

Minnesota Department of Natural Resources

500 Lafayette Road • St. Paul, MN • 55155-4037



06 - 0363

Gene Merriam, Commissioner
651-259-5555

June 2, 2006

The Honorable Patrick Flahaven
Secretary of the Senate
231 State Capitol
St. Paul, Minnesota 55155

The Honorable Albin Mathiowetz
Chief Clerk of the House
211 State Capitol
St. Paul, Minnesota 55155

Dear Secretary Flahaven and Chief Clerk Mathiowetz:

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 Statute Chapter 89.36, Subdivision 4. It covers the reporting period of Fiscal Year 2005 (July 1, 2004–June 30, 2005). As directed in the statute, the required number of copies of the report has 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 Doug Anderson at (651) 259-5251.

Sincerely,


Gene Merriam
Commissioner

c/ David Epperly, Director, Division of Forestry
Bob Meier, Legislative Liaison, Department of Natural Resources
Douglass Anderson, Nursery Program Supervisor, Division of Forestry
Steve Vongroven, Supervisor, General Andrews Nursery
Craig Vansickle, Supervisor, Badoura Nursery
Legislative Library (six copies)
DNR Library

Attachment

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

State Forest Nursery Program

Fiscal Year 2005 Legislative Report



For more information, contact:

Douglass Anderson—Nursery Program Supervisor, (651) 259-5251

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

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

Introduction

Minnesota's state forest nurseries began producing conservation-grade seedlings for reforestation in 1932. In five 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 Chapter 89.36, Subdivision 4) to annually submit to the Legislature a report on state forest nursery seedling production:

89.36 PRODUCING AND PROCURING PLANTING STOCK

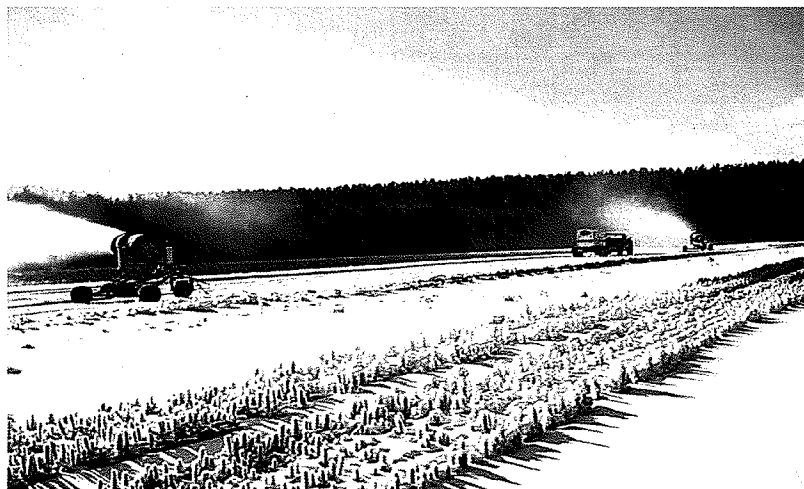
Subd. 4. **Annual report.** The commissioner (of natural resources) shall submit an annual report to the legislature relating to the production of planting stock at state nurseries. The report must include the following:

- (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, permanent food and cover for wildlife, or environmental education.



Snow is blown on seedling beds to prevent winter burn.

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Sales and Production Summary State Forest Nursery Program

Fiscal Year 2005

Table 1: Trees Produced, Purchased, and Sold

Type	Number	Percent
Trees Produced by State Nurseries and Sold	9,993,500	95.1
Privately Produced Trees Purchased by State Nurseries and Sold	416,775	4
Arbor Day Trees	91,000	0.9
Total	10,501,275	100

Figure 1: Trees Produced, Purchased, and Sold

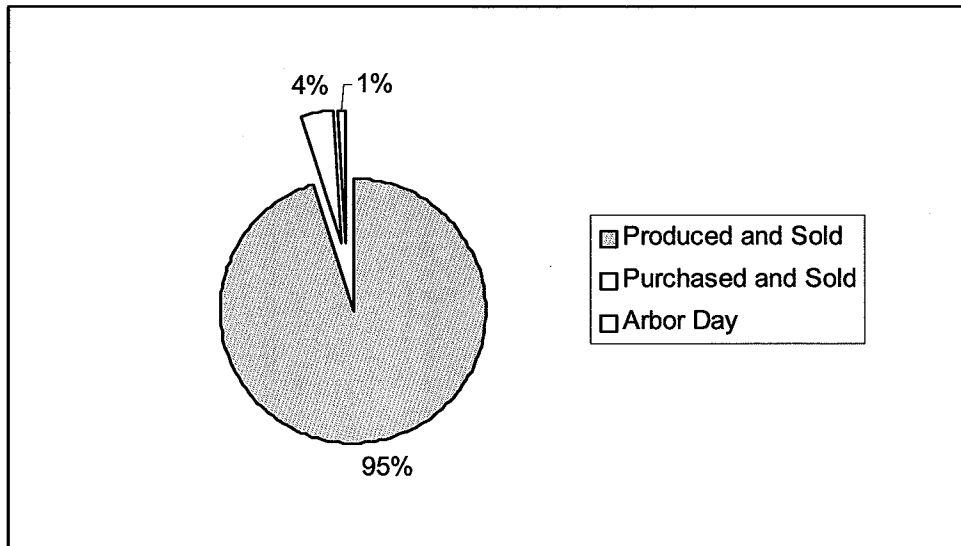


Table 2: Seedling Distribution

Type	Number	Percent
Sales to Public Land	5,323,500	50.7
Sales to Private Lands	5,086,775	48.4
Arbor Day Trees	91,000	0.9
Total	10,501,275	100

Figure 2: Seedling Distribution

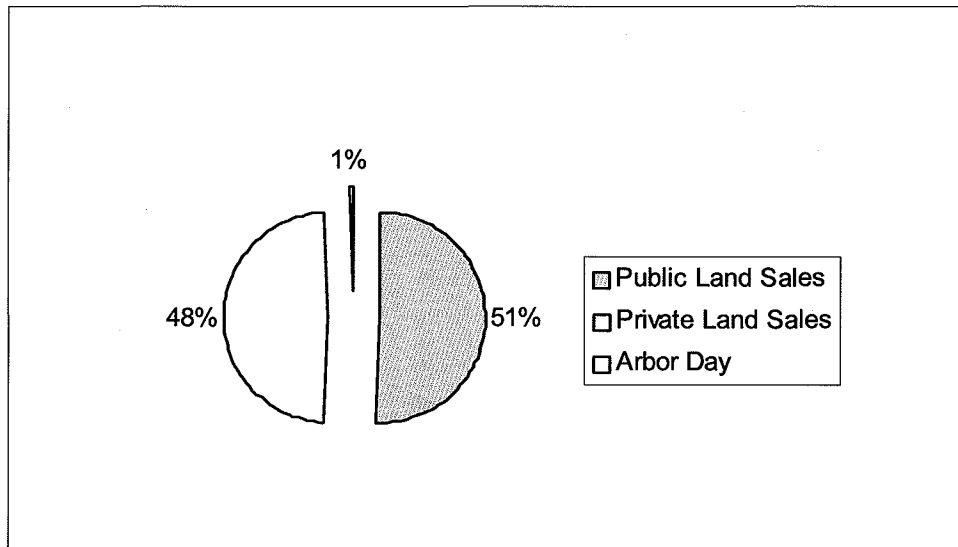
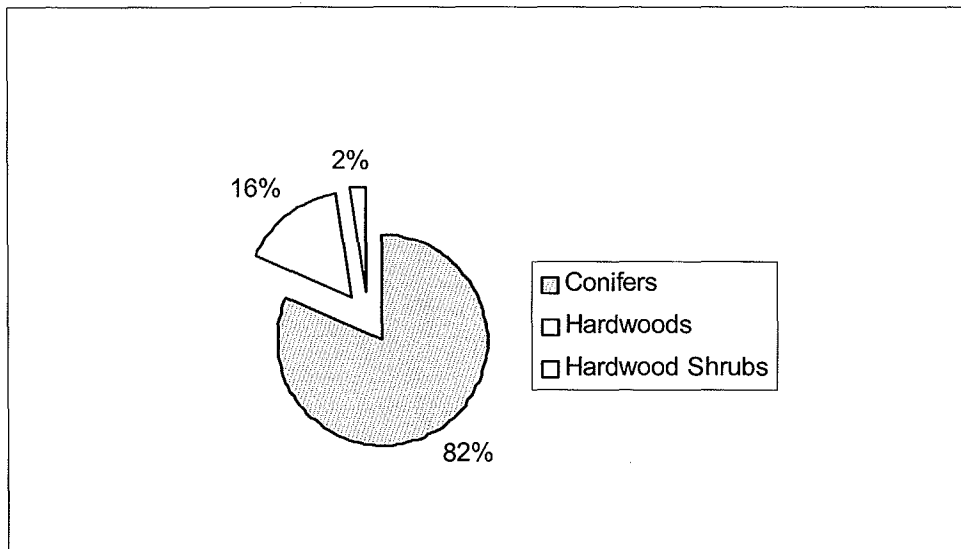


Table 3: Seedling Types

Type	Number	Percent
Conifers (Evergreens)	8,566,400	81.6
Hardwoods (Deciduous)	1,680,075	16
Hardwood Shrubs	254,800	2.4
Total	10,501,275	100

Figure 3: Seedling Types



Summary of Fiscal Year 2005 Sales by Species and Producer

Product	State-Produced Trees Sold	Purchased Trees Sold	State-Produced Arbor Day Trees	Total Trees Shipped
NORWAY PINE SMALL	3,369,900		6,950	3,376,850
NORWAY PINE 6"+	447,275	50,000	500	497,775
NORWAY PINE TRANSPLANTS	163,625			163,625
WHITE PINE SMALL	42,500		150	42,650
WHITE PINE 5"+	999,900		44,200	1,044,100
WHITE PINE TRANSPLANTS	156,200			156,200
JACK PINE	188,700			188,700
JACK PINE IMPROVED	201,500			201,500
WHITE SPRUCE 6"	732,300		3,100	735,400
WHITE SPRUCE SMALL IMPROVED	1,327,000			1,327,000
WHITE SPRUCE IMPROVED	320,900			320,900
WHITE SPRUCE TRANSPLANTS	142,300			142,300
BLACK SPRUCE	5,000			5,000
BLACK SPRUCE IMPROVED TRANS	2,000			2,000
BLACK SPRUCE IMPROVED	66,500			66,500
BALSAM FIR	58,000			58,000
TAMARACK	144,500	10,000	200	154,700
WHITE CEDAR	22,000			22,000
WHITE CEDAR TRANSPLANTS	10,000			10,000
RED CEDAR	51,100		100	51,200
PIN OAK	7,200			7,200
RED OAK	457,925	33,000	17,500	508,425
BUR OAK	155,050	43,000	500	198,550
WHITE OAK	187,800			187,800
MIXED OAK	97,200			97,200
BLACK ASH	5,300			5,300
WHITE ASH	20,700			20,700
GREEN ASH	197,300	30,000	100	227,400
SILVER MAPLE	84,400		10,500	94,900
RED MAPLE	3,300			3,300
SUGAR (HARD) MAPLE	1,700			1,700
PAPER BIRCH	26,100			26,100
YELLOW BIRCH	1,100			1,100
HYBRID POPLAR	37,500	53,400		90,900
COTTONWOOD	21,525	1,675		23,200
BASSWOOD	2,400			2,400
BLACK WALNUT	102,900	50,000		152,900
BUTTERNUT	1,300			1,300
BITTERNUT HICKORY	3,600			3,600
BOX ELDER	1,000		100	1,100
BLACK ELDERBERRY	4,800			4,800
NINEBARK	14,400		6,900	21,300

Product	State-Produced Trees Sold	Purchased Trees Sold	State-Produced Arbor Day Trees	Total Trees Shipped
CHOKECHERRY	1,300	60,500		61,800
JUNEBERRY	200			200
WILD PLUM	28,400		100	28,500
HIGHBUSH CRANBERRY	0	500		500
MOUNTAIN ASH	100	500		600
RED-OSIER DOGWOOD	21,300	33,500	100	54,900
GRAY DOGWOOD	1,500			1,500
CRABAPPLE	0	500		500
NANNYBERRY	1,400			1,400
MOUNTAIN MAPLE	3,800			3,800
4-SEASON WILDLIFE PACKET	29,800	45,200		75,000
HARDWOOD PACKET	20,000	5,000		25,000
TOTALS	9,993,500	416,775	91,000	10,501,275
Total State-Produced Stock Sold	9,993,500			
Purchased Stock Sold	416,775			
Arbor Day Trees	91,000			
TOTAL STOCK SOLD AND DONATED	10,501,275			

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.

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**Table 4—Statement of Revenues and Costs
Forest Nursery Account
Fiscal Year 2005**

Revenues		
	Total Sales Fiscal Year 2005	\$2,345,969
	Investment Income	\$20,094
	Total Revenues	\$2,366,063
Costs		
	Salary and Other Compensation	\$1,726,958
	Supplies and Expenses	\$425,551
	Equipment and Capital Improvements	\$214,177
	Other Costs	\$47,064
	Total Costs	\$2,413,750
Difference	Revenues Minus Costs	\$(47,687)

**Table 5—Cash Receipts and Expenditures
Forest Nursery Account
Fiscal Year 2005**

Balance Forward—in Prior Year			\$1,492,215
Adjusted Balance			+\$199
Adjusted Balance Forward—In			\$1,492,414
Cash Receipts			
	Cash From Prior Fiscal Year Sales	\$275,120	
	Fiscal Year 2005 Cash Sales	\$1,990,985	
	Investment Income	\$20,094	
Fiscal Year 2005 Total Receipts			\$2,286,199
Fiscal Year 2005 Expenditures			-\$2,413,750
Balance Forward— Out			\$1,364,863

**Table 6—Accounts Receivable Reconciliation
Forest Nursery Account
Fiscal Year 2005**

Accounts Receivable 6/30/04	\$390,074	
Total sales Fiscal Year 2005	\$2,345,969	
Total		\$2,736,043
Cash Receipts on Aged Sales	\$275,120	
Fiscal Year 2005 Cash Sales	\$1,990,985	
Total		\$2,266,105
Accounts Receivable 6/30/05		\$469,938

Report: C85 APPR ALLT
 Revision: 110804.ddc

**Minnesota Department of Natural Resources
 Appropriation - Allotment Summary Balance Report
 Account Status For Active Appropriation 1/20/2006**

Printed On: 1/23/2006
 Printed At: 8:39AM

APPROPRIATION SUMMARY BALANCE INFORMATION

FY: 05	Fund: 203	Appr Unit: 300	Bdgt Auth Opt	Proj/Grant Indicator	Legal Citation	Section
Appropriation Name: FORESTRY NURSERIES ACCOUNT			O	N	MS 089 37 004	426 NATURAL RESOURCES DEPT

APPROPRIATION		RECEIPTS		BALANCE FORWARD	ANTIC TRANS	ACTUAL TRANS
ORIGINAL APPR: \$	0.00	ORGNL EST RCPT: \$	2,474,050.00	IN: \$	1,492,413.58	\$ 0.00
CUR MOD APPR:	0.00	CURNT EST RCPT:	2,474,050.00	OUT:	1,364,863.25	0.00
REDUCTIONS:	0.00	ACTUAL RECEIPTS:	2,286,199.33			
CANCELLATIONS:	0.00	DED RCPT CAP:	0.00	TOTAL ALLOTMENTS: \$	2,450,256.88	PRE-ENCUMBRANCES: \$
				UNOBLIGATED BAL:	36,507.22	ENCUMBRANCES:
ENC BDGT AUTHY: \$	2,601,600.33	SPENDING AUTH: \$	2,413,749.66	UNLIQUID. CASH BAL: \$	0.00	EXPENDED AMT: \$
						2,413,749.66

AVAILABLE FOR ALLOTMENT:	\$ 151,343.45	Appropriation End Date:	6/30/2005
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ALLOTMENT SUMMARY BALANCE INFORMATION

<u>FY</u>	<u>Org</u>	<u>Allotment</u>	<u>Status</u>	<u>Allotted</u>	<u>Pre-Encumbered</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>
05	3737	FOR-NURSERY EQP & CAPITAL IMPR	A	0.00	0.00	0.00	0.00	0.00
05	3738	FORESTRY GEN ANDREWS NURSERY	A	1,289,803.08	0.00	0.00	1,270,242.54	19,560.54
05	3739	FORESTRY BADOURA NURSERY	A	1,160,453.80	0.00	0.00	1,143,507.12	16,946.68
05	3740	TREE IMPROVEMENT	A	0.00	0.00	0.00	0.00	0.00
				\$ 2,450,256.88	\$ 0.00	\$ 0.00	\$ 2,413,749.66	\$ 36,507.22

Report: C85 RevBudg

Revision: 110804.cal

Minnesota Department of Natural Resources

Revenue Budget Report

Printed On: 01/23/2006

Printed At: 8:42 am

<u>FY</u>	<u>FUND</u>	<u>ORGN</u>	<u>APPR</u>	<u>REVENUE SOURCE NBR AND NAME</u>			<u>REV RECEIVED</u>	<u>CUR BUD AMT</u>
FOREST MANAGEMENT								
2005	203	3000	300	5354	NURSERY SEED CONE		129,042.44	155,000.00
2005	203	3000	300	5355	NURSERY SEEDLINGS		2,172,117.61	2,294,050.00
2005	203	3000	300	8000	ITC INTEREST EARNINGS		20,094.28	25,000.00
				2005	203	300	<u>\$2,321,254.33</u>	<u>\$2,474,050.00</u>
Total for Program:				FOREST MANAGEMENT			<u>\$2,321,254.33</u>	<u>\$2,474,050.00</u>

Report: C85 MFRDNR4

Minnesota Department of Natural Resources
Managers Financial Report

Printed On: 1/23/2006

Revision: 123003nm

Printed At: 8:40AM

Account Balances As Of: 1/20/2006 (Including Salary Expenditures for Pay Periods Ending On or Before: 1/10/2006)

FY: 05 - 05 Orgn: 3738 - 3739

Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts for SEMA4

FY 05 FOREST MANAGEMENT FOREST MANAGEMENT FOREST MANAGEMENT

Object Class	Salary Obligations	Allotted	Encumbered	Expended	Balance	% Balance
3738 FORESTRY - PROT - GAN						
1A0 FULL TIME	0.13	322,743.87	0.00	322,743.87	0.00	0.00
1B0 PART-TIME, SEASONAL, LABOR SER	-2.14	452,000.00	0.00	425,692.14	26,307.86	5.82
1C0 OVERTIME PAY		10,000.00	0.00	10,825.17	(825.17)	-8.25
1D0 PREMIUM PAY		400.00	0.00	0.00	400.00	100.00
1E0 OTHER BENEFITS		73,068.26	0.00	76,685.20	(3,616.94)	-4.95
2A0 SPACE RENTAL, MAINT, & UTILITY		31,000.00	0.00	24,285.48	6,714.52	21.66
2B0 REPAIRS, ALTERATIONS, & MAINT		11,700.95	0.00	4,083.89	7,617.06	65.10
2C0 PRINTING AND ADVERTISING		3,000.00	0.00	3,867.92	(867.92)	-28.93
2D0 PROF/TECH SERVICES OUTSIDE VEN		5,000.00	0.00	1,100.00	3,900.00	78.00
2F0 COMMUNICATIONS		16,490.00	0.00	16,212.08	277.92	1.69
2G0 TRAVEL & SUBSISTANCE -INSTATE		5,500.00	0.00	3,553.72	1,946.28	35.39
2H0 TRAVEL & SUBSISTANCE -OUTSTATE		4,000.00	0.00	2,100.13	1,899.87	47.50
2J0 SUPPLIES		201,000.00	0.00	169,937.40	31,062.60	15.45
2K0 EQUIPMENT		86,600.00	0.00	96,128.63	(9,528.63)	-11.00
2L0 EMPLOYEE DEVELOPMENT		3,000.00	0.00	1,385.00	1,615.00	53.83
2M0 OTHER OPERATING COSTS		18,000.00	0.00	15,092.71	2,907.29	16.15
2P0 STATEWIDE INDIRECT COSTS		17,000.00	0.00	16,632.00	368.00	2.16
2R0 STATE AGENCY REIMBURSEMENTS		0.00	0.00	(1,565.00)	1,565.00	0.00
2S0 AGENCY PROVIDED PROF/TECH SERV		4,000.00	0.00	3,925.00	75.00	1.88
2T0 AGENCY DIRECT COST		2,300.00	0.00	0.00	2,300.00	100.00

Sorted By: Prog/Obj Code

Report: C85 MFRDNR4

Revision: 123003nm

**Minnesota Department of Natural Resources
Managers Financial Report**

Printed On: 1/23/2006

Printed At: 8:40AM

24

Account Balances As Of: 1/20/2006 (Including Salary Expenditures for Pay Periods Ending On or Before: 1/10/2006)

FY: 05 - 05 Orgn: 3738 - 3739

Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts for SEMA4

FY 05 FOREST MANAGEMENT FOREST MANAGEMENT FOREST MANAGEMENT

<u>Object Class</u>	<u>Salary Obligations</u>	<u>Allotted</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>	<u>% Balance</u>
3C0 BUILDINGS & LAND IMPROVEMENTS		13,000.00	0.00	67,557.20	(54,557.20)	-419.67
5D0 AID TO HIGHER EDUCATION INSTIT		0.00	0.00	10,000.00	(10,000.00)	0.00
5E0 AID TO OTHER GOVERNMENTS		10,000.00	0.00	0.00	10,000.00	100.00
3738						
	-\$2.01	\$1,289,803.08	\$0.00	\$1,270,242.54	\$19,560.54	1.52%

Report: C85 MFRDNR4
 Revision: 123003nm

**Minnesota Department of Natural Resources
 Managers Financial Report**

Printed On: 1/23/2006
 Printed At: 8:40AM

25

Account Balances As Of: 1/20/2006 (Including Salary Expenditures for Pay Periods Ending On or Before: 1/10/2006)

FY: 05 - 05 Orgn: 3738 - 3739

Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts for SEMA4

FY 05 FOREST MANAGEMENT FOREST MANAGEMENT FOREST MANAGEMENT

<u>Object Class</u>	<u>Salary Obligations</u>	<u>Allotted</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>	<u>% Balance</u>
3739 FORESTRY - PROT - B.N.						
1A0 FULL TIME	0.78	302,045.00	0.00	303,891.22	(1,846.22)	-0.61
1B0 PART-TIME, SEASONAL, LABOR SER	1.48	507,786.78	0.00	502,753.52	5,033.26	0.99
1C0 OVERTIME PAY		15,000.00	0.00	12,038.93	2,961.07	19.74
1D0 PREMIUM PAY		1,000.00	0.00	274.39	725.61	72.56
1E0 OTHER BENEFITS		68,470.98	0.00	72,053.55	(3,582.57)	-5.23
2A0 SPACE RENTAL, MAINT, & UTILITY		20,000.00	0.00	19,655.36	344.64	1.72
2B0 REPAIRS, ALTERATIONS, & MAINT		8,151.04	0.00	1,759.71	6,391.33	78.41
2C0 PRINTING AND ADVERTISING		0.00	0.00	427.77	(427.77)	0.00
2D0 PROF/TECH SERVICES OUTSIDE VEN		26,000.00	0.00	23,585.00	2,415.00	9.29
2F0 COMMUNICATIONS		10,000.00	0.00	9,135.31	864.69	8.65
2G0 TRAVEL & SUBSISTANCE -INSTATE		1,500.00	0.00	873.23	626.77	41.78
2H0 TRAVEL & SUBSISTANCE -OUTSTATE		1,000.00	0.00	1,093.87	(93.87)	-9.39
2J0 SUPPLIES		174,000.00	0.00	143,879.93	30,120.07	17.31
2K0 EQUIPMENT		15,500.00	0.00	40,491.48	(24,991.48)	-161.24
2L0 EMPLOYEE DEVELOPMENT		500.00	0.00	550.20	(50.20)	-10.04
2M0 OTHER OPERATING COSTS		8,000.00	0.00	10,041.48	(2,041.48)	-25.52
2R0 STATE AGENCY REIMBURSEMENTS		0.00	0.00	(487.28)	487.28	0.00
2S0 AGENCY PROVIDED PROF/TECH SERV		1,500.00	0.00	1,489.45	10.55	0.70
3C0 BUILDINGS & LAND IMPROVEMENTS		0.00	0.00	0.00	0.00	0.00
3739	\$2.26	\$1,160,453.80	\$0.00	\$1,143,507.12	\$16,946.68	1.46%

Sorted By: Prog/Obj Code

Report: C85 MFRDNR4

Minnesota Department of Natural Resources
Managers Financial Report

Printed On: 1/23/2006

Revision: 123003nm

Printed At: 8:40AM

Account Balances As Of: 1/20/2006 (Including Salary Expenditures for Pay Periods Ending On or Before: 1/10/2006)

FY: 05 - 05 Orgn: 3738 - 3739

Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts for SEMA4

FY 05 FOREST MANAGEMENT FOREST MANAGEMENT FOREST MANAGEMENT

<u>Object Class</u>	<u>Salary Obligations</u>	<u>Allotted</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>	<u>% Balance</u>
Totals for: FY 05 FOREST MANAGEMENT FOREST MANAGEMENT FOREST MANAGEMENT	\$0.25	\$ 2,450,256.88	\$ 0.00	\$ 2,413,749.66	\$ 36,507.22	1.49%