

Minnesota Forest Resources Council
Minutes
MN DOT Training and Conference Center – Shoreview
10 March 2010

Members: Al Sullivan, Wayne Brandt, Bruce Cox, Alan Ek, Dave Epperly, Dale Erickson, Jim Sanders (alternate for Rob Harper), Joel Koemptgen, Bob Lintelmann, Dave Parent, Shawn Perich, Kathleen Preece, Mary Richards, Susan Schmidt (alternate for Shaun Hamilton), Mike Trutwin.

Members absent: Rob Harper, John Rajala, Shaun Hamilton

Guests: Jean Coleman (CR Planning), Jane Prohaska (private consultant), Steve Betzler (MN Power), Anna Dirkswager (MN DNR), Ross Brown (UMN), Mike Kilgore (UMN), Charlie Blinn (UMN)

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

Chair's Remarks

Al Sullivan opened the meeting with a round of introductions. He reported that staff provided copies of the annual report to the late Bob Oswald's son, Justin. The annual report included a statement in recognition of Bob's many contributions to the Minnesota forestry community.

Based on input from Council members, the May 19 meeting will be in Cloquet and the July meeting will occur as originally planned on July 21-22 in Grand Rapids. Al apologized for not being able to attend the July meeting.

Public Input/Communication to the MFRC

None.

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

Dale Erickson requested deletion of a statement attributed to him in the January minutes. Minnesota is not a net exporter of wood. Mike Trutwin moved to approve the revised minutes. Dave Parent seconded the motion. *The minutes were approved.*

*** Approval of the 20 January 2010 Meeting Agenda**

Wayne Brandt moved, and Dave Epperly seconded, approval of the 10 March 2010 meeting agenda. *The agenda was approved.*

Executive Director Remarks

Dave Zumeta reported that MFRC staff met on February 26th to discuss adjustments in funding strategy the MFRC will probably need to make over the next several years because of likely decreases in General Fund appropriations. The main conclusion was that the MFRC should assertively pursue non-General Fund sources of revenue. To maintain balance between the interests comprising the MFRC, however, every effort should be made to retain current General Fund support for Council operations and core staff salaries.

Committee Reports

Personnel and Finance

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

Site-level

Dave Parent noted that the scoping period for guidelines revision has been extended in response to requests from stakeholders. Rob Slesak met with the Minnesota Forest Resources Partnership (Partnership) last month to discuss the revision process. Kathleen Preece added that the next Partnership meeting is on April 15th and members will devote time to additional discussion about guideline revisions. Shawn Perich inquired about recent discussions to include invasive species guidelines in the next revision. Dave Zumeta responded that invasive species guidelines are up for consideration as part of the scoping process and noted the opportunity to review the considerable amount of invasive species guideline materials developed for Wisconsin. However, the MFRC may not be able to address invasive species in the next revision to a large extent, as the riparian guidelines must be addressed and the new woody biomass guidelines should also be reevaluated. Al commented that Council members will ultimately decide when and what to address through revisions. Wayne hoped that the committee will not focus solely on riparian guidelines.

Landscape Planning/Coordination

Lindberg Ekola provided an update on Landscape Program activities. He distributed two updates from the Landscape Committee, a draft meeting update and a program update. At their last meeting, committee members discussed L-SOHC section visions and were updated on the boreal forest and USDA Forest Service stewardship projects as well as the federally mandated process for forest resources assessment. Lindberg reported that regional committee activities are moving along well.

Forest Resources Information Management

Kathleen reported that the Information Management Committee meeting was canceled due to weather.

Written Communications

Dave Zumeta distributed an e-mail he received from Lessard-Sams Outdoor Heritage Council staff Bill Becker and Chair Mike Kilgore inviting his participation in a meeting held March 9th. The L-SOHC asked a variety of agencies to assist them with developing their 25-year strategic framework. Dave had an opportunity to hand out the draft vision for the Southeast landscape as an example of what the vision committee has produced. He volunteered to serve on an advisory committee and indicated the MFRC would likely be able to have staff assist with a working group. Dave Parent asked whether anyone is tracking all of the funding sources and projects to determine common elements. Dave responded that MFRC staff discussed opportunities to coordinate various funding sources and projects at their February 26 meeting. Once the meeting summary has been reviewed by the Personnel and Finance Committee, Dave will forward it to the Council.

***Committee of the Whole: Approval of MFRC parcelization study interim recommendations**

Al introduced discussion on interim recommendations from the parcelization study and asked Calder Hibbard to review the recommendations and facilitate discussion.

Calder stated that the goal of the discussion was to present the recommendations even though the report still in development, particularly the parcelization assessment being conducted by Mike Kilgore and others at the University. Dave Zumeta added that the intent of this agenda item was to make it possible for Council members to advise the legislature on some different possibilities while still recognizing that these recommendations are not the final word and may change as a result of further input from legislators, Council members and the parcelization trends research.

Calder reviewed the contents of the report sent to members, including the significance and extent of parcelization, driving factors, impacts, the policy tool analyses, recommendations, and appendices. Dave Parent noted that there are some issues that may cause reluctance on the part of Council members to accept the report. He asked if anyone has spoken to counties about the results of the study to mitigate potential concerns. Calder responded that political palatability was one of the main filters considered by staff and contractors in their evaluation of the various policy tools. Dave Zumeta added that he met with members of the Minnesota Association of County Land Commissioners (MACLC) last week and distributed a summary of the parcelization recommendations that would directly affect counties. He is also coordinating with Bruce Cox to provide a similar summary to all Minnesota MACLC counties. There has been considerable communication but there is clearly room for more. Bruce stated that he liked the tool box approach and stressed the importance of staying soft on state mandates. He commented that the educational piece is good and very important.

Wayne suggested individual meetings with key legislative committee chairs to determine the extent they want this work presented to their committees may be valuable.

Gene Merriam was not comfortable with the motion to approve interim recommendations and suggested the Council be more focused on a few recommendations that are ready to advance. Al asked staff for clarification on the timeline and final approval of the report. Dave Zumeta responded that the timeline is dependent on getting the parcelization assessment piece completed, which is now expected to be complete this fall. He anticipates formal Council approval this fall (September or November) with a goal to have the information available for the 2011 legislative session.

Alan Ek stated that he was okay with the idea of calling these “recommendations” (i.e. not using the term “interim”). This is ongoing work and the Council can recognize that recommendations may be revised based on further research.

Calder reviewed specific recommendations, the first of which is to use the Minnesota Forests for the Future (MFF) as a platform for a coordinated approach that uses all policy tools. He noted that the MFF committee was not extremely receptive to expansion of their focus beyond conservation easements; however, the MFF strategic document identified a toolbox approach. Council members discussed the MFF response to the suggestion, the statutory language regarding MFF, and the benefits of a core group to provide strategic direction. This recommendation would also not necessarily require new funding. Jane Prohaska commented that one of the reasons the MFF recommendation was advanced is that there is a structure already in place and that expansion and enhancement of MFF would help to pull

together efforts of various conservation partners and projects through a sort of clearinghouse approach. Wayne stated that the recommendation is precisely what legislators are seeking.

Another recommendation is to empower and encourage local governments to use local planning to maintain their forest land base. Discussion regarding state planning via the Land Management Information Center and encouragement of cross-county thinking ensued. Bruce suggested language be softened to “encourage” a forest resource element in comprehensive plans instead of requiring it. Jean Coleman responded that the consultants initially recommended a requirement for comprehensive planning and already softened their language to require a forest resource element if forested counties chose to develop a comprehensive plan. Wayne felt that either requiring or encouraging would be fine and stressed that the important thing is to have planning on the radar as a potential tool.

The third topical recommendation suggested development and execution of conservation easements in a more deliberate, coordinated and sustainable manner. This would include strategic targeting, covering all costs of an easement program, investment in more capacity, making the process more efficient and developing consistent tax treatment approaches. Jane commented that long-term management includes review of land management plans, approval of future actions, annual monitoring, etc. Around country the public sector has been unclear about the long-term costs of easements. The state has been funding easement management through the General Fund in an *ad hoc* manner. She stated that DNR, particularly the Division of Forestry, has been working on getting on top of their easement management needs. She stated that, while difficult in the public sector, a recommendation is to develop an endowment fund for long-term management.

Calder then reviewed tax policy recommendations including a better marketing program, maintenance of SFIA, targeted outreach, potential tiered approaches to payments, a state income tax credit for land or easement donations and more integrated tax policy. Wayne stated that the SFIA program is in crisis as a result of the Governor’s decision to unallot payments. Virtually all large ownership tracts are considering leaving the program and could be sold. Calder added that a number of other states have changed their programs midstream, resulting in alienation of many potential participants.

Shawn questioned the effectiveness of SFIA. Dave Zumeta responded that SFIA has not been effective relative to family forestlands but it has been important for industrial lands. Wayne reviewed the development of SFIA in response to failures of the Tree Growth Tax Law, which was primarily aimed at industrial lands. Wayne noted that things get a bit sticky policy-wise in places where there are both easements and SFIA payments.

Calder reviewed recommendations pertaining to fee simple acquisition and land exchange and the recommendation to provide better support to counties to foster their forest management capabilities and to encourage stewardship and retention of forestland (including continuing PILT on tax-forfeited lands, revolving fund accounts, etc.).

Al asked Council members for input on how to deal with specific comments regarding recommendations and also on the overall motion to approve the recommendations. Jim suggested that the Council could embrace the topical recommendations (6 headers) through a motion and move forward with external

review and vetting of sub-recommendations. Dave Parent indicated he felt such an action would provide at least a coarse filter for the legislature to consider current issues until further detail can be provided.

Al asked Wayne whether approval of the topical recommendations would be effective with the legislature for the time being. Wayne responded that broad categories are a step forward and probably the best we can do for now, but to truly be effective the Council needs to get to the sub-points. Wayne indicated it was important to vet some of the sub-recommendations through individual discussions. He made a motion to revise the resolution as follows:

It is proposed that the MFRC approve the interim recommendations (attached) of the forestland retention study.

He suggested the recommendations (pages 17-19) be attached to the motion, “potential” be deleted from recommendations, and the sub-points be deleted and added at a later date.

Susan Schmidt asked whether a compromise could be made to include detail by providing the sub-points as examples. Wayne responded that it was not his intention to lose the list, but rather to get the main topical recommendations approved. Approval of sub-points must still be discussed. He stated that the details would remain available in the report as provided to the Council and would be available for discussion and consideration: they just have not yet been approved. Gene seconded Wayne’s motion.

Alan stated that he is not sure the Council will ever reach full agreement on the details and suggested “by, for example,…” be included before presentation of the sub-points. Alan recommended the Council avoid getting into specific voting on each particular sub-point.

Mary Richards added that leaving out the details under the topical recommendations seemed confusing. She agreed with providing sub-points as an example. Gene responded that there will still be something to work from as MFRC is not striking the document, but the Council has not opined on the specifics. The goal is to state that the Council agrees on the topical areas. Wayne agreed and assumed that the document in its entirety will remain a part of the report. For clarity, he suggested staff put “details to follow” in parentheses after each topical recommendation.

Dave Parent suggested the Council take the motion and move along as proposed and appoint an ad hoc committee to deal with the details. Al agreed that the Council has had great success in using that approach. Wayne stated that he would like to the list of recommendations to be completed by September (to be useful for 2011 and a new administration). He supported Alan’s suggestion to approve the list of tools, rather than each specific tool because not everyone will like all tools in all circumstances.

Al Sullivan called the motion. *The motion passed* (12 in favor, 1 opposed, 1 abstention).

Identifying design of effective timber sale policies and programs

Calder introduced Mike Kilgore (Department of Forest Resources - UMN) for presentation of results from a study assessing timber sale policies and programs. Mike reviewed the impetus for the study, describing changes in aspen stumpage prices over past couple decades and the recommendation by the

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2007 Governor's Task Force on the Competitiveness of the Primary Forest Products Industry to review timber sale procedures and identify those aspects that drive stumpage prices. The study included an evaluation of the impacts of different timber sale factors through an econometric analysis, a paired bidding experiment, and a survey of perspectives on drivers of stumpage prices. The study also assessed state timber sale policies and programs via both a national review and convening focus groups. An executive summary was distributed.

Ross Brown (Ph.D. Candidate – UMN) reviewed the results of the study. Results from the econometric analysis (data reflect timber sales 2001-2006) indicate that contract length increased stumpage prices by 4% per year for each contract year, but that seasonal harvesting restrictions and intermediate sales had no impact. The total appraised volume in the bid also influenced bid price.

The paired bidding experiment, conducted in 2008, considered both reserve price (minimum bid price) and contract length (5-year vs. 2-year). The reserve price influenced bids, with about a 10% increase in bids based on full reserve versus half reserve prices. Contract length had very little impact on bidding behavior (approximately \$0.50 difference per cord). The researchers also examined future price expectations of bidders. On average, 2-year contracts were anticipated to result in harvest 6-9 months earlier than 5-year contracts.

The review of timber sale policies and programs considered physical characteristics of state timberland and wood products industries, methods used to sell timber, and sources of direction and program goals. Most state timber sales are offered through sealed-bid auction (only 9% are oral). On average, 86% of sales were for a 2-year contract (or less). Minnesota's intermediate timber sale program is also unique. Key issues identified through focus groups included a strong preference for sealed bids and the need to better encourage desirable operator performance, increase responsiveness to changing conditions, and update technology. Opportunities for improvement include: revision of auction methods, contract language and the approval process; identification of tools to encourage desirable operator performance; technology upgrades; increased use of log-sort sales; and greater communication between states.

Mary Richards asked Ross to identify changes he would recommend. Ross responded that, since size has a significant influence, offering larger sales (sizes or total appraised values) should be considered if the DNR wants to increase revenue. He also suggested increasing the proportion of sealed-bid auctions. Mike added that the study looked at two very different markets: in a strong market longer contracts result in higher prices, whereas in a weak market contract length does not change prices.

Dale Erickson suggested caution in using the study results as they reflect a snapshot in time. Wayne added that Minnesota, primarily a pulpwood economy, is quite different from many of the other states with timber programs. Dale also suggested increasing the frequency of bidding opportunities if sealed bids are used (e.g., Michigan puts out requests monthly versus twice a year in Minnesota).

*** Approval of four 25-year sectional visions for Lessard-Sams Outdoor Heritage Council investments in Minnesota Forests**

Al introduced discussion of the Prairie, Forest-Prairie Transition, Southeast Forest and Metropolitan-Urbanizing sectional visions developed for the Lessard-Sams Outdoor Heritage Council. Dave Zumeta

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and Leslie McNenly reviewed revisions that were made since the last meeting. If approved, the documents will still be considered drafts to be improved over time with further technical input.

Alan suggested that the habitat conservation opportunities listed ought to be more compelling. For example, there are statewide declines in the acreage of virtually all upland conifer species. He also suggested inclusion of a statement to encourage expansion of protection adjacent to existing areas (e.g., acquisition of forest properties associated with WMAs or to access land-locked parcels).

Prairie:

Dave Epperly suggested that the document should focus on management of resources on appropriate sites based on applicable science. For example, he suggested adding “on appropriate sites” to statements regarding oak savanna.

Forest Prairie transition:

Shawn Perich requested elk be included as a key species in the Forest-Prairie Transition section.

Metropolitan-Urbanizing section:

Dave Epperly suggested a revision to footnote 2 to include a statement about land clearing prior to the public land survey (similar to language used for Southeast Forest section).

Shawn commended the clarity with which information was presented. Susan Schmidt agreed. She suggested the language used to describe management of invasive species be revised to better adhere to L-SOHC statutory definitions (i.e. “restore and enhance” versus “protect from”).

Southeast:

No comments.

Joel Koemptgen moved, and Kathleen Preece seconded, to approve the Prairie, Forest-Prairie Transition, Southeast Forest and Metropolitan-Urbanizing sectional visions for presentation to the L-SOHC. *The motion passed unanimously.*

Discussion of 25-year vision for the Northern Forest section

Al introduced discussion on the draft suggestions for the Northern Forest section. Dave Zumeta stated that development of priorities for the northern forest is complex as the section covers nearly half of the state and includes portions of five of our six landscape regions. He added that the document presented should be considered a rough draft to start discussion.

Lindberg reviewed the process used to identify priorities for the northern forest, including consideration of long-term strategic direction by regional committees at numerous meetings over the past year. Regional committees have a variety of members and represent various perspectives. For example, he commented on the request by committee members to include brushland priority management areas in our suggestions for priorities. Wayne commented that there needs to be better clarification regarding brushlands (as opposed to open lands) in the recommendations. Dave Epperly suggested that the language “on appropriate sites” could also help in this case. Dave Parent asked whether the definition

of brushland includes young aspen regeneration. Dave Epperly responded that aspen regeneration is not technically included in brushlands.

Alan cautioned that mapped information to be included should be well vetted. Al requested that staff consider the scale of the mapping and recommendations to help determine appropriate spatial data to include. Mike Trutwin recommended a comment regarding the scale of the map be included. Lindberg responded that regional committee members have had similar struggles with scope and scale and noted that while the map is not for navigational purposes, neither is the use.

Shawn suggested that consideration should be given to splitting the map into smaller areas. He also requested that the gray wolf be included as a key forest species.

Jim noted concern regard the compatibility of project areas and ownerships. Shawn asked whether additional complexes could be included. Dave Zumeta responded that staff would distribute the northern forest section to members in an electronic format so they can share with colleagues and provide additional input. He also noted that the MFRP will be discussing the vision for this section on April 15.

Public Communications to the MFRC

None.

MFRC Member Communications

Gene reported that he and Steve Betzler (MN Power) have been serving on the permanent school fund advisory committee. There has been a great deal more interest recently among legislators regarding the fund, but he is concerned that there has been a focus on short-term cost reductions instead of long-term investments. Susan suggested the Council be briefed on school trust land issues and recommended Ron Nargang as a potential presenter. Jim added that discussion regarding potential exchange and purchase of school trust land in the BWCA has also been advancing.

Jim also suggested MFRC pay attention to the President's budget and the Collaborative Forest Management Act. Jim feels that Minnesota is keyed up perfectly to take advantage of funding opportunities. He encouraged the Council to be aggressive with respect to communicating our unique experience.

Mike reported that the Wood Fiber Council has been advocating full funding for the MFRC in their recent meetings with legislators. He added that several legislators were not familiar with the MFRC. Council members discussed the lack of familiarity among some junior legislators.

Dave Zumeta reviewed potential agenda items for the next MFRC meeting, including: a proposed amendment to northern landscape plan (action item), approval of the L-SOHC Northern Forest section vision (action item), a presentation on results from the site-level monitoring report, and an update on the DNR statewide forest resource assessment. Al Sullivan added that approval of the parcelization report is a high priority. He suggested approval of recommendations via six topical motions.

Alan Ek moved, and Dave Parent seconded, adjournment. *The meeting was adjourned at 3:00 pm.*

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