

04 - 0120



Minnesota Department of Natural Resources

OFFICE OF THE COMMISSIONER

500 Lafayette Road
St. Paul, Minnesota 55155-4037

February 19, 2004

Patrick Flahaven
Secretary of the Senate
231 State Capitol
St. Paul, MN 55155

Legislative Reference Library (6)
645 State Office Building
St. Paul, MN 55155

Edward Burdick
Chief Clerk of the House
211 State Capitol
St. Paul, MN 55155

Enclosed please find FY 2003 State Forest Nursery Program Report as mandated under MN Laws Chapter 89.36 Subdivision 4.

The enclosed packet contains:

- The enabling legislation for the State Forest Nursery
- A Sales and Production Summary graphic
- A Summary of FY2003 Sales by Species and Producer
- Accounting summaries outlining sales and income figures as well as expenses for operations and administration.

If you have questions regarding this material, staff from the State Forest Nursery can provide assistance. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gene Merriam".

Gene Merriam
Commissioner

cc: Douglass Anderson
General Andrews Nursery
Badoura Nursery
DNR Library

DNR INFORMATION: 651-296-6157, 1-888-646-6367 (TTY: 651-296-5484, 1-800-657-3929) FAX: 651-296-4799



February 18, 2004

Patrick Flahaven
Secretary of the Senate
231 State Capitol
St. Paul, MN 55155

Legislative Reference Library (6)
645 State Office Building
St. Paul, MN 55155

Edward Burdick
Chief Clerk of the House
211 State Capitol
St. Paul, MN 55155

Enclosed please find FY 2003 State Forest Nursery Program Report as mandated under MN Laws Chapter 89.36 Subdivision 4.

The enclosed packet contains:

- The enabling legislation for the State Forest Nursery
- A Sales and Production Summary graphic
- A Summary of FY2003 Sales by Species and Producer
- Accounting summaries outlining sales and income figures as well as expenses for operations and administration.

If you have questions regarding this material, staff from the State Forest Nursery can provide assistance. Thank you for your attention to this matter.

Sincerely,

Gene Merriam
Commissioner

cc: Douglass Anderson
General Andrews Nursery
Badoura Nursery
DNR Library

Reviewed - OK
MRAND 2/18/04



Minnesota Department of Natural Resources

Division of Forestry

State Forest Nursery Program

FY 2003 Legislative Report

Douglass Anderson – Nursery Program Supervisor 651-297-4467

General Andrews Nursery 218-372-3182

Badoura Nursery 218-652-2385

State Law Governing The State Nursery Program
(Only relevant sections are shown with full text.)

Chapter Title: STATE FORESTS; TREE PLANTING; FOREST ROADS

Section: 89.35 - 89.39

89.35 Tree planting.....

89.36 Producing and procuring planting stock.

Subd. 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 therefor 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.

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.

Subd. 3. Sale or exchange of stock. ...

Subd. 4. Annual report. The commissioner 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) sales 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.

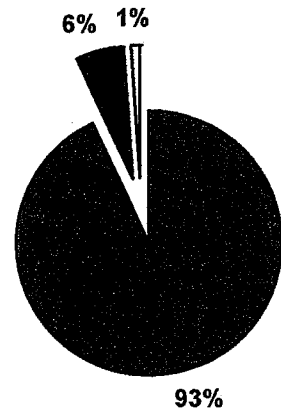
89.37 Distributing planting stock.

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.

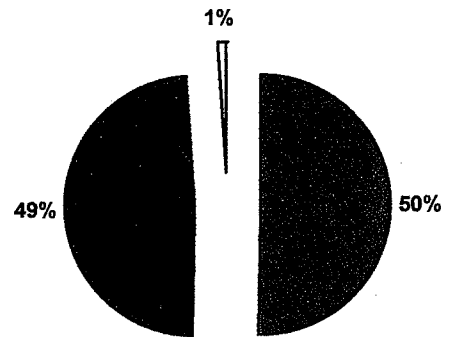
Subd. 5. Investment income. Income earned from the investment of funds in the forest nursery account beginning July 1, 1989, shall be credited to the account and are annually appropriated to the commissioner of natural resources for the purposes of sections 89.35 to 89.37

**FY 2003 State Forest Nursery Program
Sales and Production Summary**

State Produced Trees	10,063,362	(93.17%)
Private Produced Trees	619,000	(5.73%)
Arbor Day Trees	119,150	(1.10%)



Sales to Public Land	5,441,612	(50.38%)
Sales to Private Lands	5,240,750	(48.52%)
Arbor Day Trees	119,150	(1.10%)



FY2003 STATE FOREST NURSERY SALES BY SPECIES AND PRODUCER

PRODUCT	SFN Inventory	Purchased Inventory	Arbor Day	Amount Sold	Available
NORWAY PINE SM	272,500	0	0	272,500	0
NORWAY PINE 6"	3,719,500	0	11,000	3,719,500	0
NORWAY PINE TR	150,500	0	0	150,500	0
WHITE PINE SMALL	56,500	0	0	56,500	0
WHITE PINE 5+"	924,300	150,000	59,500	1,074,300	0
WHITE PINE TR	113,200	0	0	113,200	0
JACK PINE	411,600	0	0	411,600	0
JACK PINE IMPROVED	580,450	0	0	580,450	0
WHITE SPRUCE SM	5,000	0	0	5,000	0
WHITE SPRUCE 6"	787,900	150,000	12,800	937,900	0
WHITE SPRUCE IMP	1,424,700	0	0	1,424,700	0
WHITE SPRUCE IMP SM	33,500	0	0	33,500	0
WHITE SPRUCE TR	107,000	0	0	107,000	0
BLK SPRUCE	89,300	0	0	89,300	0
BLK SPRUCE IMPROVED	21,200	0	0	21,200	0
BALSAM FIR	46,600	0	0	46,600	0
TAMARACK	11,900	0	0	11,900	0
WHITE CEDAR 6"	107,950	0	0	107,950	0
WHITE CEDAR TR	20,500	0	0	20,500	0
RED CEDAR 6"	32,500	0	0	32,500	0
PIN OAK	3,700	0	0	3,700	0
RED OAK SMALL	25,000	0	0	25,000	0
RED OAK	241,825	0	0	241,825	0
BUR OAK	215,200	0	11,700	215,200	0
WHITE OAK	144,000	0	12,800	144,000	0
MIXED OAK	66,600	0	0	66,600	0
BLACK ASH	80,250	0	0	80,250	0
WHITE ASH	27,500	0	0	27,500	0
GREEN ASH	34,150	100,000	300	134,150	0
SILVER MAPLE	99,250	0	8,700	99,250	0
PAPER BIRCH	10,300	0	0	10,300	0
YELLOW BIRCH	2,800	0	0	2,800	0
ASPEN, TRMBLING SS803	500	0	0	500	0
HYBRID POPLAR	43,200	27,000	0	70,200	0
SIouxLAND POPLAR	3,900	0	0	3,900	0
COTTONWOOD	4,550	1,000	0	5,550	0
BLACK WALNUT	99,700	0	500	99,700	0
BLACK MAPLE	6,900	0	0	6,900	0
SUGAR (HARD) MAPLE	9,800	0	0	9,800	0
BLACK CHERRY	800	0	0	800	0
BUTTERNUT	3,100	0	0	3,100	0
BITTERNUT HICKORY	4,937	0	0	4,937	0
BOX ELDER	100	0	0	100	0
BLACK ELDERBERRY	500	0	0	500	0
PIN CHERRY	3,000	0	0	3,000	0
CHOKE CHERRY	2,100	30,000	0	32,100	0
JUNEBERRY	800	0	0	800	0
WILD PLUM	12,600	0	0	12,600	0
HIBUSH CRANBERRY	5,200	0	0	5,200	0
MOUNTAIN ASH	2,300	0	0	2,300	0
RED OSIER DOGWOOD	34,800	50,000	1,500	84,800	0
GRAY DOGWOOD	1,700	0	0	1,700	0
CRABAPPLE	0	800	0	800	0
MOUNTAIN MAPLE	750	0	0	750	0
NANNYBERRY	2,300	0	0	2,300	0

4-SEASON WILDLIFE PK	57,300	60,200	0	117,500	0
HARDWOOD PACKET	14,500	20,000	0	34,500	0
TOTALS	10,182,512	619,000	119,150	10,801,512	0

Basis of Accounting

The Forest Nursery program is operated on a self sustaining basis so that, over time, the revenues cover expenditures. Seedlings take up to five years to produce. Each year costs are incurred; however about 70% of the total cost is incurred in the last year 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 thru June 30. The costs associated with that year are the production costs for all the seedlings in the inventory - not just those 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 where necessary. As a consequence of the above, in a given year we may show a small surplus or deficit, but over time it will balance.

In a given fiscal year a significant portion of the "sales" have 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 MAPS accounting system should not be expected to tie to sales for that fiscal year.

**Forest Nursery Account
Statement of Revenues and Costs
FY 2003**

Revenues

FY 2003 Sales **\$2,355,711**

Investment Income **\$38,922**

Total Revenues **\$2,394,633**

Costs

Salary & Other Compensation **\$1,620,760**

Supplies and Expenses **516,801**

Equipment and Capital Improvements **46,034**

Other Costs **57,585**

Total Costs **\$2,241,180**

Difference Revenues over Costs **\$153,453**

**Forest Nursery Account
Cash Receipts and Expenditures
FY 2003**

Balance Forward - In	\$1,269,097
Prior Year Adjustment	\$14,070
Adj. Bal. Forward - In	\$1,283,167
Cash Receipts	
From Prior FY sales	\$948,985
FY 2003 sales	1,991,662
Investment Income	38,922
FY 03 Total Receipts	\$2,979,569
FY 03 Expenditures	-2,241,180
Balance Forward - Out	\$2,021,556

**Forest Nursery Account
Accounts Receivable Reconciliation
FY 2003**

Accounts Receivable 6/30/02	\$1,061,453	
Total Sales FY 2003	2,355,711	
		\$3,417,164
Cash Receipts on Sales		
Prior FY sales	\$948,985	
FY 2003 sales	1,991,662	
		-\$2,940,647
Accounts Receivable 6/30/03		\$476,517

MAPS C7 MFRDNR 23 for both Nurseries (for time period 7-1 through 9-30)
Managers Financial Report

MAPS C7 APPR ALT2 (for time period 7-1 through 9-30)
Appropriation-Allotment Summary Balance Report

MAPS C7 REVBUDG
Revenue Budget Report

Managers Financial Report

Account Balances As Of: 9/30/2003 (Including Salary Expenditures for Pay Periods Ending On or Before: 9/20/2003)

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

FY: 03 - 03 Program: 30 - 30 BACT: 10 - 10 MACT: 101 - 101

FY 03 FOREST MANAGEMENT

<u>Appropriation Number and Name</u>		<u>Allotted</u>	<u>Salary Obligations</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>	<u>% Bal</u>
<u>Object Class</u>							
2003	203 300 FORESTRY NURSERIES ACCOUNT						
1A0	FULL TIME	478,898.00	493,415.09	\$ 0.00	\$ 491,240.91	\$ (12,342.91)	0.2 %
1B0	PART-TIME, SEASONAL, LABOR SER	907,000.00	913,367.80	\$ 0.00	\$ 909,070.20	\$ (2,070.20)	(1.5)%
1C0	OVERTIME PAY	32,000.00	0.00	\$ 0.00	\$ 24,502.91	\$ 7,497.09	49.4 %
1D0	PREMIUM PAY	200.00	0.00	\$ 0.00	\$ 7.32	\$ 192.68	92.7 %
1E0	OTHER BENEFITS	185,722.21	0.00	\$ 0.00	\$ 195,938.76	\$ (10,216.55)	(5.4)%
2A0	SPACE RENTAL, MAINT, & UTILITY	43,000.00	0.00	\$ 10,819.39	\$ 37,547.10	\$ (5,366.49)	0.4 %
2B0	REPAIRS, ALTERATIONS, & MAINT	20,000.00	0.00	\$ 0.00	\$ 17,849.98	\$ 2,150.02	7.4 %
2C0	PRINTING AND ADVERTISING	4,900.00	0.00	\$ 0.00	\$ 4,180.67	\$ 719.33	54.5 %
2D0	PROF/TECH SERVICES OUTSIDE VEN	11,500.00	0.00	\$ 0.00	\$ 4,384.00	\$ 7,116.00	93.4 %
2F0	COMMUNICATIONS	37,000.00	0.00	\$ 0.00	\$ 27,090.95	\$ 9,909.05	20.7 %
2G0	TRAVEL & SUBSISTANCE -INSTATE	4,200.00	0.00	\$ 0.00	\$ 4,251.21	\$ (51.21)	47.7 %
2H0	TRAVEL & SUBSISTANCE -OUTSTATE	5,000.00	0.00	\$ 0.00	\$ 1,122.45	\$ 3,877.55	52.5 %
2J0	SUPPLIES	439,020.79	0.00	\$ 27,134.65	\$ 420,374.81	\$ (8,488.67)	(6.3)%
2K0	EQUIPMENT	25,200.00	0.00	\$ 1,014.02	\$ 36,390.43	\$ (12,204.45)	13.3 %
2L0	EMPLOYEE DEVELOPMENT	2,000.00	0.00	\$ 0.00	\$ 1,618.00	\$ 382.00	79.0 %
2M0	OTHER OPERATING COSTS	212,000.00	0.00	\$ 118.68	\$ 34,486.49	\$ 177,394.83	21.1 %
2P0	STATEWIDE INDIRECT COSTS	21,071.00	0.00	\$ 0.00	\$ 21,071.00	\$ 0.00	0.0 %
2S0	AGENCY PROVIDED PROF/TECH SERV	600.00	0.00	\$ 0.00	\$ 410.00	\$ 190.00	31.7 %
2T0	AGENCY DIRECT COST	0.00	0.00	\$ 0.00	\$ 0.00	\$ 0.00	0.0 %
3C0	BUILDINGS & LAND IMPROVEMENTS	3,000.00	0.00	\$ 0.00	\$ 2,144.01	\$ 855.99	28.5 %
5D0	AID TO HIGHER EDUCATION INSTIT	7,500.00	0.00	\$ 0.00	\$ 7,500.00	\$ 0.00	0.0 %
Totals for Appropriation Unit: 203 300		\$ 2,439,812.00	1,406,782.89	\$ 39,086.74	\$ 2,241,181.20	\$ 159,544.06	
Totals for BACT: 10		\$ 2,439,812.00	1,406,782.89	\$ 39,086.74	\$ 2,241,181.20	\$ 159,544.06	

Minnesota Department of Natural Resources

Managers Financial Report

Account Balances As Of: 9/30/2003 (Including Salary Expenditures for Pay Periods Ending On or Before: 9/20/2003)

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

FY: 03 - 03 Program: 30 - 30 BACT: 10 - 10 MACT: 101 - 101

FY 03 FOREST MANAGEMENT

<u>Appropriation Number and Name</u>	<u>Allotted</u>	<u>Salary Obligations</u>	<u>Encumbered</u>	<u>Expended</u>	<u>Balance</u>	<u>% Bal</u>
<u>Object Class</u>						
Totals for FY: 2003	\$ 2,439,812.00	1,406,782.89	\$ 39,086.74	\$ 2,241,181.20	\$ 159,544.06	

Appropriation - Allotment Summary Balance Report

Account Status For Active Appropriations As Of: 9/30/2003

APPROPRIATION SUMMARY BALANCE INFORMATION

FY: 03 Fund: 203 Appr Unit: 300 Bdgt Auth Opt: O Legal Citation: MS 089 37 004 Section: 426 NATURAL RESOURCES DEPT
Appropriation Name: FORESTRY NURSERIES ACCOUNT

APPROPRIATION		RECEIPTS		BALANCE FORWARD		ANTIC TRANS	ACTUAL TRANS
ORIGINAL APPR: \$	0.00	ORGNL EST RCPT: \$	2,103,300.00	IN: \$	1,283,167.10	\$	0.00
CUR MOD APPR:	0.00	CURNT EST RCPT:	2,305,300.00	OUT:	1,982,467.78		0.00
REDUCTIONS:	0.00	ACTUAL RECEIPTS:	2,979,568.62				
CANCELLATIONS:	0.00	DED RCPT CAP:	0.00	TOTAL ALLOTMENTS: \$	2,439,812.00	PRE-ENCUMBRANCES: \$	0.00
				UNOBLIGATED BAL:	159,544.06	ENCUMBRANCES:	39,086.74
ENC BDGT AUTHY: \$	2,280,267.94	SPENDING AUTH: \$	2,280,267.94	UNLIQ. CASH BAL: \$	39,086.74	EXPENDE AMT: \$	2,241,181.20

AVAILABLE FOR ALLOTMENT: \$ (159,544.06)

Appropriation End Date: 6/30/2003

ALLOTMENT SUMMARY BALANCE INFORMATION

FY	Allotment	Status	Allotted	Pre-Encumbered	Encumbered	Expended	Balance
03 3737	FOR-NURSERY EQP & CAPITAL IMPR	A	160,000.00	0.00	0.00	19,361.71	140,638.29
03 3738	FORESTRY GEN ANDREWS NURSERY	A	\$ 1,138,218.00	\$ 0.00	\$ 23,941.79	\$ 1,100,676.79	\$ 13,599.42
03 3739	FORESTRY BADOURA NURSERY	A	1,141,594.00	0.00	15,144.95	1,121,142.70	5,306.35
			<u>\$ 2,439,812.00</u>	<u>\$ 0.00</u>	<u>\$ 39,086.74</u>	<u>\$ 2,241,181.20</u>	<u>\$ 159,544.06</u>

Minnesota Department of Natural Resources
 Revenue Budget Report

<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							
2003	203	3000	300	5354	NURSERY SEED CONE	206,570.19	150,000.00
2003	203	3000	300	5355	NURSERY SEEDLINGS	2,734,076.91	2,100,300.00
2003	203	3000	300	8000	ITC INTEREST EARNINGS	38,921.52	55,000.00
				2003	203 300	<u>\$2,979,568.62</u>	<u>\$2,305,300.00</u>
Total for Program:				FOREST MANAGEMENT		<u><u>\$2,979,568.62</u></u>	<u><u>\$2,305,300.00</u></u>