

SF3986 - 0 - Cloquet Forestry Center; Land Transfer

Chief Author: **Sandra Pappas**  
 Committee: **State And Local Government And Veterans**  
 Date Completed: **4/3/2024 8:09:32 AM**  
 Lead Agency: **University Of Minnesota**  
 Other Agencies:  
     Administration Dept           Attorney General  
     Minn Management and  
     Budget

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Attorney General</b>	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
<b>Minn Management and Budget</b>						
General Fund	-	-	1,300	-	-	-
<b>University Of Minnesota</b>						
General Fund	-	-	10	-	-	-
<b>State Total</b>						
General Fund	-	-	1,310	-	-	-
<b>Total</b>	-	-	1,310	-	-	-
<b>Biennial Total</b>			1,310			

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Attorney General</b>	-	-	-	-	-
General Fund	-	-	-	-	-
<b>Minn Management and Budget</b>					
General Fund	-	-	-	-	-
<b>University Of Minnesota</b>					
General Fund	-	-	.04	-	-
<b>Total</b>	-	-	.04	-	-

**Lead LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Steve McDaniel   **Date:** 4/3/2024 8:09:32 AM  
**Phone:** 651-284-6437   **Email:** steve.mcdaniel@lbo.mn.gov



**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Minn Management and Budget						
General Fund		-	-	1,300	-	-
University Of Minnesota						
General Fund		-	-	10	-	-
	<b>Total</b>	-	-	<b>1,310</b>	-	-
	<b>Biennial Total</b>			<b>1,310</b>		
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Attorney General		-	-	-	-	-
General Fund						
Expenditures		-	-	2	2	2
Absorbed Costs		-	-	(2)	(2)	(2)
Minn Management and Budget						
General Fund		-	-	1,300	-	-
University Of Minnesota						
General Fund		-	-	10	-	-
	<b>Total</b>	-	-	<b>1,310</b>	-	-
	<b>Biennial Total</b>			<b>1,310</b>		
<b>2 - Revenues, Transfers In*</b>						
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Minn Management and Budget						
General Fund		-	-	-	-	-
University Of Minnesota						
General Fund		-	-	-	-	-
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		

SF3986 - 0 - Cloquet Forestry Center; Land Transfer

Chief Author: **Sandra Pappas**  
 Committee: **State And Local Government And Veterans**  
 Date Completed: **4/3/2024 8:09:32 AM**  
 Agency: **University Of Minnesota**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	10	-	-	-
<b>Total</b>	-	-	<b>10</b>	-	-	-
<b>Biennial Total</b>			<b>10</b>			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.04	-	-
<b>Total</b>	-	-	<b>.04</b>	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Steve McDaniel    **Date:** 3/22/2024 9:11:30 AM  
**Phone:** 651-284-6437    **Email:** steve.mcdaniel@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	10	-	-
<b>Total</b>		-	-	<b>10</b>	-	-
<b>Biennial Total</b>				<b>10</b>		
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	-	10	-	-
<b>Total</b>		-	-	<b>10</b>	-	-
<b>Biennial Total</b>				<b>10</b>		
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		

**Bill Description**

SF3986 transfers certain state-owned land located within the boundary of the University of Minnesota’s Cloquet Forestry Center to the University of Minnesota. The bill also appropriates funding from the general fund to the commissioner of management and budget to prepay and defease any outstanding state general obligation bonds used previously for improvements and betterments at the University of Minnesota Cloquet Forestry Center, and other associated financing costs.

**Assumptions**

The University makes the following assumptions for determining the fiscal impact of the land transfer:

- The land is transferred to the University at no cost.
- The University of Minnesota is not responsible for prepaying and defeasing any outstanding state general obligation bonds used for improvements and betterments at the University of Minnesota Cloquet Forestry Center, and other associated financing costs.
- There are no additional operating costs for the Cloquet Forestry Center associated with owning the land.

The total fiscal impact to the University is limited to the costs associated with conducting the legal transfer of the land from the State of Minnesota to the University of Minnesota. SF3986 does not allocate any new revenue to the University of Minnesota and SF3986 does not result in any increased capital or operating expenses for the University of Minnesota.

The University anticipates customary expenses associated with conducting the legal transfer of these 400 acres from the State to the University.

**Expenditure and/or Revenue Formula**

80 hours x \$100/hour = \$8,000 staff costs \$2,000 land transfer and recording fees Total: \$10,000 in FY25

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

Alice Roberts-Davis, Vice President of University Services, University of Minnesota

**Agency Contact:** Keeya Steel

**Agency Fiscal Note Coordinator Signature:** Keeya Steel

**Phone:** 612-625-5512

**Date:** 3/22/2024 9:07:37 AM

**Email:** keeya@umn.edu

**SF3986 - 0 - Cloquet Forestry Center; Land Transfer**

Chief Author: **Sandra Pappas**  
 Committee: **State And Local Government And Veterans**  
 Date Completed: **4/3/2024 8:09:32 AM**  
 Agency: **Administration Dept**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
<b>Total</b>	-	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 3/13/2024 8:24:40 AM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-
<b>2 - Revenues, Transfers In*</b>						
	<b>Total</b>	-	-	-	-	-
	<b>Biennial Total</b>			-		-

**Bill Description**

The bill requires the commissioner of administration to prepare and convey for no consideration all state-owned lands within the boundaries of the Cloquet Forestry Center to the Regents of the University of Minnesota.

**Assumptions**

Under the bill, Department of Administration staff would be expected to spend approximately 1-2 hours drafting the quit claim deed and coordinating with the parties.

The Regents of the University of Minnesota would be responsible for the recording fee (\$46) and any other necessary fees required to record the deed with the county recorder’s office.

**Expenditure and/or Revenue Formula**

Any staff cost to the state would be de minimus and would be absorbed by the department.

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

The property would continue to be property tax exempt.

**References/Sources**

**Agency Contact:** Greg Ewig, 651-201-2566

**Agency Fiscal Note Coordinator Signature:** Ify Onyiah

**Phone:** 651-201-2387

**Date:** 3/12/2024 3:42:34 PM

**Email:** ify.onyiah@state.mn.us

SF3986 - 0 - Cloquet Forestry Center; Land Transfer

Chief Author: **Sandra Pappas**  
 Committee: **State And Local Government And Veterans**  
 Date Completed: **4/3/2024 8:09:32 AM**  
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 3/18/2024 8:15:13 AM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	-	2	2	2	
Absorbed Costs	-	-	(2)	(2)	(2)	
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill requires the Department of Administration to convey all the parcels of state-owned land in the Cloquet Forestry Center to the University of Minnesota to facilitate the conveyance of the entire Center property to the Fond du Lac Band of Lake Superior Chippewa.

**Assumptions**

The AGO and Department of Administration have already researched the title to the state-owned parcels. No additional title work is expected.

The Department of Administration will draft, execute, and record the deed(s).

An AAG will need to review the drafted deed(s), advise Department of Administration on any changes, and approve the final draft.

Once the deeds are executed and recorded by Department of Administration, there will be no further work required of the AGO under this bill.

The Attorney General’s Office estimates that it will expend 10 hours of attorney time and 1 hour of legal assistant (investigator/other staff) time per fiscal year.

**Expenditure and/or Revenue Formula**

	Hourly Billing Rate	Hours	Total Cost to AGO [hours x billing rate]
--	---------------------	-------	--

Attorney, [list attorney division]	\$163	10	1630.00
Legal assistant, [Investigator/other non-attorney staff]	\$103	1	103.00
<i>Other</i>			
<b>Total</b>			1733.00

**Long-Term Fiscal Considerations**

n/a

**Local Fiscal Impact**

n/a

**References/Sources**

n/a

**Agency Contact:** Laura Sayles

**Agency Fiscal Note Coordinator Signature:** Laura Capuana

**Phone:** 651-402-2213

**Date:** 3/14/2024 1:40:58 PM

**Email:** [laura.capuana@ag.state.mn.us](mailto:laura.capuana@ag.state.mn.us)

SF3986 - 0 - Cloquet Forestry Center; Land Transfer

Chief Author: **Sandra Pappas**  
 Committee: **State And Local Government And Veterans**  
 Date Completed: **4/3/2024 8:09:32 AM**  
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	1,300	-	-	-
<b>Total</b>	-	-	<b>1,300</b>	-	-	-
<b>Biennial Total</b>			<b>1,300</b>			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Susan Nelson    **Date:** 4/2/2024 8:08:57 AM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund		-	-	1,300	-	-
<b>Total</b>		-	-	<b>1,300</b>	-	-
<b>Biennial Total</b>		<b>1,300</b>				
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund		-	-	1,300	-	-
<b>Total</b>		-	-	<b>1,300</b>	-	-
<b>Biennial Total</b>		<b>1,300</b>				
<b>2 - Revenues, Transfers In*</b>						
General Fund		-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>		-				

**Bill Description**

This bill would (1) require the commissioner of administration to convey all state-owned land within boundaries of the University of Minnesota Cloquet Forestry Center to the Board of Regents of the University of Minnesota and (2) appropriate an undetermined amount of funds to MMB to prepay and defease any outstanding state general obligation bonds used to make improvements at the Cloquet Forestry Center.

**Assumptions**

As written, the bill conveys land currently owned by the state to the Board of Regents of the University of Minnesota. Based on discussions with university staff, the intention is to combine the conveyed land with existing land already owned by the university for transfer to the Fond du Lac Band of Lake Superior Chippewa for no consideration.

Some of the property intended for transfer to the tribe was improved using proceeds from the sale of state general obligation bonds. Under the Minnesota State Constitution (Article XI, Section 5(a)), any property financed with public debt must be owned by a state agency or political subdivision. As a sovereign nation, the Fond du Lac Band is not eligible to own state bond financed property directly. Any outstanding bonds used to finance any property on the combined land transfer must be redeemed or defeased prior to a transfer in ownership. This bill would create a process to remove the state bonding restrictions from the property to facilitate the Board of Regents’ planned conveyance to the tribe.

Before the Board of Regents can convey the land and buildings to the tribe, MMB must identify any property or improvements on the specified site that were funded with state general obligation (GO) bond proceeds and then must defease any associated bonds. MMB does not keep records tracking bond issues to specific projects, and instead will need to work with the entity that expended the bond proceeds to identify the amount and timeline of those prior expenditures. Once all improvements funded by GO bond proceeds are ascertained, the expenditures are allocated to the corresponding bond sale, adjusted to account for any issuance costs or refunding expenses, and allocated across the remaining maturities of all outstanding bonds.

The remaining maturities identified must either be redeemed (if eligible) or defeased to satisfy the requirements in state law and to ensure remaining outstanding bonds maintain their federal tax-exempt status. Additionally, state bond issues cover the cost of all capital projects and programs as authorized by the Legislature. Each bond sale is sized based on cash flow needs for all projects across multiple years of authorization. Each project included is reviewed by bond counsel to ensure it is eligible to be financed on a tax-exempt basis. Transferring ownership to a non-governmental entity means a portion of the bonds would no longer be eligible for tax-exempt status. Redemption or defeasance of an amount

associated with a transfer of ownership is needed to maintain the tax-exemption of the remaining outstanding maturities of the larger bond issue.

**Expenditure and/or Revenue Formula**

The initial land transfer from the commissioner of administration to the Board of Regents has no cost to the state.

The eventual land transfer to a non-governmental entity will require an appropriation to sufficient redeem and/or defease the portion of outstanding general obligation bonds previously used for improvements on the property being transferred. This will include outstanding principal on redeemable and non-redeemable maturities and outstanding interest on non-redeemable maturities, and the associated professional fees associated with a bond defeasance (financial advisor, bond counsel, tax counsel, and escrow agent).

Preliminary discussions with state agency staff suggest there will be multiple state bond issues still outstanding that funded improvements at the land that would eventually be transferred. Based on initial discussions with university staff, they've identified expenditures that result in approximately \$900,000 of outstanding maturities that will need to be defeased, and an additional \$340,000 of interest costs for the non-refundable portion of those maturities. Professional costs for the defeasance are estimated to total \$60,000 based on experience from past transactions.

Given the timeframe for this request, MMB is unable to complete a detailed survey of all state agencies to ensure all agencies funding improvements on the site are identified. The total amount to be redeemed and/or defeased could be higher than estimated here.

**Long-Term Fiscal Considerations**

Not Applicable

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Craig Weber 651-201-8701

**Agency Fiscal Note Coordinator Signature:** Ronika Rampadarat

**Phone:** 651-201-8115

**Date:** 3/29/2024 11:22:56 AM

**Email:** ronika.rampadarat@state.mn.us