1,100.00	0.00	0.00	381.85	718.15	65.29 %
2H0	TRAVEL & SUBSISTENCE -OUTSTATE	1,500.00	0.00	0.00	250.00	1,250.00	83.33 %
2J0	SUPPLIES	174,800.00	0.00	0.00	191,662.24	(16,862.24)	(9.65)%
2K0	EQUIPMENT	55,000.00	0.00	0.00	42,932.82	12,067.18	21.94 %
2L0	EMPLOYEE DEVELOPMENT	500.00	0.00	0.00	125.00	375.00	75.00 %
2M0	OTHER OPERATING COSTS	7,200.00	0.00	0.00	4,802.20	2,397.80	33.30 %
2R0	STATE AGENCY REIMBURSEMENTS	0.00	0.00	0.00	(1,079.68)	1,079.68	0.00 %
2S0	AGENCY PROVIDED PROF/TECH SERV	20,000.00	0.00	0.00	423.00	19,577.00	97.89 %
3C0	BUILDINGS & LAND IMPROVEMENTS	75,000.00	0.00	0.00	0.00	75,000.00	100.00 %
CLS	EXPENSE BUDGET CLOSING	(50,506.05)	0.00	0.00	0.00	(50,506.05)	0.00 %
Totals for Allotment: 07 203 3739 300		\$1,165,293.95	\$294.52	\$0.00	\$1,151,662.53	\$13,631.42*	1.17 %
*Prior fiscal year balances are not available. Funds either roll forward or cancel depending on appropriation type.							
07 203 3740 300 - TREE IMPROVEMENT (Status = A)							
5D0	AID/GRANTS TO HIGHER ED INSTIT	44,491.00	0.00	0.00	0.00	44,491.00	100.00 %
CLS	EXPENSE BUDGET CLOSING	(44,491.00)	0.00	0.00	0.00	(44,491.00)	0.00 %
Totals for Allotment: 07 203 3740 300		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0.00 %
Totals for Appropriation: 07 203 300		\$2,247,854.34	\$456.54	\$0.00	\$2,204,874.42	\$42,979.92	

Parameter Selections: Display Open Prior Year Accounts: No, FY 2007 to 2007, Fund: 203 to 203, Status: *ALL*
Sort Selection: Regional Sort = No/Programmatic Sort = No/Orgn or Appr Sort = Appropriation

Minnesota Department of Natural Resources
Manager's Financial Report

Account Balances As Of: 2/29/2008 (Including Salary Expenditures for Pay Periods Ending On or Before: 2/19/2008)
Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts from SEMA4

07 203 300 FORESTRY NURSERIES ACCOUNT

Allotment	Object Class	Allotted	Salary Obligation	Encumbered	Expended	Balance	% Bal
Totals for Fund: 203		\$2,247,854.34	\$456.54	\$0.00	\$2,204,874.42	\$42,979.92	
Grand Total:		\$2,247,854.34	\$456.54	\$0.00	\$2,204,874.42	\$42,979.92	

Parameter Selections: Display Open Prior Year Accounts: No, FY 2007 to 2007, Fund: 203 to 203, Status: *ALL*
Sort Selection: Regional Sort = No/Programmatic Sort = No/Orig or Appr Sort = Appropriation

Minnesota Department of Natural Resources

Actual Receipts Report

Selected Date Range 7/1/2006 to 2/1/2008

Printed on 3/18/2009
Printed at 2:53 pm

Appropriation Level: 2007	203	300	3000 FORESTRY NURSERIES ACCOUNT, Rev Code 5354 NURSERY SEED CONE	\$ 179,384.25
Appropriation Level: 2007	203	300	3000 FORESTRY NURSERIES ACCOUNT, Rev Code 5355 NURSERY SEEDLINGS	\$ 2,133,028.68
Appropriation Level: 2007	203	300	3000 FORESTRY NURSERIES ACCOUNT, Rev Code 5463 DEPOSIT CLEARANCE	\$ 0.00
Appropriation Level: 2007	203	300	3000 FORESTRY NURSERIES ACCOUNT, Rev Code 8000 ITC INTEREST EARNINGS	\$ 64,799.57
Grand Total:				\$2,377,172.50

Table 9

There will be an error in returned data if a state payment (PV 2 or 3) did not use accurate transaction line numbers.

Parameter Selections: Hide Detail: Yes, FY 2007 to 2007, Fund: 203 to 203
Sort Selection: Allotment and Rev Code

MN Dept of Natural Resources
Report Date: 2009/03/18 14:57

Aging - 7 Buckets Report

As of 30-JUN-07

Page: 58

Reporting Level: Operating Unit

Reporting Entity: Nurseries

Order By: Customer

Fund: 203

Invoice Number	Type	Due Date	Outstanding Amount	Current	1-30 Days Past Due	31-60 Days Past Due	61-90 Days Past Due	91-120 Days Past Due	121-365 Days Past Due	366+ Days Past Due
Customer Type Total:			110.00							
Fund Total:			338,679.83							
Grand Total:			338,679.83	323,978.91 95.66%	6,410.47 1.89%	49.12 0.01%	198.54 0.06%	0.00 0.00%	5,370.77 1.59%	2,672.02 0.79%
Interest:				-437.21						8,042.79
Sales Tax:				-128.19						Interest -426.35
Payment:				-664.50						7,616.44
				337,449.93						

Table 10