

**Sculpting the Public Land Base of Northern Minnesota:  
Past, Present & Future**

**Article Two: Present Analysis of Current Issues for Northern Minnesota Public Lands**

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**Present Analysis of Current Issues for Northern Minnesota Public Lands**

The present issues around public lands in Northern Minnesota are complex and fluid.

The contents of this article will include research regarding the natural resource economy of the Arrowhead of Minnesota. It will analyze current conditions of the mining and forest industries and address the research question of “What is the economic impact of the natural resource economy?”

The impact of the political climate on decisions made around natural resource utilization will be explored along with the recent changes in the politics of the region. The political discussion will carry over to the impact of the Legacy Amendment and the Payment in Lieu of Taxes (PILT) subsidy paid to counties to compensate for the loss of tax base from public lands. A research question addressed will be: “What economic impact does the large public land base have on northern counties?”

## **Article Two: Present Analysis of Current Issues for Northern Minnesota Public Lands**

### **Introduction**

Minnesota has 6.1 million acres of public lands (MNDNR). The majority of these lands are in the Arrowhead Region of Northern Minnesota. These public lands greatly contribute to the natural resource economy of the region. They provide timber, minerals and recreational lands that help to bring income and business to the area. Utilization of these assets does not come without controversy or cost.

This article will discuss the transdisciplinary field of natural resource economics which is the academic research within economics that addresses the connections and interdependence between human economies and natural ecosystems. Resource economics connects different disciplines within the natural and social sciences connected to broad areas of earth science, human economics and natural ecosystems (Lumen, 2020).

The northern Minnesota culture of mining, logging and living off of the land is hardwired within its residents generationally and politically. Residents live amongst the abundant resources while enjoying the iconic northern forests. Public lands and resources are viewed as assets to be utilized to sustain and finance communities. Residents tend to favor smaller government and less oversight (Buhsudi, 2020).

Residents of the metropolitan area of the state tend to regard these public lands as sacred and a symbol of childhood memories along with being recreational assets for the good of all. Not everyone in the state understands sustainable forestry practice and many would prefer

that no trees were cut on public lands. Many more people do not understand that mining has been practiced safely, with a few exceptions for over a hundred years in the region. New mining projects with new mining practices bring both hope and fear to the region (Behsudi, 2020).

This dichotomy between metro citizens and those from greater Minnesota set the stage for several discussions in this article. These discussions will include changes in political representation, management costs and issues related to public lands. They will also address the Legacy Amendment which potentially could address several of these considerations in relation to northern Minnesota public lands.

There is no doubt these public lands provide tremendous benefit and opportunity. The very nature of being in the public domain and shared by all ensures an atmosphere of spirited dialogue and debate. How to manage and utilize these lands lies in the hands of local, state, and federal government in turn, this provides for an abundance of opinion and passion.

### **Political Winds**

There are fourteen counties in the Arrowhead Region of Minnesota. Traditionally this region has been Democratic Farm Labor (DFL) country. The rich history of union labor dates back to the beginnings of the mining and the timber industry. The partnership between union labor and business has successfully helped to develop the natural resource economy of northern Minnesota (Lamppa, 2004).

Recent developments have strained the relationship between labor unions and the DFL. Metro area and northern DFL members are divided about mining. Most recently, U.S. Representative Betty McCollum sponsored legislation to stop all mining activities in the

Superior National Forest. This move was seen as radical to pro-mining DFL members. Within a week of the legislation being proposed, northern Minnesota Senator Tom Bakk was removed from his leadership position as Senate Minority Chair and replaced with Senator Susan Kent from Woodbury (Bierschbach, 2020).

Historically, DFL leaders such as Vice President Hubert Humphrey, Vice President Mondale, Senator Paul Wellstone, Representative James Oberstar, and Governor Rudy Perpich have always been associated with pro-mining. In today's polarized political realities, the DFL is now associated with anti-mining. In contrast, President Trump's support for tariffs and stopping foreign steel dumping in Minnesota has now aligned the union workers with the Republican Party. The eighth Congressional District located in northeastern Minnesota, was an extremely dependable blue region for Democrats has now shifted to red for Republicans. Democrat James Oberstar carried the region for over 30 years. It now squarely belongs to the Republicans (Behsudi, 2020).

Adding to the debate are the varying political positions on refugees. President Trump's executive order gave local governments the authority to decide whether or not they would accept refugees. Several northern Minnesota counties have now voted on the issue. This further polarized the north from the metro. Hundreds have packed county board rooms to share their concerns that resources are already challenged in these counties with large public land base, and small tax bases needing to provide more social services.

Those supporting the idea, believe that diversity would actually help northern Minnesota economies by bringing more diversity and people. The supporters argue that just as immigrants

established the Iron Range, they could once again contribute to the area. This is another issue where the DFL position has caused more centrists to move to the right (Feshir, 2020).

Gun control is also driving political division between north and the metro. Hunting is a way of life for the majority of people living among the large public land base. In Minnesota, four counties have now become "Sanctuary for the Second Amendment," counties, with several more considering passage. Roseau County became the first to declare itself a "sanctuary county" that will allow the county to refuse to send officers to enforce gun laws it deems unconstitutional. Counties have also pledged to utilize any county resources to "enforce any mandate, law, policy, order or any other directive which infringes on the right of law-abiding citizens to keep and bear arms"(Marohn, 2020, p.2). This pro-gun movement has gained momentum quickly and inspired gun owners to become more visible by placing stickers on their homes and vehicles. Many traditional DFL gun owners are now rapidly becoming more aligned with the strong National Rifle Association (NRA) stance of the Republican Party (Marohn, 2020).

These divisive political issues have left long time DFL leaders perplexed as to how to hold their base and move into the future. The frantic move to the right has left some races without qualified candidates, further weakening the image of the DFL. The Republicans have alleged that the metro DFL has turned its back on northern Minnesota. Republicans have even made pleas to DFL politicians like Senator Bakk to join their conservative party so they can have a unified voice for the Arrowhead Region of Minnesota.

Further complicating the political issue and fanning the flames is the fact that northern Minnesota has, and probably will continue to, lose political representation due to population growth in the Metro region coupled with population declines in the north. Recent legislative

redistricting resulted in the north losing both a Senate and House seat(mn.leg). It is anticipated that after the upcoming 2020 Census, Minnesota will probably also lose a Congressional seat. The implication to northern Minnesotans is that with less representation, they will have little to say over what goes on in their back yard, thus further divides the ideological gap between north and south.

### **Current Mining Issues**

Mining has played a large part in Minnesota's economy and has been the cornerstone of economic security in northern Minnesota. Mining contributes as much as \$32 million annually to public schools through the School Trust Fund. The funding comes from resources extracted and harvested from trust fund lands. Money from mining revenues also supply the Iron Range Rehabilitation Fund (IRRRB) which provide resources for reclamation and economic development. Mining provides some of the highest paying jobs in the region with an average annual salary being \$90,000 compared to \$42,000 in other regional jobs (Payne, 2020).

Most of the towns on Minnesota's Iron Range were formed around mining activities. It has been their way of life for over 100 years. Many former mining pits now are filled with water and stocked with fish by the DNR, provide recreational areas. Public lands provide necessary buffers required for mining activities.

The state is extremely divided on whether mining activities should continue in Minnesota. There are even allegations that the citizens of the region are "addicted" to mining and need to be rehabilitated to form an economy that does not rely on harvesting minerals from the earth (Brown, 2019). The argument is that mining activities provide little employment in return for

the damage to the environment. Critics of mining assert that eventually one of the world's largest deposits of iron ore will deplete at a cost that does not justify the potential damage to the environment (Brown, 2019).

On the other hand, pro-mining advocates point out that the minerals retrieved through extractive mining are necessary for society in the form of autos, electronics and steel and even solar infrastructure. Because these products are necessary and utilized in daily life, they must be mined from somewhere. Anti-mining people point out caustic practices in areas such as China and Brazil that have left expensive, irreparable environmental damage. Pro-mining advocates point out that we have the technology and environmental protection policy to extract mineral safely in northern Minnesota. Some even argue we have a responsibility to seek technology to do it here rather than exporting our environmental impacts to countries without proper safeguards in place.

Natural resource economics study areas include welfare theory, pollution control, resource exhaustibility, non-market valuation and environmental policy. Research topics include land use in poor industrialized countries, international trade and the environment and climate change. The main objective of this research is to gain better understanding of the role of the natural resource economy.

The Labowitz School of Business and Economics at the University of Minnesota-Duluth found that in 2010, that 4,000 people were employed directly in iron mining in Minnesota, 2300 were employed indirectly by mining, and an additional 5,000 were employed because of economic effects induced by mining such as service industries. The Labowitz report estimated total employment due to mining at 11,200 people (Kaul, 2018).



Natural resource economics describes external benefits as that which imposes a positive effect on a third party. In order to achieve the socially optimal equilibrium, the marginal social benefit should equal the marginal social cost. For example, production should be increased as long as the marginal social benefit exceeds the marginal social cost. Assuming that natural resources are used and sustained, the external benefit of goods produced impacts society in a good way such as timber harvest providing lumber and other goods. (Lumen, 2020).

External costs are also evaluated in natural resource economics. A negative externality imposes a negative effect on a third party to an economic transaction. Many negative externalities impact natural resources badly because of the environmental consequences of production and use. For example, if the air or water pollution occurs from extraction, a third party who did not choose to incur the cost is negatively affected. This is the reason for extensive and comprehensive state permitting.

The Natural Resources Research Institute at the University of Minnesota Duluth has determined that it takes at least 1.5 years to over 10 years to complete mining permits. The public process involves citizen input and public hearings. The environmental review process includes the preparation of an Environmental Impact Statement (EIS) and is preceded by the preparation of a scoping Environmental Assessment Worksheet (EAW). This important work of land use planning is especially key in northern Minnesota because of the extensive water resources and potential impact to the valuable public land base (Severson, 2019).

### **Water Quality**

Water Quality is of utmost concern given that Minnesota has 11,842 lakes (of which the majority lay in the Arrowhead region) abuts Lake Superior, contains the Boundary Waters

Canoe Area, (BWCA), and two international watersheds, (Red River and Rainy Lake Basins). It is estimated that this area combined contains 6% of the Earth's fresh water sources. It is also estimated that 25% of the drinking water comes from this region (MHB, 2019).

Citizens who argue against mining do not want to be referred to as "anti-mining." They prefer to be labeled as "pro-water." In a Community Voices article in MINNPOST, C.A. Arneson explains this position. The author argues that the world is literally dying for water yet there are those who would promote and facilitate the destruction of Minnesota's waters through sulfide mining. He states that because supporters of mining are referred to as pro-mining that in reciprocity those supporting water be referred to as pro-water (Arneson, 2017). These loaded labels continue to fuel the debates and perhaps even prevent the ability to find common ground on these issues.

Long time mining and union activist Representative Tom Rukavina left the state legislature in 2015 to run for St. Louis County Commissioner. St. Louis County is not only the largest county in Minnesota, but the largest county east of the Mississippi River. In 2018, he advocated for splitting St. Louis County over mining issues. He contended that the eastern parts of the county including Duluth was dismissive of the mining industry. Rukavina called for a referendum on the county. A Duluth online poll indicated that 43% were in favor of the divide and 57% were against. The initiative eventually failed at a county board meeting on a 5-2 vote. Rukavina felt that the Duluth Commissioners were dismissive of the mining industry and advocated that citizens be allowed to vote on the division.

Before his death, Representative Tom Rukavina pointed out that in spite of mining, water from the Iron Range was sold as the "best drinking water in America". In the 1920's travelers

would stop at the Iron Range town of Buhl, which sits at a high point of Minnesota at the end of the Laurentian Divide. In an effort to attract more tourists, the city painted “The Finest Water on the Range” which was eventually upgraded to “The Finest Water in America.” An independent laboratory test in Georgia rated Buhl Water 94.5 out of a possible 95 for clarity (Buhl Water, 2015).

### **Current Mining Proposals Related to Public Lands**

Three high profile mining projects dominate the headlines. Polymet, Twin Metals and Mesabi Metallics (formerly Essar Steel). The three projects are extremely different but come together to polarize the mining factions. Further complicating the projects is their proximity to the large northern Minnesota public land base. Each mining company comes to the table with different merits and risks yet are bundled together in a “us versus them” wrestling match. This controversy has drawn attention even from national news outlets such as the *New York Times*.

In an article entitled “*In Northern Minnesota, Two Economies Square Off: Mining vs Wilderness*” the New York Times lays out the controversy between locals who have generationally been employed in mining and those who believe mining is harmful to the future. The story lays out the historical way of life that generations of mining families have lived to support their families and way of life. It also shares the perspectives of environmentalists, living on the Iron Range communities, yet advocating for protection of one the last great wilderness areas of the world (Payne, 2017).

The Polymet project is on a former “brown spot” -an area that was formerly used for mining. It was previously known as LTV Steel Processing Plant. The LTV site formerly was an

iron ore mining operation, but the current company proposes copper/nickel mining, which is a first for Minnesota. They have coined the project as “The Next Generation of Mining.” This Northmet project would be a 700 feet deep open pit mine that would produce copper, nickel, cobalt, palladium platinum and gold. These minerals that are utilized in everyday necessities such as cell phones and electronics including electric cars and solar infrastructure. Polymet plans for the operation would have 360 direct employees and to add 1,000 jobs to the region. Construction would provide 2 million hours of employment and add \$515 million to the St. Louis County economy (Polymet, 2020).

Critics of the Polymet project point out that this is a form of mining never used in Minnesota and that it has had negative environmental impacts in other parts of the world. They claim that “sulfur mining will leach into nearby water sources causing expensive and irreparable damage to the environment”(Arneson, 2017, p. 2). While not in the BWCA watershed, critics believe it could damage the watershed because of the proximity to the area. They believe that the number of jobs limited by the actual years worked do not justify the risks (Arneson, 2017).

Further complicating the opening of this mining operation is the long, litigious permitting process. Permitting for the project has now exceeded 10 years. Polymet sees this as validation of the credibility and scientific merit of the project, which critics see it as validation of how dangerous this project would be to northern Minnesota. There continues to be a steady cycle of permits granted, permits challenged in court, challenges overturned to be followed by another court challenge (Polymet, 2020).

## **Twin Metals**

The Twin Metals project is not as far into their permitting process as Polymet and the project is much more complicated. Twin Metals Minnesota, a subsidiary of Antofagasta, has done thousands of exploratory bore drilling around and inside the Superior National Forest and Boundary Waters Canoe Area. Their main location is nine miles southeast of Ely, MN and eleven miles northeast of Babbitt, MN. The Twin Metals project is focused on designing, constructing and operating an underground copper, nickel, platinum group and cobalt mine. They estimate being able to bring 700 direct jobs and 1,400 spin off jobs to greater northeast Minnesota. Unlike Polymet, this proposed project is within the Boundary Waters watershed. Governor Dayton delineated the two projects because of this, supporting the Polymet project but declining support of Twin Metals. Twin Metals is also caught up in a continual process of permitting and court cases at this time (Twin Metals 2020).

## **Mesabi Metals-Formerly known as Essar Steel**

The Essar Steel project outside of Nashwauk, now known as Mesabi Metals, rounds out the big three mining proposals in Minnesota. It was formerly the site of Butler Taconite which was built in 1963 following the passage of the Taconite Amendment. This was a huge victory in the mining industry because it established a fair- taxation policy for taconite facilities. The ore deposit beneath this mine in Itasca County was considered the second richest deposit in the world. They began processing taconite in 1967 and ended with permanent shut down and dismantled the plant in 1985. The reason cited for this was citing the influence of foreign steel

flooding domestic markets. In 2003, Minnesota Steel Industries acquired the project and planned for the state's first steel mill which would actually produce steel onsite utilizing technology known as direct reduction (MSI, 2020).

In 2008, India based Essar Steel purchased Minnesota Steel Industries and employed 800 construction workers to build the facility. The State of Minnesota loaned Essar Steel \$68 million for infrastructure including local power, gas and rail lines. The decline in global steel markets derailed the project in 2016, with Essar subsequently declaring bankruptcy. By that time \$1 billion of the estimated \$2 billion project had been invested with steel and concrete on the ground. The State of Minnesota withdrew Essar Steel's mining leases due to payments not being made to the state and local contractors being owed millions (Myers, 2019).

Mining companies in Northern Minnesota have played nicely with one another until the Essar project. Lourenco Gonclaves, Chairman and CEO of nearby Cleveland-Cliffs, was an outspoken critic of the Essar project citing competition for providing pellets to ArcelorMittal a Luxembourg-based global steel industry leader. Gonglaves would eventually seal the deal and current fate of Essar Steel by securing the long -range contract for pellets. Regardless of who sells the pellets, mining in northern Minnesota will be affected by the downturn in consumer use of steel in the United States and the global steel market. The Minnesota School Trust traditionally supported by mining royalties, will also see a downturn because of the situation.

### **Is Copper A Game Changer for Mining in Northern Minnesota?**

Very recent developments around the COVID-19 Virus could be a game changer for copper mining causes in northern Minnesota. Copper is known to be antimicrobial, killing bacteria and viruses(Copper Alliance, 2020). Studies have shown that copper can kill a long list of microbes

and viruses including the strain causing COVID-19 pandemic. Copper was previously used for surfaces but as time passed was replaced by cheaper and more readily available products like plastic, aluminum and stainless steel. Grand Central Station in New York has several surfaces covered in copper including the grand staircase and early door- knobs were made of copper (Morrison, 2020).

Modern studies have shown that dangerous viruses can live on materials such as Teflon, ceramic, glass rubber and stainless for up to five days. The COVID-19 virus was found on cruise boat surfaces 14 days after passengers left. A researcher from MIT reported that viruses liked copper surfaces the least and that the virus was gone after just four hours (Love, 2020).

Antimicrobial copper is the only solid metal touch surface to have efficacy data independently verified through a U.S. Environmental Protection Agency public health registration, which supports its claim to continuously kill more than 99.9 of bacteria that cause respiratory viruses within two hours of contact when cleaned regularly. Its natural oxidation does not impair its efficacy and it is completely recyclable (Copper Alliance, 2020)

When the world was engaged in previous world wars the Iron Range of Minnesota helped carry America to victory through the exploration and extraction of its minerals. This pandemic be another opportunity. This is yet to be determined, but definitely could be a tipping point for social permitting of mining that was previously denied. “The antimicrobial properties of copper are still under active investigation. Molecular mechanisms responsible for the antibacterial action of copper have been the subject of intensive research. Scientists are also actively demonstrating the intrinsic efficacy of copper alloy “touch surfaces” to destroy a wide range of microorganisms that threaten public health.” (Morrison, 2020, P.1).

## **Current Forestry Research**

The natural resource economy of northern Minnesota is greatly enhanced by forestry. Public lands in Northern Minnesota play a huge role in that economy. According to the Minnesota Forest Industries (MFI), the Minnesota forest products industry employs over 32,000 people and creates \$9.1 billion in economic impact in the state. The timber industry pays more than \$50 million for wood harvested on public lands and generates another \$450 million in state and local taxes (MFI, 2019).

Everyone needs wood and we all need good forestry to provide for several basic human needs. Everyone is a major consumer of wood, which comes in hundreds of forms including lumber, paper, chemicals, foods and clothing. Emerging technologies are making wood an increasingly feasible source of clean and renewable energy. It is estimated that the average person uses up to four pounds of wood fiber daily (Cook, 2019).

There are few ecologically valid reasons to not perform responsible timber harvest. Timber harvesting is the primary means to accomplish many forest goals. These include manipulating stand type and age class, creating/improving wildlife habitat, restoring ecological function, maintaining forest health, reducing wildfire risk, sequestering carbon. Just as any living things have a life span, so do trees. Over mature trees are more susceptible to insects, disease, and blowdown. Removing trees at harvest age allows the wood to be utilized and mitigates wildfire risk. Forest roads created for timber harvest also provide recreational activities and access to public lands (MFI, 2019).



Forests, especially rapidly growing young forests, sequester atmospheric carbon in the air. During photosynthesis, trees sequester carbon from the atmosphere. Each tree absorbs an average of 50 pounds of carbon from the atmosphere each year. Even when trees are harvested, they continue to store carbon as forest products, sometimes for centuries. Zurich researcher Tom Crowther states “Our study shows clearly that forest restoration is the best climate change solution available today”(National Geographic, 2019, p.1).

### **Certified Forests on Public Lands**

Perhaps one of the most important land use planning processes required on public lands is forest certification. Forest certification is a voluntary third-party process that sets forest management and wood procurement standards and audits enrollees to them. The majority of public lands in Minnesota are certified to the Sustainable Forestry Initiative (SFI) and/or the Forest Stewardship Council (FSC ) Standards. Minnesota is the largest public land manager in the United States to certify its lands. The majority of these certified forests lie in the Arrowhead of Minnesota. Benefits include maintaining a sustainable supply of forest products and services from healthy, diverse and productive ecosystems. Other benefits of forest certification include greater recognition and support for forest policies and operations while emphasizing management on a landscape scale (MNDNR, 2016).

### **County Tax-Forfeit Lands**

County tax-forfeit lands also play a large role in the northern Minnesota timber industry. Collectively, Arrowhead County land departments manage over 2.8 million acres of tax-forfeited forestland. This management model is a unique public ownership domain that

emerged from cut and run logging, failed agricultural attempts and abandoned homesteads in the early Twentieth Century (Jessness & Nowell, 1935).

Pioneering legislation of the 1930s resolved failed agriculture attempts by delegating management of these lands for the benefit of local taxing districts. At present, county land departments have reputations as professional and efficient producers of timber who operate with relative independence of state oversight. These departments are also self-sufficient which is very attractive to frugal county boards. Local natural resource decision making has also made this model very attractive to stakeholders. They produce the most timber revenue with the least amount of FTE staff (MACLC, 2019).

An interesting development in county tax-forfeit lands is the increase in total amounts of acres retained by counties who have been critical of the state increasing public lands. Traditionally, land departments are directed by county boards to hold auctions to liquidate tax-forfeit properties and get them back on the tax roles as quickly as possible (MACLC). In 1989 there were a total of 2.3 million acres of tax forfeit property. Today, there are half a million more acres totaling 2.8 million. This addition of a half million acres is an interesting increase considering the fact that northern counties have been very critical of the state for acquiring more public lands (NCCLUCB). According to data, county boards are choosing to also acquire more.

An important factor in keeping public lands managed, healthy and profitable is the status of the forest industry. The forest industry includes paper and construction material mills, loggers, and truckers. These businesses depend on the local and global markets for its products. A good recent example would be toilet paper. No one could have predicted the unprecedented

market for toilet paper products. One tree produces about 200 rolls of toilet paper. The average American uses about 25 rolls per year. Global toilet paper production consumes 27,000 trees daily. About 30% of global toilet paper is harvested in the U.S. (MFI, 2020)

Another recent change in the forest industry is the increase in the need for cardboard. The increase in e-commerce deliveries has greatly increased the market for cardboard. As the need for newsprint has declined, the market for cardboard increased. While cardboard can be recycled, most distributors of merchandise prefer new cardboard because of its ability to withstand global deliveries. In spite of this, there is still a significant market and need to recycle cardboard. Waste management companies have seen up to 20% increase in cardboard over the last decade. Some fiber plants have responded to this by converting parts of their facilities to recycling cardboard (DePillis, 2019).

As climate change evolves it will be even more important to manage the Northern Minnesota public forests. Forest management is now coined as “tinder management” in some areas. It is a proven fact that when wildfires roar through a forest, managed forests fare much better than unmanaged. Wildfire suppression in Minnesota cost \$26,335,551 in 2015. While fire is utilized at times, as a management tool on public lands, the risk of wildfires continues to be a subject of great interest as climate change continues to reveal itself (MNDNR, 2015).

MPR reported that Minnesota’s average temperatures rose one tenth of a degree every decade between 1895 to 1970. Since then the average temperature is rising about a half a degree every decade. The north is warming the fastest, indicated by tracking area between Hibbing and Grand Rapids that is more than 3 degrees higher than the average temperature during the first part of the 20<sup>th</sup> century. Future land use planning in Minnesota will need to

keep climate change factors in mind, especially when it comes to natural resources (Kolyer, 2015).

The status of the logging infrastructure plays an important role in these lands and public administrators' ability to do proactive land use planning. Both the timber industry and public land managers rely on logging companies to harvest timber. The logging infrastructure in the American West has disappeared due to a huge decline harvest on public lands causing major crisis. They are now struggling with wildfires, degraded habitat and diseased forests. Some are calling for more timber management to address these issues, but the infrastructure is no longer there. Logging companies tend to be generational. Once a family operation goes out of business, it is almost impossible to resurrect (MFI, 2019).

Even in Minnesota, there has been a steady decline in the logging infrastructure. According to statistics from the Minnesota Logger's Education Program, the number of independent logging companies has been cut by a third in the last decade. Mill closures in the region have impacted the number of logging families that could stay in business. The nature of new technology used in logging has also priced some families out of the industry. New machinery using high technology and low environmental impact machines now can cost a million dollars or more (MFI, 2020).

Loggers attend timber auctions sponsored by county, state and federal agencies where they bid against each other for timber. In the past there have been many spirited discussions about the amount per cord that loggers were charged for doing business on public lands. This amount also known as "stumpage" costs have varied with the market. At recent state auctions, twenty percent of the parcels were not even bid on. This could signal a change in the future where

public agencies could be paying loggers to harvest timber. In a recent habitat project in St. Louis County, that is exactly what happened (Myers, 2020).

County, state and federal forests are not simply parks. Forests all have a multiple use-sustained yield mandate. These public lands provide for public recreation, ecological services and benefit rural economies. Forest are managed based on science, in a matter that is socially, economically, and ecologically sustainable (MFI, 2019).

### **CURRENT COSTS OF PUBLIC LANDS**

While public lands have great public and economic advantages in regions like northern Minnesota, management costs involved that can be difficult to track. Public agencies that manage these lands carry the fiscal responsibility of their care. Management costs vary greatly depending on public use. For example, the per acre intensive costs of public park management compared to forest lands. These lands also carry the legacy costs of payment in lieu of taxes (PILT), invasive species control and long-term management plans. As more public lands are being added to the maps, stakeholders are paying closer attention to not just what these costs are, but what resources will be utilized to pay for them (OLA, 1990).

In 1990, the Minnesota State Legislature directed the Legislative Auditor to evaluate the management of public lands and the costs to maintain them. The major findings of this report reported that the Department of Natural Resources lacks adequate resources to manage and maintain its current land holdings. The report also noted a lack of a comprehensive, long-range budget analysis for managing their public lands and directed the agency to conduct an analysis which would examine the impact of further acquisitions (OLA, 1990)

As of 2020, limited efforts have been documented implementing the recommendations of the Natural Resource Lands Evaluation. The DNR initiated a Strategic Land Asset Management (SLAM) project which has resulted in a few exchanges between the DNR and counties, but it required expensive staff and administrative fees and the exchanges can take years to complete. The first SLAM project in Roseau County took several years to complete.

The DNR has ambitious plans to expand their land base for wildlife management areas, aquatic management areas, scientific and natural areas and the prairie region. They employ staff to actively seek willing landowners to sell their properties and complete these real estate purchases (MNDNR, 2020).

#### **Payment in Lieu of Taxes- PILT**

Payment in Lieu of Taxes (PILT) is a property tax relief program that offsets tax revenues uncollected on public lands. Minnesota counties have received PILT payments since 1979 on 5.6 million acres of state managed lands and 2.8 million acres of county managed tax forfeit lands. PILT payment rate determination formulas are highly complicated. Payment rates vary according to land type and range from \$2 per acre to .075% of appraised value. An acre in the far northwestern part of the state will always generate substantially less PILT than an acre in the Metropolitan area. All 87 counties in MN receive PILT payments ranging from \$21,443 in Red Lake County to \$3,792,842 in St. Louis County (MNDNR). This is relevant because of the valuation differences in different parts of the state have caused criticism from public administrators and county boards.

Recent significant rate increases for PILT have diminished concerns from northern county commissioners regarding further public land acquisitions. In the last decade, PILT payments

have more than doubled, increasing from 14 million in 2010 to 35.9 million in 2019 (MNDNR). For some acquired lands, the PILT reimbursement rate can meet or exceed the potential taxable income the county may have received. There are concerns how long the state can afford to maintain this acceleration of payments. PILT payments compete with other vital general fund priorities such as education and health and human service.

Because PILT payments money does come from the general fund allocated by the legislature there is anxiety about its security. In budget deficit years, there is often angst from northern counties concerned that PILT payments will be honored. There is currently no statute requiring the legislature to allocate these funds (MACLC).

While public lands attract people and bring economic benefits, they also bring with them governmental service demands such as law enforcement and road maintenance. Counties provide important access to state and federal lands for timber harvest and recreational activities. Emergency rescue services have also been critical in the national forests. Federal and State PILT rates are established with these public services in mind.

### **Legacy Amendment**

In 2008, as the United States was facing the bottom of an economic recession, Minnesota voters approved amending the state constitution, creating a new tax that would provide increased funding to restore, protect and enhance the state's grasslands wetlands and forests (Legacy, 2020). The passage of the Clean Water, Land and Legacy Amendment was heralded as a bold move by residents who imposed a 3/8<sup>th</sup> of one percent sales tax rate hike on themselves for 25 years to provide dedicated funding for cleaner water and healthier habitats (Anderson, 2019).

To date, this amendment has generated over three billion dollars, with twelve more years remaining. Four different funds were created in the Amendment including Outdoor Heritage (33%), Clean Water (33%), Arts and Cultural Heritage (19.75) and Parks and Trails (14.25). These monies are intended to go beyond other state funds to build a long- term conservation legacy for the citizens of Minnesota (Legacy.com, 2020).

The creators of this idea utilized a strong amendment route because earlier attempts to secure funds for the environment were promptly changed by the legislature. In 1988, a constitutional amendment was passed to create the Environment and Natural Resource Trust Fund as a way to dedicate Minnesota State Lottery funds to address environmental concerns. The legislature promptly changed the formula by which the money from the fund was dispersed, reducing the actual money that went to the environment and natural resources (Anderson, 2018).

Twenty years later in 2008, hunters and anglers united to make sure that they would have a say in how the Clean Water, Land, and Legacy Amendment money was spent, citing a lack of trust for the legislature. They included the creation of the Lessard-Sam Outdoor Heritage Council (LSOHC) as part of the amendment. The LSOHC is a board made up of citizens and legislators who make recommendations to the legislature as to how the funds should be spent.

Within the last few years a LSOHC issue has come up around the issue of Native American requests for funding to purchase tribal lands. Both the White Earth and Fond Du Lac Bands have made requests in recent years for funding to purchase lands that would go into tribal governance. The Legacy Amendment clearly lays out that any lands acquired with funding from LSOHC has to be open for public hunting and angling. Tribal tradition bans wolf hunting which



has been a significant public issue in northern Minnesota. When a wolf hunting seasons were open between 2012-2014, tribal bands closed their lands to wolf hunting. Tribes and LSOHC staff continue to find neutral ground so that tribal acquisitions can be made (WCCO, 2015).

### **How Much is Too Much Public Land in Northern Minnesota?**

When voters passed the Legacy Amendment in 2008, the public land base in Minnesota was 24%. Halfway into the 25-year life span of the Legacy Amendment, 30% of the land base is in public lands. In the current budget cycle (2020-2021) there is an estimated \$140 million for land acquisition, restoration or management. A conservative estimate would be another \$1 billion available before the sunset of the funding. While there is a hundred -page vision framework for investments and future opportunities, there is no comprehensive plan for how or where the money will be spent on and acquisitions (Legacy.com, 2020).

Several Northern Minnesota counties have passed “No Net Gain” policies which mandate that there will be no net loss of taxable lands due to public land acquisitions. If the state desires to purchase more land in these counties they must consider liquidating from their current county portfolio of lands. This preemptive strike has never been tested in court. There is little chance that a county board could deny its citizen the right to sell their property. In spite of this, northern counties have made their argument clear, that “enough is enough” when it comes to taking private lands off of the tax rolls (NCLUCCB, 2020).

The Northern Counties Land Use Consolidated Coordinating Board (NCLUCB), is a joint powers board created to provide local government perspectives on regulation, implementation, and coordination of environmental and natural resource policies with state and federal

partners. They are major stakeholders in the large public land base of northern Minnesota boasting 20% of the land area, 45% of state regulated waters, 46% of remaining state wetlands, 38% of wild rice waters and 65% of the state forest lands. The vast majority of federal lands are in these counties. NCLUCCB keeps a close eye on public land acquisitions and traditionally has had a significant lobbying voice at the Capital (NCLUCCB, 2020).

### **The Role of Third -Party Conservation Groups**

Passage of the Legacy Amendment has drawn global attention from conservation groups such as The Nature Conservancy (TNC) and Trust for Public Lands (TPL). There have been strong efforts in the conservation community to save the last of “America’s Great Places.” Including the Arrowhead of Minnesota definitely is considered on that list. Along with being in the heart of the North American continent, the region provides the conservation groups an excellent “bang for their buck.” Property values in Northern Minnesota make purchasing conservation lands extremely attractive.

Land in northern Minnesota has and always will be valued at a lower price than lands in Southern Minnesota. A thousand acres of wooded forest in northern Minnesota can be purchased for approximately the same price as hundred acres of farmland in southern Minnesota (NCLUCCB, 2015). This dichotomy is further driven by third-party conservation communities desire to purchase lands close to other public lands. The majority of counties south of Brainerd, Minnesota have less than 2% public land (MNDNR).

A benefit of third-party acquisition lies in the cost analysis. They are often able to negotiate and execute land transactions at a fraction of what it costs for government agencies. The benefit to the third-party group is that they often receive a very generous transaction fee for

their efforts which help sustain their operational costs. These nonprofits do not pay taxes and almost always transfer ownership to public ownership. A recent \$4.9 million Mississippi Headwaters Habitat Corridor Project netted \$500,000 in transaction fees for The Nature Conservancy (MHB, 2017).

The jury is still out on if the Legacy Amendment has created a cottage industry for third party groups, but even critics agree that they are able to bring transactions to the finish line more economically than government agencies. The real test will be the cost to Northern Minnesota Counties as tax bases further degrade.

### **Conclusion and Analysis**

The present issues around public lands of Northern Minnesota are complex and fluid. Current local, state, and global conditions affect these lands on a daily basis. Through political science lenses it is evident that political winds are changing in the north from being a long stronghold for the Democratic party to an area filled with opportunity for the Republican party. Mining towns that were in the hearts of Humphrey, Mondale and Wellstone territory are now big gains for President Trump after he boldly announced that Northern Minnesota was open for business.

Secondary data reviewed shows that natural resource economy research in this region has had a cyclical nature bound to nature, political climates, and global markets. The mining, timber and tourist industries have operated in close proximity to one another and traditionally have held together during good and bad times. The current trends of tourism versus mining fueled by voices outside the Arrowhead are driving great contention and polarization.

Residents demand the ability to sustain their economy through extractive industries. They don't want the region to simply be a playground for wealthy urban people with year around residents reduced to subservient roles. By contrast, some others want the area to be maintained in a pristine condition, primarily manage for tourism. Voices of reason state that these are not mutually exclusive principles.

The public administration question of how to sustain, expand and pay for these public lands continues in the background. Proactive land use planning will ensure sustainable public resources and thriving communities.

The Legacy Funds provide great opportunity and great responsibility to move the environmental principles forward. The legislature, outside environmental groups and local governments will need to work in harmony to ensure the present status of these bountiful lands will continue to serve the heavy load that they carry.

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