

NORTHERN COUNTIES LAND USE COORDINATING BOARD
Minutes
Thursday, June 4, 2009
KOOTASCA Senior Center, Northome, Minnesota

Call to Order: The meeting was called to order at 9:30 a.m. by Chairman Fink with the following in attendance. (All actions of the Board were supported unanimously unless otherwise indicated.)

All Member Counties Present:

Commissioner Brian Napstad, Aitkin
Commissioner Jim Johnson, Cook
Commissioner Charles Lepper, Koochiching
Commissioner Wade Pavleck, Koochiching
Commissioner Todd Beckel, Lake of the Woods
Commissioner Don Jensen, Pennington
Commissioner Dennis Fink, St. Louis

Others Present:

Craig Engwall, Department of Natural Resources
Bob Tammen, Soudan resident
Pat Tammen, Soudan resident
Carol Pavleck, Koochiching
Douglas Skrief, NCLUCB Staff

Administrative Actions

1. Approval of the agenda with the following additions:

- 1) Local: Plasma Plant project Aitkin County
- 2) Local: Cap and Trade
- 3) Local: North Shore Management Board Forum
- 4) State: Board of Water and Soil Resources report
- 5) State: Forest Easement signed by Blandin
- 6) Federal: Lynx critical habitat update
m. Napstad s. Johnson

2. Approval of Minutes: May 7, 2009 meeting

With the correction from Comm. Napstad that on page 3 penultimate line "mitigation" for "exemption" and on page 4 at top "TEP" for TEF".
m. Pavleck s. Napstad

3-4. Financial Report and Bills:

The Executive Director, in the absence of the Treasurer, reported a general account balance of \$86,196.19, and a Land Use Conflict Management balance of \$15,005.28. Total accounts balance, after payment of approved expenses: \$101,201.47.

The Executive Director submitted an invoice for \$752.85 for one month of professional services and expense reimbursement. Estimated room expenses for the present meeting of \$55.00.

m. Lepper s. Jensen

Correspondence

1. Les Bensch of the Lessard Outdoor Heritage Council advisory committee had telephoned and emailed that he wished to visit the Board, hopefully on July 2, with legislative guests. The Board expressed interest in inviting a range of legislators, to include Senators Bakk and Skoe and Representative Dill and perhaps former Senator Lessard.

2. The Chair and the Executive Director had corresponded with Congressman James Oberstar's offices in Washington and Chisholm about a possible visit with the Board. The Representative's Chisholm office representative Peter Makowski plans to attend the July 2 meeting in Chisholm. Areas of interest that Mr. Makowski could outline for the Board include: Economic Stimulus Funds; Cap and Trade and the next

Congress; Lynx Habitat; Federal Timber Harvest; the status of the Clean Water Restoration Act and, should it pass, the associated rule process and potential Board involvement, noting permitting delays as, for example, in the International Falls hospital project; Black Boxes in automobiles versus gas taxes as it relates to rural residents; Nexus Cards; and Forest and Fire Management.

Discussion Issues

LOCAL

1. Plasma Gasification Plant proposed for Aitkin County: Comm. Napstad reported that an individual with an interest in a peat plant ten miles outside of Aitkin is interested in developing with a consortium of investors a plasma plant that would, among other things, deliver heat to a peat drying plant. The individual is looking for county economic development involvement. Because the county has not benefited from involvement in other commercial projects, such as Quadna Resort and Long lake Conservation Center, the county will not serve as partner or financier, though they would help with support for roads. The developer has contacted Homeland Security about possible disposal of hazardous waste and the development of a related runway facility to deliver it. The plant could also handle “auto fluff,” the recyclable parts of cars. Informational meetings have been held. The decision would belong to the Pollution Control Agency and permitting agencies as they determine what is feasible. The project could provide 100 jobs at the plasma gasification plant alone and could provide high energy to other new plants. While the local government would not be a partner, the county could be a pass through for federal funds. The proposed \$250 million facility could handle medical waste. Long-term contracts could present a problem in the case of a re-designation of waste or plant breakdowns, resulting in an unstopped receipt and build-up of toxic material.

The Chair reported that a feasibility study for a combustion waste-to-energy project has been approved for St. Louis County. Comm. Pavleck noted a need for medical waste disposal in Europe and the United States. Comms. Lepper and Pavleck noted that the \$35 million Koochiching County plant that could handle municipal and electronic waste is at the feasibility study stage after about \$3 million in federal and state investment; the county has no money in the project and would appreciate not becoming involved in it.

2. Cap and Trade: Like all counties, Aitkin County is looking at potential revenue streams, reported Comm. Napstad. The county land department was asked if there was a possibility of sequestering additional carbon credits. A study revealed that Aitkin County forests currently sequester 40,000 metric tons of carbon each year under the present management plan – which includes selling off 40,000 cords a year off county-administered land. Can you sequester more carbon than at present, they asked. Three sequestration questions arise: 1) additionality 2) leakage and 3) permanence. An entity has to prove there is additional carbon being sequestered. There are no credits for the baseline. The county land management plan was modified to allow more thinnings to allow larger crop trees. If implemented, the changed plan would continue to allow 40,000 cords to be sold but would also sequester an additional 12,500 metric tons of carbon. Leakage limitations demand that the savings not be negated somewhere else, “leaking” the demand outside the area considered. Permanence refers to the holding of lands long-term. Administration of 220,000 acres of Aitkin County lands has not changed significantly in thirty years; it is a permanent land manager.

A third-party verifier has to review the numbers. Once verified, credits can be sold on accredited exchanges, such as the Chicago Climate Exchange. The county is a large holder and credits could be negotiated, such as with Great River Energy. There is a dollar price attached to carbon credits. On the Voluntary Carbon System this might be \$4 a credit, for example. The 12,500 additional metric tons of carbon Aitkin has identified converts to sixty thousand tons of CO₂; at \$4 a credit this would be \$250,000 of credit a year for changing the forest management plan. A concern is whether there is tacit endorsement of a cap and trade system by enrolling in these changes. The answer is “perhaps,” though there is enough voluntary trading going on that there is a demand presently for the credits. Electric generating utilities may wish to have some credits available if they cannot meet the 2025 deadline.

Because Aitkin County is already associated with the Forest Stewardship Council, a certified carbon verifier, it is asking FSC to bid to verify its credits so that the county could go out and exchange its block of credits. Other verifiers include SFI.

The Chair pointed out two separate issues: 1) Are carbon credits a good idea? Northern Counties might say that it is not a good idea, but there is already progress on this front, and the President has expressed interest in an energy bill with a Cap and Trade policy. 2) If it is to be instituted, how do other northern counties with land set aside take advantage of research and work that Aitkin County has done?

Mr. Engwall forwarded information that Rajala Lumber, a small local business, has been interested in raising funds on the Chicago Carbon Exchange. The Department of Natural Resources is

interested in the process in large part because of its Koochiching County peat land. Existing peat beds in Aitkin County, responded Comm. Napstad, represent the baseline holdings, and there is no methodology on peatland, and additionality is a concern. One question concerning county administered lands, he added, revolves around the ownership of title.

The Chair urged analysis of the issue to ensure preparedness for the future in Cap and Trade. The DNR holds 650,000 acres in St. Louis County that they manage; the county manages 895,000 acres. Based on third party inspection, these acres may hold credits. Counties ought to speak early to circumvent agency interest should the lands qualify under two entities. Agricultural land should also be considered, added Comm. Jensen. Row crops represent a smaller number of credits relative to forested land, though there is a wealth of agricultural acres.

The Chair asked if the Board should set aside time to explore the issue and develop expertise or piggyback on expertise of Aitkin County. Aitkin County was joined by Cass County in exploring options, but Cass County dropped out. Land Commissioners of counties already know each other. It would be a technical discussion at this point among them. Aitkin County's Land Commissioner would attend a meeting and address the Northern Counties Board, offered Comm. Napstad.

Comm. Johnson concurred that there are two issues: the philosophy of Cap and Trade and the pragmatic issue of potential income to counties. This may be a poor way to solve the carbon problem but may be a way to get funds to get things done nevertheless. Comm. Napstad said one concern of his is that if the Land Department gets \$250,000 a year in credits, are the electrical companies going to raise rates by \$500,000 – thus doing taxpayers, for whose benefit the lands are managed, a disservice. The county invited Great River Energy company in for a meeting to discuss European rate increases; they thought Aitkin County might have a resource other counties do not. Rates may go up in the tenths of a cent.

Smoke stacks across Minnesota are adding to haze over Class A areas, recalled the Chair. For economic growth to occur in the area, there must be a mechanism to say this can be offset with carbon credits parallel to wetland credits. As new Cap and Trade rules come out there must be a response. Is this to be done as a group? Mr. Engwall suggested possible benefits to voluntary management in the short term. The Chair suggested there may be opportunity to assist other units of government in helping to manage land in relation to carbon credits. The Board could be a source for carbon sequestration knowledge, Comm. Napstad agreed. Mr. Engwall noted that wood sequesters more carbon than concrete or steel, and that wood use could be promoted as a positive promotional tool for wood products. Actively managed forests store more carbon than old growth forests. Comm. Napstad distinguished between carbon storage and carbon sequestration; young forests consume a lot of carbon and old forests store a lot.

The Chair recommended asking the Land Commissioner from Aitkin County to present to the Board. Other land commissioners could be invited. Comm. Napstad will ask for a presentation in August.

3. Erosion Forum: The Chair shared news of a North Shore Management Board Forum on Erosion and the North Shore in Two Harbors, June 18 from 10 a.m. to 3 p.m., with a deadline of June 10 to reserve a place. The purpose is to educate elected officials and planning commissioners on what to look for in approving erosion-related issues around any shoreline.

STATE

1. Legislative Review: District meetings of the Association of Minnesota Counties are being held presently, reported the Chair. A significant topic has been the proposed balancing of \$2.7 billion of the budget by the governor. This will result in a loss in local government aid to counties in the region, and the Taconite tax relief will be reduced by 15-25 percent. Payment in Lieu of Taxes will also go down. Through unallotment, county program aid will go down from \$220 million to about \$67 million over the next two years. Mr. Engwall asked if because of contractual obligations SFIA will be unaffected. PILT reductions will not be an unallotment item but a reduction in the whole appropriation payments by 20 percent. Comm. Beckel asked why there would be such a cut in a \$22 million program when it will jeopardize the future of small cities, leading to their being acquired by counties. Better to reduce the CPA, which is restricted, and leave the LGA alone. The Governor may be taking \$330 million of \$600 million in aid to local governments. Consolidation, as of townships, will be the result, commented Comm. Pavleck.

All local governmental aid categories from LGA to PILT add up to about \$600 million in spending, reported the Chair. The Governor must cut \$2 billion more. During the second biennium, claims the AMC, there will be a \$3.6 to \$4.2 billion deficit on the table no matter what the Governor does. This is because about \$2 billion of the fix is coming from the federal Stimulus dollars. There will be a one-time fix regarding revenue without structural change. The third biennium out might still begin with a billion dollar shortfall. All counties should be talking about not backfilling and raising the bar to a certain level. There will be a political hit because the local units will be seen as not having done their job, and the baseline will

have been raised for the next couple of years out. Why not make structural changes while attention is focused on the issue. Levy limits only allow 1.2 percent increase. In 2008 and 2009, all unallotted money can be levied back, but this leaves counties in a bad position. It may be a time to cut taxes and cut services, suggested Comm. Napstad, as the funds won't be levied back. Minnesota has the biggest deficit on a per capita basis than any other state in the nation, Comm. Pavleck noted. Comm. Napstad recalled mention of an earlier initiative to reduce the number of counties in the state.

The Chair encouraged attendance at district meetings.

2. Lessard Outdoor Heritage Bill: Mr. Engwall reported that the state Senate tried to keep the Lessard bill in tact while the House aimed to dismantle elements of the bill. Rep. Jean Wagenius wanted to define "protect, restore and enhance"; this went from conference to the floor with tight ecologically-based definitions entered at the start of Chapter 84, which affects all of the DNR statutes and not just the Heritage bill. There will be discussion to follow the passage of these definitions. Funding for the Blandin easements passed. The DNR signed a binding option with the company and has until December 2010 to close. If Blandin sells the property, the restrictions apply to the subsequent owner. Payments will not be made till 2010. Incidentally, aspen sales recently brought \$14/cord; low prices have led Forest Capital Partners to say they would have to sell land off in parcels. The quality of debate on the floor was discussed.

3. Emerald Ash Borer: There is a quarantine on transfer of ash between counties. Mr. Engwall offered a quick update on state action on the problem at the next meeting. Maximum mortality in Michigan has reached 25 percent. Removal of trees can run \$750. Mountain ash is not included.

4. Board of Water and Soil Resources: The BWSR Board had met the previous week, reported Comm. Napstad. A reduction of 10.8 percent from the General Fund budget will most affect the administrative wing, though the agency has already been under a hiring freeze and this should not affect capacity. Of concern to local units of government, Natural Resources Block Grants will be reduced by 5 percent; this would be, for example, a \$3,500 reduction to Aitkin County. Soil and Water Conservation District's General Service grants will be reduced 1.8 percent from \$1.7 to \$1 million. Related to reductions are previous concerns over the introduction of rules when payment for implementation is not available. In another issue, Water Conservation Districts are soon required to have web pages up to detail how funds are being spent. New funds from the Heritage amendment are available, to protect water, for buffer easements. It has been difficult to get such money into northeastern Minnesota because it is usually directed to agricultural buffers. A suggestion is that since financial incentives are offered in agricultural areas, why not offer them in shoreland zones. Formulas would be an issue. Shoreland set backs would demand a different formula. It may be time, suggested Comm. Beckel, with a new funding source to look at sewer issues. The Chair had been talking with ARDC about getting funds from the Heritage bill to get planning funds to look at the clean up of septic systems. Thousands of septic systems are not being documented as point-of-sales recording has decreased with the loss of overall sales, and inspections have slowed down. It may be time to bring back and combine some project ideas, added Comm. Beckel.

Comm. Napstad noted that the sewer issue is perhaps the most important; it is expensive and will need to be addressed long-term. More timely is the issue of storm water runoff that would have DNR and PCA support – addressed for example by rain gardens and shore impact zone buffers. Aitkin County has offered \$5/foot incentives as a low-cost, quickly implemented encouragement to mark off a buffer. Mr. Engwall added that Erica Rivers of the DNR is conducting a \$350-400,000 LCCMR-funded voluntary buffer project in Itasca and Ottertail Counties; he will research her documentation. The Chair asked if Aitkin had rain gardens as part of its new construction ordinances as is the case in St. Louis County where storm water must be shunted away from the lake and where there must be a rain garden or settlement pond for every residential building in a new development. New lots are set at 200-feet of shoreline with a requested set back of 75 feet on a minimum of 2.5 acres. Requested of the Vermilion Lake park plan; individual properties of the new project will have a 4.5 acre minimum and each must have a storm-water runoff pond.

The Wetland Committee of BWSR met after its board meeting. Not a lot of feedback was received on proposed WCA rules in public meetings. One area that received attention was exemptions. Northern Counties has sent a letter to BWSR that exemptions remain exemptions. Dave Weirens and his committee defended the stand that exemptions are an exempt activity. A final public hearing will be held in St. Paul sometime in August. Changes will be more difficult to make but are possible. Attendance is encouraged. Copies of the language will be distributed to Northern Counties in the July Board packet.

Mining interests are looking at 12-13,000 acres in Aitkin County for mitigation, recalled Comm. Napstad, about which local government units were unaware. Aitkin County Board sent a resolution to BWSR to request participation. In mining statute language the LGU could be considered to be the DNR. Language has been inserted into the new rule that "project eligibility and the allocation of credit under this

subpart is determined by the LGU with concurrence of the technical analysis panel.” This inclusion of the TEP – which includes environmental services and county engineers – means that decisions on eligible credits will be made with participation of counties. The Chair noted that St. Louis County had no stake in a recent mining facility decision near Floodwood even though local citizens asked for action. Comm. Napstad called it a win for Northern Counties that Les Lemm had attended a meeting and heard the Board’s position on exemptions and went on to defend the inclusion of TEPs. The hearing for the final rule should be the third Wednesday in August. Compliments on participation of commissioners were exchanged.

Comm. Beckel asked if in the light of budget cuts there would be a shrinking of BWSR staff. Some difficulties with consistency with local staff over three years has occurred, pressuring local budgets. Comm. Napstad recommended bringing the issue to Exec. Dir. Jaschke, asking that consistency of decision-making be discussed at the five-member Administrative Advisory Committee. The Chair recommended copying the letter to other parties to elicit confirming second letters of support and a response from the agency.

FEDERAL

1. Clean Water Restoration Act: The Chair reported that the U.S. Senate introduced the CWRA legislation in April and that markup expected on May 7 has been repeatedly postponed; it is now set for June 10. Widespread interest in this issue is divided between the environmental community and, on the other side, all other parties including trucking, farming, and water advocacy groups. The National Association of Counties has passed two resolutions, one that it does not support Rep. Oberstar’s bill – which elicited a response from the Congressman that NACo may not represent its members. The 130-member NACo board has been nearly unanimous in not supporting the bill. A conference call including twelve states was held to reaffirm the NACo position before the May markup. NACo staff was informed that continued opposition might affect other legislation favorable to NACo. None at the end of the conference call called for a diminished position. All supported the Clean Water Act but they argued that to fix the 36-year-old CWA it must be opened up by, for example, providing incentives to those states where rules are not being met rather than punishing all states. Several organizations have approached NACo to partner in opposition. Handshake agreements on this legislation are being formed. A national task force of speakers will address the issue, as will press releases. There is a feeling that the Senate will not discuss the issue should it get out of committee.

This is not a policy issue for NACo but a resolution to be reviewed in a year’s time. Overall NACo policy on clean water will continue to say that the organization cares for clean water. In July there will be a need to reauthorize opposition to the CWRA bill. The Senate is the key at this point. No one thinks that this will pass separately on the Senate floor, but it can be attached to a separate House bill that would be difficult to vote against.

2. Payment in Lieu of Taxes: Last year Congress approved full funding for PILT, reported Comm. Johnson. A formula for distribution to counties was discussed at a NACo convention and Public Lands Steering Committee in Pendleton, Oregon. A parameter was developed and a policy position may be recommended in the upcoming Nashville convention. Disparity is an issue. An Idaho county gets 12 cents an acre while a Los Angeles county gets \$2.29 an acre. Comm. Johnson had encouraged Comm. Rich Sve to become involved in the discussion.

Comm. Johnson added that in Oregon an organization called Communities for Healthy Forests is addressing the restoration of forests after catastrophic events. The U.S. Forest Service in Cook County allows for delayed decision-making. A wilderness area may not be able to be touched – or, noted the Chair, can be entered in the case of bug infestation, fire or disease as long as the “footprint” is erased. Not to enter would be a matter of policy. Over half of the budget of the Forest Service went to fighting fires last year, noted Comm. Johnson. There is little money left in their budget even to set up their timber sales.

3. Lynx: Comm. Johnson reported having received information from radio-collar Lynx researcher Dr. Ron Molin who is setting up an August seminar on the economics of critical lynx habitat relating to counties. The seminar will bring together various parties to address human wildlife conflict, applied economics and other topics and will include, among others, DNR and Fish and Wildlife staff and county representatives, local tourism representatives and non-governmental units. A grant is being written to fund the seminar. Cook County will decide whether to participate at its next board meeting.

4. AMC Meeting in July with Minnesota Indian Collaborative Association: A recent request from the Minnesota Indian Collaborative to gather and discuss Indian issues will lead to an invitation to the 16 Minnesota counties with reservation land to meet in early July. Likely issues will include fee-to-trust land issues and Indian policy. The relationship between reservations and counties and changes therein will be

discussed. There may be issues of federal policies to be considered and what Federal and state laws require counties to perform in regards to reservations. This will help to establish an autumn agenda for MCA.

NCLUCB, Etc.

1. Invitation to other Counties to July Meeting: Comm. Beckel recommended invitations to the July meeting be sent to the Boards of nonmember northern counties.

Meeting adjourned at 12:20 p.m.

Next meeting: July 2, 2009, 9:30 a.m. Mining Resources Classroom, IRR, Chisholm, MN

Respectfully submitted by Douglas Skrief, Administrator and Exec. Dir.