

Minnesota Forest Resources Council
Minutes
DOT Training and Conference Center, Arden Hills
November 12, 2014

Members Present: Bob Stine (Chair), Susan Solterman Audette, Greg Bernu, Forrest Boe, Wayne Brandt, Alan Ek, Dale Erickson, Shaun Hamilton, Darla Lenz, Bob Lintelmann, Dave Parent, Shawn Perich, Kathleen Preece, Mike Trutwin

Members Absent: Mary Richards, Gene Merriam, Bob Owens

Staff Present: Dave Zumeta, Lindberg Ekola, Calder Hibbard, Amanda Kueper, Rachael Nicoll, Jeff Reinhart, Rob Slesak, Clarence Turner

Guests: Dennis Becker (UMN), Anna Dirkswager (MN DNR), Carrie Meyerhoff (Office of the Legislative Auditor), Catherine Reed (Office of the Legislative Auditor), Aaron Vande Linde (MN DNR), Larry Gates (private landowner, MFRC Southeast Regional Committee Chair), Rich Biske (TNC, MFRC Southeast Regional Committee Vice Chair), Rick Horton (National Wild Turkey Federation)

Chair's Remarks

Bob Stine opened the meeting with introductions. He noted that applications are due November 25 for Council members that are reapplying. He also mentioned that work on the Global Competitiveness of Minnesota's Primary Forest Products Industry report is progressing. The report is due to the Department of Natural Resources (DNR) Commissioner on December 1.

Bob yielded his time to Alan Ek, who noted that the T.A. Skok Policy Analysis Seminar on the potential listing of the northern long-eared bat on the federal Endangered Species List will take place on December 3.

Approval of Meeting Minutes*

Forrest Boe approved, and Shaun Hamilton seconded approval of the meeting minutes. *The minutes were unanimously approved.*

Approval of Agenda*

Mike Trutwin moved, and Greg Bernu seconded approval of the meeting agenda. *The agenda was unanimously approved.*

Executive Director Remarks

Dave Zumeta announced his planned retirement in July 2015. He noted that his announcement is not yet formal with a firm date. The P&F Committee has been aware of Dave's plans. Dave plans to remain active throughout the 2015 legislative session, which will be very important given the MFRC budget restoration/change level request, the release of the Global Competitiveness of Minnesota's Primary Forest Products Industry report, and the Sustainable

Forest Incentive Act (SFIA) revision recommendations. Bob Stine thanked Dave for his service and the success he has brought to the council over his 13 years as Executive Director.

Committee Reports

Personnel and Finance

Bob Stine reported that the committee has not met since the previous Council meeting, but will meet soon. The committee will seek input from Council members on the MFRC budget restoration/change level request.

Site-Level

Dave Parent said that the Site-level committee has not met since the last Council meeting. He noted that the Site-level Field Guides will be printed soon. He hopes that this will happen by January 1, 2015.

Landscape Planning/Coordination

Shaun Hamilton reported that the committee met on October 27. The committee discussed plans to move ahead with implementation of the revised Southeast (SE) Regional Landscape Plan with The Nature Conservancy (TNC) and other members of the SE Landscape Committee, pending MFRC approval. Shaun noted that a survey will be sent soon to those involved with the planning process in both the SE and Northeast landscapes to evaluate the planning processes and plan revision products in those respective landscapes. Shaun hopes to share these results at the January meeting. He encouraged Council members to contact him with questions. Dave Zumeta added said the results of the survey will inform the upcoming plan revision process in the North Central Regional Landscape and well as in other landscape regions.

Information Management Committee

Kathleen Preece noted that the IMC met on October 20 in Duluth. The primary focus of the meeting was the proposed federal Fire Act. Jim Sanders, former Superior National Forest Supervisor and MFRC member, attended the meeting to discuss the proposed act. Clarence Turner provided an update on the Climate Solutions and Economic Opportunities project. The committee also discussed the competitiveness report and SFIA recommendations.

Written Communication to the MFRC

None.

Draft resolution to approve revised Southeast Landscape Plan*

Shaun Hamilton introduced Lindberg Ekola and Amanda Kueper. Shaun noted that the resolution is the second part of the process to approve the SE Regional Landscape Plan. He stated that public comments received on the plan requested no major, substantive changes. The leadership on the SE Committee approved the requested changes and the SE Committee approved the plan. Both the SE Committee and Landscape Committee recommend approval of the SE Plan. Amanda provided an overview of the planning process. Once the plan is approved, one-page and eight-page SE Landscape summaries will be shared to provide plan highlights.

Bob brought a motion to approve the SE Plan. Greg Bernu moved, and Dave Parent seconded the motion. The motion was unanimously approved.

Lindberg Ekola introduced Larry Gates, private landowner, and Rich Biske, TNC. Lindberg encouraged the support of the council in implementing the plan with SE Landscape regional partners. Lindberg said that the third part of the plan covers actions by the SE Committee, including a 10-year work plan and annual work plans.

Rich discussed the highly collaborative nature of the SE Plan revision effort. Dave Zumeta mentioned that he is unaware of a similar cross-ownership planning effort in other Driftless Area states (Wisconsin, Iowa, Illinois). Forrest commented that Minnesota DNR foresters will share the plan with neighboring states at an annual tri-state meeting. Shaun Hamilton added that a SE Plan overview document could be a great outreach tool.

Alan Ek asked about invasive species priorities in the SE Region. Larry spoke about past and future work on buckthorn and garlic mustard, and added that there is a suite of other invasives. There are a lot of invasive species outreach efforts in the region, but operational control efforts are inadequate. The SE Committee is interested in increasing invasive species research. Dave Zumeta mentioned growing concerns surrounding EAB. Dave Parent asked about reed canary grass invasion. Larry spoke about efforts to maintain and revitalize floodplain forests. Susan Solterman Audette asked about prioritization of invasive species in Minnesota. Rich hopes to use the regional plan to focus on a few priority landscapes to channel resources. When asked about the transparency of the prioritization process, Rich said that the committee will seek stakeholder input.

The SE Committee will work to rank various landscapes to target resources generally. There is a tiered system to incorporate participation and input from stakeholders. Alan asked about linking prioritization with timber resources. Rich replied that private landowners will largely guide the process, and the committee will educate and work with them. Dave Parent asked about the Forest Bank. Rich spoke about a small-scale project in the SE that used similar strategies. The SE Plan creates a harvesting plan beyond a single stand.

Lindberg provided information on planned coordinated efforts to implement the SE Plan. Projects that Rich and Larry are working on may act as implementation models. However, Lindberg noted that Larry and Rich are working on a volunteer basis. Additional momentum provided in the form of additional Council funding and Council support would go far. Larry added that strong staff support from the MFRC has made the SE revision process possible. Rich said that NGOs in the SE do not have the resources to implement projects on a wide scale. SE Minnesota needs state support.

Larry discussed plan implementation monitoring and emphasized the need for a real commitment to plan monitoring as called for in the SFRA. Dave Zumeta mentioned that Clarence Turner could play a role in this. Susan asked Forrest about stakeholder input on monitoring effectiveness. Forrest replied that there are a lot of monitoring needs in the DNR.

Part of the budget initiative for the DNR is to increase resources for monitoring. The Division of Forestry is working to revamp its monitoring program. A budget framework will be released publically at a later time. Shaun added that the MFRC Landscape Committee has discussed the efficiency of plan monitoring efforts.

Forrest Boe mentioned that the preview of the SE Plan that Lindberg and Amanda provided at the September meeting helped to inform Council members prior to approval of the plan.

Draft resolution in support of a separate federal budget process for funding the suppression of major catastrophic fires *

Bob Stine introduced Shawn Perich and Kathleen Preece. Bob noted that the council discussed the federal fire suppression budget at the September meeting in Grand Marais. Kathleen said that the Information Management Committee (IMC) talked about this issue at length at the October IMC meeting. The IMC did not feel confident bringing forward a resolution to the council. There was no consensus at the meeting.

Calder Hibbard provided background information on USDA Forest Service wildfire management and its associated budget. A significant amount of borrowing from other federal forestry programs has occurred to fund wildfire management. He discussed factors which exacerbate the situation as well as impacts of moving funding to federal fire activities, including on the timber economy, threatened communities, and many other non-fire Forest Service activities. There are Minnesota-specific impacts as well.

Darla Lenz said fire is a huge impact, but not all budgetary reductions are directly related to fire; some of it is related to general program directions. Wayne Brandt commented that the USDA Forest Service is not a series of stovepipes, and the agency needs to have holistic resources. Shawn Perich asked about how the funding situation has changed the way the agency self-identifies. Darla replied that it has changed the identity of the agency, especially in the western regions. In the western U. S. the USDA Forest Service is the primary fire control agency, and as a result there is more of a focus on fighting fires and less focus on other programs that provide benefits to other forest resources and services.

Susan Solterman Audette asked about any potential opposition to separating the USDA Forest Service from disaster response. Darla replied that opposition to this is related to budget concerns. Alan Ek mentioned a recent IUFRO report on the global future of forest fire. He discussed major findings and fuel load implications. Dave Zumeta asked about federal hiring implications vis-à-vis fire-related skills. Darla said that this has had an impact nationwide. The Superior has the largest fire program in the region, so this forest looks more closely at these skills. Alan noted that he has seen an increase in the number of University of Minnesota students who are specifically interested in fire.

The Flame Act of 2009 was meant to insulate non-fire programs, but funding needs for fire were too great. Calder provided information on potential new approaches. Alan commented on the Federal Emergency Management Agency approach. The big cost factor is the urban-

wildland interface. Shawn asked if the Wildfire Disaster Funding Act would prohibit or prevent fire funding. Calder replied that he believes it would prohibit fire funding. The implications of this are unknown. Shaun Hamilton inquired about the MFRC's potential involvement in a regional effort. Forrest Boe replied that the Northeast Association of State Foresters and National Association of State Foresters have been very actively engaged with Congress on this issue. He said that it is important that the council engage now. Shawn Perich noted other entities involved with this issue. Bob said with agreement from Forrest that it is important for the council to express a position on this issue. This statement may come in the form of a letter.

Bob asked Kathleen about potential reluctance from the IMC to quickly pursue approval of a resolution. Kathleen responded that some IMC members felt that the council needs a greater unified voice prior to pursuing a resolution. Dave Zumeta noted that those that were most vocal in opposition were not present for the council's discussion of this topic at the September meeting. Forrest added that he does not recommend that the council send a letter now, but it should express a position on record.

Wayne Brandt moved, and Alan Ek seconded the motion as stated, which carried unanimously.

Bob said that the MFRC's position is stated in the resolution. It would be easy to translate this position into a letter. The Chair and staff will communicate this resolution as appropriate.

Status of Sax-Zim bog land exchange

Forrest Boe introduced Aaron Vande Linde, School Trust Land Administrator, DNR Division of Lands and Minerals. Forrest Boe reported that the Land Exchange Board approved the Sax-Zim land exchange in September.

Aaron provided background information on the exchange. In 2014, the Biennial Trust Report and Inventory found 445,000 acres of non-economic trust lands. A land exchange in the Sax-Zim Bog within the Lake Superior watershed was proposed. A purchase agreement is in place with Ecosystem Investment Partners (EIP), a nonprofit entity that has extensive large-scale wetland restoration expertise. EIP will profit from the wetland credits that are created through this project. The EIP restoration makes the sale of the wetland credits possible.

Anna Dirkswager asked if similar wetland credit tactics are used by others. Aaron replied in the affirmative. Dave Zumeta asked if the wetland credits are limited to Minnesota. Aaron responded that if other WACA requirements are exhausted, the credits might occur outside of Minnesota. Wayne Brandt added that he believes that they cannot be used outside Minnesota.

Shawn Perich asked several questions: 1) Who currently owns the land to be exchanged? 2) Can continued public use be ensured? and 3) By changing the hydrology of the area, how will the exchange affect bird wintering areas? Aaron responded that: 1) The land is still in state ownership; the state will convey it to the Conservation Fund (CF). CF will then sell the land to EIP, and EIP will put into place a conservation easement. This will make it possible to sell the conservation credits. 2) Public use cannot be ensured, since the land will no longer be in public

ownership. 3) The restoration project will improve bird habitat, since most of the natural hydrology will be restored and the bog will stay intact with the exception of the ditches. Shaun Hamilton asked who will hold the easement. Aaron believes that it will be either the U.S. Army Corps of Engineers or BWSR. Dave Zumeta inquired about writing public access into the terms of the conservation easement. Aaron said that this is possible, but it was not done because it would significantly decrease the value of the land. Shawn expressed concerns about deer hunter access – current hunters would be excluded from the land. Aaron replied that that economics are the most important management objective on School Trust lands. Managing the Trust as a whole to maximize income to the Trust was at the forefront of this decision, not access to marginal deer hunting habitat on the part of a small number of hunters.

Aaron described the land exchange transaction: 12,500 of School Trust Lands and 7,000 acres of county tax-forfeited lands were exchanged for 10,000 acres of Potlatch land. The Conservation Fund bought the lands from Potlatch. The Trust will own roughly 5,700 acres of the former Potlatch Lands that are currently owned by the Conservation Fund, and the county will obtain the remaining Potlatch lands. Aaron explained that special legislation was required for the transaction. Greg Bernu added that the exchange is not on an acre-for-acre basis, but rather on a value-for-value basis. The disposal of non-productive land was good deal for the county treasury. Aaron said that the final conveyance is expected to take place in mid-December.

An economic analysis found that the land exchange will reunite estates, increase School Trust land ownership of productive forestland, consolidate Trust Lands, and improve access to other higher quality recreational areas. Aaron explained that the Sax-Zim land exchange was a “win-win-win”: wildlife benefits, sustainable Trust revenue from forestry activities, halting fragmentation, and wetland credits. After EIP completes the wetland restoration, it will likely be the second largest wetland bank in the country. In addition, the Sax-Zim bog exchange has spawned three additional new projects.

DNR Forest Management Evaluation

Forrest Boe introduced Carrie Meyerhoff, Principal Evaluator, and Catherine Reed, Senior Program Evaluator, Office of the Legislative Auditor (OLA). Carrie and Catherine discussed the OLA’s evaluation and report on DNR Forest Management. Carrie stated that the report focused on management of state land under the jurisdiction of the DNR, although the Division of Forestry (DOF) also works actively with private landowners.

Carrie covered background information contained in the report and how the OLA collected information. State statute directs DNR to manage forest resources for multiple use and sustained yield. The OLA evaluated how policies promote DOF’s statutory management responsibilities. The OLA concluded that DOF is supported using three main pieces of information: 1) forest management planning, 2) best practice forest management (BMP) guidelines, and 3) independent forest management certification.

Carrie described Subsection Forest Resource Management Plans, a primary planning tool used by the DOF. These plans provide a long-term perspective that when combined with multiple

perspectives of the interdisciplinary DNR core team, impacts management of the forest resource. Carrie also discussed the generally positive assessment of the MFRC Site-level forest management guidelines as well as the positives and negatives of third-party certification. The report recommended that the DNR should continue to improve interdisciplinary efforts and prioritize plan implementation monitoring.

Catherine explained that the DOF accomplishes many of its management objectives through timber harvest. The DOF has fallen short of its committed harvest goal some years, but DOF achieves its goals through reoffered cords. Over the past 10 years, the timber sale rate of offered cords has fallen. A requested comparison of DOF and St. Louis County found that performance was similar. Catherine also covered factors that affect efficiency of timber sales administration and related recommendations.

Catherine provided information on DOF Fiscal Year (FY) 2014-2015 appropriations. Between FY 2008 and 2015, the General Fund was the largest source of revenue, and the second largest was the Forest Management Investment Account (FMIA). Other sources of funding supplement the budget, but removing these other funds reveals that, generally, DOF's budget has been steadily decreasing. However, the DOF budget increased slightly in 2013-2015. A large contributor to DOF budget decreases overall are decreases in the FMIA. The FMIA is not a stable source of funding, and the report recommended that the legislature should reassess its approach to funding management activities on state-administered forest land.

Wayne Brandt asked how the DOF would fare if dependent solely on the General Fund, given recent volatility in the state General Fund. Carrie responded that it would lead to competition with other priorities, such as education. This is why the report did not recommend doing away with FMIA. Wayne asked about potential limits or rules on expenditures. Carrie noted that the record of expenditures shows that DOF spending is related to statutory requirements, but there are some tangential expenditures. Forrest added that he believes that the DOF needs a broad funding portfolio. FMIA acts as a buffer in low-fire years and provides funding for forest roads, which support an array of activities. One tangential expenditure is SFRMP planning, which is integral to the management process.

Dave Zumeta asked about the connection between BMPs and third-party forest certification. Carrie responded that both the Sustainable Forestry Initiative and Forest Stewardship Council mentioned the importance of BMPs in maintaining certification of Minnesota wood.

Shawn Perich asked Forrest about DOF-logger relationships in light of consistent shortfalls. Forrest replied that he would like to meet with the Timber Producers Association and the Association of Contracted Loggers and Truckers in the next year to gather perspectives and buy-in on DOF plans. Dale Erickson asked about a possible comparison of underperforming appraisers. He asked if the state would be better off contracting forest management. Carrie replied that the OLA did not evaluate this, but that the DOF has done so.

Susan Solterman Audette asked about costs and benefits of extending timber sales. Forrest answered that both administrative costs and operational costs, such as winter conditions, factor into extension decisions. Extensions generally last for one year. Last year, the DOF used a more precise extension approach. Loggers have provided a down payment on timber sales, so there has been pressure to provide extensions. Wayne added that extensions are allowed in statute. The need for extensions is complicated. Dave Parent asked if extensions have created turbulence and issues with planning. Forrest responded that they have.

Draft Global Competitiveness of the Forest Products Industry report and potential Sustainable Forest Incentive Act revisions

Bob Stine introduced Calder Hibbard, who spoke about both potential Sustainable Forest Incentive Act (SFIA) revision recommendations and the draft Global Competitiveness of the Forest Products Industry report.

Sustainable Forest Incentive Act (SFIA)

Calder described the charge to and approach of the SFIA stakeholder group from Senator Saxhaug and Representative Dill. The OLA released a report on SFIA in 2013 and recommended a clarification of the act's goals. Most of the administration of SFIA currently rests with the Minnesota Department of Revenue (DOR). Calder provided information on OLA and stakeholder group recommendations related to incentive payments, oversight and penalties.

Shaun Hamilton asked if the stakeholder group considered recommending changes to the length of time of the current eight-year covenant required under the SFIA. Calder responded that there was considerable discussion about this issue, but the group did not reach agreement and did not provide any recommendations. Dave Zumeta noted that the group's intent is to return a report to legislators in the very near future. The recommendations from the stakeholder group will blend into the taxation piece of the competitiveness report. Calder noted that a draft report is currently out for review by the stakeholder group.

Calder addressed a question about the membership of the stakeholder group. A question was asked about how the recommendations address double dipping. Calder responded that that is what the first recommendation is meant to do by identifying different streams of benefits to small and large landowners. Alan commented that it is easy to lose sight of the benefits of SFIA. SFIA must be understood as an incentive program, not just a tax program. Greg Bernu inquired if responsibility of SFIA administration will move from the DOR to DNR, as recommended in the OLA report. The main contact is the County Assessor's office, which reports back to DOR. Dave Zumeta responded that Anna Dirkswager and Gary Michaels, both representing DNR on the stakeholder group, addressed this very clearly. The DNR may need a modest infusion of funds to have the capacity to administer the SFIA program.

Draft Global Competitiveness of the Forest Products Industry Report

Calder provided an overview of the charge from DNR Commissioner Landwehr to the MFRC to update the 2003, 2006, and 2007 reports on the competitiveness of Minnesota's primary forest products industry. The MFRC convened a steering committee, chaired by Bob Stine, and a

working group to identify issues and jurisdictions for comparison. Calder covered the key competitiveness factors identified by the steering committee and associated draft recommendations. Also included in this report is a forest resource conditions overview.

Another section of the report highlights top barriers to forest industry maintenance and expansion and strengths that promote investment in the forest products industry as identified through a national survey of utilization and marketing staff. Calder indicated that there is some overlap as well as regional differences. The final section of the report highlights the Minnesota bioeconomy. This section covers areas of opportunity, advantages and challenges to expanding the Minnesota bioeconomy. The greatest barrier is financing.

Bob said that the report is currently out for review. The steering committee will have a final meeting via conference call on November 20. The final report is due to the DNR Commissioner on December 1. Dave Parent asked if there have been any conversations between the forest products industry and the university on becoming more energy efficient. Wayne Brandt said that there have not been any discussions related to this report, but a lot of work has been done on this by the forest products industry.

Public Communications to the MFRC

None.

MFRC Member Comments

Kathleen Preece noted that the Minnesota Forest Resources Partnership will host the Minnesota Forest Futures conference on December 10-11 in cooperation with the council. The purpose of the conference is to consider the competitiveness study recommendations and to focus efforts on their implementation. Almost 80 participants have committed to attend.

Wayne Brandt moved, and Dave Parent seconded adjourning the meeting. *The meeting was adjourned at 2:19 p.m.*