

**Minnesota Forest Resources Council**  
**Minutes**  
**Shoreview Community Center**  
**March 26, 2008**

**Members Present:** Al Sullivan (*Chair*), Kathleen Preece, Shawn Perich, Bob Lintelmann, Dave Epperly, Rob Harper, Bob Oswald, Dale Erickson, Wayne Brandt, Shaun Hamilton, Tom Landwehr (in lieu of Joel Koemptgen), Bruce Cox, Alan Ek, Gene Merriam, Dave Parent

**Members Absent:** Mary Richards, Joel Koemptgen, John Rajala

**Guests:** Jim Sanders (USFS - alternate), Steve Betzler (MN Power), Matt Norton (MCEA), Tim O'Hara (MFI - alternate), Diane Desotelle (Desotelle Consulting), Art Norton (TNC), Mike Bates (DNR - Entry Level Professional Forester), Adam Fisher (DNR - ELPF), Nick Abel (DNR - ELPF)

**Staff:** Lindberg Ekola, Calder Hibbard, Leslie McInenly, Clarence Turner, Dave Zumeta

**Chairs Remarks**

Al Sullivan opened the meeting with a round of introductions. He noted that he missed the last meeting due to illness and acknowledged Mike Phillips' death and his many contributions to the State and Council over the years.

Al reported that the Governor has appointed four new Council members: Alan Ek (Research/Higher Education), Dale Erickson (Commercial Logging), Rob Harper (USDA Forest Service), and Joel Koemptgen (Environmental Organization). Bruce Cox (County Land Commissioner), Dave Epperly (Department of Natural Resources), Kathleen Preece (Owner of Non-Industrial Private Forest Land), and John Rajala (Secondary Wood Manufacturer) were all reappointed to the Council. Al recognized outgoing member Jim Sanders for his contributions to the Council over the past 9 years.

**Public Input/Communication to the MFRC**

None.

**Approval of the January 30<sup>th</sup>, 2008 Meeting Minutes\***

Bob Oswald moved to approve the January 30<sup>th</sup>, 2008 meeting minutes. Shaun Hamilton seconded the motion and the minutes were approved.

**Approval of the March 26<sup>th</sup>, 2008 Meeting Agenda\***

Wayne Brandt moved, and Dave Parent seconded, approval of the March 26<sup>th</sup>, 2008 meeting agenda. It was noted that the agenda that went out in the mail required a correction: Tim O'Hara replaces Calder Hibbard on the presentation about implications of the economic downturn for forestry agencies and organizations. The modified agenda was approved.

**Executive Director Reports**

Dave Zumeta reported that the staff has hired a student worker, Erin Baumgart, to assist with administrative work in the St. Paul office. Lindberg Ekola is also in the process of hiring a student intern for the summer. With respect to the budget, we have been doing fairly well given constraints. Dave provided an update on the legislative status of the Council's proposed Working Forestland Conservation study. We currently have \$53,000 in the Governor's supplemental

budget request, \$50,000 on the Senate side, and \$53,000 on the House side. Dave recognized support from Representative Wagenius and noted that she also added \$197,000 for the Interagency Information Cooperative as a pass-through grant from the DNR to the University of Minnesota. Dave thanked people who supported this funding, particularly Matt Norton. He also noted that the Governor's budget request includes \$253,000 per year for county inventories in 2010 and 2011.

Calder provided a brief summary of Research Advisory Committee (RAC) funding and activities. The committee met in February and reviewed research proposals. Since that time, the committee forwarded a recommendation to Al Sullivan regarding economics research pertaining to the forest products industry. RAC Chair Al Levine recommended that proposals on ecological impacts of woody biomass harvesting be sent out of state to external reviewers for a second round of review.

### **Committee Reports**

#### *Personnel and Finance*

Al Sullivan reported that the Personnel and Finance Committee met on March 3<sup>rd</sup>. The Council budget, ramifications of the Site-level Guideline and Monitoring vacancy, state budget concerns, and the Council meeting agenda were all topics of discussion.

#### *Site-level*

Dave Parent directed Council members to the Committee Update distributed in the mailing. The update covers guideline training, the anticipated site-level monitoring report, and the RSTC economic *ad-hoc* committee. Clarence Turner will speak today about the strategic direction for implementation monitoring.

#### *Landscape Planning/Coordination*

Shaun Hamilton reported that the Landscape Committee met on March 13<sup>th</sup>. He distributed an update from the Landscape Program that included minutes from the November and March Landscape Committee meetings. The minutes detail discussion pertaining to a potential legislative initiative for the Landscape Program in 2009.

#### *Forest Resources Information Management Committee*

Calder reported that the IMC discussed data needs required for the Riparian Science Technical Committee economic analysis and Council policy issue prioritization. Most of the meeting focused on a discussion about woody biomass availability. Jim Sanders will be speaking to the Council about a potential assessment of woody biomass availability later today.

### **Written Communication**

Dave Zumeta distributed a letter he received from Randall Doneen, Principal Planner – DNR Division of Waters. The letter, dated 31 January 2008, invited him to participate in an external advisory committee to assist the DNR in updating shoreland management rules. After consulting with some Council members, he determined that Dave Parent would be the best person to represent the Council on this topic. Dave Zumeta will serve as Dave Parent's alternate.

### **Approval of Letter from Al Sullivan to Forestry Sub-cabinet\***

Al invited discussion on the draft letter he plans to send to Commissioners Holsten (DNR) and McElroy (DEED). Dave Parent moved to approve the letter. Dave Epperly seconded the motion. There were no comments from the Council. The letter was unanimously approved. Dave Zumeta commented that the forestry Sub-Cabinet is scheduled to meet next Tuesday, April 1. It is Dave's hope that receipt of this letter may initiate some discussion.

**Information Management Committee (IMC) recommendation that MFRC staff coordinate a comprehensive assessment of woody biomass availability**

Calder distributed a handout summarizing the recommendation of the IMC and a brief review of woody biomass availability (definitions, estimates) and projects. Jim reviewed the summary, noting that every entity involved with biomass views it from their own perspective. There is no common definition or estimates. The summary reviews a variety of policy initiatives, economic and ecological opportunities, and potential challenges associated with woody biomass harvest.

The IMC is recommending that biomass remain a high priority issue for the Council for the next couple of years. In addition, the IMC is requesting that the Council further frame the complexity of the issue in advance of a comprehensive assessment.

Council members discussed competition for woody biomass uses (e.g., landscape mulch), the possibility of exporting biomass (e.g., proposed facility in Fort Francis), and the gap in estimates of gross versus net biomass availability because of economic and environmental constraints.

Alan Ek commented on the difficulty of assessing not only availability but also measures such as carbon sequestration. Shaun Hamilton indicated that the recommendation from the committee makes a lot of sense, given the Council's role in developing guidelines.

Dave Zumeta mentioned that he will be facilitating a significant meeting April 29<sup>th</sup> in Eveleth where woody biomass will be discussed across a wide range of interests and organizations (county, state, federal and tribal agencies plus industry and environmental organizations).

Al asked Council staff to continue to work on this issue with the IMC. Tom Landwehr also asked that Alan's point regarding carbon sequestration be included in this biomass discussion. Shaun echoed this, stating that we need to keep sustainability in mind. Steve Betzler told the Council that MN Power would have a carbon component in their facility permitting assessment. This will give the Council an opportunity to see public discussion on about carbon at the local level.

**Committee of the Whole: Impacts of Economic Downturn on Forestry Agencies and Organizations in Minnesota**

Tim O'Hara described impacts of the economic downturn on the forest products industry in the state. Employment in the industry has decreased nearly 50% over the past 12 years. The timber market is a critical component of the economy. The industry typically uses 4.3 million cords, but the 2007 estimate is actually about 3.5 million. Historically, 55-60% of the wood has come from private lands. Southern (U.S.) wood has much lower stumpage prices and new capacity has been going south. When prices dropped dramatically, private landowners were not as interested in selling (e.g., in 2007, private lands only supplied 41% of the wood used).

Council members discussed Wisconsin's ability to export wood (more wood available), the causes of production and timber demand increases in 1999 (primarily investments in facilities), and fluctuations in imports from Canada (changes in exchange rate and the housing boom).

Tim stated that projections indicate housing will recover to 2000 levels by around 2011 or 2012 (fide Engineered Wood Association). Among the eight OSB (oriented strand board) mills in the Lake States, three are shut down; two are at 50% capacity, and two are intermittent-down. The same situation exists in Canada and the South. OSB production in the U.S. is down 35-45%, and down 35-40% in Canada (2008 data). The OSB market is in by far the worst shape of all markets.

U.S. lumber production was down 11% in 2007. Demand is expected to fall 33% from the 2006 high. Prices for 2x4s are at a 40-year low (including inflation). Paper prices tend to be up and paper makers are expecting price increases throughout the year. See Tim's presentation online for further details: [http://www.frc.state.mn.us/Info/Minutes/Meeting\\_presentations.html](http://www.frc.state.mn.us/Info/Minutes/Meeting_presentations.html). Discussion about energy and transportation cost increases ensued.

Looking ahead, the economy is expected to continue to weaken, but wood costs have stabilized. Good labor pools and low electricity rates are keeping Minnesota competitive. He stressed that the industry needs an adequate and affordable timber supply to have a competitive market. We need to maintain the logging infrastructure for the long-term.

Dale Erickson is optimistic about the future for loggers but he anticipates consolidation. Mid-size producers will retire and not be replaced. This pattern will be similar to changes in the farming industry. Further discussion about the challenges for loggers and mills ensued.

Dave Epperly reviewed some of the impacts of the downturn on public agencies. He highlighted losses pertaining to state stumpage permit forfeitures. Lost revenue has had major impacts on cash flow and programs for the Division of Forestry. On the National Forests, contracts are up but the acres actually harvested are down. Jim added that harvest rates on the Superior National Forest in the last three years have been the lowest rates they have had since before WWII. Rob Harper commented that rates are also down on the Chippewa National Forest, but the decrease is not as severe. Dave Parent asked how number of acres logged translates to number of cords harvested. Rob replied that they are comparable.

Bruce Cox reported that harvest on county lands had a slow start this winter but picked up, and he anticipates it should be a fairly typical harvest. Impacts to the county harvest are not as severe as to the State. Jim noted that trends on the National Forests are somewhat unique because the cost of federal sales is higher and people need to provide money upfront.

Dave Epperly discussed broad, emerging trends for natural resource management, including forestland fragmentation, an aging population, and decreases in the General Fund. He reviewed the DNR's emphasis on improving management and efficiency via integration, with a focus on forest health and productivity. Discussion ensued about the balance of economic development, recreation, and natural resources protection. Council members discussed the DNR commitment to a minimum of six landscape-level forest demonstration sites (representing a mix of goals, conditions, and geographic areas). The emphasis on the demonstration sites will be reviewing processes, procedures, and monitoring of silvicultural/ecological objectives, with less emphasis on a demonstration of techniques.

Dave Zumeta asked those Council members representing agencies to reflect on how the downturn has affected their budgets. Dave Epperly responded that, since November, the Division has held numerous vacancies open and has laid-off one senior-level position (resulting in reorganization). Similarly, DNR is anticipating cutbacks in response to a downturn in the Forest Management Investment Account (worst case scenario loss is projected to be \$7 million). The Division is trying to protect staff from lay-offs and will thin from above when needed. Tom asked how Dedicated Funding might benefit the Division. Dave responded that there could be obvious benefits to the Forest Management Investment Account.

Rob stated that there is probably a loose correlation with U.S. Forest Service harvest and the economic downturn. The 2007-08 budgets are flat. Fire suppression is having the major effect on Forest Service budgets. Funding is moving west and, while timber-related codes have been

propped up, other codes (e.g., recreation) are down by half. Jim added that the national deficit is another factor. Thirty percent of the overall Forest Service budget goes to fire suppression. The salvage sale fund is the only one that will directly follow the timber market. Jim stressed that, with respect to the Forest Service budget, we cannot over-fixate on just timber management.

Bruce responded that county lands are held in trust for taxing districts. As a result, the benefit of high stumpage rates went back to the taxing districts. The counties have always operated on a shoestring budget. The net effect of the downturn is that the taxing districts are taking a hit. That has a huge impact on some counties, but it is outside the window of land management. With the reality of lower stumpage prices and forest industry needs, the counties are getting close to the cost of doing management. At this level, they are facing fragmentation and land sales. The counties need revenue high enough to keep taxing districts happy. Land departments are not currently laying-off staff, activities are not being reduced, and equipment is being maintained.

Further discussion ensued about opportunities to coordinate demonstration forest activities with the Landscape Program and the challenges associated with integrated resource management.

#### **Plans for MFRC review of policy issues**

Calder distributed an MFRC policy background document and reviewed Council activities pertaining to policy issues and the decision to revisit the list of Council priorities. At the January meeting, Council members indicated they were interested in a comprehensive review of the issues. Dave Zumeta has engaged Charlie Peterson from the Department of Administration to facilitate a couple of part-day sessions, likely at the May and July meetings. Requests also went out to the standing committees of the Council to forward their priorities for consideration.

Dave asked Council members to comment on how much time should be invested in this process. Rob asked whether the decision to revisit issues came up because members felt issues were dated or had been adequately addressed. Al responded that it has been four years since the issues were identified and is probably time to review them. In addition, at least half of the Council has been replaced and it is a good time to identify *this* Council's agenda. He doesn't anticipate the Council will dismiss most of the issues, but there are some new issues to consider. Dave added that this will be an opportunity to look at the issues and make sure we are on track. Wayne added that while some of the current priority issues may continue to be important, the Council might have spent its due time on them (e.g., parcelization). Bruce felt that an afternoon would be a sufficient amount of time for the discussion. Wayne stated that a coherent voice for forestry regarding carbon sequestration is needed, and that the Council could provide that voice.

#### **Review of site-level monitoring program**

Clarence described his charge to review the site-level program, which was quite broad and ranged from considering whether we understood the statutory mandate correctly down to whether we are measuring the right things in the field. He reported that our current monitoring program is pretty well designed to do what it does. Some of the dissatisfaction comes from a couple of sources: 1) a failure to live up to some reasonable expectations (e.g., timeliness of reports); and 2) a desire to satisfy needs that weren't there when the program was designed (e.g., certification needs). We have an excellent monitoring program. As a result, Clarence decided to focus discussion on some of the higher-level ideas. With respect to the technical issues there is generally a right and a wrong, but the broader issues over which the Council will have a little less control are more difficult.

Clarence reviewed the various program components. He has reviewed the program (via interviews and report review), identified key relationships, examined relationships and

opportunities for improvement, and will eventually develop a menu of recommendations for discussion. All interviewees felt monitoring was essential to the integrity of the program. Clarence listed opportunity areas for improvement, including: the selection of monitoring sites, the data that we collect and how it is measured, the ability to summarize data collected, inadequate staffing relative to expectations, data processing, clarification of goals, and the ability to tailor reports for specific audiences. Other opportunities for improvement include: increasing accountability for those who are repeatedly not following guidelines, input to effectiveness monitoring, and combining monitoring efforts to satisfy common information needs.

Council members and staff discussed the time, money, and staff allocated to monitoring. Al asked about the tradeoffs involved with using contractors instead of staff. Dave Parent responded that the site visits are relatively concentrated in time and contracting provides the ability to hire more than one person. Contracting also provides an opportunity to change personnel or withhold pay if need be. Dave Parent and Dave Zumeta both indicated that approximately 1.25-1.50 FTE are allocated to the program. Clarence responded that there are significant delays in work at the current staffing level. He also noted that contracting reduces the appearance, or actual fact, of a conflict-of-interest (e.g., regarding inspecting DNR land).

Clarence will complete information gathering during April and anticipates producing the final report by early May. Dave Parent stated that monitoring is the responsibility of the Commissioner. The Council's responsibility is oversight and advice.

Shaun commented that the need to coordinate information, and the style of the information, was one of the strong messages at the Northern Landscape Summit. Monitoring efforts would advance considerably if everyone had a common language and tools. Shawn Perich said that he would like more information supporting the idea presented that our monitoring is conservative on riparian areas before he can make a decision. He recommended that monitoring outcomes be broken down to a regional level. Dave Parent responded that sample size is a problem and we don't have the statistical ability to break up the data.

Discussion regarding the relationship between site-level guideline monitoring and certification monitoring ensued. The systems are set up for different purposes. Clarence noted the potential to have other entities utilize state-trained contractors to satisfy certification requirements and gain some overlap/efficiency in monitoring.

Alan stated that monitoring is fundamental to practices and that a sample from any particular year is less important than the trend that shows up over years. He cautioned against doing anything that would change the credibility or affect the trends. However, it is a concern that we have a very deep system with a lot of data and a fairly time consuming process. If we aren't using data, perhaps there are ways to redefine measurement. How can we tweak the program to get a better sample?

Clarence invited Council members to provide feedback on his review. Dave Zumeta added that he is using the Site-level Program Manager vacancy as an opportunity to take a step back and assess the program. He considers this a very important review that will also help inform the strategic direction we take as a Council. Bruce commented that this is a great program and we need to continue to support it. Clarence's presentation is available online: [http://www.frc.state.mn.us/Info/Minutes/Meeting\\_presentations.html](http://www.frc.state.mn.us/Info/Minutes/Meeting_presentations.html)

### **Future Direction of Forest Legacy**

Dave Epperly reported that the state forest legacy program staff has now completed their report. A summary, proposing creation of the *Minnesota Forests for the Future* program, has been submitted to the legislature.

Keith Wendt introduced the report, noting that the whole forest conservation process has gotten more complicated in recent years. In light of the complexity, this report does a nice job of providing a framework for conservation. The state forest legacy committee was comprised of 13 people, including eight external stakeholders and five DNR staff. The report is part of a three-part system (a strategic report, an implementation report, and annual performance reports). The strategic report describes what is meant by a “working forest” and puts forward a comprehensive strategy for conservation, recognizing the differences in the forests of the State. The committee analyzed some of the major pressures and challenges with the goal to protect three core values: economic development, recreation use, and natural resources protection. Keith’s presentation is also online: [http://www.frc.state.mn.us/Info/Minutes/Meeting\\_presentations.html](http://www.frc.state.mn.us/Info/Minutes/Meeting_presentations.html)

Keith stated that the legislation is moving through the legislature and support is looking pretty good. The report presents a “toolbox approach”; conservation easements were only one of the tools considered. Keith noted that it will be very important to work with the Council as the parcelization research progresses and make sure the state is using the right tools.

The report establishes short-term and long-term acreage targets forest conservation, provides criteria for project ranking, and provides some detail on how to administer the program to meet DNR and legal standards. Keith reviewed next steps and asked the Council for input on whether they have framed the program effectively; additional recommendations for the advisory team regarding targets, criteria, monitoring and management; and additional opportunities for collaboration.

The Council discussed private landowner motivations, management specifications for similar programs in other states, and potential losses in market value and tax revenues associated with easements. Tom commended the Department, Commissioner, and former Commissioner on the development of the program. He considers conservation easements a critical tool and noted that current forest easements are the most progressive and well thought-out conservation easements.

Council members discussed the source of funding for the program and monitoring. All forest conservation easements resulting from this program will be permanent.

### **Public Communications to the MFRC**

None.

### **MFRC Member Comments**

Dave Zumeta stated that the next MFRC meeting will be held at the MN DOT Training and Conference Facility in Shoreview. The agenda will include policy prioritization, direction of the Landscape program, a revisit of the Site-level program direction and report, and also the DNR monitoring report. Dave received a request from an individual to speak about dedicated funding and asked if Council members were interested in such a presentation. The answer was no.

### **Adjourn**

Shaun Hamilton moved to adjourn the meeting. Dave Parent seconded and the meeting was adjourned.