Minnesota Forest Resources Council
DRAFT Minutes
Cloquet Forestry Center, Cloquet
November 14, 2012

Members Present: Bob Stine (Chair), Forrest Boe, Wayne Brandt, Alan Ek, Dale Erickson, Shaun Hamilton, Greg Bernu, Jan Green (alternate for Gene Merriam), Jim Gubbels (alternate for Darla Lenz), Bob Lintelmann, Bob Owens, Dave Parent, Shawn Perich, Kathleen Preece, Mary Richards, Susan Solterman Audette, Mike Trutwin

Members Absent: Darla Lenz, Gene Merriam

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

Guests: Steve Betzler (MN Power), Dave Chura (MLEP), Steve Colvin (MN DNR), Howard Hoganson (UMN), Rich Miska (AgStar Financial), George Swentick (President, Minnesota Association of Resource Conservation and Development Councils), Aaron Vande Linde (MN DNR), Bruce ZumBahlen

Chair's Remarks
Bob Stine opened the meeting with a round of introductions. He passed around a schedule of meetings for 2013. Bob congratulated Dale Erickson on being the recipient of the Lake States Region Logger of the Year award.

Public Input/Communication to the Minnesota Forest Resources Council
George Swantick presented the 2012 Resource Conservation and Development (RC&D) Council's Outstanding Individual Award to Lindberg Ekola in recognition of his work in support of RC&Ds and natural resource programs in the state.

Approval of September 19, 2012 Meeting Minutes*
Dave Parent moved, and Mike Trutwin seconded, approval of the September 19, 2012, meeting minutes. *The minutes were unanimously approved.*

Approval of November 14, 2012 Meeting Agenda*
Mary Richards moved to approve the November 14, 2012, meeting agenda. Dave Parent seconded the motion. *The agenda was unanimously approved.*

Executive Director Remarks
Dave Zumeta introduced Aaron Vande Linde, School Trust Land Administrator for the Department of Natural Resources. He also thanked Leslie McInenly for her work with the Council and wished her well in her new position as the DNR Big Game Program Leader.

Committee Reports
Personnel and Finance
No report.

Site-Level
Dave Parent reported that the committee has not met since the last Council meeting. He expressed gratitude to committee members and the Council for successful completion of the guidelines revision.

Landscape Planning/Coordination
Shaun Hamilton reported that the Landscape Committee met during the previous week. Bob Tomlinson presented an overview of the DNR Land Asset Management program. Committee members also discussed Minnesota's Private Forest Management (PFM) program.

Forest Resources Information Management
Kathleen Preece reported that the next IMC meeting will be held December 6, 2012.

Written Communications to the MFRC
None.

Committee of the Whole: Private forestland study update
Bob introduced a presentation and discussion on the Council's private forestland study. The Council has been directed by the Legislature to provide a report on the study by January 15th. Because the MFRC will not meet again until January 23rd, members discussed options regarding Council approval prior to submitting the report.

Calder Hibbard stated that much of the study will be a synthesis of existing research. He provided some background context on private forestlands in Minnesota. Calder discussed the benefits of private forestlands and provided ecological, economic and social examples. Shaun Hamilton noted that the described benefits are also public land benefits and asked whether the discussion would be better framed as general land benefits, rather than public or private land benefits.

Calder commented on timber supply (cords harvested) in Minnesota from 1988-2008 and noted that private land trends drive total supply trends. Public lands, as a whole, tend to be fairly consistent with respect to harvest.

Trends and issues influencing private forest lands include the impacts of a changing economy, land use change, forest health, and forest certification.

Calder reviewed federal laws and programs that relate to private forest lands as well as Minnesota legislation and programs related to private forestland. He went into detail on a few of the laws in place (e.g., the Sustainable Forestry Incentive Act and 2C classification for managed forest land). He also talked about the DNR's Private Forest Management (PFM) program, which experienced a 75% reduction in state funding in fiscal year 2012. The current study will also incorporate a follow up to an earlier assessment of consulting forester capacity.

Bob Owens inquired about the goal of the study. Wayne Brandt provided a historical perspective on the private forest land laws and programs in Minnesota and commented on the impacts of 2010 unallotment and the Sustainable Forestry Incentives Act payment cap, which resulted in substantial withdrawals of industrial lands from the program. A number of people felt that the legislature could

benefit from a quality assessment of the private land programs. Minnesota Forest Industries proposed the language for a study to be conducted by the Council. The report will be presented at hearings in the House and Senate and will be considered as they develop the next tax bill.

Calder reviewed problems facing private forestland, including the current economic situation, reductions in PFM funding, a confusing array of programs, and continued fragmentation of large forest parcels.

Wayne asked whether the study would have a compendium of what other states do as well as some real life examples of taxes on forestland. Calder responded that staff would include some of this information, but that time to do will be constrained.

Calder started a discussion on potential recommendations the Council could consider. Potential recommendations included: making tax programs more efficient/effective, supporting the use of conservation easements to maintain private forestlands, increasing capacity of private forestland foresters, increasing efforts to reach landowners, supporting landscape scale management programs, and maintaining financial incentives to landowners (but with greater focus).

Jan asked whether programs would still be run through the Department of Revenue or whether other agencies would have some responsibility. Calder responded that different states have co-run tax programs with revenue and natural resource management agencies and stated that various alternatives will be considered.

Discussion ensued regarding inadequate recognition of potential tax savings associated with a stewardship plan and the barriers to enrollment and stewardship plan implementation. Wisconsin's Managed Forest Law was recognized as being more effective as a result of required implementation; however, logger dissatisfaction with the law was also acknowledged.

Wayne suggested three potential directions to go with respect to the tax portion of the recommendations: 1) some form of SFIA-approach in which people pay property taxes, meet requirements of the program and get a payment for providing the social goods to the state; 2) use the 2c property tax classification system to address management (might require a new General Fund program to provide some sort of tax equalization aid for jurisdictions); or 3) an entirely new or different program. He also suggested a tiered approach could be considered in which one of the payments would reflect public recreational access.

Council members continued to discuss the various potential recommendations. A framework for the recommendations was suggested with sections focused on program qualification and participation.

Bob Owens asked about the role of the Council with respect to marketing forest products, inquiring whether a recommendation related to impacts of the recession on landowners and the industry would be within the scope of the study. Bob Stine responded that such a recommendation would not be out of bounds and noted that the Council has not been very involved with outreach to help landowners understand their role or contribution to the market. Shaun Hamilton suggested that a recommendation regarding funding for positions to provide outreach could be important. Dave Zumeta stated that a part of why MFRC funded a study on private consultant capacity is the

recognition that the state is still facing a structural deficit and a boost in funding for state foresters is not likely. The updated piece on private sector capacity will be a key new piece of information in the study. Going forward, what opportunities are there for private sector job creation, particularly in rural Minnesota? Dave acknowledged that DNR still needs to be a major player in private forest management but noted that the model will likely be new. Shaun suggested a need to identify the connection with the new DNR landscape forester positions.

Dave Parent voiced concern that inadequate focus has been placed on the market place, which drives private forest management. Private landowners look at stewardship plans as a cost. Where in all of this is encouragement to create new or improve existing products to accommodate the existing forest resource? Who is looking at what we can do with all the old aspen we have?

Calder hopes to have a final draft report available for review in mid-December. Bob Stine suggested that the Council could provide one round of review via email before the end of the year and, perhaps, another round in January. The expectation is to seek agreement on the final recommendations at the January 23 MFRC meeting.

Jan Green suggested that a significant portion of the history related to private forest management programs be included in the body of the report.

Overview of GEIS update

Alan Ek introduced Howard Hoganson, Professor, University of Minnesota Department of Forest Resources, to provide an overview of a study funded to partially update the 1990s Generic Environmental Impact Statement (GEIS) on Timber Harvesting and Forest Management in Minnesota.

Howard talked about forest management, in practice, over time. He discussed the value of using models to evaluate management options as well as the balance between simplification and complexity in models.

Howard reviewed the age class distribution of aspen in 1990 and discussed concerns that led to the GEIS. The need to integrate forest management information and planning was one of the reasons the GEIS recommended a structure like the MFRC. The GEIS analyzed three different scenarios of harvest to evaluate potential effects on environmental conditions. Today, some of the variables considered by the GEIS have changed but some are still quite similar (e.g., we still have diverse forest ownership and mixed species stands). Howard presented information on age class distributions in Minnesota, as well as average growth rates of cover types in MN. Our aspen today isn't even growing at 20 ft^3/acre/year (a classic definition of timberland). The average of all species isn't even growing at 20 ft^3/acre/year.

Howard provided an overview of a newly initiated study funded by the Blandin Foundation. The study will explore new forest-based economic development opportunities and their potential fit with existing forest industry. Over the next three years, the Council will have the opportunity to provide input on scenarios to be analyzed.

Alan asked why growth rates are so low. Howard responded that he believes they are driven by the age class distribution of cover types. He suggested there may be real opportunities to harvest old aspen, generate revenue and reinvest in forest management.

Jan asked Howard about the inclusion of climate considerations into the scenarios. Howard agreed that climate was an important consideration but did not have a suggestion regarding how to bring the information into the models. He did note that they could develop questions about growth rates that might reflect climate change.

Shaun asked how new, integrated industries would be modeled. Howard responded that he has some reasonable scenarios that could be considered (e.g., something similar to the big energy expansion currently occurring in the Upper Peninsula of Michigan). Shaun suggested that the community needs to consider some policies that will help encourage industry integration.

Howard then provided an example, using the Tree Improvement Cooperative Program, to illustrate how the information and tools developed from the study can be used.

DNR response to MFRC letters regarding maintaining and growing the forest products community
Forrest Boe provided an update on the MFRC forest industry recommendations that were sent to Commissioner Landwehr in response to a DNR request for Council advice. Budgetary recommendations that were sent to the DNR over the summer have been used to help develop agency priorities for the Governor's budget recommendation. The information is currently under review within the Minnesota Management and Budget office.

In September, the Council sent a letter to the Commissioner regarding some longer-term policy recommendations. Bob Stine and Dave Zumeta discussed both sets of recommendations with the Commissioner's office in late September. All of the recommendations are now in the Governor's office for review. The Governor's budget will come out around the middle of January.

Forrest stated that the Council's work to develop the recommendations has been very helpful and was appreciated.

Logger study overview
Alan Ek introduced Charlie Blinn, Professor, University of Minnesota Department of Forest Resources, to provide an overview of a recent survey of loggers in the state to assess the status of the logging industry. Charlie summarized preliminary results from this survey. He noted that several similar surveys have been conducted over the past 35 years. The current study assessed 2011 logging operations and used a double-blind protocol to collect the survey responses (in partnership with the Minnesota Logger Education Program (MLEP). The survey was sent to 427 non-broker logging businesses that were asked questions related to business background, harvest operations, in-woods and over-the road equipment, and future plans/concerns/training needs.

The majority of survey responses came from the DNR Northeast Region; the response distribution was quite similar to the actual percent MLEP membership by region. Based on the survey results, the average logging business has been in business for 28 years, anticipated being in business 5 years from now, is unlikely to transfer the business to a relative, employs 6.3 workers, is a conventional

logging operation, and is likely to replace old equipment with newer used equipment. Profitability was most frequently reported as much worse in 2011 than in 2008. The biggest issues for logging businesses include rising operating costs, market prices and stumpage rates. The same issues were top issues in 2003. In 1979, top issues were identified as rising costs and the price received for wood so there has been some consistency over time. The biggest issues tend to be factors outside the logger's sphere of influence.

Charlie commented on the reported harvest volume for 2011 and noted that using a feller-buncher is the most common felling method. Most harvest was reported to occur in the DNR's Northeast Region. More than 60% of the wood came from public land. A larger amount of wood is now harvested during the winter, as compared to 1991 and 1996 surveys. Larger volume producers seem more likely to harvest on a year-round basis than smaller volume producers.

Loggers reported that total capacity was higher than actual harvest (additional capacity was 59% above 2011 harvest). Twenty-five percent of loggers do not expect to be in business in 5 years, but those loggers represent a small percentage of the total harvest volume. Nearly a quarter of respondents indicated that average haul distance was greater than 90 miles. Logging equipment is aging and smaller producers tend to be using older equipment. Replacement demand is highest for grapple skidders; there is little interest in purchasing chippers or grinders.

Cut-to-length businesses operate at a significantly higher percentage of their total capacity than conventional operations. They also harvest a significantly higher percentage of their volume in the summer.

Charlie finished the presentation by stating that data analysis will be finalized and followed up with some focus groups to address remaining questions. The assessment will be summarized and published in a peer reviewed article.

Environmental review and permitting of forest industry expansions

Dave Zumeta introduced Steve Colvin, DNR Environmental Review Supervisor. Steve was asked to provide an overview of environmental review and permitting of forest industry expansions. He was contacted after the Council was unable to reach resolution on a suggestion regarding environmental review in relation to industry expansions that was being considered for inclusion in the forest industry recommendations that were forwarded to the DNR Commissioner.

Steve described the environmental review process and outcomes. He noted that there are several formal environmental review laws, including the Minnesota Environmental Policy Act (MEPA), and National Environmental Policy Act. As a state environmental policy, MEPA describes the state environmental review process, the purpose of which is disclosure (i.e., MEPA is not a regulatory process). The federal process is different and generally results in a decision.

Environmental Review Rules are within MR Chapter 4410. Minnesota's rules are threshold-based. Steve described the Environmental Assessment Worksheet (EAW) process, in which the project proposer submits a completed data form (30 standard questions) to the Responsible Governmental Unit (RGU), the RGU prepares an EAW, public comments on the EAW are accepted over a 30-day period, and the RGU makes a decision about the need for an Environmental Impact Statement. It is

not uncommon for the initial data submission to require a few iterative cycles. After public comment, the RGU has 15 working days to make a decision regarding the need for an EIS.

Jan asked whether there are any requirements associated with the initial data submission timeframe. Steve responded that, according to rule, the RGU has up to 30 days to decide if the submission is complete once a data submittal is received. Jan noted that the process could result in multiple, 30-day cycles. Steve responded that the procedure in DNR is to allow 30 days for a proposer to respond to a request for more information but the agency will also tell them specifically what information will be required.

If the determination is made that an EIS will be required, the process starts with a data submittal form that is drafted into a scoping decision document by the RGU. The scoping document is reviewed during a 30-day comment period which also includes a public scoping meeting. After the comment period, a final scoping document is published and the RGU issues an EIS preparation notice (timing on this is non-specific). Issuance of the EIS preparation notice starts a 280 day clock when the RGU develops the draft EIS. The draft goes out for public review (about 25 working days are provided as a minimum) and another public information meeting is held. The EIS then undergoes a revision process (timing varies) and the final EIS is published. A minimum of ten working days is provided for comment on the EIS adequacy.

Steve commented on linkages between environmental review and permitting, noting that no final governmental decisions are made on permitting until the environmental review process is complete. Permits are issued 30 days following EIS completion.

Steve described ways in which the DNR is involved with environmental review. The DNR is a member agency of the Environmental Quality Board (EQB) that oversees state environmental policy. The DNR may also be identified as the RGU for a project. Steve provided examples of the way DNR has assisted on EISs related to forestry projects when the Minnesota Pollution Control Agency (PCA) was the RGU.

Jan asked when the last time a citizen petition on an EIS was upheld. Steve replied that it has been a long time.

Steve reviewed forestry-related thresholds for environmental review. There are thresholds pertaining to paper or pulp processing facilities, air pollution, forestry, land conversions in shoreland, fuel conversion facilities, etc. When a specific threshold is met, an RGU is identified. Forest-related EAWs and EISs have included the Cloquet Pulp Mill (Potlatch Expansion EIS), the timber harvesting GEIS, and the Potlatch Oriented Strand Board Plant expansion.

Steve reviewed the two EIS lawsuits related to forest products. In a National Audubon Society v. PCA lawsuit, the contention was that the PCA did not consider differing DNR staff opinions on the Potlatch expansion. They also made a claim under the Minnesota Environmental Rights Act. Audubon lost in the Court of Appeals (September 1997). In a Minnesota Center for Environmental Advocacy v. PCA suit, the contention was that the Boise Cascade EAW improperly evaluated MFRC guidelines. The PCA lost in the Court of Appeals and an EIS was ordered (July 2001). The decision was ultimately reversed by the Minnesota Supreme Court (May 2002).

Environmental issues related to forest resources that have arisen include: forest sustainability with predicted increases in harvest, the state of knowledge about the land base, effectiveness of known forest management practices, new practices needed at site and landscape levels, whether there is a reliable mechanism to ensure that mitigation occurs, the continued adequacy of the Generic Environmental Impact Statement on timber harvesting, and the acceptable level of brush and woody biomass harvest (for biofuels).

Alan asked whether there could be exemptions to the review process given a set of guidelines (e.g., essentially agreeing to satisfy issues by following guidelines used for forest certification). Steve replied that he believes every forestry-related project that triggered an environmental review was related to an air quality threshold. Alan responded that the forestry component of such reviews is often elaborate and takes quite a bit of time; he suggested that exemptions could be made if guideline use is recognized. Steve stated that specific exemptions are trumped by hitting other thresholds. Alan asked why the forestry component needs to be evaluated if air quality is the problem. Steve replied that the environmental review discussion will likely evolve to make that decision more straightforward.

Shawn Perich asked if there are opportunities to address the timing issue so that a data submission does not just sit on a desk for weeks while private industry needs to keep moving forward. Steve replied that, for mining specifically, if a project manager is out of the office the team leader will take on the work so that time is not lost on a project. However, some projects and analyses can be very complex and controversial. There are some things can be done, however. For example, agencies now have a much better understanding of baseline information that is required before they even move into the environmental review and permitting world and this is communicated to proposers.

Alan stated that the environmental review timeframe is troublesome with respect to evaluation of forest-based projects in light of the global competition. He asked whether the DNR has any sense of the number of companies that just walk away because of the onerous process. Discussion regarding the Department's ability to track proposals ensued. Wayne stated that the perception of almost any industry considering investment in this state is that the environmental review and processing timeline is a significant problem. There appears to be some will to address permit timelines, but there doesn't seem to be much will to address review timelines. Jan added that, from her experience, most of the forest-related reviews are triggered by PCA issues, not forestry issues.

Public communications to the MFRC
None.

MFRC Member Comments
Mary Richards moved, and Susan Solterman Audette seconded, adjournment of the meeting. *The meeting was adjourned at 4:00 pm.*