

campsite and would have limited activity on State land. Comm. Pavleck offered that working with the State to find solutions in rocky soils is desirable. Mound systems do not work. Comm. Napstad reiterated his view that as circumstances change landowners may find that their use of the land is limited, but this is not then a responsibility of government to solve a bad situation. Comm. Forsman offered that in some cases resorts have been owned for generations and are now facing new county rules; sanitary systems that have been grandfathered in are now failing or were originally ineffective. Puck's Point on Kabetogama is a prime example of the need for government to work with landowners because the only reliable cost-effective solution to keep water clean involves State land. If any agency makes unreasonable demands, resorts may parcel off their land and leave the business – or sell land to the government. Comm. McBride noted that potential developments east of International Falls that would benefit Koochiching County need a public-private partnership to solve some of these issues. Leases of perhaps 21 years may be a solution that allows for current expediency and later flexibility, noted Dir. Engwall.

2. Wolf Management – Dir. Dowling reported that 16,000 applications for wolf hunting permits had been received, with 14,000 from Minnesota. Applications cost \$4.

3. PILT – Comm. Beckel requested that Comm. Napstad to reiterate his explanation given at a recent Joint Powers Board meeting as to why Payment in Lieu of Taxes should be paid. Comm. Napstad recalled that a question had been put on the table asking what is the big deal about the State owning all the land it does? Why are counties so opposed to it? The commissioner suggested that all the words applied to the analysis become jumbled – “State land,” “property.” The correct language is not “State land” but “State property.” Counties have a problem with ownership of so much State property because counties were established by the State, and the role of the counties was in some ways prescriptive. Mandates were often funded, and counties were allowed to raise some funds locally. The “property tax system” allows counties to assess taxes against those properties within county boundaries. In the southern part of Minnesota, where all the property within a county's boundaries is private the county is able to assess taxes against their entire property base. In the northern part of the state where a county or a nontaxable entity acquires property, it is removed from the county's property rolls. The PILT program when funded adequately is in some cases a reasonable compensation. In most cases, though, the property tax that counties levy against private properties exceeds by quite a bit what the state would be paying. In short, the reason counties have trouble with the State owning so much property is because it diminishes the county's tax rolls.

Comm. Beckel recalled an additional point, which is the reduction of Local Government Aid, meaning reduction of significant financial aids at the same time large portions of the land are removed from the tax base. Comm. Napstad added that the State often gives aid for specific programs, but as the State reduces its LGA or county programming aid and county departments are having to pick up more services, the county must further burden the property tax system. A connection must be made between “property taxes” and “State property.” State property is tax exempt.

Dir. Dowling added that the explanation is helpful to the public and DNR staff who may not comprehend why counties are concerned with the issue. As precision conservation is practiced, DNR staff must be aware of the issue. To say that the counties receive PILT and millions of dollars is not sufficient, nor is saying that the existence of so much State land is why people want to live there. A document would be of help, especially as the Governor and the DNR Commissioner have asked that the DNR be responsive to the public.

Comm. Pavleck noted that inequalities exist in the system. Koochiching County lost \$200,000 in State aid and now has to add staff by mandate. Flexibility is necessary to ensure efficiency in management. Taxable property in Aitkin County, Comm. Napstad added, topped out at \$3.2 billion and is now at \$2.9 billion. At the same time there is \$853 million of non-taxable property. If it were taxable property, a 25 percent reduction in county property taxes would be realized. Other areas of the state have a minimal level of non-taxable property and enjoy lower tax rates because of it. Aitkin County taxpayers are subsidizing the system.

Comm. Forsman recalled when a half-percent was added to the sales tax, local governments were told that they would not have to worry about local government aids as the half-percent would not only cover those costs but would increase revenues over time. Promises made by legislators do not last over time. Overall activity after the establishment of the BWCAW has declined, he added.

Dir. Dowling brought up the issue that State funds are to be spent in the southern part of Minnesota. Comm. Beckel recommended that no more purchase of land be carried out without settling future payment of PILT. Comm. Sobanja agreed that people from southern Minnesota do come north in the

summers, adding that if there were more places to recreate in southern Minnesota on State land commissioners from southern Minnesota would better understand the issue. Comm. Beckel repeated that the issue is not “DNR land”; it is State property and the State needs to pay on its property.

4. Joint Meeting Agenda at AMC Conference – Comm. Beckel reported that an agenda includes DNR Land Asset Management, PILT, and Wetland issues. The DNR will bring in speakers. Comm. Beckel encouraged that Bob Tomlinson, Dave Schad and Bob Meier be invited.

5. Land Asset – Dir. Engwall asked to speak on previously discussed land asset issues. High commodity prices have resulted in a reluctance to sell land in southern Minnesota. Mark Johnson, executive director of the Minnesota Deer Hunters Association, would speak at the October meeting of NCLUCB about projects that are not land-acquisition based - for example, a moose management project. Comm. Napstad added that property acquisition in the agricultural zones of the state will be difficult. Also State and Federal KREP payments may encourage holding onto marginal land over time. Disparities in return on investment are staggering between agricultural areas and northern Minnesota, he noted.

6. BWCAW – Comm. Sve shared an email from a U.S. Representative from Arizona who sits on the congressional natural resources committee, which Minnesota Congressman Cravaack also sits on. The email relates that Rep. Cravaack had introduced HR-5544 Minnesota Education Investment Employment Act to pull School Trust Lands in the BWCAW into a working national forest, that is the Superior National Forest. The Forest Service would have to exchange national forest lands with Minnesota Trust lands within the BWCAW. The legislation was referred to the Natural Resources subcommittee. The Representative pointed out that HR-5544 is so broad as not to identify the lands to be exchanged, federal appraisal rules are not applied, and transparency provided by the National Environmental Policy Act is waived. Committee staff was to look into the legislation more completely. It found that a 63-year old law, the Tye-Blatnik Act, calls for payments to Cook, Lake and St. Louis Counties and these payments have continued. The Act has cost the Federal government \$6 million in FY2011. Since 1977, \$60 million has been received by the counties in addition to PILT. The proposed legislation could increase Federal obligations to the counties by \$1 million annually. The Representative asked in an amendment that no further Federal funds be spent until effects on the Tye-Blatnik earmark be examined. The Representative is asking counties for information on the use of the earmark funds. Cook County has also been approached. A teleconference among Cook, Lake and St. Louis County representatives discussed the matter and the concern that the Federal government would pull the BWCAW funding from the counties. The Arizona representative sits on the other side of the aisle from Rep. Cravaack. John Ongaro of St. Louis County and others will be putting together a draft response and contact will be made with Rep. Cravaack’s staff. The question is on whether lands that will be pulled out will receive PILT payments. Comm. Sobanja suggested that the Representative is conflating two different issues, and that HR-5544 does not refer to the BWCAW. Comm. Sve will keep the Board informed. The conference group will provide historical perspective to the Representative.

7. Governor’s Executive Order – Comm. McBride brought up a recent Executive Order that affects wetlands issues in northern Minnesota. Mr. Lessard assured commissioners that DNR Commissioner Landwehr understands that some current road practices do not make sense and that the order may provide leeway. Dir. Engwall concurred that Comm. Landwehr is sensitive to northern Minnesota issues, noting that other issues include potential St. Louis County land acquisition to create wetland banks and to move predominant mining mitigation from Aitkin County. Comm. Napstad agreed that BWSR is amenable to putting wetland replacements where there is the most public value, though a challenge remains the Army Corps of Engineers with its wetland districts and replacement ratios. He sees the executive order as an opportunity to create higher public value. Stakeholder meetings will be held; he encouraged support of a focus on public value in wetland restoration rather than acre for acre. Mr. Lessard pointed to the crux of wetland restoration, which is in southern Minnesota; environmental groups may be unexpected allies. Flexibility in northern Minnesota would also be applied in southern Minnesota. Comm. Sobanja encouraged education of federal decision makers, while Comm. Jensen asked about the definition of public value – is it wetlands or food-growing land when food costs are steeply rising? Comm. Napstad responded that public value is broadly defined, including wildlife and water concerns. He outlined a mechanism in which an entity charged with mitigation in northern Minnesota might instead contribute to an escrow account that would support voluntary mitigation in the southern part of the state, if the Corps boundaries and ratios could be erased and established agencies manage the mitigation.

