



February 20, 2018

Senator Carrie Ruud  
Chair, Senate Environment and Natural Resources Policy and Legacy Finance Committee  
3233 Minnesota Senate Building  
Saint Paul, MN 55155

Senator Bill Ingebritsen  
Chair, Senate Environment and Natural Resources Finance Committee  
3207 Minnesota Senate Building  
Saint Paul, MN 55155

Representative Dan Fabian  
Chair, House Environment and Natural Resources Policy and Finance Committee  
359 State Office Building  
Saint Paul, MN 55155

Representative Jim Knoblauch  
Chair, House Ways and Means Committee  
453 State Office Building  
Saint Paul, MN 55155

RE: Report on the Land Acquisition Account – FY 2017

Dear Committee Chairs:

As required by Minn.Stat. §94.165, enclosed please find the annual report of DNR's use of funds from the Land Acquisition Account for the fiscal year ending June 30, 2017. The Land Acquisition Account provides a source of funding for land acquisitions for the outdoor recreation system. The account also pays expenses incurred by DNR in offering property for sale or exchange.

The report summarizes the revenue received to the account and expenditures made during FY17. It also provides examples of acquisition, sale and exchange work made possible with funds from the Account.

If you need additional information about the information in this report, please contact Jess Richards, Director of the Division of Lands and Minerals, at (651) 259-5379.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Landwehr'.

Tom Landwehr  
Commissioner

Enclosure

## Land Acquisition Account Fiscal Year 2017 Annual Report

Minnesota Department of Natural Resources



### Creation and Purpose of the Account

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The Department of Natural Resources (DNR) administers 5.6 million acres of land within state forests, state parks, wildlife management areas, scientific and natural areas, aquatic management areas, and other recreation and access sites. The Minnesota Legislature established the Land Acquisition Account in 1984 under Minnesota Statutes 94.16 and 94.165 for the acquisition of natural resource lands or interests in land within the Outdoor Recreation System established in Minnesota Statutes, Chapter 86A.

### Sources and Uses of the Funds

Receipts from the sale of acquired state natural resource land administered by the DNR are credited to the Land Acquisition Account (the “Account”). These credits provide funding to acquire additional state natural resource land in the Outdoor Recreation System and to cover the costs of sale of surplus state land. The Account helps the DNR reach the following goals:

- Consolidating state forest land into large contiguous blocks to increase forest management efficiencies and protect critical forest habitat;
- Acquiring privately-owned “in-holdings” within state parks;
- Acquiring recreation access; and
- Acquiring lands with significant natural resource characteristics.

<b>Financial Review</b>	
<b>FY2017 Beginning fund balance</b>	<b>\$835,083</b>
Prior year adjustment	\$47,173
<b>Revenues</b>	
Sale of land	\$119,124
Land sale costs	\$39,916
Damage costs (sale of standing timber)	\$13,893
Other receipts <sup>1</sup>	<u>\$40,816</u>
Total revenues	\$213,749
<b>Expenditures</b>	
Parks and Trails Management	\$129,127
Forest Management	\$12,846
Fish and Wildlife	\$192,609
Ecological and Water Resources Management	<u>\$0</u>
Total expenditures	<u>\$335,372</u>
<b>FY2017 Ending fund balance</b>	<b><u>\$760,633</u></b>
Net change for FY2017	<b>(\$74,450)</b>

<sup>1</sup> Loan interest and sale of land per laws

## **FY2017 Accomplishments**

Receipts to the Land Acquisition Account during FY17 included revenue from the sale of:

- A 3.98-acre remnant tract of land adjacent to the Paul Bunyan Trail, sold directly to the City of Bemidji pursuant to Minn. Stat. § 85.015 1(b)
- A 40-acre parcel in Cass County sold at public auction
- Four remnant parcels totaling 3.74 acres, sold to resolve private party trespasses on State property
- A 1.12-acre parcel in Clearwater County, part of the former Pine Lake Water Access Site, sold at auction pursuant to Laws of 2016, Chapter 154, Section 26
- A .02-acre parcel located on Allen's Bay of Leech Lake in Cass County, sold pursuant to Laws of 2015, Chapter 25, Section 6
- 24.56 acres from the Paul Bunyan Trail, transferred to the Minnesota Department of Transportation as part of MnDOT's reconstruction of Highway 371. MnDOT will rebuild the section of the Paul Bunyan Trail after the rebuild is complete, and will transfer land back to DNR at that time.

The land sale service charges credited to the Land Acquisition Account reflect the reimbursement of funds utilized from the Land Acquisition Account and other accounts to pay for appraisals and professional services for land sales.

In addition to using Land Acquisition Account funds to purchase land, DNR uses the Land Acquisition Account to pay expenses related to land acquisitions, sales and exchanges of state owned lands (e.g., appraisals, recording fees, legal notifications, and professional/technical services). The Land Acquisition Account benefitted a wide variety of land transactions during FY17, including the following:

Forestry:

The fund supported the sale and survey costs associated with land sale in Welsh Lake State Forest in Cass County.

Parks and Trails:

Funds from the Land Acquisition Account were used to support the following transactions:

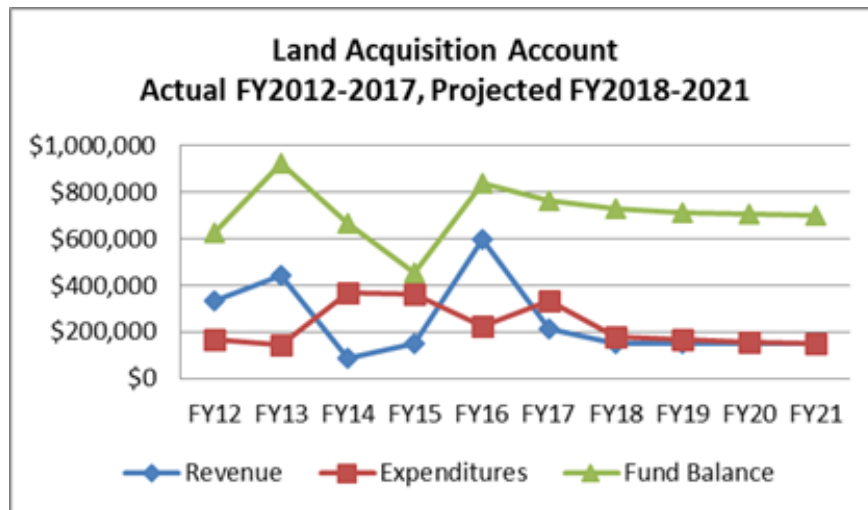
- Land acquisitions for Sibley State Park, Lake Bronson State Park, Lake Bemidji State Park, and Bear Head Lake State Park
- Acquisitions of tax-forfeited lands for Paul Bunyan Trail
- Acquisition of land via transfer of custodial control for Glacial Lakes Trail
- Sales of adjacent trail remnants from the Casey Jones Trail, the Goodhue Pioneer Trail, and the Paul Bunyan Trail
- Sales to resolve trespasses on the Heartland Trail and the Sakatah Singing Hills Trail
- Costs associated with the legislative sale of property from the Pine Lake Water Access site in Clearwater County
- Costs associated with the transfer of custodial control of lands from the Paul Bunyan TRA to MnDOT for repairs being made to Highway 371
- Costs associated with preparations for sales in Cass, Mille Lacs and St. Louis counties

Fish and Wildlife:

Expenditures from the Land Acquisition Account in FY17 were largely dedicated to transaction costs for sales and exchanges. Acquisitions supported with this account included tax forfeit parcels. The largest expenditure was relocation costs related to a previous acquisition.

**Financial Summary FY2012 to FY2021**

Robust land sales and an opportunity to split sales costs across several transactions helped the Fund's balance spike at the close of FY16. Revenues to the Fund in FY17 are more aligned with the Fund's results prior to FY16, but there does appear to be a closure of the gap between revenues and expenses. This may be attributable to the improving real estate market: as sale prices in the overall real estate market continue to rise, the State receives higher prices for properties. As shown in the chart below, expenses for land sales have remained relatively stable, which closes the gap between expenditures from the Fund and revenues to the Fund.



## Contacts

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