Minnesota Forest Resources Council
Minutes
Cloquet Forestry Center – Cloquet
2 December 2009

Members: Al Sullivan, Wayne Brandt, Bruce Cox, Alan Ek, Dave Epperly, Dale Erickson, Shaun Hamilton, Rob Harper, Joel Koemptgen, Bob Lintelmann, Gene Merriam, Dave Parent, Shawn Perich, Kathleen Preece, John Rajala, Mary Richards, Mike Trutwin.

Guests: Helen Cozzeta (MN DNR), Mike Kroenke (SFEC), Jim Lemmerman (BWSR), Art Norton (TNC), Bob Sonnenberg (MFRP), Steve Taff (UMN), Mike Kilgore (UMN), Kayla Block-Torgerson (UMN), Lee Nellis (private consultant), Brian Ohm (University of Wisconsin), Jean Coleman (CR Planning), Jane Prohaska (private consultant).

Staff present: Dave Zumeta, Lindberg Ekola, Calder Hibbard, Leslie McInenly, Rob Slesak

Staff absent: Clarence Turner

Chair's Remarks
Al Sullivan opened the meeting with a round of introductions. He welcomed Mike Trutwin, who was recently appointed by Governor Pawlenty as the MFRC labor representative. Al reviewed dates and locations for MFRC meetings in 2010. The MFRC will meet January 20 (Shoreview), March 10 (Shoreview), May 19 (TBA – potentially Twin Cities), July 21-22 (Grand Rapids), September 15 (Cloquet) and December 1 (Cloquet). The July meeting will be a typical 2-day annual meeting and will include a field tour of Wolf Lake Camp with Jack Rajala.

Al requested that Council members contact their alternates to confirm their willingness to continue serving as alternates on the MFRC in 2010. Council members are expected to have an alternate in the event they cannot attend a meeting to ensure the stakeholders they represent have a voice at the table.

Public Input/Communication to the MFRC
Art Norton (TNC) reported that The Nature Conservancy has applied for a $350,000 grant from the L-SOHC Conservation Partners program for landscape restoration of 1800 acres of critical forest lands in northeast, and possibly north central, Minnesota. If funded, the work will expand on projects in adjacent areas funded by the federal government ($500,000) and TNC ($150,000).

Mike Kroenke (SFEC) announced upcoming Sustainable Forests Education Cooperative events including a White Pine symposium (January 12) and the 7th annual research symposium (February 23).

Helen Cozzeta (MN DNR) reported on a project spearheaded by the DNR to satisfy requirements of the 2008 Farm Bill. The DNR is soliciting information from different forestry groups within the state to develop a statewide forest assessment (Phase 1) and identify strategies for cooperative work (Phase 2). Dave Epperly added that this is associated with work of the USFS Northeast Area State and Private Forestry. All state foresters have been charged with supporting the assessment. Rob Harper commented

that the assessment will build off a lot of work already in place and noted his concern that we don't end up with new landscapes once the strategy is developed.

*** Approval of the 23 September 2009 Meeting Minutes**

Al Sullivan noted suggested revisions received by staff, including an error in the due date provided for the monitoring report (should be February 15th instead of January 15th) and a change in language regarding DNR reporting of progress associated with the development of their moose management plan (a report is not due to the legislature this session). Wayne Brandt moved to approve the corrected minutes. Dave Parent seconded the motion. *The minutes were approved.*

*** Approval of the 2 December 2009 Meeting Agenda**

Al stated that Dave Zumeta and Steve Taff will be presenting the 10:15 a.m. agenda item instead of Clarence Turner and Dennis Becker. Wayne Brandt moved, and Dale Erickson seconded, approval of the 2 December 2009 meeting agenda. *The agenda was approved as revised.*

Executive Director Remarks

At Dave Zumeta's request, Leslie McInenly provided an update on development of the MFRC annual report. Dave Parent commented on a reference to reporting requirements in the state statute and asked whether we are meeting requirements. Wayne suggested that the Personnel and Finance Committee consider recommending reverting to a biannual report, given budget concerns. He asked staff to lay out all of the reporting requirements and to indicate which have been met in our annual reports.

Committee Reports

Personnel and Finance

Al reported that the Personnel and Finance Committee has not met since the last Council meeting.

Site-level

Dave Parent reported that the Site-level Committee requested appointment of an *ad hoc* member for upcoming guidelines review. Gene Merriam has agreed to assist the committee and will bring an important water resources perspective to the review. Dave distributed a draft timeline for guideline revision and requested comments from Council members. Dave Zumeta added that the guideline revision process will be contingent on what happens with the MFRC budget.

Landscape Planning/Coordination

Shaun Hamilton distributed minutes of the October 29th Landscape Committee meeting. The meeting focused on the Boreal Forest project as well as work of regional committees on 25-year visions, the USFS stewardship program and the statewide forest assessment. The establishment of the Lessard-Sams Outdoor Heritage Council (L-SOHC) and its small grants program has served as a catalyst for landscape committee meetings and identification of opportunity areas.

Forest Resources Information Management

Rob Harper reported that the Information Management Committee met on October 19th. The meeting focused on updates on the forest research assessment, forest inventory, the forest parcelization study,

and the stumpage pricing study. The committee discussed appropriate responses to the recently detected emerald ash borer (EAB) population and is considering forming an EAB work group.

Written Communications
None.

***Committee of the Whole: Conceptual approval of the million-acre forestation feasibility study for presentation to legislature by January 15, 2010**
Al introduced discussion on development of the forestation feasibility study due to the legislature in January. There is a resolution for conceptual approval because the Council will not meet again before the report is due. Al stated that if Council members are uncomfortable with conceptual approval, approval could be postponed and the report could be submitted a few days late if need be.

Dave Zumeta stated that 2009 legislature charged MFRC with assessing the feasibility of planting up to a million acres of new forest, as recommended by the Minnesota Climate Change Advisory Committee. Identification of potential forestation sites is complete and the assessment of economic feasibility and potential carbon sequestration is underway. MFRC staff is seeking conceptual approval to complete the report and submit it to the legislature by the due date, January 15th. The MFRC received financial support from Minnesota Forest Industries, Minnesota Power and the Forest Resources Interagency Information Cooperative to enable completion of the study on time. Dave turned the discussion over to Steve Taff, adjunct professor with the Department of Forest Resources and associate professor with the Department of Economics at the University of Minnesota.

Steve stated that the assessment considered possible combinations of policies and market conditions that could lead to forestation of an additional million acres. Types of land considered for forestation included public and private lands, grasslands, croplands, and lands enrolled in the Conservation Reserve Program. Out of 7.9 million acres with soils developed under forested conditions but that are no longer forested, 4.3 million acres are now in private crops and 3.2 million acres are in private grasslands (460,000 acres are currently enrolled in the CRP). Public grasslands contribute only 87,000 acres.

Steve reviewed a series of policy scenarios considered, including: no forestation policy with current wood prices, no forestation policy with double wood prices, a carbon market that pays $50/ton/year for CO_2 sequestration on all lands, the state pays 50% of fixed costs for tree planting on private lands, and forestation of all 87,000 acres of public lands. Potential forest productivity was estimated with a crop productivity index. Steve also reviewed the alternative crops and market prices considered in the assessment.

Steve described a matrix developed by the project cooperators to indicate whether carbon sequestration will be increased or decreased as a result of land use changes. The matrix will have benefits far beyond this project, as it provides fundamental information for a carbon market. He then reviewed the impact of various policy scenarios, reporting that a carbon market could bring in approximately 400,000 acres of land, foresting public lands would only bring in 87,000 acres, and none of the other policies would bring about land use change. He also reviewed a supply curve developed in

the assessment, which indicates that landowners would need to receive roughly $140/acre/year in order to compensate them for not growing corn.

Council discussion ensued about study assumptions and the lack of a carbon market in the United States. Dave Epperly voiced concern that there is not a good mechanism to account for carbon sequestration by residual trees. Steve responded that the key question is whether we will have a market that rewards sequestration based on management or on land cover. Management cannot be monitored cheaply. Steve suspects that carbon markets will be monitored by aerial photo. Alan Ek added that monitoring by satellite will never be precise enough to consider management inputs.

Gene Merriam stated that, based on the supply curve, it would cost $140 million/year to get an additional million acres of forest. However, the curve is important because 400,000 acres could be forested for a lot less money. Where the land potentially suitable for forestation is located, how much land is available, and ownership data will be important.

Wayne asked whether availability of planting stock has been investigated. Dave Zumeta responded that Clarence is working on assessing both availability and type of planting stock. Shaun asked whether changes in ethanol subsidies were considered. Steve responded that in past 10 years, the commodity subsidy market has not had much of an effect because the market has been so high. However, if the ethanol mandate were removed, one could do that kind of sensitivity analysis. Dave Parent suggested that the potential for a biomass market needs to be incorporated.

Al reviewed options for the Council, including conceptual approval of the report by resolution or delaying approval until the January meeting, resulting in delayed presentation of the report to the legislature. Wayne Brandt moved to conceptually approve the report for presentation on January 15th. Dave Epperly seconded the motion. Wayne suggested that as part of the discussion, the final document could be circulated and if there is sufficient concern, the Chair could delay presentation.

Gene suggested the Council submit a preliminary report on time, with formal Council approval on January 20th. John Rajala was uncomfortable with the inability to provide subjective commentary. Dave Zumeta responded that delayed submission after the Council meets in January is another option. Council members discussed options and timing for submission. Dave Parent was hesitant to break with our history of meeting deadlines. Wayne agreed with the importance of meeting the deadline and reiterated his suggestion to conceptually approve the report, provide an opportunity for review, and allow the Chair to determine whether presentation should be delayed for further discussion. Alan felt a review of the report was important. Dave Epperly voiced general acceptance of the study but noted consideration of the ecological costs of switching from grass to timber is needed.

Wayne suggested the resolution be revised to add a sentence indicating that, after circulation of the report, the Chair could determine the need for a conference call to be held before January 15th. The motion was called. *Conceptual approval of the carbon sequestration report was approved (10 in favor, 6 opposed) with the possibility of delayed submission determined by the Chair after Council review.*

Wayne Brandt moved to waive the Council operating protocol of providing documents 10 days in advance if the Council Chair deems it necessary to have a special meeting to discuss the report. Instead, the document should be provided to Council members at least three days in advance of any scheduled meeting. John Rajala seconded the motion. The motion was called. *The motion to waive the operating protocol allowing 10 days for review of this report passed unanimously.*

***Proposed 25-year vision for Lessard-Sams Outdoor Heritage Council investments in forests**
Al reviewed development of the proposed 25-year forest habitat vision for the L-SOHC. He stated that the Council and Minnesota Forest Resources Partnership (Partnership) have more time than anticipated to complete development of the recommendations because the L-SOHC will be fully occupied with FY11 project proposals until late spring.

Mike Kilgore, L-SOHC Chair, stated that the reason the L-SOHC requested input from the MFRC and Partnership was that the legislature asked for development of a 25-year strategic vision for all funds resulting from the Constitutional Amendment. The L-SOHC is looking for a strategic vision as to where investments in forest habitat should be made.

Al proposed that the Council table consideration of the Forest-Prairie transition section until the January meeting and focus on the motion to conceptually approve the draft cover letter and statewide vision for transmittal in 2010.

Cover letter
Al introduced discussion on the cover letter, noting the key point is that we are not saying that this is the MFRC's statewide vision. It is a recommended vision to meet the needs of the L-SOHC. Dave Epperly made a motion to revise the first paragraph and add the terms "forest health, productivity and diversity". Dave Parent seconded the motion. Discussion regarding the terms ensued. Alan stated his concern that use of the term "diversity" may satisfy more audiences but obscure the meaning. *The motion was called and suggested revisions to the cover letter were approved (14 in favor, 2 opposed).*

Vision
Al introduced the recommended statewide vision for forest habitat investments, which was written with the intention to not provide specific project recommendations.

Dave Epperly made a motion to remove the example of placing nesting boxes in riparian areas (under second statewide funding priority bullet), as it could be interpreted as limiting the scope of possible habitat work. Wayne questioned why the DNR would not want nesting boxes to be used an example. Alan seconded the motion. Shawn Perich indicated that removal of such an example could be interpreted to mean "if you can't do it with a chainsaw…don't do it". Dave responded that was not the DNR's position. The motion was called. *The motion to remove nesting boxes as an example failed to pass (3 in favor, 13 opposed).*

Rob Harper suggested that the statement regarding local communities seemed misplaced and made a motion to move the language to a more appropriate place. Discussion ensued about potential revisions and placement of the revisions. Al suggested the language be revised to state "acknowledge the

concerns and recommendations of local communities where funds will be expended". Dave Zumeta suggested and Al Sullivan moved that the language be placed immediately under the heading of the statewide vision, just before the recommended statewide funding priorities. Dave Parent seconded the motion. *The motion to revise and move language regarding local communities was approved unanimously.*

Shawn commented on an email that Jodie Provost (DNR Wildlife staff) sent to Lindberg Ekola requesting the inclusion of brushland complex management in the suggested vision for L-SOHC forest habitat improvements. Al asked whether brushlands are in the purview of the MFRC. Shawn indicated he believes they should be considered as part of the mosaic of land. Dave Zumeta suggested that it could be incorporated as another example along with the nest boxes under the suggested priorities. Shawn Perich made a motion to add "maintain appropriate brushland complexes" as an example of habitat priorities. Dave Epperly seconded the motion. *The suggested addition of brushland complexes was approved unanimously.*

Dave Zumeta suggested the Council consider the sectional visions as an entire group in January. Shawn Perich moved to approve the cover letter and statewide vision. Dale Erickson seconded the motion. *The cover letter and statewide vision for forest investments were approved unanimously.*

Al asked for quick comments on sectional documents. Alan suggested incorporating language that refers back to the statewide vision into all sectional documents.

Review of MFRC forest parcelization study

Calder Hibbard provided an overview on the parcelization study, which includes (1) an assessment of the trends, drivers, and effects of forest parcelization, (2) an assessment of available policy responses, and (3) recommendations for decision-makers. He introduced the various individuals working on the project, including Kayla Block-Torgerson, Mike Kilgore, and Steve Taff (working on the parcelization assessment); Lee Nellis and Brian Ohm (working on planning and zoning policy tools) and Jean Coleman and Jane Prohaska (working on conservation easements). MFRC staff members have been working on evaluation of taxation, incentives, fee-simple acquisition, land exchange, and other policy tools.

Mike Kilgore provided a progress report on the parcelization assessment. The study rationale was to build on a pilot study conducted in Itasca County and extend the evaluation across a larger geographic area in northern Minnesota. Replicating the Itasca county methodology was not possible because county parcel datasets are highly variable. The DNR provided access to a multi-county electronic database imported to a GIS environment. Mike described information available from the 2008 DNR parcel data and 1999 and 2008 Minnesota Market Value files and the manipulations required to use the two data sources for the study. The assessment only examined forested (>50%) parcels. One analysis looked at all forested parcels and a second analysis looked at all forest parcels >10 acres in size and not adjacent to water. The final report, available in the summer of 2010, will include a descriptive characterization of forestland parcelization across 10 northern Minnesota counties, a quantitative assessment of parcelization, an analysis scaled to Survey Township, a temporal analysis of parcelization changes over time, and a project synthesis.

Shaun noted that the exclusion of large forest parcels with lake frontage may have excluded thousands of acres. Dave Parent inquired about the relationship between parcelization and forest health and productivity.

Calder reviewed the policy tools considered, the study approach, and evaluative criteria and methodology. The recommendations were presented as a menu of options, but they complement one another. Calder presented two evaluative tools used by the study participants. The first was a matrix that summarizes some tradeoffs among the policy tools with respect to different evaluation criteria. The second was a visual transect overview running from an urban center outward to commercial forests and public forests. The policy tools focus on addressing parcelization from the forest interface with urban areas to extensive public forests.

Four themes arose as the recommendations were integrated: information and education needs, building on existing conservation programs, targeting of investments in land conservation and providing for long-term stewardship, and empowering and encouraging local governments. Calder noted that because parcelization is somewhat abstract, development of policy recommendations must consider benefits such as protecting water quality, preserving jobs, and protecting recreational access.

Recommendations associated with information and education included educating family forest owners, local elected officials and staff, and the general public. Rob asked whether there was any main theme coming out of discussions with county officials. Lee responded that the most common thing is an understanding that parcelization is a potential problem but that there is not any place where the problem has been solved to such a degree that there is no need to address parcelization. Lee added that incentives would make a big difference in how the counties deal with parcelization.

Recommendations that build upon existing land conservation programs included use of *Minnesota Forests for the Future* as a platform to organize education and implementation efforts, involvement of non-profit land conservation organizations, limited fee simple acquisition and land exchange, consideration of revolving funds and land banking, the creation of a cohesive forest conservation easement program, clarification and consistent tax treatment of easements, improvements to current property tax policy, sheltering forest landowners from nuisance claims, and fostering local participation.

Wayne noted that the issue of certainty must be discussed along with the Sustainable Forests Incentive Act (SFIA), as there has been a great deal of consternation among landowners whose payments were unallotted to address the budget deficit. John added that any recommendation to the legislature should be clear that there hasn't been sufficient clout at the state level to provide incentives for retaining forestland as opposed to agricultural land. Wayne responded that the perception at the Capitol is that there are huge problems with Green Acres.

Jean Coleman stated that the conservation easement analysis addresses a targeting tool. Only a subset of parcels is appropriate for conservation easements. Recommendations include suggested enhancements to the existing programs, such as a DNR/non-profit partnership to improve efficiency and effectiveness. The delivery system can also be improved. Jane Prohaska added that Minnesota has over

a half million conservation easements, primarily owned by the state and federal governments. A focus on easements is recommended in order to target larger parcels.

Dave Parent inquired about the importance of coordinating the terms of easements. Jane responded that they are recommending certain criteria for easements, but are not recommending a one-size-fits-all easement.

Recommendations associated with targeting investments included a focus on investments that provide multiple benefits, development and communication of criteria, incorporating long-term management of conserved lands, targeting SFIA expenditures, continuing PILT payments, and providing ongoing opportunities for public involvement. Wayne stated that this is the section about which he has received the most questions from the legislature. Legislators are asking for direction on when and where we should be using the tools. The strength of this section in the report and recommendations is very important. Bruce Cox stated that payments-in-lieu of taxes are important on all lands, not just tax-forfeited lands.

Dave Parent inquired about a *deminimis* acreage. Jane responded the assumption is that if we can target the larger institutional holdings, we can include big acreages in the next 10 years. After that, the 200-500 acre range will likely be considered, although there may be some smaller, specific parcels that will be prioritized.

Calder touched on the last area of recommendations focused on empowering and encouraging local governments, including improvements to the definition of a comprehensive plan, requiring annual reports from counties, and integrating tax policy and local planning. Dave Zumeta stated that one of reasons MFRC engaged Brian Ohm in this effort was his experience in creating Wisconsin's 1999 smart growth law. Brian commented on the law, passed partly in response to a study he conducted in the 1990's which demonstrated that less than a third of local governments in Wisconsin had a land use plan or comprehensive plan. The legislature subsequently put forth a planning grant program and now the local governmental units are all involved in planning.

Lee stated that they developed a model forest plan element recognizing that local staffs would benefit from an example of how one might address forest parcelization in local plans. Lee noted that there are plenty of examples of counties around the state that are doing similar planning for agricultural lands. He suggested that, if after five years of providing incentives there is little action in local planning, then the state could lean toward further zoning.

Gene commented that there are a lot of good elements in the recommendations, but direction on specific targeting is absent. We spend a lot of money subsidizing landowners where it does not matter. If we buy into the notion that we cannot or do not want to regulate, we need to figure out where to provide the carrots. Dave Parent asked how important NIPF landowners are in targeting efforts. Dave Zumeta responded that the NIPF ownership is the major target. John commented that these tools are all means to an end (a set of environmental services) and we need to better identify the assets we want to protect. Shaun added that we could do a much better job of integrating all of the projects discussed during this meeting (the million acres, L-SOHC priorities, and addressing parcelization). Dave Epperly

recommended some discussion on how we close the gap on public benefits and private risk. If we can articulate that, then the targets come into clearer focus.

Joel stated that he believes it is possible to have legislation that enables local communities without getting heavy handed. However, even if we could do all this tomorrow, it would not stop parcelization and development. He suggested the MFRC needs to consider positive incentives to do different kinds of developments. There are many other alternatives that would be positive. Dave Parent added that the agricultural community has had density controls, but the purpose seemed to be to protect a lifestyle and culture that was changing. He noted limitations and lack of flexibility associated with easements and fee titles that are in perpetuity. Jean responded that an easement that allows for changes in future land use can be developed. Jane added that we call easements perpetual but there are ways to account for dramatic changes in conservation purposes. Lee commented that there are plenty of places in the United States where conservation easements attract development. Jean responded that targeting is the key. Conservation easements are not a broadcast tool.

Wayne asked why the focus shifted to "parcelization" instead of maintaining the land base. Wayne felt that not enough time has been spent on what we can do. Al Sullivan closed the discussion, recognizing the good work from all staff and contractors involved and good ideas from council members.

Public Communications to the MFRC
None.

MFRC Member Communications
John commented on the USDA Biomass Crop Assistance Program, noting that there will be an appropriation made to counties in Minnesota to match costs of biomass deliveries to facilities. He was concerned there will be significant market implications for the forest industry, and noted there may be a need to consider unintended consequences.

Kathleen stated that there will be a Partnership meeting on December 16th in Grand Rapids. The current purchasers of the Ainsworth plants will attend the meeting.

Lindberg provided an update on forest stewardship. Congress is looking for new landscape scale approaches. Andrew Arends (MN DNR) is serving as chair on new national team. Lindberg and Andrew will be in New Hampshire mid-December for the kick-off meeting.

Alan Ek moved, and Dave Parent seconded, adjournment. *The meeting was adjourned at 3:04 pm.*