

2023 M.S. 16A.125 Transfer Certification Report

The purpose of this report is to provide an annual accounting of the gross and net income to the Permanent School Trust Fund and University Trust for state administered forest management. This report details the costs associated with those management activities which are required to produce timber revenues and certain surface land use revenues before the net profits are transferred to the trusts. In addition, this report identifies Minnesota Office of School Trust Lands and other non-forestry expenditures drawn from the State Forest Suspense Account within the Permanent School Fund to fully document how Forest Suspense Account revenues from state managed trust lands are distributed.



Division of Forestry

May 10, 2024

Cost of Preparation

Name of Legislative Report: Transfer Certification Report

Minnesota Statute Reference: M.S 16A.125, Subd. 5(d)

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Description of Cost	Further explanation if necessary	Amount
Staff time (salary & fringe)	120 hours @ \$59/hour	\$7,080
Duplication	immaterial	-
Other	immaterial	-
TOTAL TO PREPARE REPORT		\$6,840

Statutory Provisions

Minnesota Statute 16A.125, Subd. 5 specifies which types of forestry costs are certified against trust fund lands and how the certified costs and net income from trust fund lands are distributed. Only those costs paid from the General Fund and Forest Management Investment Account that fund state land forest management are included in the cost certification. Costs charged to dedicated funds, federal funds, and capital budgets are excluded from the cost certification process. In addition, only revenues derived from forestry funded activities are included in the process. Non-forestry revenues such as: damage costs, forest campgrounds receipts, land crossing license fees, late charges on surface leases, and wild rice lease rentals are excluded.

EXECUTIVE SUMMARY

Minnesota Department of Natural Resources (DNR) is responsible for forest resource management on about 2.5 million surface acres of school and university trust lands in Minnesota of which 2.485 million acres are subject to cost certification under Minn. Stat. 16A.125. In fiscal year (FY) 2023, qualifying revenue from DNR managed trust lands totaled \$12.5 million, a decrease of \$1.6 million or 11.4 percent compared to FY 2022 (Table 1). FY 2023 qualifying forestry expenditures for DNR managed trust lands totaled \$8.6 million, a decrease of \$1.1 million, or 11 percent compared to FY 2022. FY 2023 total volume scaled (harvested) from trust lands was 376,162 cord equivalents, a decrease of 43,777 cord equivalents or 10 percent year-over-year. In FY 2023, the average value of wood scaled (harvested) was \$28.01 per cord equivalent, an increase of \$0.60 per cord equivalent or 2 percent year-over-year.

Table 1: FY2022-23 School and University Forest Suspense Accounts Forestry Financial Results. (a)

FORESTRY QUALIFYING REVENUES	FY2022	FY2023	YoYΔ\$ (b)	YoYΔ% (c)
Timber Sales	\$12,203,006	\$10,865,108	(\$1,337,898)	-11.0%
TS Interest & Penalty	\$15,016	\$6,632	(\$8,384)	-55.8%
Res Mgmt. Access	\$128	\$1,699	\$1,571	1224.8%
Surface Land Use	\$1,897,932	\$1,633,475	(\$264,457)	-13.9%
Revenues Summary	\$14,116,082	\$12,506,914	(\$1,609,168)	-11.4%
FORESTRY EXPENSES				
Management	\$6,344,014	\$5,757,303	(\$586,711)	-9.2%
Improvement	\$1,436,219	\$1,442,403	\$6,184	0.4%
Forest Roads	\$205,070	\$104,706	(\$100,364)	-48.9%
Administration	\$1,646,384	\$1,263,392	(\$382,992)	-23.3%
Expenses Summary	\$9,631,687	\$8,567,804	(\$1,063,883)	-11.0%
Forestry Operating Income	\$4,484,395	\$3,939,110	(\$545,285)	-12.2%
Forestry Operating Margin	31.8%	31.5%	na	-0.3%
TIMBER VOLUMES & PRICES (d)				
	FY2022	FY2023	YoYΔ\$	YoYΔ%
Volume Sold (cords)	452,014	407,960	(44,054)	-9.7%
Average Sold Price (per cord)	\$26.98	\$30.23	\$3.25	12.0%
Volume Scaled (cords)	419,939	376,162	(43,777)	-10.4%
Average Scaled Price (per cord)	\$27.41	\$28.01	\$0.60	2.2%

a) Totals may be off due to line item rounding.

b) Year-over-year change in dollar value.

c) Year-over-year change percentage dollar value.

d) Sold and scaled cord equivalents all units of measure.

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Per Minn. Stat. 16A.125, Subd. 5(d), this report documents forestry cost recovery which consists of: (i) the transfer of funds from the State Forest Suspense Account to the Forest Management Investment Account (FMIA) of \$7,304,411 for management, improvement, and road expenditures; and (ii) to the General Fund (GF) of \$1,263,392 for administrative costs. For the combined school and university trust funds, net forestry income was \$3,939,110 a 31.5 percent operating margin.¹

Revenues into the Forest Suspense Account are from either qualifying or non-qualifying sources. Qualifying revenues are dollars generated by forest management and certain surface land use activities that are recoverable by transfer to the FMIA through the certification process. To differentiate between net income from Forestry and net to the trusts, non-qualifying revenues are removed from the certification process and passed directly to the School and University Trusts subject to Office of School Trust Lands (OSTL) direct appropriations. Non-qualifying revenues are surface land uses that do not require DNR Forestry expenditures. In FY 2023, non-qualifying State Forest Suspense Account revenue was \$272,431, a year-over-year decrease of \$66,108 or 19.5 percent (Table 2).

Table 2: FY2022-23 State Forest Suspense Account Non-Qualifying Revenue. (a)

Fund > Appropriation > Account	FY2022	FY2023	YoYΔ\$ (b)	YoYΔ% (c)
2000 – LAM St. Forest Suspense Univ				
636134 - Land Crossing Lic on DNR Lands	\$0	\$1107	\$1107	100%
3800 - School Trust Suspense Account				
DNR Parks and Trails				
636014 - Forest Campgrounds	\$312,435	\$234,417	(\$78,018)	(25.0%)
DNR Lands and Minerals				
636056 - Damage Costs	\$11,157	\$10,301	(\$886)	(7.7%)
636057 - Lease - Wild Rice Farming	\$7,006	\$0	(\$7,006)	(100.0%)
636134 - Land Crossing Lic on DNR Lands	\$7,944	\$26,606	18,662	234.9%
Total Non-Qualifying	\$338,540	\$272,431	(\$66,108)	(19.5%)

- a) Totals may be off due to line item rounding.
- b) Year-over-year change in dollar amount.
- c) Year-over-year change percentage.

In FY 2023, non-forestry direct appropriations transferred out of the Forest Suspense Account totaled \$1,018,000. The transfers out were comprised of direct appropriations to the Division of Lands and Minerals (\$218,000), the OSTL Director net (\$300,000), and the OSTL for Boundary Waters Canoe Area (BWCA) Land Exchange and Sales (\$500,000). General Fund non-forestry reimbursements to cover operating costs for the OSTL and the Legislative Permanent School Fund Commission (LPSFC) totaled \$181,882. These non-forestry revenues, direct appropriation

¹ Operating margin (return on sales) is a measure of profitability. It indicates how much of each dollar of revenue is left over after operating and administrative costs are subtracted. The formula for calculating operating margin is: net income from operations divided by gross revenue expressed as a percentage.

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transfers out, and General Fund reimbursements are removed to determine net to the trusts and operating margins. For FY 2023, \$3,010,552 was transferred to the combined school and university trust funds with \$2,934,662 to the Permanent School Fund and \$75,889 to the University Trust.

Gross-Net Trends

FY 2023 qualifying forestry revenue from combined school and university trust lands was \$12.8 million, a 9.5 percent decrease year-over-year from FY 2022. Forestry operating income (total revenues minus certified costs) from combined school and university trust lands was \$3.9 million, a 12.2 percent decrease year-over-year from FY 2022. FY 2023 qualifying forestry revenue from school trust land (STL) was \$12.3 million, a decrease of \$1.2 million or 8.4 percent year-over-year from FY 2022 (Figure 1). FY 2023 STL forestry operating income was \$3.9 million, a decrease of \$129,397 or 3.2 percent compared to FY 2022.

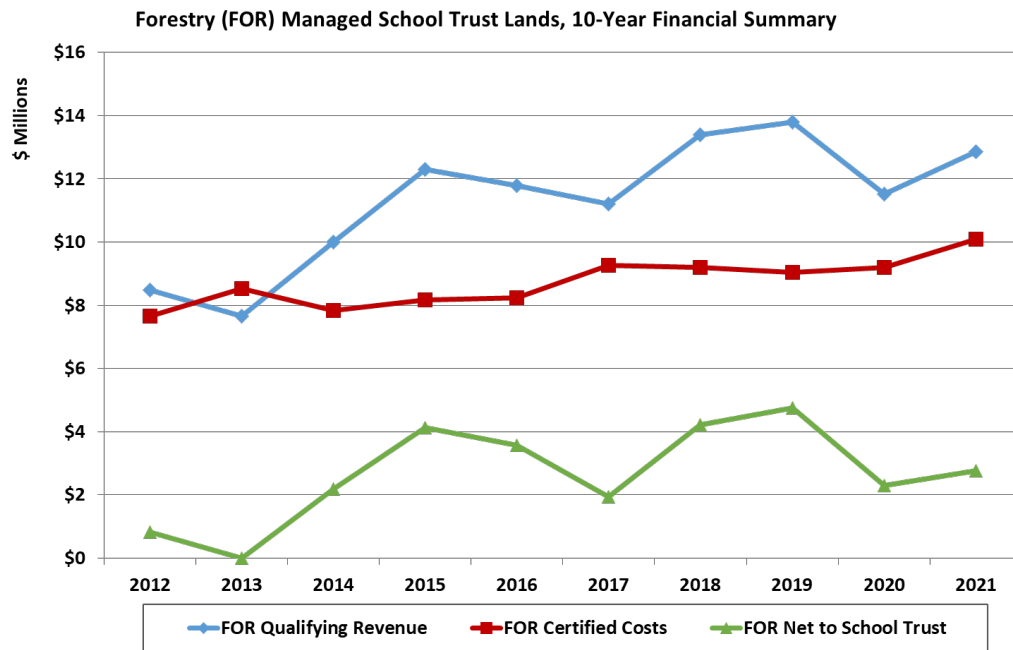


Figure 1: 10-Year Financial Summary for DNR Forestry Managed School Trust Lands.

I. QUALIFYING REVENUES AND EXPENDITURES

This cost certification report provides details on forestry revenue and forest management costs for school and university trust lands in FY 2023.

Qualifying Revenues

Qualifying forestry revenues include timber sales and certain surface land use receipts generated from both school and university trust lands that require work funded by the General Fund and FMIA forest management appropriations. In FY 2023, Minn. Stat. 16A.125 qualifying forestry revenues of \$12.5 million were realized, a year-over-year decrease of \$1.6 million or 11.4 percent.

Qualifying Expenditures

Qualifying expenditures are GF and FMIA appropriations for state land forest management (SLFM) activities that are necessary to generate revenue and implement sound natural resource conservation and management principles. The Division of Forestry budgets, programs and tracks expenditures using a set of unique cost codes applied by fund and appropriation. These cost codes identify qualifying and non-qualifying expenditures by activity (e.g. timber sale preparation and design, timber scaling, forest inventory, and forest roads) that generate the expenditure. Work activities required to generate SLFM revenue qualify for cost certification under Minn. Stat. 16A.125. The qualifying SLFM activities are grouped into four statutory cost categories: management, improvement, roads, and administration.

General operations expenditures (e.g. facilities, information technology, time off, and training) are grouped into a separate shared direct cost category to be prorated across statutory cost categories. First, general operations expenditures are allocated between qualifying and non-qualifying activities. Then, the qualifying portion of general operations is prorated to each statutory cost category based on the percentage of direct qualifying expenditure in each statutory category (management, improvement, roads, and administration). Qualifying expenditures are limited to SLFM activities required to generate state forestry revenue and implement sound natural resource conservation and management principles. Work activities such as outreach, private land forest management assistance, urban forestry, and the United States Forest Service Good Neighbor Authority agreements (GNA) are excluded from the cost certification process.

In FY 2023, adjusted General Fund and FMIA forest management expenditures totaled \$38.7 million. Minn. Stat. 16A.125 net qualifying SLFM expenditures totaled \$28.7 million for all acres subject to cost certification. Based on the percentage trust acres to total DNR administered acres, qualifying forestry expenditure for trust lands was \$8.6 million, a year-over-year decrease of \$1.1 million or 11 percent.

Management (\$5,757,303)—Expenditures are divided into two sub-categories; timber sales and forest resource management. Timber activities consist of timber sales preparation, permit

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supervision, scaling, and timber enforcement. Forest management expenditures, the cost of maintaining forests for future revenue, include: management planning, forest inventory, and third party certification. Management costs are prorated based on the percentage of trust acres to total acres' subject to certification. The FY 2023 trust allocation was 43.4 percent of total \$13,267,132 qualifying management expenditures.

Forest Improvement (\$1,442,403)—Activities include site preparation and reforestation, regeneration surveys, and timber stand improvement activities that establish and improve forests for future revenue. Improvement costs are prorated based on the percentage of trust acres to total acres' subject to certification. The FY 2023 trust allocation was 43.4 percent of total \$3,323,874 qualifying improvement expenditures.

Forest Roads (\$104,706)—State forest roads provide direct management access to trust lands. Road costs are prorated to the trust based on the number of acres within one-half mile of designated state forest system roads. The FY 2023 trust allocation was 9.4 percent of the total \$1,119,607 qualifying roads expenditures.

Administration (\$1,263,392)—Department administrative services provided to the Division of Forestry and Division of Forestry administrative activities include: leadership services, human resources, accounting, general office & clerical, and other direct and necessary costs related to the support of staff that generates revenue. Administrative costs are prorated based on the ratio of trust land expenditures to net qualifying expenditures for: management, improvement, and roads including general operations allocations. The FY 2023 trust allocation was 27.4 percent of the total \$4,612,177 qualifying administrative expenditures.

II. OPERATING RESULTS

DNR state land timber sales comprise about 28 percent of the state's stumpage market. FY 2023 new volume offered was 854,547 cords. Volume sold decreased by 9 percent to 723,844 cords from 791,723 cords in FY 2022. The new offer sell rate decreased by 4.6 percent to 81.3 percent from 85.9 percent in FY 2022. FY 2023 harvest volume all units of measure was 694,126 cords, a decrease of 50,767 cords year-over-year. Reduced wood consumption was the result of a combination of challenging winter weather conditions and decreased mill orders caused by the downturn of consumer demand for paper products and the housing market.

III. DISTRIBUTION OF SCHOOL TRUST REVENUE

Forest products revenues and certain surface land use receipts generated from trust lands are deposited directly in the State Forest Suspense Account within the Permanent School Fund. In FY 2023, \$12.6 million School Trust revenue was deposited in the State Forest Suspense Account. Non-forestry direct appropriations were transferred out of the Forest Suspense Account to the Office of School Trust Lands (OSTL) (\$800,000, 6.3 percent) and DNR Lands and Minerals Division (\$218,000, 1.7 percent). Per Minn. Stat. 16A.125, Subd. 5(d), in the order

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listed, certified forestry costs for management, improvement and roads were transferred to the FMIA (\$7,304,411, 57.2 percent). Certified forestry administrative costs were transferred to the General Fund (\$1,263,392 9.9 percent). Certain operating expenses incurred by the OSTL Director and the LPSFC were reimbursed to the General Fund from the Forest Suspense Account (\$181,882, 1.4 percent). The net balance of \$3,010,552 (23.6 percent) was transferred to the Permanent School Fund Investment Account (Figure 2).

State Forest Suspense Account School Trust Revenue Distribution						
OSTL Direct Approp.	DNR LAM Direct Approp.	FMIA Forest Mgmt. Cost Cert.	GF Forestry Admin Cost Cert.	GF OSTL/LPSFC Reimburse	Net to Permanent School Funds	Total
\$800,000	\$218,000	\$7,304,411	\$1,263,392	\$181,882	\$3,010,552	\$12,778,237
6.3%	1.7%	57.2%	9.9%	1.4%	23.6%	100.0%

Figure 2: State Forest Suspense Account FY 2023 School Trust Revenue Distribution (Minn. Stat. 16A.125 qualifying and non-qualifying).

IV. FORESTRY TRUST COST CERTIFICATION HISTORY

FY 2023 forestry revenue from all state managed acres was \$20.8 million, five-year average \$22.8 million. Qualifying combined school and university trusts revenue was \$12.5 million, five-year average \$13.2 million. The sum of forestry trust cost certification transfers was \$8.6 million, five-year average \$9.4 million. Forestry net to the trust funds was \$3.9 million, five-year average \$3.8 million (Table 3a). After accounting for non-qualifying trust revenues, non-forestry direct appropriations, and non-forestry GF reimbursements, net to the trust funds was \$3.0 million, five-year average \$3.2 million. For FY 2023, certified forestry costs were as follows: forest management \$5.8 million, forest improvement, \$1.4 million, forest roads \$105,000 and administration \$1.3 million (Table 3b). Five-year average certified forestry costs were as follows: forest management \$6.2 million, forest improvement, \$1.4 million, forest roads \$205,000, and administration \$1.5 million.

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Table 3a: Forest Suspense Account History for School and University Trusts.
(amounts in thousands)

Item	FY19	FY20	FY21	FY22	FY23	5-Yr. Avg.
Total Forestry Revenue (a)	\$25,198	\$21,541	\$22,298	\$23,949	\$23,548	\$22,755
Forestry Trust Revenue	\$14,408	\$11,739	\$13,019	\$14,116	\$12,506	\$13,158
Cost Transfer to GF	(\$1,498)	(\$1,567)	(\$1,624)	(\$1,646)	(\$1,263)	(\$1,520)
Cost Transfer to FMIA	(\$7,601)	(\$7,710)	(\$8,593)	(\$7,985)	(\$7,304)	(\$7,839)
Sum Cert. Cost Transfers	(\$9,099)	(\$9,277)	(\$10,217)	(\$9,632)	(\$8,567)	(\$9,358)
Forestry Net to Trusts	\$5,309	\$2,462	\$2,802	\$4,484	\$3,939	\$3,799
Non-Forestry Revenues	\$328	\$303	\$774	\$339	\$272	\$403
Non-Forestry Direct Appropriations						
DNR LAM (b)	(\$202)	(\$215)	(\$218)	(\$218)	(\$218)	(\$214)
OSTL (c)	(\$300)	(\$300)	(\$43)	(\$800)	(\$800)	(\$449)
Non-Forestry Reimbursements						
OSTL General Fund	(\$184)	(\$170)	(\$183)	(\$181)	(\$179)	(\$179)
LPSFC General Fund (d)	(\$8)	(\$6)	(\$4)	(\$3)	(\$3)	(\$5)
Net to Trust	\$4,943	\$2,073	\$3,128	\$3,621	\$3,011	\$3,207

Table 3b: Forestry Certified Costs History for School and University Trusts.
(amounts in thousands)

Forestry Cost Item	FY19	FY20	FY21	FY22	FY23	5-Yr. Avg.
Forest Management	\$5,981	\$6,497	\$6,448	\$6,344	\$5,757	\$6,205
Forest Improvement	\$1,351	\$1,045	\$1,869	\$1,436	\$1,442	\$1,429
Forest Roads	\$269	\$168	\$276	\$205	\$105	\$205
Administration	\$1,498	\$1,567	\$1,624	\$1,646	\$1,263	\$1,520
Total	\$9,099	\$9,277	\$10,217	\$9,632	\$8,568	\$9,359

a) Timber sales, resource mgmt. access permits, and qualifying surface land use.

b) DNR Lands and Minerals Division.

c) OSTL = Office of School Trust Lands; was Dept. of Administration, Trust Director prior to FY 2020.

d) LPSFC = Legislative Permanent School Fund Commission.

Totals may be off due to line-item rounding.

V. DNR FORESTRY TIMBER PROGRAM

In FY 2023, DNR Forestry sold 739,954 cord equivalents and harvested (scaled) 708,735 cord equivalents all species, products, and units of measure excluding GNA agreements (Figure 3). School Trust land (STL) accounted for 407,960 cords sold, 55 percent of total non-GNA volume sold, and 376,162 cords harvested (scaled), 53 percent of total non-GNA cords harvested (scaled).

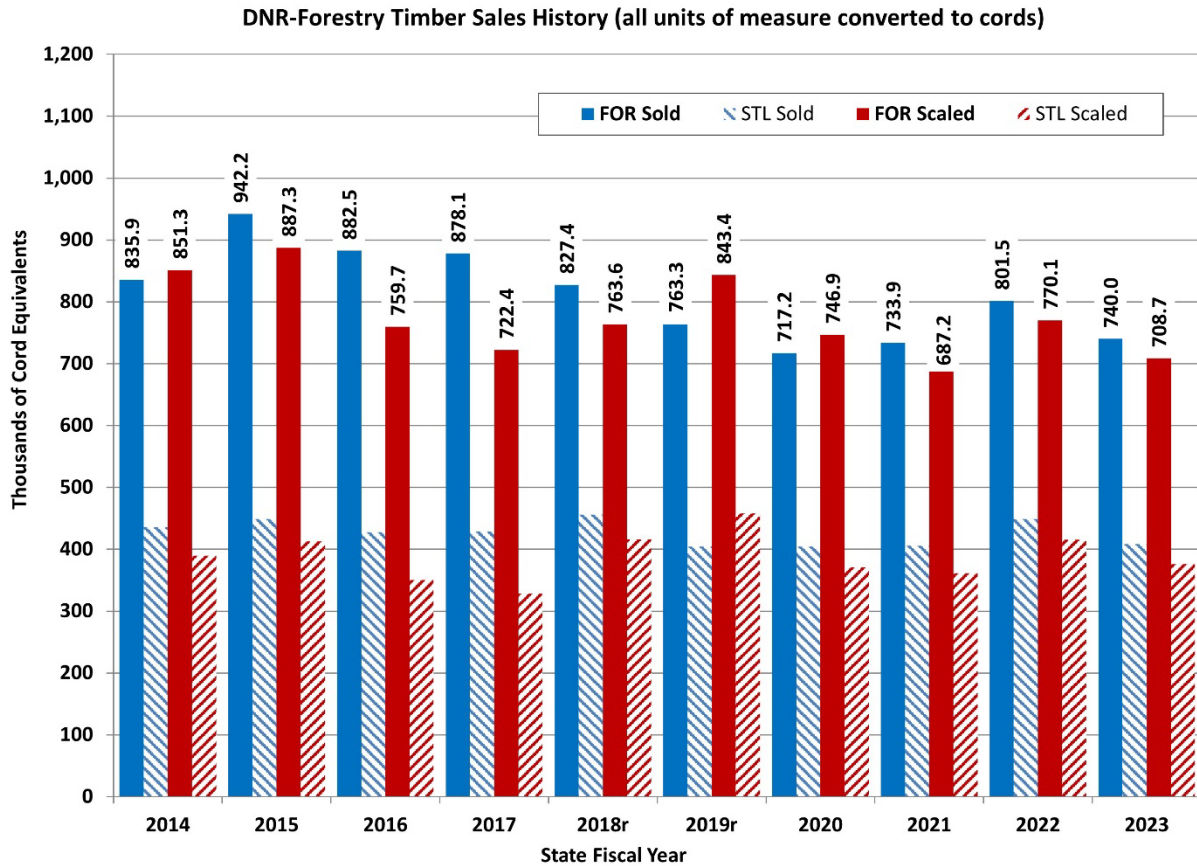


Figure 3: DNR Forestry 10-Year Timber Sales History with School Trust, Volumes Sold and Harvested. A “r” notes a revised number from previous report.

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Non-salvage DNR timber permits are typically valid for three to five years from the sale date and can be harvested at any point during that period. Hence, average sold and scaled prices are not the same in a given fiscal year. In FY 2023, the average price received for timber sold increased to \$29.33 per cord compared to \$28.33 in FY 2022, an increase of \$1.00 per cord or 3.7 percent year-over-year (Figure 4). In FY 2023, the average price received for timber harvested (scaled) increased to \$28.90 per cord as compared to \$27.25 in FY 2022, an increase of \$1.65 per cord or 6 percent year-over-year.

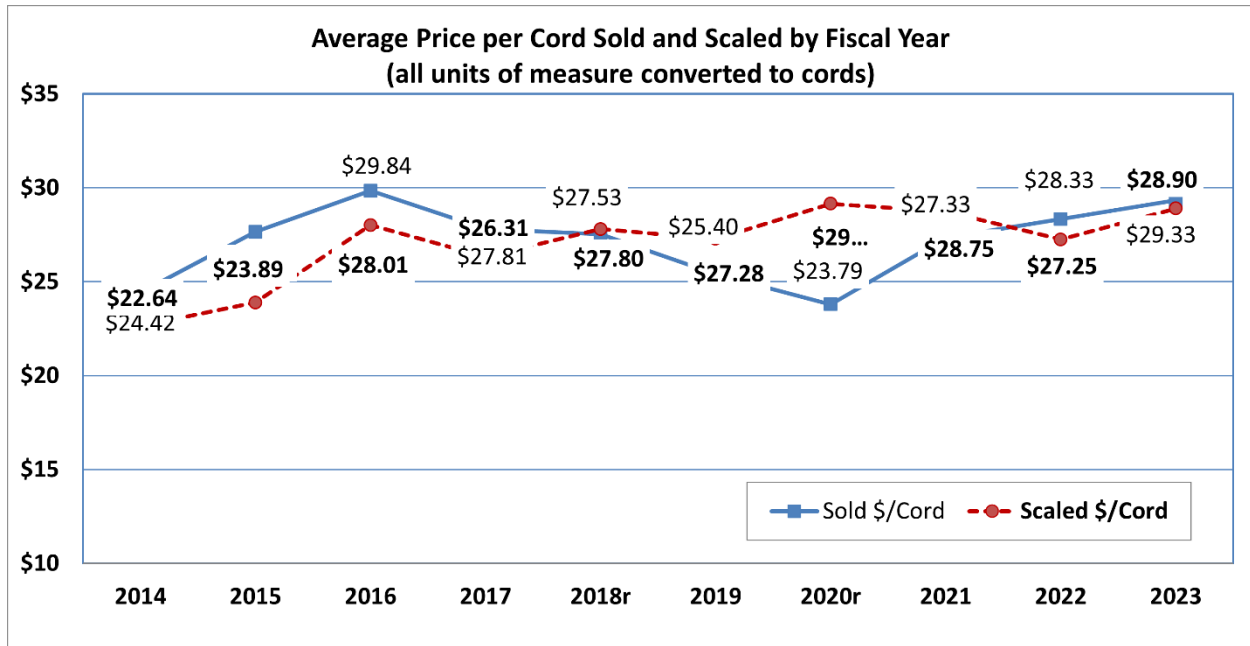


Figure 4: DNR Forestry 10-Year History Average Prices Received for Timber Sold and Scaled. A “r” notes a revised number from previous report.

In FY 2014-16, local market scarcity, driven by tight aspen supply, drove price increases. In FY 2017-18, the increased 900,000-cord timber target in combination with below average harvest volumes added to the growing backlog of sold-not harvested inventory, pulling sell prices down from the FY 2016 peak. In FY 2019-20, virtually all end-product markets declined for various reasons including the COVID-19 pandemic and the Verso Duluth paper mill shut down. Depressed end-product markets combined with continuing high sold-not cut inventory drove further sell price declines. In FY 2021, average sales value per cord increased 14.9 percent year-over-year in response to improving end-product markets. This was short lived as interest rates in FY 2023 increased and market demand waned. Additionally, adverse weather conditions slowed harvest operations, furthering lower harvest rates.

VI. FINANCIAL PERFORMANCE COMPARISONS

Per Minn. Stat. 16A.125, Subd. 5(c), “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 addressed in the 2014 Office of the Legislative Auditor (OLA) Evaluation Report on DNR Forest Management.² In this report, 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). However, the OLA report included an “efficiency” comparison between DNR’s combined Tower, Hibbing, and Cloquet forestry areas with the Saint Louis County (SLC) Land Department. The basis for comparison was new cords offered per full-time equivalent (FTE). OLA found “...the efficiency of the [DNR] Forestry Division’s timber sales activity compared favorably with SLC’s activity” (2014 OLA Report, p87). With that being said, a comparative analysis of financial performance is provided 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 and relatively low when compared with the Pacific Northwest and Southern United States.
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: forestry, real estate, minerals, and recreation being combined for operational and accounting purposes. Every attempt is made to adjust external financial reporting to be somewhat DNR comparable.
4. Sources of revenue and other funding are highly variable between organizations.
5. Fiscal years and cost accounting formats are not uniform among land management organizations. Reported accounting numbers require a range of adjustments to be somewhat comparable to DNR.
6. All financials are self reported and unaudited.

The analysis of financial performance includes: profit potential, profitability, management efficiency, and land productivity. Of the land managing entities analyzed, operating margins ranged from -12.8 percent (Chippewa National Forest, CNF) to 10.3 percent (St. Louis County) with DNR managed School Trust Land (DNR-STL) reporting an operating margin of 31.5 percent (Table 4). Profit potential (gross timber revenue per cord) ranged from \$27.83 per cord (Saint Louis County, SLC) to \$40.25 per cord (CNF) with DNR-STL at \$27.73 per cord. In terms of management efficiency, average cost per cord sold ranged from \$53.95 (CNF) to \$63.74 (SLC) with DNR-STL reporting \$21.00 per cord sold. In terms of land productivity, cords sold per managed acre ranged from 0.18 (CNF) to .24 (SLC) with DNR-STL reporting an average 0.30 cord harvested per managed acre.

² 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.

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Table 4: Minn. Stat. 16A.125, Subd. 5(c) Financial Performance Comparisons.

Item	MNDNR School Trust FY2023	SLC County CY2022	CNF Federal FY2022
REVENUES (\$000)			
Timber Sales	\$10,872	\$3,898	\$3,220
Surface Land Use	\$1,635	\$5,224	\$818
Total Qualifying Revenue	\$12,507	\$9,122	\$4,037
EXPENSES (\$000)			
Total Forest Mgmt. Expenditure	\$8,568	\$8,179	\$4,555
INCOME FROM OPERATIONS (\$000)			
Profit/(Loss) from Operations	\$3,939	\$943	(\$518)
PROFIT POTENTIAL (\$)			
Gross Timber Revenue per Cord (b)	\$27.73	\$27.83	\$40.25
Gross Revenue per Mgmt. Acre	\$9.23	\$16.71	\$7.01
PROFITABILITY			
Operating Margin	31.5%	10.3%	-12.8%
Operating P/(L) per Cord Harvested	\$10.47	\$6.21	(\$6.85)
MANAGEMENT EFFICIENCY			
Avg. Cost per Cord Sold	\$21.00	\$63.74	\$53.95
Avg. Cost per Mgmt. Acre	\$6.32	\$14.99	\$9.92
LAND PRODUCTIVITY			
Cords Sold per Mgmt. Acre	.30	0.24	0.18
STATISTICAL DATA (acres in thousands)			
Fiscal Year end	June 30	Dec 31	Sept 30
Cords Sold	408	128	84
Cords Harvested	376	152	76
Average of Cords Sold & Harvested	392	140	80
Timber Mgmt. Acres (c)	1,355	546	459
Total Admin Acres	2,485	902	667

Notes for financial performance comparisons:

- a) Comparisons are: Saint Louis County MN (SLC), data source = direct contact financial data request; Chippewa National Forest MN (CNF), data source = direct contact multiple financial data requests;
- b) Timber sales revenue divided by average of cords sold and harvested.
- c) School trust timber management acres estimated using 2017 data from Paul Olson, DNR-MNIT.

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Historical comparisons of operating margins are provided with the same caveats as the annual comprehensive financial comparisons. Over the past five years, DNR managed STL operating margins ranged from a low 20.0% percent in FY 2020 to a high 34.5 percent in FY 2019 (Figure 5). CNF forestry is primarily focused on maintaining and enhancing wildlife habitat, generating negative profit margins in three of the past five years, with substantial impacts to operations related to COVID-19.

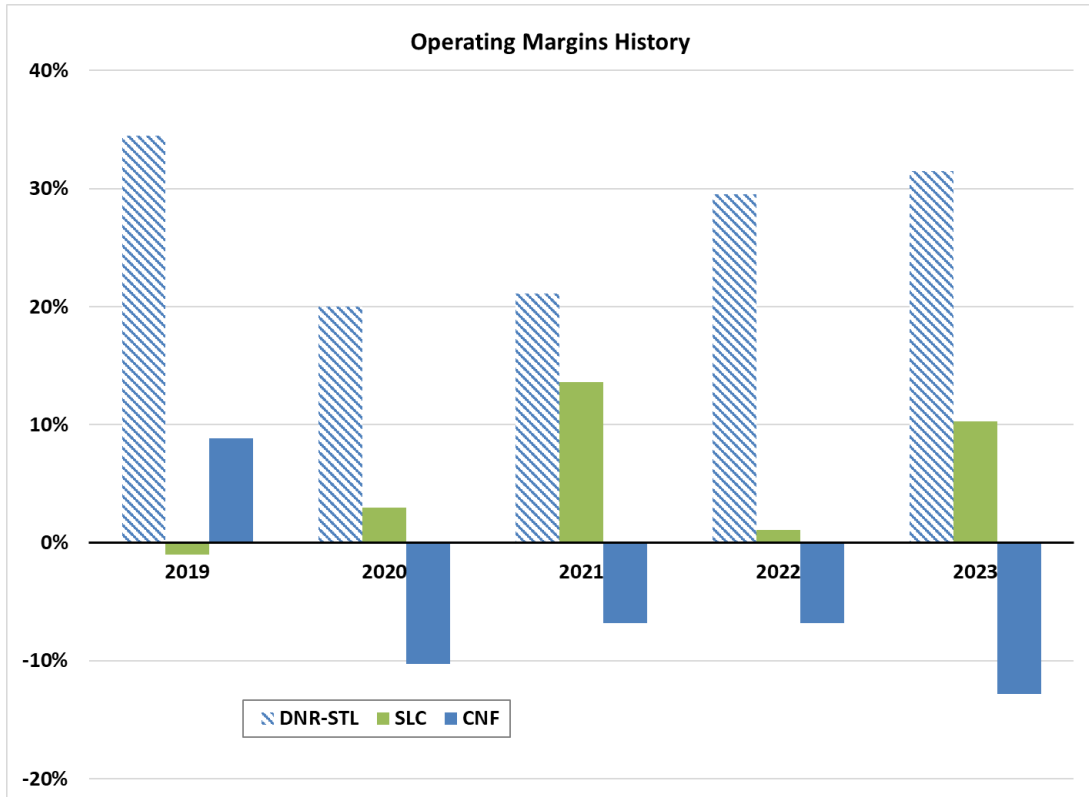


Figure 5: Minn. Stat. 16A.125 Subd. 5(c), Comparison of Operating Margins 5-Year History.

Exhibit 1: FY 2023 Minn. Statute 16A.125 Cost Allocation

Base Data from Division of Lands and Minerals, Division of Forestry and MN.IT.

Data Item	Value
Acres of Permanent School Fund Land Subject to Cost Certification	2,459,310
Acres of University Trust Fund Land Subject to Cost Certification	25,840
Total Acres of Trust Fund Land Subject to Cost Certification	2,485,150
Total State Land Admin Acres	5,726,782
Total Trust Acres Percent of Total State Admin Acres	43.4%
Permanent School Fund Acres Percent of Total State Admin Acres	42.9%
University Trust Percent of Total Admin Acres	0.5%
Permanent School Fund Acres Percent of Total Trust Acres Subject to Certification	99.0%
University Trust Acres Percent of Total Trust Acres Subject to Certification	1.0%
School Trust acres within 1/2 mile forest road as a percent of State Admin Acres	9.4%
University Trust acres within 1/2 mile forest road percent of State Admin Acres	0.1%
Net Allowable Forestry Expenditures Paid From the General Fund and FMIA	\$28,712,548

**Minnesota Department of Natural Resources
Division of Forestry
M.S. 16A.125, Subd 5. Certification Report
State Forest Suspense Account FY2023**




2023

REVENUES	School Susp. Fund: 3800	Univ. Susp. Fund: 2000	School+Univ Susp. Total
[A] Revenues Forestry Qualifying	12,341,936	164,977	12,506,913
[B] Revenues Non-Qualifying	271,324	1,107	272,431
[C] Total Revenues	12,613,260	166,084	12,779,344
DIRECT APPROPRIATIONS, EXPENDITURES, AND REIMBURSEMENTS			
Non-Forestry Direct Appropriations Transferred Out of Forest Suspense Account			
DNR LAM St For Susp. Land Sales & Aggregate			
Legal Citation: 211 006 01 003 02C	(218,000)	0	(218,000)
OSTL Base Perm School			
Legal Citation: 23 006 01 003 09D	(300,000)	0	(300,000)
OSTL BWCA Land Exchange & Sales			
Legal Citation: 211 006 01 003 09C	(500,000)	0	(500,000)
[D] Total Non-Forestry Direct Appropriations	(1,018,000)	0	(1,018,000)
Total Revenues Minus Direct Appropriations	11,595,260	166,084	11,761,344
Expenditures - Forestry Qualifying			
[E] Management	\$ (5,697,439)	\$ (59,864)	\$ (5,757,303)
[F] Improvement	\$ (1,427,405)	\$ (14,998)	\$ (1,442,403)
[G] Forest Roads	\$ (103,617)	\$ (1,089)	\$ (104,706)
[H] Administration	\$ (1,250,255)	\$ (13,137)	\$ (1,263,392)
[J] Forestry Certified Costs	(8,478,716)	(89,088)	(8,567,803)
Non-Forestry Reimbursements to General Fund			
DNR OSTL Base General Fund			
Legal Citations: 211 006 01 003 09B and Minn. Stats. 22, Ch. 16A.125, Subd. 5(d)(2)	(179,027)		(179,027)
Legislative Permanent School Fund Commission (LPSFC)			
Legal Citations: 211 012 01 002 04 and Minn. Stats. 22, Ch. 16A.125, Subd. 5(d)(2)	(2,855)		(2,855)
[K] Total Non-Forestry Reimbursements	(181,882)	0	(181,882)
NET INCOME			
[L] Forestry Net to Trust Funds ⁽¹⁾	3,863,220	75,889	3,939,110
[M] Net to Permanent Trust Funds ⁽²⁾	2,934,662	76,996	3,011,659

Transfers to Other Funds Per M.S. 16A.125, Subd. 5(d)	School Susp. Fund: 3800	Univ. Susp. Fund: 2000	School+Univ Susp. Total
Transfer to the Forest Management Investment Account			
M.S. 16A.125, Subd. 5(d)(1) Transfer ⁽³⁾	(7,228,461)	(75,951)	(7,304,411)
Transfer to the State General Fund			
M.S. 16A.125, Subd. 5(d)(2) Transfer ⁽⁴⁾	(181,882)	0	(181,882)
Transfer to the State General Fund			
M.S. 16A.125, Subd. 5(d)(3) Transfer ⁽⁵⁾	(1,250,255)	(13,137)	(1,263,392)
Total M.S. 16A.125 Transfers to Other Funds	(8,660,598)	(89,088)	(8,749,685)

Table Notes

- ⁽¹⁾ Forestry qualifying revenues [line A] minus forestry certified costs [line J]
 - ⁽²⁾ M.S. 16A.125, Subd. 5(d)(4) Transfers to the Permanent Trust Fund: (C-D-J-K)
 - ⁽³⁾ Sum of certified forest management [line E], improvement [line F], and forest roads [line G] costs.
 - ⁽⁴⁾ Sum of Dept. of Admin, Trust Director and LPSFC cost reimbursements as shown on line K.
 - ⁽⁵⁾ Forestry qualifying administration costs as shown on line H.
- Totals may not add due to line item rounding to the nearest dollar.*

Signatures	Signatures	Signatures
 Patty Thielen <small>Digitally signed by Patty Thielen Date: 2024.06.10 13:44:20 -05'00'</small>	 Mary Robison <small>Digitally signed by Mary Robison Date: 2024.06.10 15:40:17 -05'00'</small>	 Ryan Merz <small>Digitally signed by Ryan Merz Date: 2024.06.21 15:18:28 -05'00'</small>
<small>Patty Thielen Director, DNR Division of Forestry</small>	<small>Mary Robison Chief Financial Officer, DNR OMBS</small>	<small>Ryan Merz Executive Budget Officer, MMB</small>