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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 1669

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The bill was read for the first time and referred to the Committee on Environment and Natural Resources Finance and Policy

1.1 A bill for an act

1.2 relating to natural resources; authorizing counties to manage forests on state trust

1.3 lands; amending Minnesota Statutes 2020, sections 16A.125, subdivision 5; 84.027,

1.4 subdivision 18; 127A.353, subdivision 4; proposing coding for new law in

1.5 Minnesota Statutes, chapter 92.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2020, section 16A.125, subdivision 5, is amended to read:

1.8 Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used in this

1.9 subdivision, means public land in trust under the constitution set apart as "forest lands under

1.10 the authority of the commissioner" of natural resources as defined by section 89.001,

1.11 subdivision 13.

1.12 (b) The commissioner of management and budget shall credit the revenue from the forest

1.13 trust fund lands to the forest suspense account. The account must specify the trust funds

1.14 interested in the lands and the respective receipts of the lands.

1.15 (c) After a fiscal year, the commissioner of management and budget shall certify the

1.16 costs incurred for forestry during that year under appropriations for the improvement,

1.17 administration, and management of state forest trust fund lands and construction and

1.18 improvement of forest roads to enhance the forest value of the lands. The certificate must

1.19 specify the trust funds interested in the lands. After presentation to the Legislative Permanent

1.20 School Fund Commission, the commissioner of natural resources shall supply the

1.21 commissioner of management and budget with the information needed for the certificate.

1.22 The certificate shall include an analysis that compares costs certified under this section with

1.23 costs incurred on other public and private lands with similar land assets.

2.1 (d) After a fiscal year, the commissioner shall distribute the receipts credited to the
2.2 suspense account during that fiscal year as follows:

2.3 (1) the amount of the certified costs incurred by the state for forest management, forest
2.4 improvement, and road improvement during the fiscal year shall be transferred to the forest
2.5 management investment account established under section 89.039;

2.6 (2) the amount of the certified costs incurred by each forest-managing county, as defined
2.7 in section 92.123, for forest management on school trust land during the fiscal year is
2.8 appropriated to each respective county's school trust land forest management fund established
2.9 under section 92.123;

2.10 (3) the amount of costs incurred by the Legislative Permanent School Fund Commission
2.11 under section 127A.30, and by the school trust lands director under section 127A.353, shall
2.12 be transferred to the general fund;

2.13 ~~(3)~~ (4) the balance of the certified costs incurred by the state during the fiscal year shall
2.14 be transferred to the general fund; and

2.15 ~~(4)~~ (5) the balance of the receipts shall then be returned prorated to the trust funds in
2.16 proportion to their respective interests in the lands ~~which~~ that produced the receipts.

2.17 Sec. 2. Minnesota Statutes 2020, section 84.027, subdivision 18, is amended to read:

2.18 Subd. 18. **Permanent school fund authority; reporting.** (a) The commissioner of
2.19 natural resources has the authority and responsibility to administer school trust lands under
2.20 sections 92.122 and 127A.31. The commissioner shall biannually report to the Legislative
2.21 Permanent School Fund Commission and the legislature on the management of the school
2.22 trust lands that shows how the commissioner has and will continue to achieve the following
2.23 goals:

2.24 (1) manage the school trust lands efficiently and in a manner that reflects the undivided
2.25 loyalty to the beneficiaries consistent with the commissioner's fiduciary duties;

2.26 (2) reduce the management expenditures of school trust lands and maximize the revenues
2.27 deposited in the permanent school trust fund;

2.28 (3) manage the sale, exchange, and commercial leasing of school trust lands, requiring
2.29 returns of not less than fair market value, to maximize the revenues deposited in the
2.30 permanent school trust fund and retain the value from the long-term appreciation of the
2.31 school trust lands;

3.1 (4) manage the school trust lands to maximize the long-term economic return for the
3.2 permanent school trust fund while maintaining sound natural resource conservation and
3.3 management principles;

3.4 (5) optimize school trust land revenues and maximize the value of the trust consistent
3.5 with balancing short-term and long-term interests, so that long-term benefits are not lost in
3.6 an effort to maximize short-term gains; ~~and~~

3.7 (6) maintain the integrity of the trust and prevent the misapplication of its lands and its
3.8 revenues; and

3.9 (7) work with forest-managing counties, as defined in section 92.123, to achieve the
3.10 goals described in clauses (1) to (6).

3.11 (b) When the commissioner finds an irresolvable conflict between maximizing the
3.12 long-term economic return and protecting natural resources and recreational values on
3.13 school trust lands, the commissioner shall give precedence to the long-term economic return
3.14 in managing school trust lands. By July 1, 2018, the permanent school fund must be
3.15 compensated for all school trust lands included under a designation or policy provision that
3.16 prohibits long-term economic return. The commissioner shall submit recommendations to
3.17 the appropriate legislative committees and divisions on methods of funding for the
3.18 compensation required under this paragraph, including recommendations for appropriations
3.19 from the general fund, nongeneral funds, and the state bond fund. Any uncompensated
3.20 designation or policy provision restrictions on the long-term economic return on school
3.21 trust lands remaining after July 1, 2018, must be compiled and submitted to the Legislative
3.22 Permanent School Fund Commission for review.

3.23 (c) By December 31, 2013, the report required under paragraph (a) must provide an
3.24 inventory and identification of all school trust lands that are included under a designation
3.25 or policy provision that prohibits long-term economic return. The report must include a plan
3.26 to compensate the permanent school fund through the purchase or exchange of the lands or
3.27 a plan to manage the school trust land to generate long-term economic return to the permanent
3.28 school fund. Subsequent reports under paragraph (a) must include a status report of the
3.29 commissioner's progress in maximizing the long-term economic return on lands identified
3.30 in the 2013 report.

3.31 (d) When management practices, policies, or designations by the commissioner diminish
3.32 or prohibit the long-term economic return on school trust land, the conflict must be resolved
3.33 as provided in section 92.122.

4.1 Sec. 3. [92.123] COUNTY MANAGEMENT OF FORESTS ON SCHOOL TRUST
4.2 LANDS.

4.3 Subdivision 1. Definitions. (a) For purposes of this section, the terms in this subdivision
4.4 have the meanings given.

4.5 (b) "Applicable law" means:

4.6 (1) Minnesota Constitution, article XI, section 8, creating and governing the permanent
4.7 school fund;

4.8 (2) section 84.027, subdivision 18, paragraph (b), establishing management priorities
4.9 for school trust lands;

4.10 (3) section 89.002, establishing state forestry policies; and

4.11 (4) section 127A.31, establishing the legislative goal of the permanent school fund.

4.12 (c) "Forest" means:

4.13 (1) land that is at least ten percent stocked by trees of any size and capable of producing
4.14 timber or of exerting an influence on the climate or on the water regime;

4.15 (2) land described in clause (1) from which trees have been removed to less than ten
4.16 percent stocking and that has not been developed for other use; and

4.17 (3) afforested areas.

4.18 (d) "Forest-managing county" means a county in which the county board has elected
4.19 under subdivision 2 to manage forests on school trust land within the county's jurisdiction.

4.20 Subd. 2. Election by county board. Notwithstanding section 89.031, a county board
4.21 may by resolution elect to act on behalf of the state by managing forests on school trust
4.22 land within the county. A resolution adopted under this subdivision, or the cancellation of
4.23 a resolution adopted under this subdivision, takes effect 30 days after a copy is delivered
4.24 to the commissioner.

4.25 Subd. 3. Powers. The board of a forest-managing county may:

4.26 (1) manage forests on school trust lands consistent with applicable law;

4.27 (2) conduct timber sales in the same manner and with the same limitations as timber
4.28 sales on tax-forfeited lands under section 282.04, subdivision 1, paragraphs (a) to (c), (i),
4.29 and (j);

5.1 (3) lease forest on school trust land in the same manner and with the same limitations
 5.2 as leases of tax-forfeited lands under section 282.04, subdivision 1, paragraphs (d) to (f),
 5.3 and (h);

5.4 (4) grant easements or permits on forest on school trust land in the same manner and
 5.5 with the same limitations as those that apply to granting such easements or permits on
 5.6 tax-forfeited lands under section 282.04, subdivisions 4 and 4a. Any road easement over
 5.7 school trust land to a nongovernmental entity is subject to the limitation in section 84.633,
 5.8 subdivision 3; and

5.9 (5) take any other action on school trust land that is delegated to the county by the
 5.10 commissioner of natural resources.

5.11 Subd. 4. **School trust land forest management fund.** (a) The county treasurer of a
 5.12 forest-managing county must place all money used to conduct the activities authorized under
 5.13 this section, and received through the operation of this section, in a fund to be known as the
 5.14 school trust land forest management fund. All disbursements and costs incurred by the
 5.15 county under this section must be charged against that fund when allowed by the county
 5.16 board.

5.17 (b) Each quarter, or as frequently as the commissioner of management and budget directs,
 5.18 the county treasurer of a forest-managing county must:

5.19 (1) pay all revenue generated from activities authorized under this section to the
 5.20 commissioner of management and budget for crediting to the forest suspense account under
 5.21 section 16A.125; and

5.22 (2) certify to the commissioner of management and budget and the commissioner of
 5.23 natural resources the costs incurred by the county under this section and charged against
 5.24 the county's school trust land forest management fund according the paragraph (a).

5.25 Subd. 5. **Duty to provide information.** The board of a forest-managing county must
 5.26 provide the commissioner of natural resources or the school trust lands director with any
 5.27 information the commissioner or the director requests about the county's activities under
 5.28 this section.

5.29 Subd. 6. **Relation to other law.** Nothing in this section authorizes the board of a
 5.30 forest-managing county to:

5.31 (1) encumber, sell, or otherwise dispose of any school trust land, except as provided in
 5.32 subdivision 3; or

6.1 (2) impose a management practice that will diminish the revenue generated on school
 6.2 trust land without working with the commissioner of natural resources to ensure that the
 6.3 permanent school fund is compensated under section 92.122.

6.4 Sec. 4. Minnesota Statutes 2020, section 127A.353, subdivision 4, is amended to read:

6.5 Subd. 4. **Duties; powers.** (a) The school trust lands director shall:

6.6 (1) take an oath of office before assuming any duties as the director;

6.7 (2) evaluate the school trust land asset position;

6.8 (3) determine the estimated current and potential market value of school trust lands;

6.9 (4) advise the governor, Executive Council, commissioner of natural resources, ~~and the~~
 6.10 Legislative Permanent School Fund Commission, and forest-managing counties, as defined
 6.11 in section 92.123, on the management of school trust lands, including:

6.12 (i) Department of Natural Resources school trust land management plans;

6.13 (ii) leases of school trust lands;

6.14 (iii) royalty agreements on school trust lands;

6.15 (iv) land sales and exchanges;

6.16 (v) cost certification; ~~and~~

6.17 (vi) ~~revenue-generating~~ revenue-generating options; and

6.18 (vii) forest management by forest-managing counties;

6.19 (5) propose to the Legislative Permanent School Fund Commission legislative changes
 6.20 that will improve the asset allocation of the school trust lands;

6.21 (6) develop a ten-year strategic plan and a 25-year framework for management of school
 6.22 trust lands, in conjunction with the commissioner of natural resources and forest-managing
 6.23 counties, that is updated every five years and implemented by the commissioner, with goals
 6.24 to:

6.25 (i) retain core real estate assets;

6.26 (ii) increase the value of the real estate assets and the cash flow from those assets;

6.27 (iii) rebalance the portfolio in assets with high performance potential and the strategic
 6.28 disposal of selected assets;

6.29 (iv) establish priorities for management actions; and

- 7.1 (v) balance revenue enhancement and resource stewardship;
- 7.2 (7) submit to the Legislative Permanent School Fund Commission for review an annual
7.3 budget and management plan for the director; and
- 7.4 (8) keep the beneficiaries, governor, legislature, and the public informed about the work
7.5 of the director by reporting to the Legislative Permanent School Fund Commission in a
7.6 public meeting at least once during each calendar quarter.
- 7.7 (b) In carrying out the duties under paragraph (a), the school trust lands director shall
7.8 have the authority to:
- 7.9 (1) direct and control money appropriated to the director;
- 7.10 (2) establish job descriptions and employ up to five employees in the unclassified service,
7.11 within the limitations of money appropriated to the director;
- 7.12 (3) enter into interdepartmental agreements with any other state agency;
- 7.13 (4) enter into joint powers agreements under chapter 471;
- 7.14 (5) evaluate and initiate real estate development projects on school trust lands with the
7.15 advice of the Legislative Permanent School Fund Commission in order to generate long-term
7.16 economic return to the permanent school fund;
- 7.17 (6) serve as temporary trustee of school trust land for school trust lands subject to
7.18 proposed or active eminent domain proceedings; and
- 7.19 (7) submit recommendations on strategies for school trust land leases, sales, or exchanges
7.20 to the commissioner of natural resources and the Legislative Permanent School Fund
7.21 Commission.