

Minnesota Department of Natural Resources

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



05 - 0476

Gene Merriam, Commissioner
651-296-2549

July 25, 2005

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

Albin Mathiowetz
Chief Clerk of the House
211 State Capitol
St. Paul, MN 55155

Enclosed please find FY 2004 State Forest Nursery Program Report as mandated under MN Laws Chapter 89.36 Subdivision 4.

The enclosed packet contains:

- A Sales and Production Summary graphic
- A Summary of FY2004 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:

Michael Carroll
Douglass Anderson
General Andrews Nursery
Badoura Nursery
DNR Library



Minnesota Department of Natural Resources

Division of Forestry

State Forest Nursery Program

FY 2004 Legislative Report

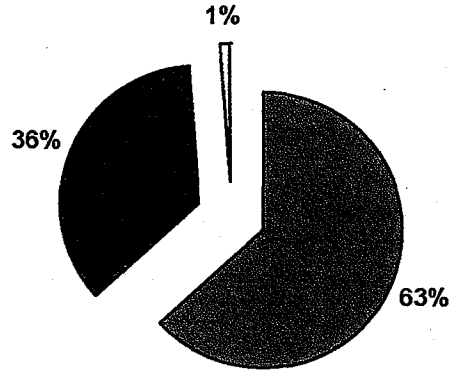
Douglass Anderson – Nursery Program Supervisor 651-297-4467

General Andrews Nursery 218-372-3182

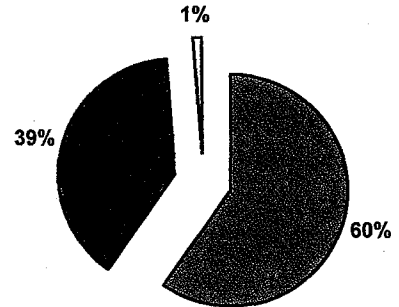
Badoura Nursery 218-652-2385

**Sales and Production Summary
State Forest Nursery Program
FY 2004**

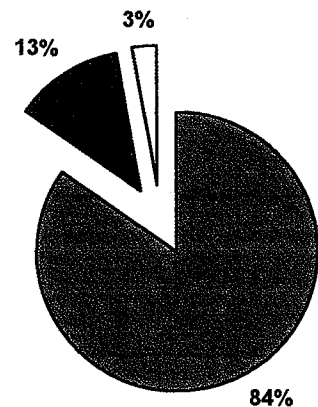
Trees Produced by the State Nurseries and Sold	5,997,861	(63.41%)
Private Produced Trees Purchased by the State Nurseries and Sold	3,359,380	(35.52%)
<u>Arbor Day Trees</u>	<u>101,350</u>	<u>(1.07%)</u>
Total	9,458,591	(100 %)



Sales to Public Land	5,637,706	(59.60%)
Sales to Private Lands	3,719,535	(39.32%)
<u>Arbor Day Trees</u>	<u>101,350</u>	<u>(1.07%)</u>
Total	9,458,591	(100%)



Conifers (evergreens)	8,013,835	(84.73%)
Hardwoods (deciduous)	1,183,956	(12.52%)
<u>Hardwood shrubs</u>	<u>260,800</u>	<u>(2.75%)</u>
Total	9,458,591	(100%)



Summary of FY 2004 Sales by Species and Producer

Product	State Produced Trees Sold	Purchased Trees Sold	State Produced Arbor Day Trees	Total Trees Shipped
NORWAY PINE SM	298,800	1,700,000		1,998,800
NORWAY PINE 6"+	768,540	1,012,420	300	1,781,260
NORWAY PINE TR	110,175			110,175
WHITE PINE SM	81,100			81,100
WHITE PINE 5"+	771,200		62,525	833,725
WHITE PINE TR	60,550			60,550
WHITE PINE IMP	500			500
JACK PINE	453,800			453,800
JACK PINE IMP	196,500			196,500
WHITE SPRUCE 6"	326,840	292,960	2,400	622,200
WHITE SPRUCE SM IMP	185,000			185,000
WHITE SPRUCE IMP	1,204,800			1,204,800
WHITE SPRUCE TR	123,100			123,100
BLACK SPRUCE	65,300			65,300
BLACK SPRUCE SM	22,500			22,500
BALSAM FIR	138,600			138,600
TAMARACK	39,900			39,900
WHITE CEDAR	40,300		25	40,325
WHITE CEDAR TR	6,200			6,200
RED CEDAR	49,500			49,500
PIN OAK	1,000			1,000
RED OAK SMALL	9,500			9,500
RED OAK	145,100	84,000	50	229,150
BUR OAK	218,300		1,200	219,500
WHITE OAK	83,900			83,900
MIXED OAK	83,800		200	84,000
BLACK ASH	25,800			25,800
WHITE ASH	11,100			11,100
GREEN ASH	83,600	100,000	25	183,625
SILVER MAPLE	103,300		14,925	118,225
PAPER BIRCH	20,000			20,000
YELLOW BIRCH	4,000			4,000
ASPEN, TREMBLING	14,200			14,200
HYBRID POPLAR	40,500			40,500
SIOUXLAND POPLAR	1,200			1,200
COTTONWOOD	17,000	5,000		22,000
BLACK WALNUT	42,800	20,000	300	63,100
BLACK CHERRY	0	5,000		5,000
SUGAR(HARD)MAPLE	0	21,300		21,300
AMERICAN CHESTNUT	156			156
BUTTERNUT	2,200			2,200
BLACK ELDERBERRY	4,750			4,750
NINEBARK	5,750			5,750
CHOKE CHERRY	15,500	30,000		45,500
JUNEBERRY	1,400			1,400
WILD PLUM	21,950		19,400	41,350
HIBUSH CRANBERRY	3,200			3,200
MOUNTAIN ASH	3,250			3,250
RED OSIER DOGWOOD	56,500			56,500

Product	State Produced Trees Sold	Purchased Trees Sold	State Produced Arbor Day Trees	Total Trees Shipped
GRAY DOGWOOD	0	1,000		1,000
CRABAPPLE	0	1,000		1,000
NANNYBERRY	3,100			3,100
4 SEASON WILDLIFE PKTS	26,000	68,000		94,000
HARDWOOD PACKET	5,800	18,700		24,500
TOTALS	5,997,861	3,359,380	101,350	9,458,591
Total State Produced Stock Sold	5,997,861			
Purchased Stock	3,359,380			
Arbor Day Giveaway	101,350			
TOTAL STOCK SOLD & DONATED	9,458,591			

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.

NOTE

Legislation passed in 2004 allowed for up to \$600,000 to be transferred from the forest nursery account into the Forest Management Investment Account to provide for cash flow needs. The amount of the transfer will be repaid to the forest nursery account no later than June 30, 2012. (Ch 241, Sec 14, Subd 4)

The large balance forward is necessary to cover the costs of planting and cultivating the seedlings before the nursery program starts getting receipts for tree sales. Without it, there would be a negative cash balance during part of the year.

Fiscal year 2004 showed a loss of \$614,385 because of a disease, sphaeropsis sapinea, in the red pine seedlings which resulted in a loss of over 2.5 million seedlings that would have been sold. The winter of 2003-2004 was without much snow to cover the seedlings. This created additional losses in other species of seedlings from desiccation of seed, needles and stems.

**Table 1 – Statement of Revenues and Costs
Forest Nursery Account
FY 2004**

Revenues		
	Total Sales FY 2004	\$1,999,540
	Investment Income	\$19,483
	Total Revenues	\$2,019,023
Costs		
	Salary and Other Compensation	\$1,549,020
	Supplies and Expenses	\$862,147
	Equipment and Capital Improvements	\$193,248
	Other Costs	\$28,993
	Total Costs	\$2,633,408
Difference	Revenues Minus Costs	\$(614,385)

**Table 2 – Cash Receipts and Expenditures
Forest Nursery Account
FY 2004**

Balance Forward – in Prior Year			\$2,021,556
Adjusted Balance			-\$1,399
Adjusted Balance Forward – in			\$2,020,157
Cash Receipts			
	Cash From Prior FY Sales	\$325,601	
	FY 2004 Cash Sales	\$1,760,382	
	Investment Income	\$19,483	
FY 04 Total Receipts			\$2,105,466
FY 04 Expenditures			-\$2,633,408
Balance Forward - Out			\$1,492,215

**Table 3 – Accounts Receivable Reconciliation
Forest Nursery Account
FY 2004**

Accounts Receivable 6/30/03	\$476,517	
Total sales FY 04	\$1,999,540	
Total		\$2,476,057
Cash Receipts on Sales	*\$325,601	
FY 2004 Cash Sales	\$1,760,382	
Total		\$2,085,983
Accounts Receivable 6/30/04		\$390,074

*The \$150,916 difference in accounts receivable and cash receipts is due to delays in cost share payments from the USDA Farm Services Administration.

Report: C7 MFRDNR23

Minnesota Department of Natural Resources

Printed On: 2/23/2005

Revision: 102799.dhf

Managers Financial Report

Printed At: 10:51AM

Account Balances As Of: 2/18/2005 (Including Salary Expenditures for Pay Periods Ending On or Before: 2/8/2005)

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

FY: 04 - 04 Program: 30 - 30 BACT: 10 - 10 MACT: 101 - 101

FY 04 FOREST MANAGEMENT

101 - 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 Fund: 203	\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	
Totals for MACT: 101	\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	
Totals for BACT: 10	\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	
Totals for Program: 30	\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	
Totals for FY: 2004	\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	

Appropriation - Allotment Summary Balance Report

Account Status For Active Appropriations As Of: 2/18/2005

APPROPRIATION SUMMARY BALANCE INFORMATION

FY: 04 Fund: 203 Appr Unit: 300 Bdgt Auth Opt: 0 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: \$	2,460,000.00	IN: \$	2,020,156.78	\$	0.00	\$	0.00
CUR MOD APPR:	0.00	CURNT EST RCPT:	2,460,000.00	OUT:	1,492,214.14		0.00		0.00
REDUCTIONS:	0.00	ACTUAL RECEIPTS:	2,105,465.79						
CANCELLATIONS:	0.00	DED RCPT CAP:	0.00	TOTAL ALLOTMENTS: \$	2,633,408.43	PRE-ENCUMBRANCES: \$			0.00
ENC BDGT AUTHY: \$	2,987,942.64	SPENDING AUTH: \$	2,633,408.43	UNOBLIGATED BAL:	199.44	ENCUMBRANCES:			0.00
				UNLIQ. CASH BAL: \$	199.44	EXPENDED AMT: \$			2,633,208.99

AVAILABLE FOR ALLOTMENT: \$ 354,534.21

Appropriation End Date: 6/30/2004

ALLOTMENT SUMMARY BALANCE INFORMATION

FY	Allotment	Status	Allotted	Pre-Encumbered	Encumbered	Expended	Balance
04	3737 FOR-NURSERY EQP & CAPITAL IMPR	A	\$ 68,524.42	\$ 0.00	\$ 0.00	\$ 68,524.42	\$ 0.00
04	3738 FORESTRY GEN ANDREWS NURSERY	A	1,496,263.92	0.00	0.00	1,496,064.48	199.44
04	3739 FORESTRY BADOURA NURSERY	A	1,068,620.09	0.00	0.00	1,068,620.09	0.00
			<u>\$ 2,633,408.43</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 2,633,208.99</u>	<u>\$ 199.44</u>

Department of Natural Resources

ESTIMATED/ACTUAL RECEIPTS

FY 2004

As of **8/31/2004**

ESTIMATED

RECOGNIZED

PROG 30 FOREST MANAGEMENT

FUND 203 FOREST MGMT

APR 300

3000	5354	NURSERY SEED CONE	155,000.00	139,838.32
3000	5355	NURSERY SEEDLINGS	2,250,000.00	1,946,144.23
3000	8000	ITC INTEREST EARNINGS	55,000.00	19,483.24

TOTAL APR 300	<u>2,460,000.00</u>	<u>2,105,465.79</u>
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TOTAL FUND 203	<u>2,460,000.00</u>	<u>2,105,465.79</u>
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GRAND TOTAL	<u><u>2,460,000.00</u></u>	<u><u>2,105,465.79</u></u>
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Obligated Amounts for Object Classes 1A0 and 1B0 are Current Modified Payroll Obligation Amounts from SEMA4

FY: 04 - 04 Program: 30 - 30 BACT: 10 - 10 MACT: 101 - 101

FY 04 FOREST MANAGEMENT

101 - FOREST MANAGEMENT

Appropriation Number and Name		Allotted	Salary Obligations	Encumbered	Expended	Balance	% Bal
Object Class							
2004	203 300 FORESTRY NURSERIES ACCOUNT						
	1A0 FULL TIME	558,162.00	(2,521.42)	\$ 0.00	\$ 556,204.42	\$ 1,957.58	0.6 %
	1B0 PART-TIME, SEASONAL, LABOR SER	844,107.00	(2,804.03)	\$ 0.00	\$ 837,228.03	\$ 6,878.97	0.8 %
	1C0 OVERTIME PAY	23,460.97	0.00	\$ 0.00	\$ 18,245.45	\$ 5,215.52	35.4 %
	1D0 PREMIUM PAY	500.00	0.00	\$ 0.00	\$ 229.00	\$ 271.00	(129.0)%
	1E0 OTHER BENEFITS	205,492.40	0.00	\$ 0.00	\$ 137,113.57	\$ 68,378.83	63.5 %
	2A0 SPACE RENTAL, MAINT, & UTILITY	56,743.38	0.00	\$ 0.00	\$ 40,913.59	\$ 15,829.79	23.7 %
	2B0 REPAIRS, ALTERATIONS, & MAINT	49,000.00	0.00	\$ 0.00	\$ 26,443.09	\$ 22,556.91	7.4 %
	2C0 PRINTING AND ADVERTISING	5,500.00	0.00	\$ 0.00	\$ 3,635.19	\$ 1,864.81	100.0 %
	2D0 PROF/TECH SERVICES OUTSIDE VEN	40,600.00	0.00	\$ 0.00	\$ 28,975.00	\$ 11,625.00	3.7 %
	2E0 COMPUTER & SYSTEMS SERVICES	15,000.00	0.00	\$ 0.00	\$ 10,000.00	\$ 5,000.00	33.3 %
	2F0 COMMUNICATIONS	33,700.00	0.00	\$ 0.00	\$ 23,435.95	\$ 10,264.05	22.1 %
	2G0 TRAVEL & SUBSISTANCE -INSTATE	24,700.00	0.00	\$ 0.00	\$ 5,269.60	\$ 19,430.40	25.9 %
	2H0 TRAVEL & SUBSISTANCE -OUTSTATE	3,000.00	0.00	\$ 0.00	\$ 542.35	\$ 2,457.65	100.0 %
	2J0 SUPPLIES	942,000.00	0.00	\$ 0.00	\$ 722,932.08	\$ 219,067.92	4.3 %
	2K0 EQUIPMENT	194,968.00	0.00	\$ 0.00	\$ 183,049.04	\$ 11,918.96	63.6 %
	2L0 EMPLOYEE DEVELOPMENT	3,600.00	0.00	\$ 0.00	\$ 1,750.00	\$ 1,850.00	5.0 %
	2M0 OTHER OPERATING COSTS	310,638.78	0.00	\$ 0.00	\$ 8,245.38	\$ 302,393.40	105.7 %
	2P0 STATEWIDE INDIRECT COSTS	23,000.00	0.00	\$ 0.00	\$ 15,142.00	\$ 7,858.00	34.2 %
	2R0 STATE AGENCY REIMBURSEMENTS	(2,358.75)	0.00	\$ 0.00	\$ (2,358.75)	\$ 0.00	0.0 %
	2S0 AGENCY PROVIDED PROF/TECH SERV	4,025.00	0.00	\$ 0.00	\$ 3,960.00	\$ 65.00	2.0 %
	2T0 AGENCY DIRECT COST	2,300.00	0.00	\$ 0.00	\$ 2,254.00	\$ 46.00	0.0 %
	5D0 AID TO HIGHER EDUCATION INSTIT	10,000.00	0.00	\$ 0.00	\$ 10,000.00	\$ 0.00	0.0 %
	CLS EXPENSE BUDGET CLOSING	(714,730.35)	0.00	\$ 0.00	\$ 0.00	\$ (714,730.35)	0.0 %
Totals for Appropriation Unit: 300		\$ 2,633,408.43	(5,325.45)	\$ 0.00	\$ 2,633,208.99	\$ 199.44	