Saint Louis County

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March 12, 2015

MEMORANDUM

TO: County Commissioners

FROM: Pete Stauber
County Board Chair

Kevin Z. Gray
County Administrator

RE: **County Board Workshop – March 17, 2015**

A County Board Workshop has been scheduled for **Tuesday, March 17, 2015, beginning at 9:30 A.M. in the IRRRB Board Room, Highway 53, Eveleth, MN.** The agenda for the meeting is as follows:

9:30 A.M. Out of Home Placement and Update on Governor's Task Force for the Protection of Children – Public Health & Human Services

11:00 A.M. Shoreland Lease Sales Program update – Land and Minerals

11:30 A.M. Lunch

1:00 P.M. Taconite Production Tax – County Attorney, County Auditor and Administration *(workshop materials excerpted from Mining Tax Guide 2014, Minnesota Revenue)*

NOTE: County Board Workshops will not be assigned an adjournment time, but rather will continue until Commissioners are satisfied with the completed policy discussion on the topics presented the day of the workshop.

CHILD PROTECTIVE SERVICES

In St. Louis County

Presentation to County Board
March 17, 2015

Agenda

~How Services are Provided, including a Review of the Numbers and Costs

~Possible Impacts due to the Governor's Task Force

Entry Point to CFS
Intake Screening - IIU

- Initial Intervention Unit screeners take initial reports of maltreatment and requests for service
- Screeners use Minnesota Screening Criteria to guide what is accepted as a report, often in consultation with team and supervisor
- Screeners immediately notify law enforcement of screened in report
- Screeners also provide information & referral to agency & community services

Response to Reports
Social Services and Law Enforcement

- Law enforcement and social services must **notif**y one another of receiving reports

- Law enforcement and social services are required to **coordinate** their fact-finding efforts in cases where criminal charging is possible

How Services are Provided
Types of Responses

- **Family Maltreatment** – report of child abuse or neglect involving relative caregivers
- **Facility Maltreatment** – report of abuse or neglect in child care, foster care, or correctional facility
- **Cooperative Investigation** – report is a criminal matter, involving a caregiver the child does not reside with, in which we work with law enforcement and offer service
- **Offer of service** – for reports that don't meet maltreatment criteria and for requests for assistance

Prevention Services

- Parent Support Outreach Program
- Family Support Services
- Children's Mental Health
- Minor Parent Program
- Intensive Family Based Services
- Child Care Licensing

Response to Family Maltreatment: Two Paths

- **Family Investigation** – in response to reports of substantial child endangerment, such as sexual abuse, egregious harm, malicious punishment, etc.

- **Family Assessment** – in response to reports that do not involve substantial child endangerment, such as prenatal exposure, inadequate supervision, some physical injury, educational neglect, etc.

- **Both response paths** are involuntary child protection responses and both involve assessment of child safety and risk, family strengths and needs

Maltreatment Assessments - 2014

- Neglect – 855 **(61%)**
- Physical abuse – 477 **(34%)**
- Sexual abuse – 150 **(11%)**
- Mental injury/emotional harm – 13 **(1%)**
- TOTAL – 1407

  (may include more than one type of maltreatment allegation)
- **TOTAL # of CHILDREN - 1871**

Child Protection Services Needed

- Of All 2014 Child Maltreatment Assessments
  - CPS Services determined to be needed: 290 **(21%)**
  - CPS Services found to be not needed: 807 (**57%)**

(at end of year, some cases still pending or unable to conclude)

Investigation or Assessment Completed: Next Steps in Child Protection

- If Child Protection services are needed to address safety issues, the case is transferred to an ongoing Child Protection social worker

- For most cases in which a parent willingly cooperates with services, the case proceeds without Court

- For cases where court oversight is needed, a CHIPS petition is filed with the Court

- CP social worker engages with the child(ren) and family to assess needs and coordinate services to mitigate risks, build safety, and foster well-being for children

Child Placement

- Children are placed out of the home only when we cannot ensure safety in the home
- Principles:
  - With relatives, if possible
  - Siblings placed together
  - Least restrictive alternative
  - Continuity in community and school
  - Family connections maintained, if safe
  - Culturally appropriate
  - Work toward reunification from the start
  - Concurrent permanency planning

Placement Authority

- Emergency Protective Hold (law enforcement) – up to 72 hours
- Court order
- Voluntary placement agreement (with parent)

Court Process

- **Adjudication**: Court finds that the child is in need of protection or services (CHIPS)
- **Regular review**: Hearings every 30-90 days
- **Timeline**: 365 days to reunify children with their parent or to move to another permanent option
- **Reunification**: Return to family home
- **Permanency**: Termination of parental rights to free child for adoption or transfer of permanent legal and physical custody to a relative

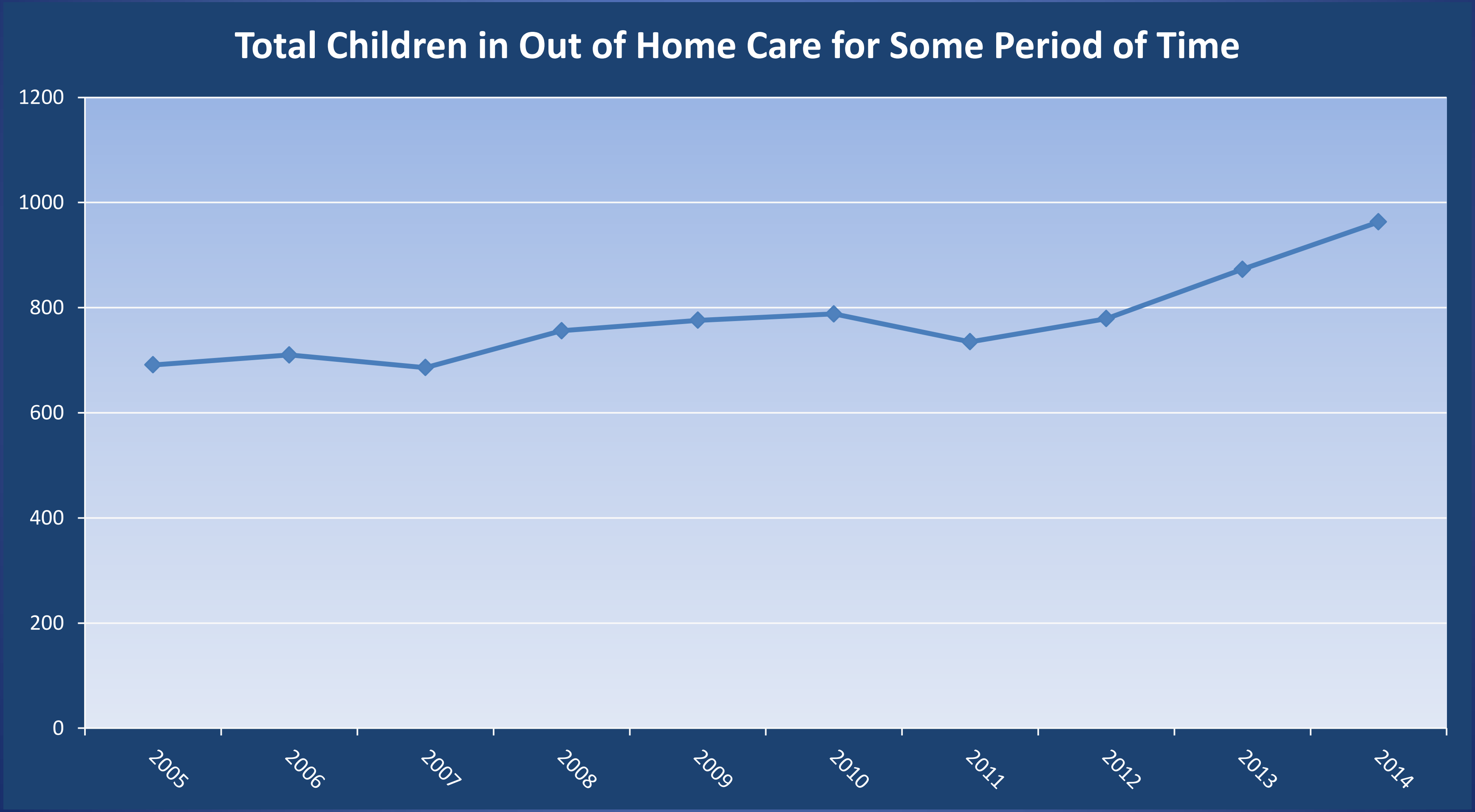
Number of Children Served - 2014

- For all Children & Family Services programs:

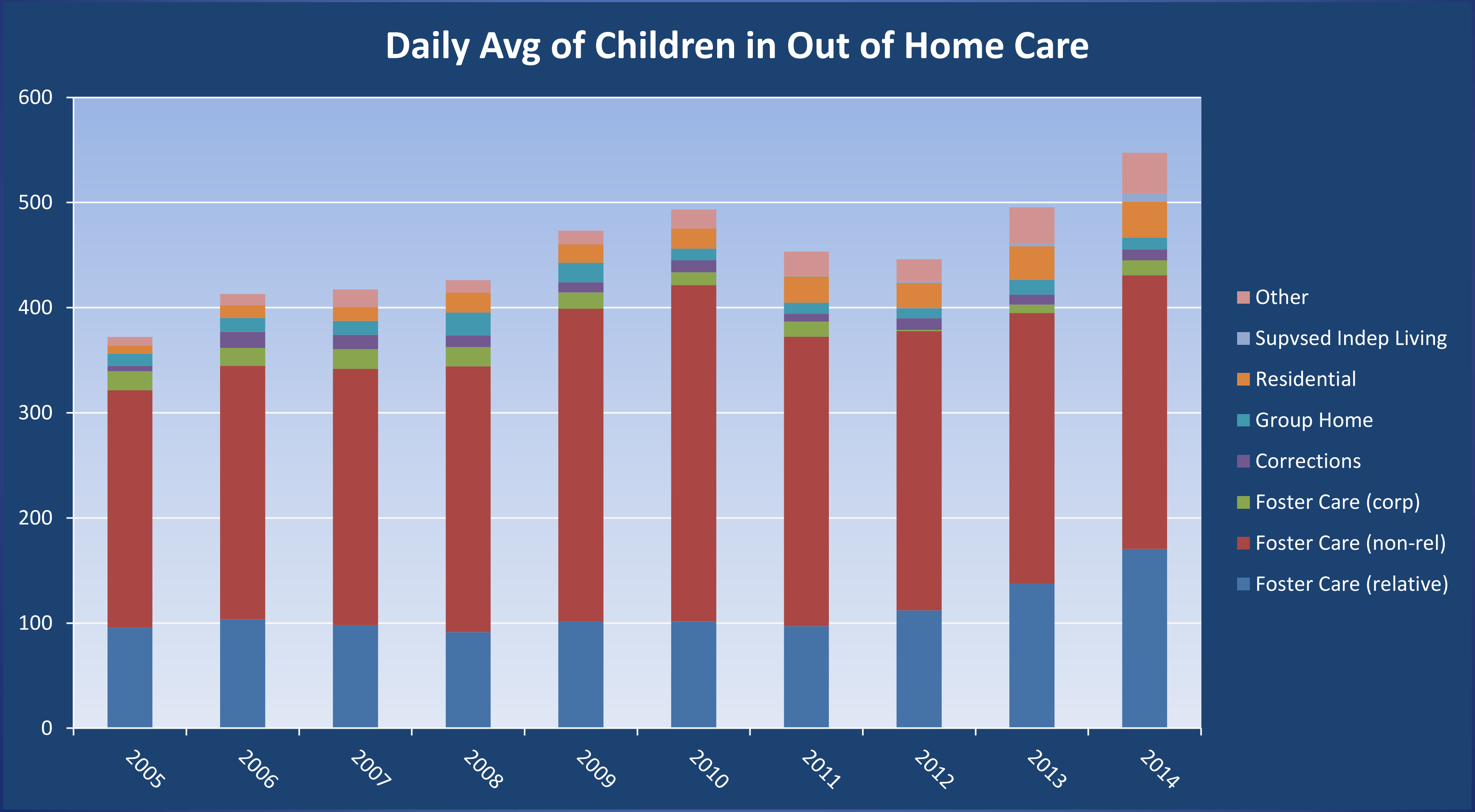
  TOTAL # OF CHILDREN = 5,277

- Children in out of home placement = 963

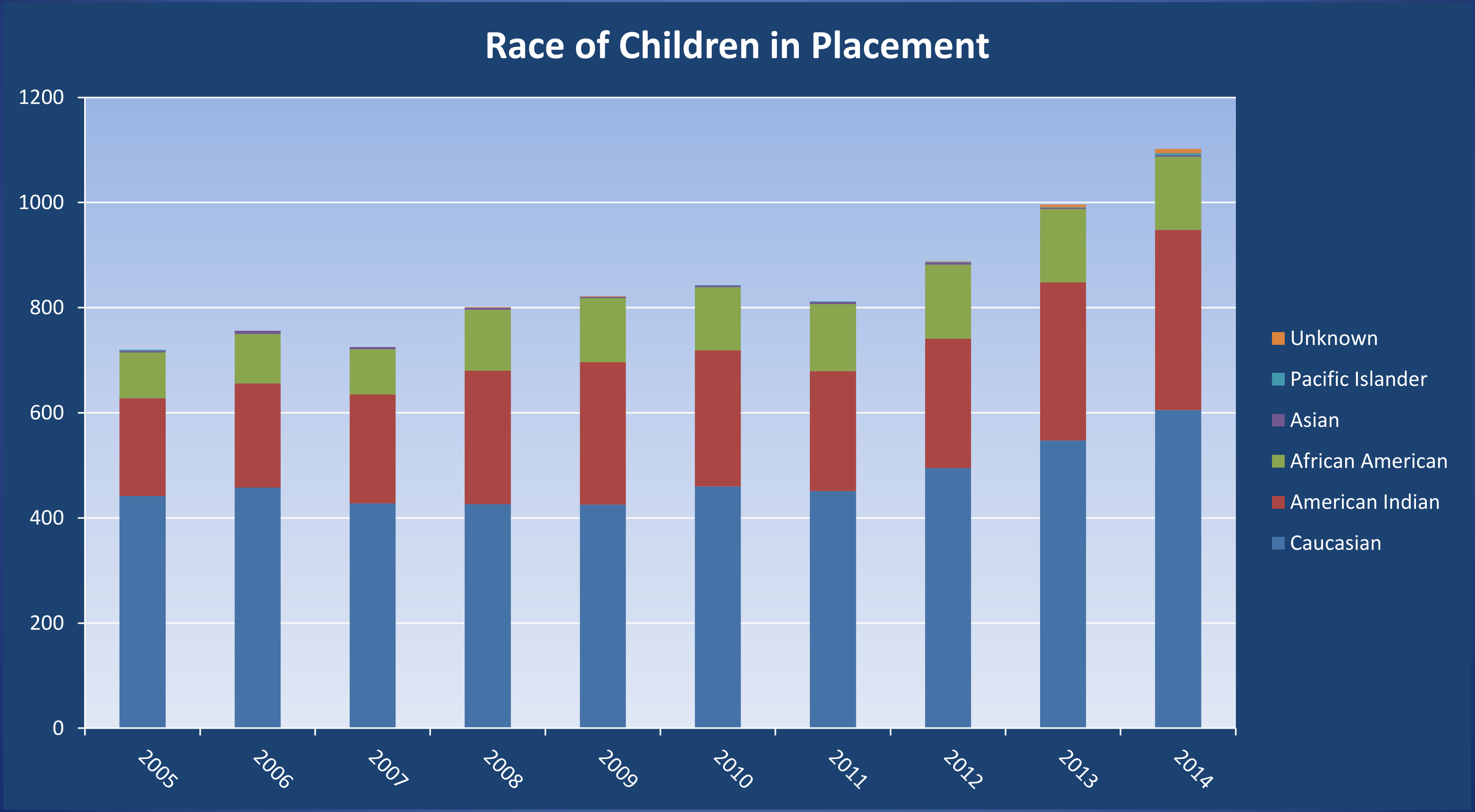
Placement Numbers



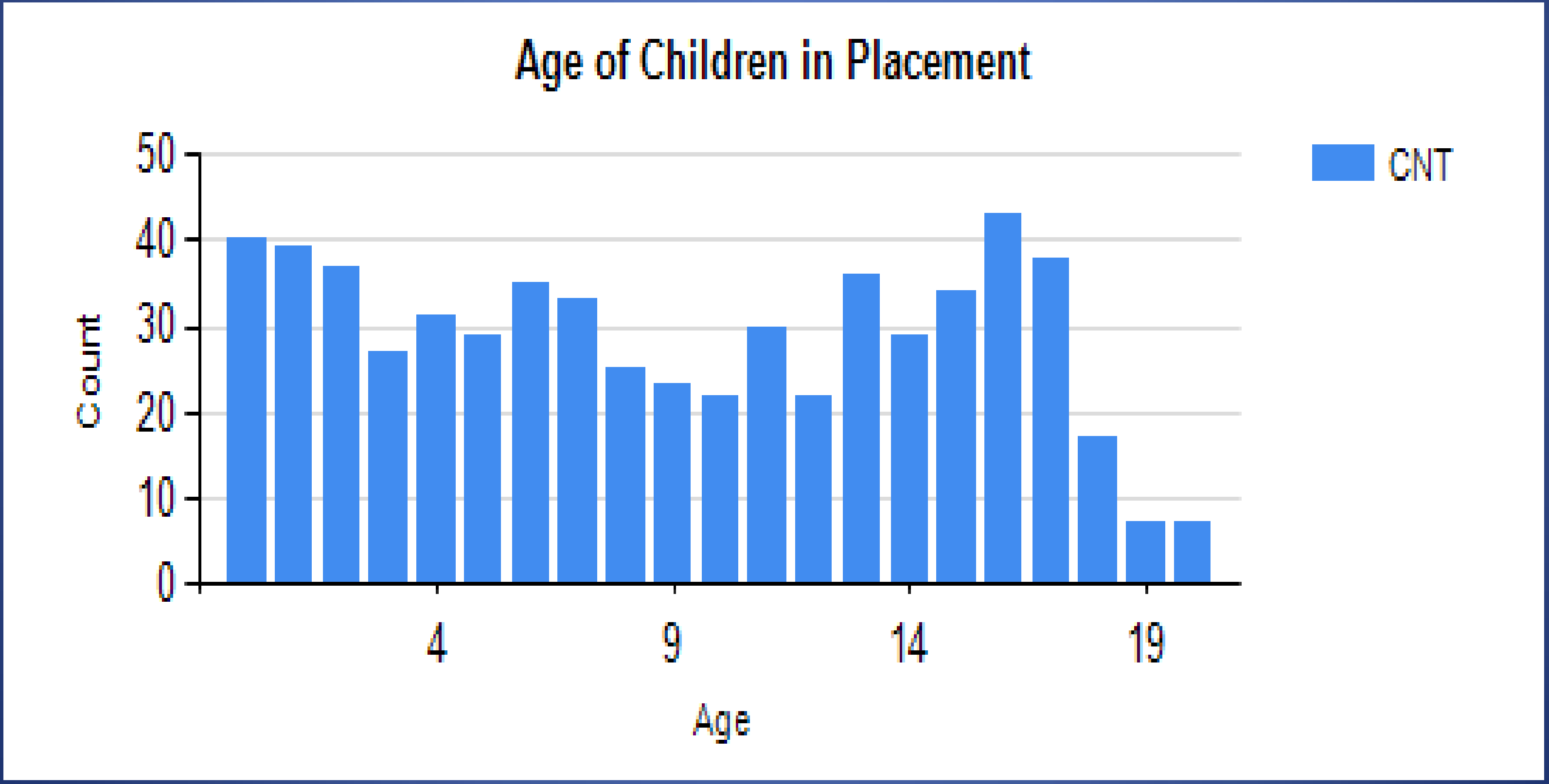
Types of Placement



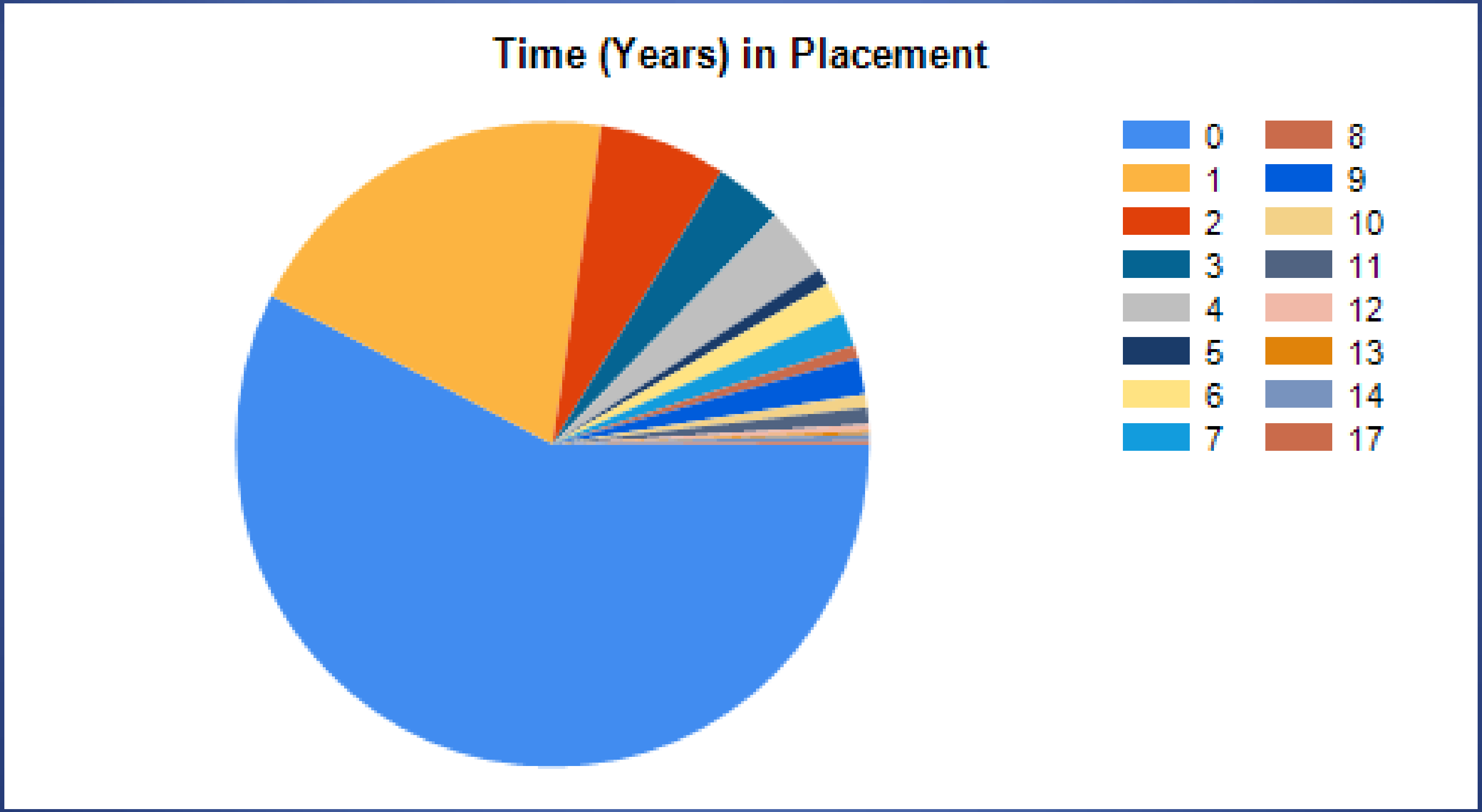
Race Demographics



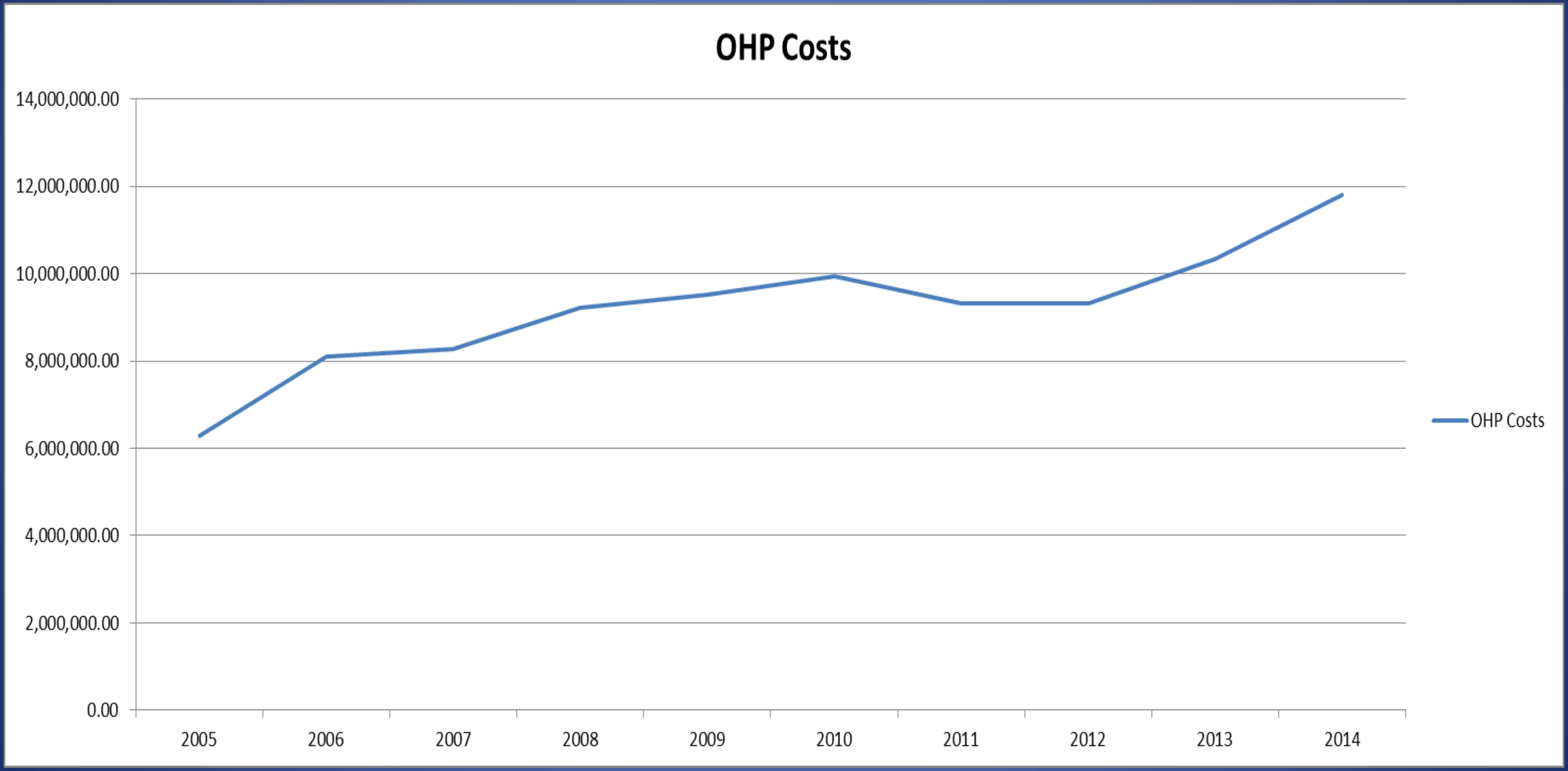
Age Demographics



Length of Placement



Costs of Placement



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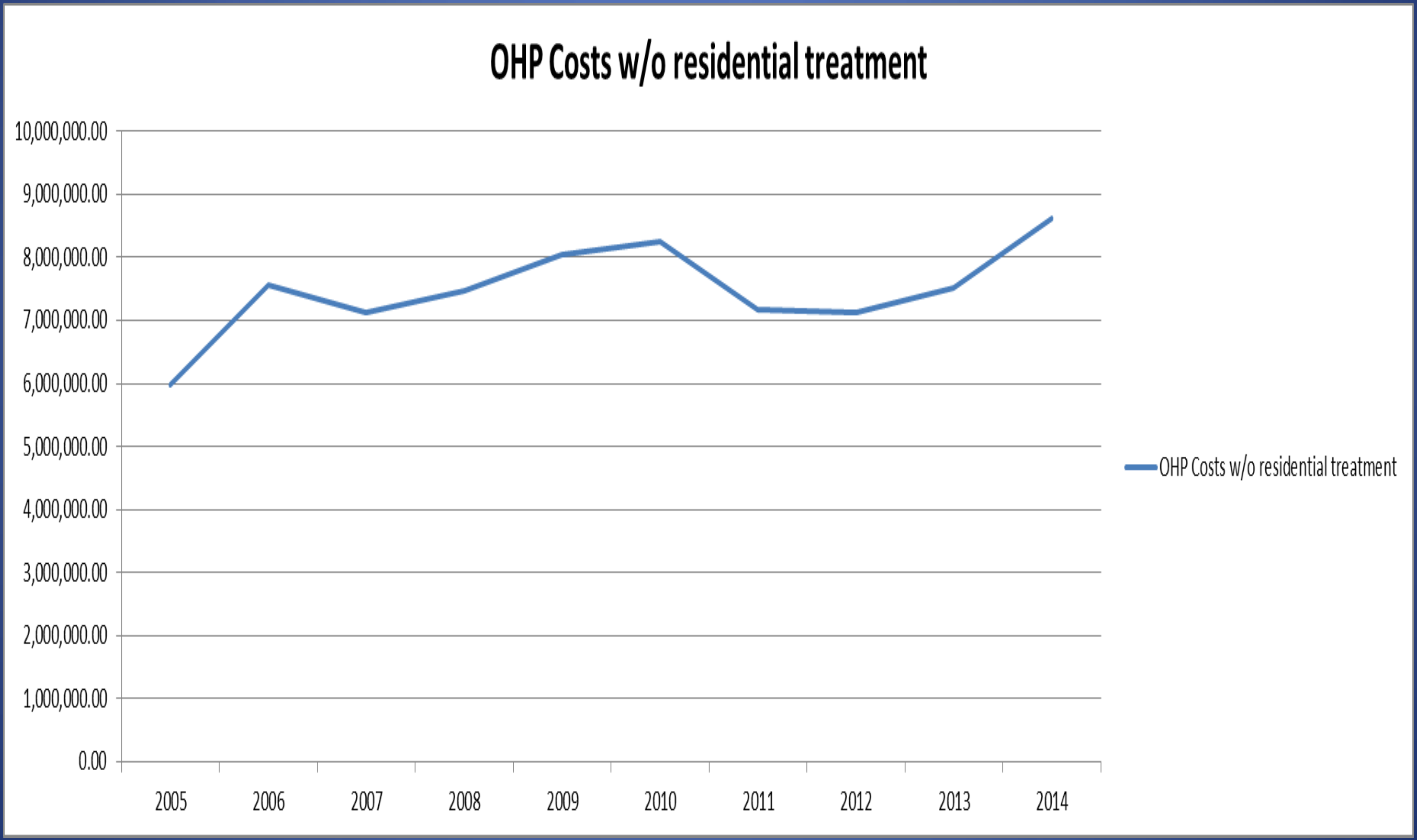

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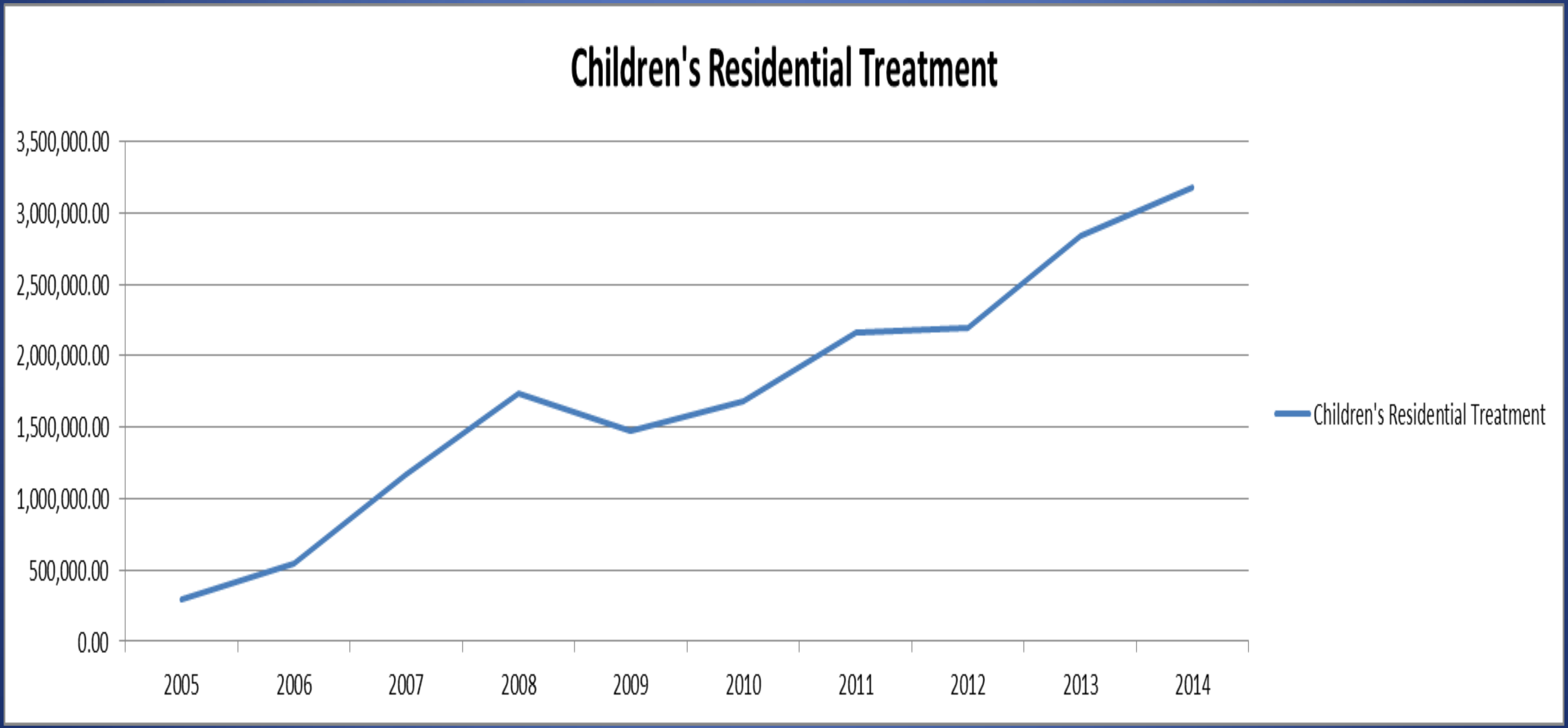

Governor’s Task Force on the Protection of Children

Summary of Initial Recommendations

Goals of Child Protection Response

- Make child safety paramount in decision making
- Use all available tools with discretion
- Engage families' protective capacities
- Be culturally responsive
- Increase transparency

Task Force Areas of Focus

- Screening Decisions
- Transparency
- Family Assessment
- Adequacy of Resources
- Training and Supervision

Screening Decisions

- Consider prior screened out reports
- Screen in team-based environment
- Send all reports, including those screened out, to law enforcement
- Seek collateral information
- Broaden the statutory definitions of physical abuse and substantial child endangerment
- Increase oversight by DHS

Transparency

- Increase reporting by counties to DHS
- Increase public access to child mortality review process
- Refine the annual MN Child Welfare report to identify themes in data

Family Assessment

- No longer make Family Assessment the preferred method of response
- Increase requirements to consult with County Attorney if needed services are declined or insufficient to protect children
- Include comprehensive “fact finding” in any CP response
- Increase referrals for child trauma and developmental screenings
- DHS develop updated decision making tools and outcome measures

Adequacy of Resources

- Funding for child welfare overall has decreased significantly over past decade
- Local property taxes cover about half of all child welfare expenditures in MN
- *See County Fiscal Impact statement from MACSSA and DHS*

Training and Supervision

- Establish training and continuing education requirements for CP supervisors
- Develop new training for CP workers and supervisors in a range of competencies
- DHS increase monitoring of counties' compliance

Task Force Vision Statement

Minnesota Children and Families:
Safe, Supported and Strong.

The vision of the Task Force is to put children first; to ensure they remain safe and protected, and they develop to their full potential.

We envision a system committed to the strengthening of families and communities.

Communication on County Fiscal Impact of

Child Protection Task Force Preliminary Recommendations

March 4, 2015

A workgroup of MACSSA members and DHS reviewed the December 2014 initial recommendations of the Governor's Child Protection Task Force for the financial impact on counties. The initial analysis estimated the total statewide costs to counties to be $30 – 35 million **annually**. The estimate is composed of two parts:

1.	Additional county staff needed to perform additional requirements on all cases	$22 million
2.	Additional cases needing county involvement and services for those children and families	$9-13 million

When discussing theses estimates it is important to note the following:

A. The estimate was based on the limited to wording of the Task Force recommendations. Actual legislation and rule-making will greatly influence the new work counties will have to perform. The estimates will need to be refined once the final recommendations are crafted into legislative language.

B. It was easier to estimate the additional work county will have to perform than the number of additional cases and service needs of children and families who would now be in the child protection system as a result of changes in investigation requirements. Hence, the group had to provide a range.

C. It is important to talk about the total costs of the recommendations. If implemented, the recommendations bring additional cases which will need to be assessed and investigated and for which services will be needed. It will also mean that the staff time needed on every case each county handles will increase.

D. This does not include the costs of any case load limits or required staff to supervisor ratios. Both of which are under discussion, but not in the initial recommendations.

E. The costs are assumed to be 100% property tax funded. While some services in child protection may be federally reimbursed (e.g., Title IV-E, Child Welfare Targeted Case Management), the availability of those funding streams varies significantly across counties and much of the work of child protection investigations and interventions are not federally reimbursable.

F. The figures are based on an "average county". However, the actual costs in each county will vary significantly based on geographic and demographic factors.

G. The estimate does not include costs for DHS to administer changes or implement SSIS modifications. It also does not include the costs of disparities initiatives which have been discussed by the task force. Lastly, it does not include costs to law enforcement, county attorneys, courts, etc.

DHS-5144-ENG 9-12

Minnesota Department of Human Services

Minnesota Child Maltreatment Screening Guidelines

September 2012

Minnesota Child Maltreatment Screening Guidelines

Table of Contents

Minnesota Child Maltreatment Screening Guidelines

I. Introduction

A. Purpose of Statewide Guidelines

The purpose of the Child Maltreatment Screening Guidelines is to provide direction to county social service agencies; to promote statewide consistency in definition and practice; and to inform the general public about types of child safety concerns that should be reported. Families and communities are best served when child maltreatment act screening guidelines are clearly understood and readily available.

These guidelines are based on Minnesota Statute (M.S.) 626.556, Reporting of Maltreatment of Minors Act.

B. State Policy

It is the policy of the state of Minnesota "to protect children whose health or welfare may be jeopardized through physical abuse, neglect or sexual abuse. While it is recognized that most parents want to keep their children safe, sometimes circumstances or conditions interfere with their ability to do so. When this occurs, families are best served by interventions that engage their protective capacities and address immediate safety concerns and ongoing risks of child maltreatment." [M.S. 626.556, subd. 1]

C. Where to Report

1. Local child welfare agencies respond to reports alleging child maltreatment in family settings which include: family homes, relative homes, family child care, unlicensed personal care service organizations, foster care and juvenile correctional facilities. [M.S. 626.556, subd. 10 (a)-(h), subd. 3c]

2. Reports of maltreatment may also be made to local law enforcement agencies. Minnesota Statutes require cross notification between law enforcement and local child welfare agencies when either agency receives a report of child physical abuse, sexual abuse or neglect. [M.S. 626.556, subd. 7] Reports of child safety emergencies should be made directly to local law enforcement for immediate intervention. Only law enforcement officers have the authority to immediately place children in safe settings outside the family home without a court order.

3. Reports alleging child maltreatment in licensed facilities such as schools, daycare centers, group homes, residential treatment facilities, and hospitals are to be reported to the agency responsible for licensing the facility. This would include state agencies such as the Minnesota Departments of Education, Health and Human Services. Knowing where to report maltreatment in these situations may be difficult to determine, however, reporters can call their local county child welfare agency for assistance and direction. Child protection screeners at the local agency will help to sort out where the report should be filed, and contact information will be provided. A

directory of all county child welfare agencies in Minnesota is located on the Minnesota Department of Human Services' website (www.dhs.state.mn.us).

4. Child protection reporting contacts, other than the local child welfare agency, include:
   a. The Minnesota Department of Human Services, Licensing Division, 651-431-6600, for reporting alleged maltreatment by staff at:

      - Child daycare centers
      - Residential treatment centers
      - Group homes
      - Shelter placements
      - Minor parent programs
      - Chemical dependency treatment programs for adolescents
      - Waivered service programs
      - Crisis respite care programs
      - Residential service programs for children with developmental disabilities.

   b. The Minnesota Department of Health, Office of Health Facility Complaints, 651-215-8702, or 800-369-7994, for reports occurring in:

      - Home health care settings
      - Hospitals
      - Regional treatment centers
      - Nursing homes
      - Intermediate care facilities for children with developmental disabilities
      - Reports involving licensed and unlicensed care attendants.

   c. The Minnesota Department of Education, 651-582-8546, for reporting alleged maltreatment by staff when a child is a student in:

      - Public pre-school
      - Elementary school
      - Middle school
      - Secondary school
      - Charter school.

5. Law enforcement and local child welfare agencies are required to cross notify each other when reports of abuse or neglect of a minor are received.

6. Mandated reporters may meet their obligations to report abuse or neglect caused by a child's parent(s), guardian(s) or caretaker(s) by reporting to either the local law enforcement agency or the local child welfare agency.

D. Mandated Reporters, Voluntary Reporters and Anonymous Reporters

Mandated reporters – A mandated reporter who knows or has reason to believe a child is being neglected or physically or sexually abused, or has been neglected or physically or sexually abused within the preceding three years, shall immediately report the information to the local social service agency, or to law enforcement. Mandated reporters may report abuse or neglect that is beyond the required three-year time limit. [M.S. 626.556, subd. 3 (a)]

Current reports of past (non-current) child maltreatment will be evaluated for acceptance based on factors such as, but not limited to:

- The current risk to an alleged victim or other children in the household
- The age and vulnerability of a child
- The nature, severity, and extent of the reported abuse
- The extent of negative effects of the maltreatment that a child(ren) is reported to be experiencing at the time of the report
- Consideration will be given to whether the alleged abuser is residing in another household with child(ren), and whether the nature of the past report would reasonably pose a current risk to a child(ren).

The law requires "professionals or professional's delegate who are engaged in the practice of the healing arts, social services, hospital administration, psychological or psychiatric treatment, child care, education, correctional supervision, probation and correctional services, or law enforcement" to report. [M.S. 626.556, subd. 3 (a) (1)] Persons also required to report are "employed members of the clergy" who receive the information while engaged in ministerial duties. [M.S. 626.556, subd. 3 (a) (2)] Members of the clergy are not required to report information that is otherwise considered privileged under M.S. 595.02, subd. 1(c). This, in part, refers to information received in a confession by a member of the clergy, or other minister of any religion, and also applies to communication made by a person seeking religious or spiritual advice.

Voluntary reporters -– Minnesota's Reporting of Maltreatment of Minors Act allows anyone to report incidents of child maltreatment. Voluntary reporters may report maltreatment, and are encouraged to do so.

Anonymous reporters – Voluntary reporters are not required to provide their name or contact information, since they are not required by law to report. However, without contact information, notification of the outcome of the report is not possible and the voluntary reporter cannot avail themselves of the immunities granted under Minnesota's Reporting of Maltreatment of Minors Act to reporters who report alleged child maltreatment in good faith.

Mandated reporters are required to report suspected child abuse or neglect and provide their name and contact information. Failure to provide this information could potentially result in criminal or civil liability for the reporter.

E. Reports Must Meet a Minimum Threshold

When receiving a report of child maltreatment, county child protection staff must first determine whether the report meets the legal definition of child maltreatment. By law, only reports that meet statutory requirements can be accepted. At times, there may be inadequate information to begin an assessment or investigation. Once a report is accepted, it is assigned to one of two child protection response types, either Family Assessment or Investigative Response.

Credibility of the Reporter

The perceived credibility of the reporter does not enter into consideration in determining whether a report should be investigated or assessed. However, the credibility of the reporter may be a consideration in determining whether an allegation of child maltreatment is determined or not.

A report of child maltreatment should be accepted for an investigation or Family Assessment if the following conditions are met. The allegation meets the statutory definition of child maltreatment, sufficient identifying information to locate the child or at least one member of the family exists, and the report contains maltreatment allegations that have not been previously assessed or investigated by the local agency.

Use of Past History in Screening Reports

Each report of child maltreatment should be considered independent of any prior child maltreatment referral history. Past referrals that were either accepted or screened out from receiving an investigation or assessment should not determine whether a new allegation is assessed. However, it is appropriate to consider past child maltreatment referral history in determining whether protective services are needed.

Risk of Harm

If a report meets the statutory definition of child maltreatment, a presumption of sufficient risk of harm exists to proceed with an investigation or assessment.

Contacting Individuals Beyond the Original Reporter

Contacting an individual other than the reporter is the beginning of an assessment or investigation. The authority to investigate or assess an allegation of child maltreatment begins at the point of screening-in the report as a maltreatment report. The decision to screen-in a report to be investigated or assessed should be made prior to contacting any individual other than the reporter.

F. County Jurisdiction for Reports Alleging Imminent Danger

In a situation of imminent danger, the local child welfare agency shall screen and assess reports of maltreatment of any child found in the county without regard to the legal residence of a child. Counties shall also screen and assess reports of child maltreatment that include the death of a child.

G. Customized Responses to Reports of Alleged Child Maltreatment

1. **Investigative Response.** Investigations are designed to respond to the most serious reports of harm and neglect to children. Reports of child maltreatment that allege substantial child endangerment must receive an investigation. Minnesota Statutes define substantial child endangerment to include categories of egregious harm, physical and sexual abuse, and reports of high risk neglect. [M.S. 626.556, subd. 2 (c) (1) – (13)] Investigations are sometimes conducted with law enforcement as part of a police investigation. Depending on the circumstances of the report, the local child protection agency may decide to assign a report not involving substantial child endangerment for an investigation. The focus of an Investigative Response centers on gathering facts and assessing family protective capacities related to child safety. This leads to a determination of whether child maltreatment occurred, and whether child protective services are needed.

2. **Family Assessment Response.** Reports not involving substantial child endangerment may be assigned for a Family Assessment. A Family Assessment involves an evaluation of a child's safety, the risk for subsequent child maltreatment, and the family's strengths and needs. The focus of Family Assessment is to engage the family's protective capacities and offer services that address the immediate and ongoing safety concerns of a child. Family Assessment uses strength-based interventions and involves the family in planning for and selecting services. Resources in the family's community are identified, and the family's involvement is encouraged on a voluntary basis. If additional information is presented that requires an investigation, or if a family does not complete the Family Assessment, or does not follow through with recommended services to address child safety, the response may be changed to an investigation.

   Family Assessment is the preferred response when conditions of safety permit. [M.S. 626.556, subd. 1] The majority of reports accepted for a child protection response in Minnesota are assigned for a Family Assessment. Research concerning Minnesota families provides compelling evidence that most children are safer under a Family Assessment Response, especially when they are provided the resources and services they need.

3. **Child Welfare.** Limited services, including information and referral, are available in some counties as a response to reports of alleged child maltreatment that do not qualify for a child protection investigation or Family Assessment. These services are voluntary and intended to provide short-term support to address family needs. The goal of child welfare intervention is to provide services that will help the family to overcome presenting obstacles, and prevent future entry into the child protection system. The Parent Support Outreach Program is one example of a child welfare response (www.dhs.state.mn.us).

H. Child Protection Response Time Frames

Minnesota Statutes require that accepted reports alleging substantial child endangerment have an immediate face-to-face contact with the child and their caretaker. [M.S. 626.556, subd. 10(h) (4)(i)]

Minnesota law also requires that reports assigned for a Family Assessment Response include face-to-face contact with the child and the primary caretaker within five calendar days. [M.S. 626.556, subd. 10 (h) (4) (i)] Investigations and Family Assessments must be concluded within 45 days. [M.S. 626.556, subd. 10e (a)]

I. Strength-based Screening Practices

Family-centered practice begins at the point of screening. Gathering strength-based information from mandated and voluntary reporters who are concerned about child safety affirms family-centered practice, and challenges negative assumptions that may exist about families. Seeking information about strengths allows for the earliest possible identification of protective factors; encourages a broader view of the family; and gives a more complete picture of child safety concerns. Information about strengths and protective capacities will enhance the intervention with the family. Social workers can address child safety concerns with positive information in their first contact with the parent(s). This can help to minimize the confrontational experience, enhance cooperation, and may reduce negative feelings the parent(s) may have about the child protection intervention. For more information on strength-based practices, refer to the DHS Family-centered Practice Guide on the website.

J. Poverty and Disproportionate Racial Representation

Minnesota Statute [M.S. 626.556, subd. 2 (f) (1)-(9)] defines neglect by caretakers as the failure to provide for a child's basic needs "when reasonably able to do so." At times, conditions of poverty can create circumstances in which a child may be neglected due to the parent(s)' lack of financial resources. Under these circumstances, counties work to assist the parent(s) in correcting the conditions of neglect and to meet the protective needs of their child, but do not define their behavior as neglectful. Quite often, the role of poverty is not understood at the time a report is made, and is established later during the assessment or investigation phase. When it is determined that reports of neglect are based solely on conditions due to poverty, a finding of maltreatment should not be made.

Children of color are disproportionately referred by community reporters to Minnesota's child welfare system. National and local research indicates that some of this disproportionate representation may be due to factors other than true differences in maltreatment occurrence. Several national research studies have found that families of color do not abuse or neglect their children at a higher rate than Caucasian families when differential exposure to child maltreatment risk factors are controlled.[1]

Neither the race nor income of a child or family should be a factor when deciding to make a report of maltreatment. Child safety issues alone should guide decisions made at

[1] Three National Incidence Studies of Child Abuse and Neglect (NIS) conducted in 1980, 1986 and 1993 found no significant or marginal race differences in the incidence of maltreatment. (An Executive Summary of the NIS III can be found at www.childwelfareinformationgateway.org.) Other research also indicates that the average African American child is not at any greater risk of abuse or neglect than the average Caucasian child. [Sedlak & Schultz, 2001; Ards, et.al., 1999] This research is referenced on the Child Welfare League of America, Juvenile Justice page. [www.childwelfareleagueofamerica.gov] Disproportionate Minority Representation, a Statement about Children of Color in the Child Welfare System: Overview, Vision and Proposed Action Steps, pg. 1.

the point of referral. Screeners and persons who conduct assessments or investigations shall take into account accepted child-rearing practices of the culture in which a child participates that are not injurious to a child's health, welfare and safety. [M.S. 626.556, subd. 2 (o)]

"A Practice Guide for Working with African American Families in the Child Welfare System" is available on the DHS website. The guide serves as a resource and reference manual for caseworkers as they engage African American families in effective service delivery. Child welfare interventions with American Indian families must comply with requirements of the federal Indian Child Welfare Act, U.S. Code, title 25, sec. 1901 to 1963, and the Minnesota Indian Family Preservation Act, M.S. 260.751 to 260.835.

II. Physical Abuse

A. Physical Abuse [M.S. 626.556, subd. 2 (g) (1)-(10)]

1. Physical abuse means any non-accidental physical injury,[2] mental injury,[3] or threatened injury,[4] inflicted by a person responsible for a child's care. Physical abuse also includes injuries that cannot reasonably be explained by a child's history of injuries.

2. Physical abuse does not include reasonable and moderate physical discipline of a child by a parent or guardian which does not result in injury. Actions which are not reasonable and moderate include, but are not limited to, any of the following which are done in anger or without regard to the safety of a child:[5] [M.S, 626.556, subd. 2 (g)]

    - Throwing, kicking, burning, biting, or cutting a child.
    - Striking a child with a closed fist.
    - Shaking a child under age 3.
    - Striking or other actions which result in any non-accidental injury to a child under 18 months of age.
    - Unreasonable interference with a child's breathing.
    - Threatening a child with a weapon, as defined in M.S. 609.02, subd. 6, which includes, but is not limited to, firearms, flammable liquids, or any device designed as a weapon.
    - Striking a child under age 1 on the face or head.
    - Purposely giving a child poison, alcohol, or dangerous, harmful, or

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2 A physical injury to a child, other than by accidental means, includes, but is not limited to: bruises, scratches, lacerations, abrasions, swelling, burns, as well as more serious injuries causing extensive tissue damage. The definition of physical injury also includes internal injuries diagnosed by a physician.

3 The definition of mental injury is provided in M.S. 626.556, subd. 2 (m) and on page 10 of this guide.

4 The definition of threatened injury is provided in M.S. 626.556, subd. 2 (n) and on page 8 of this guide.

5 Actions which meet the standard of being done in anger or without regard for the safety of a child do not require an inflicted injury to meet the definition of physical abuse or threatened injury. This would include, but is not limited to, actions such as throwing a child, striking a child with a closed fist, shaking a child under age 3, striking a child under age 1 on the face or head, or unreasonable physical confinement. [M.S. 626.556, subd. 2 (g)]

controlled substances, or other substances that were not prescribed for a child by a health care practitioner, in order to control or punish them. This also includes giving a child other substances that substantially affects their behavior, coordination, judgment, or results in sickness, internal injury, or subjects a child to medical procedures that would otherwise be unnecessary.

- Unreasonable physical confinement or restraint [M.S. 609.379] which includes, but is not limited to, tying, caging, or chaining.

B. Threatened Injury [M.S. 626.556, subd. 2 (n) (1)-(4)]

1. Threatened injury means a statement, overt act, condition, or status that represents a substantial risk of physical abuse, sexual abuse or mental injury. Threatened injury includes, but is not limited to, exposing a child to a person responsible for a child's care, as defined in M.S. 626.556, subd. 2, (e) (1), who has:

   - Subjected a child to, or failed to protect a child from, an overt act or condition that constitutes egregious harm, as defined in M.S. 260C.007, subd. 14, or a similar law of another jurisdiction
   - Been found to be palpably unfit[6] under M.S. 260C.301, subd. 1 (b) (4), or a similar law of another jurisdiction (Birth Match)
   - Committed an act that resulted in an involuntary termination of parental rights under M.S. 260C.301, subd. 1 (b) (4), (Birth Match), or
   - Been the subject of an involuntary transfer of permanent legal and physical custody of a child to a relative under M.S. 260C.201, subd. 11 (d) (1), or a similar law of another jurisdiction.
     (This reference generally applies in situations where the legal custodian transfers the care of a child to a person who was the subject of an involuntary transfer of permanent and legal custody, unless such exposure between a child and that person is expressly permitted by court order.)

2. Threatened injury includes, but is not limited to:

   - An adult holding a weapon to a child or otherwise threatening serious harm, or placing a child at risk, such as driving while intoxicated with a child passenger, or exposing them to persons or circumstances that would reasonably place a child at risk for serious harm.

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[6] Palpably unfit refers to a court finding that results in the termination of parental rights based on parental factors so extreme and enduring in nature that the parent(s) are deemed to be unable to care for their child for the foreseeable future. A termination of parental rights permanently severs the parents' legal rights and responsibilities to their child.

3. Threatened sexual abuse includes, but is not limited to:

    - A person threatening to have sexual contact with a child
    - A parent, guardian, or person responsible for a child's care, allowing a person who has sexually abused a child to reside in the home with a child, or have unsupervised contact with a child.

4. The definition of child sex offender minimally includes, but is not limited to persons:

    - Who have been convicted of criminal sexual conduct (first through fifth degree) involving a child victim (person under age 18)
    - Determined to have sexually abused a minor as part of a maltreatment determination conducted by a child welfare agency, or similar agency of another jurisdiction
    - Required to register as a sex offender of a child on the Predatory Offenders Registry, or persons required to register as level three sex offenders.

    Helpful links:

    - Minnesota court conviction history (search by last name, first name or soundex). Provides full name, birth date, and conviction history – http://www.mncourts.gov/default.aspx?page=1927#Required
    - Preditory Offender Registry – https://por.state.mn.us/OffenderSearch.aspx
    - M.S. 243.166 – Statute with definition of who is required to register as a predatory offender – https://www.revisor.leg.state.mn.us/bin/getpub.php?type=s&num=243.166&year=2007
    - Level Three Sex Offender Registry: http://www.doc.state.mn.us/level3/search.asp.

5. Counties may screen in reports of sex offenders who have offended against adult victims (rather than child victims), based on reasonable judgment that the past offense, or offenses, are of such a nature that a child named in a current report is at significant risk to be sexually abused.

6. When domestic violence results in physical abuse, mental injury, threatened injury, sexual abuse, or neglect to a child, it shall be addressed under the relevant criteria.[7]

7. Other conditions of domestic violence may meet the definition of threatened injury or mental harm and include, but not limited to, any of the following:[8]

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[7] When intervening in situations of domestic violence, refer to the "Guidelines for Responding to Child Maltreatment and Domestic Violence," DHS website, www.dhs.state.mn.us.

[8] From *The Psychologically Battered Child* by Gabarino, Buttman and Seeley, published by Josey-Bass, San Francisco, 1986. It

- When injuries to a parent, caretaker, or offender are potentially life threatening or permanent, or an injured person receives internal injuries or other serious injuries, such as broken bones, broken teeth, burns, injuries requiring sutures
- When objects are used as weapons in the course of domestic violence
- When sexual assault occurs in the course of domestic violence
- When a child intervenes in the course of domestic violence, such as making a 911 call
- When a child inserts themselves as a shield to protect the parent, or a child is used as a shield in an incidence of violence
- When kidnapping, threats of kidnapping, suicide, or homicide occur
- When a child is in fear for their life, or the life of a parent, or the life of a person responsible for their care, or for the life of someone else in relation to the incident.

C. **Mental Injury and Emotional Harm** [M.S. 626.556, subd. 2 (m), subd. 2 (f) (9), respectively]

1. Mental injury and emotional harm refer to a substantial and observable injury to a child's psychological capacity or emotional stability which is either inflicted or caused by neglectful behavior on the part of the person responsible for a child's care. Mental injury or emotional harm may be demonstrated by a substantial and observable effect in a child's behavior, emotional response, or cognition that is not within the normal range for a child's age and stage of development, with due regard to their culture.

   Reports of mental injury and emotional harm are most often referred by mental health professionals.

2. Parental behaviors that may be considered when determining whether or not a report will be assessed include, but not limited to:
   - Rejecting – the adult refuses to acknowledge a child's worth, and the legitimacy of their needs
   - Isolating – the adult cuts a child off from normal social experiences, prevents them from forming friendships, and makes a child believe that they are alone in the world
   - Terrorizing – the adult verbally assaults a child, creates a climate of fear, bullies, or frightens them
   - Corrupting – the adult "mis-socializes" a child, stimulates them to engage in destructive antisocial behaviors, and causes a child to be unfit for normal

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is found in the Guidelines for Model System of Protective Services for Abused and Neglected Children and Their Families, published by the National Association of Public Child Welfare Administrators, 1999. It is also found in the Risk Assessment Project Manual, state of Utah, published in 1987. It is also consistent with other sources in literature.

social experiences.[9]

III. **Sexual Abuse** [M.S. 626.556, subd. 2 (d)]

A. Sexual abuse means criminal sexual conduct with a child by a person responsible for a child's care; or by a person who has a significant relationship to a child; [M.S. 609.341, subd. 15] or by a person in a position of authority. [M.S. 609.341, subd. 10]

1. Criminal sexual conduct includes:

   - Criminal Sexual Conduct in the First Degree, M.S. 609.342
   - Criminal Sexual Conduct in the Second Degree, M.S. 609.343
   - Criminal Sexual Conduct in the Third Degree, M.S. 609.344
   - Criminal Sexual Conduct in the Fourth Degree, M.S. 609.345
   - Criminal Sexual Conduct in the Fifth Degree, M.S. 609.3451.

The criminal sexual conduct statutes primarily focus on acts of sexual penetration [M.S. 609.341, subd. 12] and sexual contact. [M.S. 609.341, subd. 11]

2. Sexual penetration means:
   - Sexual intercourse, cunnilingus, fellatio, or anal intercourse
   - Any behavior involving a child that causes the intrusion, however slight, of any body part or object into the genital or anal openings of a child, offender, or another person when the action is performed with sexual or aggressive intent. [M.S. 609.341, subd. 12]

3. Broadly defined, sexual contact includes:

   - Touching of a child's intimate parts
   - Having a child touch their own intimate parts
   - Having a child touch the intimate parts of another person
   - Touching the clothing, or the clothing covering the immediate area of the intimate parts
   - Performing the act with sexual or aggressive intent. [M.S. 609.341, subd. 11]

4. The definition of intimate parts includes the primary genital area, groin, inner thigh, buttocks or breast of a human being. [M.S. 609.341, subd. 5]

5. The criminal sexual conduct statutes further specify masturbation or lewd exhibition of the genitals knowingly in the presence of a minor. [M.S. 609.3451, subd. 1 (2)] For the purpose of this guideline, this reference refers to a minor of any age.

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[9] For the definition of a sex offender of a child, see page 9, number 4.

6. The intentional removal or attempted removal of clothing covering a minor's intimate parts [M.S. 609.3451, subd. 1 (2)] or undergarments, if the action is performed with sexual or aggressive intent.

7. The statutory definition of child sexual abuse [M.S. 626.556, subd. 2 (d)] goes beyond the provisions of the criminal sexual conduct statutes to also include:

   - Any act involving a minor which constitutes a violation of prostitution offenses under M.S. 609.321 to M.S. 609.324.
   - The use of a minor in a sexual performance. The definition of sexual performance includes pornographic works involving a minor. [M.S. 617.246]
   - Threatened sexual abuse, which is interpreted for the purposes of these guidelines to include, but not limited to:
     - Anything said or done that poses a significant danger that the offender will perpetrate, or attempt to perpetrate, sexual abuse with a child. This includes statements, behaviors, or actions that do not have to be overtly aggressive, threatening or coercive, but can be recognized by a child or others as a precursor to sexual abuse.
   - When a parent knowingly allows a child to live with, or be cared for by, or have unsupervised contact with, a person who has committed a sexual offense against a child.

8. Other circumstances that may be addressed as sexual abuse include, but are not limited to:

   - A minor solicited to engage in sexual conduct, which means: commanding, entreating, or attempting to persuade a minor by telephone, letter, or by computerized or other electronic means
   - Children who have unexplained injuries to their genitals that are suspicious for sexual abuse
   - A child intentionally exposed to sexual activity for the purpose of sexual arousal or sexual gratification, whether it is live, video, written or pictorial
   - Children who have sexually transmitted diseases.

IV. **Neglect Defined** [M.S. 626.556, subd. 2 (f) (1)-(9)]

Neglect means "the failure by a person responsible for a child's care to supply a child with necessary food, clothing, shelter, health, medical, or other care required for the child's physical or mental health when reasonably able to do so." [M.S. 626.556, subd. 2 (f) (1)]

At times, conditions such as poverty create circumstances in which a child may be neglected due to the parent(s)' lack of financial resources. Under these circumstances, counties work to assist parent(s) in correcting the conditions of neglect, and to meet the protective needs of their children, but do not determine the parents' behavior as neglectful.

The following conditions should be considered when screening alleged reports of neglect: the concern poses a significant health or safety hazard, or there is a continuing pattern of neglect that poses a significant health or safety hazard; the age and vulnerability of a child.

Categories of Neglect

A. **Failure to Provide Necessary Food** [M.S. 626.556, subd. 2 (f) (1)]
The lack of necessary food that results in conditions such as, but not limited to:

1. Malnutrition, developmental lags, a demonstrated pattern over time of weakness related to lack of food, low weight and height which is significantly out of the norm and not due to organic causes, or an inability to concentrate in school.

2. A growth delay, which may be referred to as failure to thrive, that has been diagnosed by a physician and is due to parental neglect. [M.S. 626.556, subd. 2 (f) (2)] (This provision is also cross referenced under Failure to Provide Necessary Medical Care, pg. 14.)

B. **Failure to Provide Necessary Clothing** [M.S. 626.556, subd. 2 (f) (1)]
This means failure to provide clothing that is necessary for the weather or other environmental conditions, and the failure to provide this clothing would seriously endanger a child's health.

C. **Failure to Provide Necessary Shelter** [M.S. 626.556, subd. 2 (f) (3)]
This means dangerous living conditions that fail to provide protection from weather conditions, or from environmental hazards in the dwelling, or on the property, that has the potential for injury, illness, and/or disease, that are under the control of the parent(s) or guardian(s).

1. Environmental hazards are conditions, when presented either in combination or by severity or degree, that pose a significant health or safety hazard to a child in the home, or on the property where a child resides. Examples of environmental hazards include, but are not limited to:

    - Failure to provide heat and sanitation that poses a safety risk
    - Broken windows or glass, open windows or unsafe windows that reasonably pose a hazard to child safety
    - Gas leaks
    - Dangerous drugs, controlled substances, or household poisons that are accessible to children
    - Exposed electrical wiring, unprotected space heaters, discarded refrigerators with doors, open wells without covers, or blocked exits due to extreme clutter
    - Spoiled food that would pose a health hazard if consumed
    - Animal waste, feces, infestations of rodents and insects
    - Guns that are not safely stored.

2. Methamphetamine-related environmental hazards. Parent(s) or caretaker(s) knowingly engage in any of the following activities in the presence of a child; in the residence where a child resides; in a building, structure, conveyance or outdoor location where a child might reasonably be expected to be present; or in a room offered to the public for overnight accommodations; or in any multiple unit residential building. Referenced from criminal statute M.S. 152.137, subd. 2. This may include, but is not limited to:

   - Manufacturing or attempting to manufacture methamphetamine
   - Storing methamphetamine waste products
   - Possessing precursors of a controlled substance on any property where a child resides or visits, or in another location where a child has access. (For the purposes of the criterion, the definition of controlled substance and the amounts that would qualify as a "precursor" are provided in M.S. 152.02, subd. 6.)

D. Failure to Provide Necessary Medical Care [M.S. 626.556, subd. 2 (f) (7)]
Failure to provide necessary medical care means refusal, failure to seek, failure to obtain, or failure to follow through with necessary medical care if there is serious risk to a child, as documented in:

1. Reports from health care professionals alleging medical neglect which contain the following three elements:

   - Identification of the medical problem or condition that needs attention, and identification of recommended intervention(s)
   - Identification of serious risk to a child's physical or mental health, if a child does not receive the necessary medical treatment
   - Documentation of parent(s)' failure to provide needed intervention(s).

2. Nothing in this section should be construed to mean that a child is neglected solely because their parent(s), guardian(s), or other person(s) responsible for a child's care, in good faith, selects and depends upon spiritual means or prayer for treatment or care of disease, or remedial care of a child in lieu of medical care. [M.S. 626.556, subd. 2 (f) (5)]

3. The child welfare agency may petition the court if lack of medical care substantially endangers a child's health.

4. Failure to thrive that has been diagnosed by a physician and is due to parental neglect is a condition of medical neglect. (Further statutory definition under Failure to Provide Necessary Food, pg. 13.)

E. Failure to Provide Health or Other Care [M.S. 626.556, subd. 2 (f) (1)]
Health or other care means the parent(s)' failure to provide necessary care that is

required for a child's physical or mental health when reasonably able to do so. This is intended to include, but not limited to, persistent conditions of personal hygiene so extreme that a child is unable to participate in a community or school setting.

F. Failure to Ensure Education [M.S. 626.556, subd. 2 (f) (4)]
Failure to ensure education means the person responsible for a child's care has not ensured that a child is enrolled in school, and is attending school according to the expectations of the school district, and that a child is not otherwise in compliance with statutory requirements defined in M.S. 120A.22 and M.S. 260C.163, subd. 11.

1. A child's absence from school is presumed to be due to the parents', guardian's, or custodian's failure to comply with compulsory instruction laws [M.S. 260C.163, subd. 11 (a)-(b)] if:
   - A child is under 12 years old, and
   - The school has made appropriate efforts to resolve a child's attendance problems.

2. Failure to ensure education does not include the parent(s)' refusal to provide their child with sympathomimetic medications, such as those frequently used to treat Attention Deficit Disorder (ADD) or Attention Deficit Disorder with Hyperactivity (ADHD). [M.S. 626.556, subd. 2 (f) (4)]

3. The ages that a child is required to attend school are provided in M.S. 120A.22, subd. 5, and M.S. 260C.007, subd. 19. They include:
   - Children under age 7 who are enrolled in half day or full day kindergarten are subject to mandatory attendance requirements and must receive instruction.
   - A parent may withdraw a child from school for good cause by notifying the district as provided under M.S. 120A.22, subd. 6 (c). Good cause includes, but is not limited to, enrollment of the pupil in another school, or the immaturity of a child.
   - Every child between 7 and 16 years of age must receive instruction.
   - Students between ages 16 and 18 are also required to attend school unless legally withdrawn. The steps to legally withdraw a student between ages 16 and 18 are outlined in M.S. 120A.22, subd. 8, and include the following:
     - The student and parent or guardian must attend a meeting with school personnel to discuss the educational opportunities available to the student, including alternative education opportunities.
     - The student and parent or guardian must sign a written notice of intention to withdraw a child from school.

4. The statutory standards for school attendance are provided in M.S. 260C.007, subd. 19, and are stated in terms of limits allowed for unexcused absences, which are:
   - Unexcused absences for seven days for a child in elementary school.

Absences of one or more class periods on seven school days if a child is in middle school, junior high school or high school.

- Those 16 or 17 years of age are held to the same standards as middle and junior high school students, unless a student has been lawfully withdrawn from school.

Note: Home schooling is a legal option and not considered educational neglect, providing the family has followed through with meeting requirements of the school district.

G. Failure to Protect a Child from Conditions or Actions that Present Serious Endangerment [M.S. 626.556, subd. 2 (f) (2)]

"Failure to protect means the failure to protect a child from conditions or actions that seriously endanger the child's physical or mental health when reasonably able to do so, including a growth delay, which may be referred to as failure to thrive that has been diagnosed by a physician and is due to parental neglect." [M.S. 626.556, subd. 2 (f) (2)] Examples of parental failure to protect would include, but not limited to:

1. A child is present and/or participates with the parent(s), guardian(s), or caretaker(s) in committing a criminal act that seriously endangers a child's physical or mental health. Serious endangerment in these situations includes, but is not limited to, the use of guns, knives, or other weapons, and also threats of violence, or actions resulting in harm to the victim.

2. The parent(s), guardian(s), or person(s) responsible for a child's care do not protect them from a person who poses a serious threat to a child's safety, and the parent(s) or caretaker(s) do not act to protect a child.

3. Reports of ongoing abuse between siblings that result in physical injury and the parent(s) or caretaker(s) do not act to protect a child.

4. Parent(s), guardian(s), or other person(s) knowingly allows a person who has sexually abused a child to reside in the family home or have unsupervised contact with the child. (This constitutes threatened sexual abuse, and should be screened-in as child sexual abuse, as stated on pg. 9.)

5. Parent(s), guardian(s), or other persons responsible for a child's care are arrested for driving under the influence of alcohol or drugs with children in the vehicle.

6. Drug raids where a child is present and where illegal drugs are found.

H. Child Abandonment [M.S. 626.556, subd. 2 (c) (3), and M.S. 260C.301, subd. 2]

1. Child abandonment is addressed by local county agencies under the conditions of neglect, and may provide the basis for a court determination of a termination of parental rights.

2. Child abandonment meets the statutory definition of substantial endangerment when one of the two following conditions is met:

   - A parent has had no contact with their child on a regular basis and has not demonstrated consistent interest in the child's well-being for six months; the social service agency has made reasonable efforts to facilitate contact.
   - A child under 2 years of age is abandoned, and has been deserted by the parent(s) under circumstances that show intent not to return to care for the child. [M.S. 260C.301, subd. 2]

It would not be considered abandonment if the parent can establish that they were prevented from making contact with their child due to extreme financial or physical hardship; treatment for a mental disability or chemical dependency; or other good cause.

I. Failure to Provide Necessary Supervision or Child Care Arrangements [M.S. 626.556, subd. 2 (f) (3)]

Failure to provide for necessary supervision or child care arrangements occurs when a child is unable to provide for their own basic needs or safety, or the basic needs or safety of another child in their care. [M.S. 626.556, subd. 2 (3)]

1. Modifying factors affecting screening decisions include:

   - A child's age, mental ability and maturity level.
   - The accessibility of the parent/guardian/or designated caretaker to a child by phone and/or in person.
   - The presence of intellectual deficits, psychological problems, or mental health concerns; the existence of physical problems or disabilities.
   - The behavioral history of a child, including suicidal thoughts or actions, fire setting, delinquency, vandalism or assault.
   - A child's age, if using the kitchen stove, an iron or other appliance.
   - The establishment of a well understood escape plan that has been worked out by the parent(s), or fire drill practice that has been rehearsed with a child. The presence of a working fire/smoke detector in the home.
   - The presence of unusual hazards in the home.
   - A child feeling confident and safe when left alone.

2. Examples of parent(s) not providing adequately for a child's supervision and safety includes, but is not limited to:

   - Failing to provide supervision of children in bathtubs, near swimming pools, lakes, ponds, holding tanks, machinery, busy streets and alleys
   - Selecting an unreliable person to provide child care.

3. Reports alleging inadequate supervision or child care arrangements may be screened-in for a child protection response, including:

- Children age 7 and under who are left alone for any period of time
- Children ages 8-10 who are left alone for more than three hours
- Children ages 11-13 who are left alone for more than 12 hours
- Children ages 14-15 who are left alone for more than 24 hours
- Children ages 16-17 may be left alone for more than 24 hours with a plan in place concerning how to respond to an emergency.

4. Reports alleging inadequate child care arrangements may be screened in for a child protection response according to the following guidelines:

   - Children under age 11 should not provide child care
   - Children ages 11-15 who are placed in a child care role are subject to the same time restrictions of being left alone as listed above
   - Children ages 16-17 may be left alone for more than 24 hours with adequate adult back up supervision.

Note: If children are left alone at the time the report is received by the local child welfare agency, and the circumstances fall outside of the timelines listed above, the local agency may refer the matter to local law enforcement for a child welfare and safety check.

J. Prenatal Exposure to Controlled Substances or Their Derivatives [M.S. 626.556, subd. 2 (f) (6), M.S. 626.5561 and M.S. 253B.02]
This means the prenatal exposure to a controlled substance, as defined in M.S. 253B.02, subd. 2,[10] caused by a mother's use of a substance for non-medical purposes.

1. Prenatal use is evidenced by withdrawal symptoms in an infant at birth, or by results of a toxicology test performed on the mother at delivery or the child at birth; or by medical effects or developmental delays during an infant's first year of life that indicate prenatal exposure to a controlled substance. [M.S. 626.556, subd. 2 (f) (6)]

2. Mandated reporters shall also immediately report prenatal exposure to any controlled substances, or the habitual or excessive use of alcohol, if the person knows, or has reason to believe, that a woman is pregnant and has used a controlled substance for a non-medical purpose during the pregnancy. Non-mandated reporters may make a voluntary report. [M.S. 626.5561, subd. 1]

3. Exception to mandated reporter reporting of prenatal exposure to alcohol and marijuana – 2010 statute change: [M.S. 626.5561, subd. 1]

   - Health care professionals and social service professionals are exempt from reporting a woman's use or consumption of marijuana or alcoholic

[10] For the purpose of this statute, a controlled substance refers to any of the following substances or their derivatives: cocaine, heroin, phencyclidine (PCP), methamphetamine, amphetamines, tetrahydrocannabinol (active in marijuana), or alcohol.

beverages during pregnancy if the professional is providing the woman with prenatal care or other health care services

- Prenatal care means the comprehensive package of medical and psychological support provided throughout pregnancy.

K. Chronic and Severe Use of Alcohol or a Controlled Substance by a Parent or Person Responsible for Care of a Child that Adversely Affects the Child's Basic Needs and Safety [M.S. 626.556, subd. 2 (f) (8)]

This means that each of the following criteria is met:[11]

- Chronic and severe use of alcohol or a controlled substance by a parent or person responsible for a child's care
- The demonstration of adverse effects to a child's basic needs and safety.

L. Notices from the Department of Corrections Regarding Placement of Predatory Offenders in Households with Children [M.S. 244.057, Department of Corrections' Obligation to Notify, M.S. 244.052, subd. (5): Definition of Predatory Offender; and M.S. 243.166, subd. 1 (b), Registration Requirements]

The Department of Corrections is required to notify local child welfare agencies before authorizing a person required to register as a predatory offender to live in a household where children are residing. Local child welfare agencies may assess the situation to assure safety of the child(ren) residing in the home.

M. Investigating Reports Involving Children Served by Unlicensed Personal Care Provider Organizations, M.S. 256B.0659, 626.556, subd. 3c; DHS bulletin #10-68-11, August 3, 2010.

The local county welfare agency is responsible for investigating reports involving children served by an unlicensed personal care provider. The child protection intake screener's task is to determine if the provider organization is licensed or not. An unlicensed personal care assistance program is considered to be a facility and a facility investigation would be the correct response to an accepted report. A copy of the investigative findings related to the personal care provider organization must be forwarded to the Minnesota Department of Human Services, Provider Enrollment Unit, at:

Minnesota Department of Human Services
Provider Enrollment
P.O. Box 64987
St. Paul, MN 55164-0987
Telephone: 651-431-2701

The following links may be used to determine if a personal care provider organization

[11] For the purpose of this statute, the expanded schedule of controlled substances provided in M.S. 152.02 is applied. This is an extensive listing of all controlled substances.

is licensed:

- http://mhcpproviderdirectory.dhs.state.mn.us/
- http://www.health.state.mn.us/divs/fpc/directory/providerselect.cfm

Generally, a program funded only by Medical Assistance would most likely be unlicensed. A program that received funding from other sources, such as private insurance, Medicare, Medical Assistance, or other funding sources is required to be licensed.

Reports involving licensed facilities should be referred to the Minnesota Department of Health; the intake number for the Department of Health is 651-215-8702, or 800-369-7994.

The following individuals or organizations are exempt from requirements to obtain a home care provider license, and reports meeting the statutory threshold for maltreatment should be screened in:

- A personal care assistant who provides services to only one individual and receives Medical Assistance payments
- A person or organization that provides, offers, or arranges for personal care assistant services, and temporarily receives Medical Assistance payments until licensed status is established.

Shoreland Lease Sales Program

Background

On November 1, 2011 the St. Louis County Board authorized the Land & Minerals Department to appraise and offer for sale into private ownership all of the county's 278 shoreland leases (County Board Resolution No. 559, November 1, 2011). The current leaseholder has the first right to purchase the land at market value or to continue the annual lease (not to exceed the lifetime of the leaseholder). If the current leaseholder does not wish to purchase or continue the lease, the land will be sold at public auction, with the value of any improvements paid to the leaseholder.

The Minnesota Legislature has authorized this sale in the 2012 Minnesota Session Laws, Chapter 236, Sec. 28.

Shoreland Lease Plats
Survey contracts have been awarded. The starting date of this project was April 1, 2013. For additional information and a list of the surveyors who will be completing surveys on each lake, please see our Spring, 2013 Shoreland Lease Newsletter. The preliminary survey work has been completed, which includes all required corner certificates and preliminary plats to be submitted to the county by April 11, 2014.

Appraisal contracts have been awarded. The starting date of this project was May 1, 2014. For additional information and a list of appraisers who will be completing appraisals on each lake, please see our Spring, 2014 Shoreland Lease Newsletter. Appraisals are required to be completed in their entirety and submitted to the county by December 15, 2014. For more information, please see our December 2014 Shoreland Lease Newsletter.

All items highlighted in blue are active links that can be found on the Land & Minerals Department website:

http://www.stlouiscountymn.gov/GOVERNMENT/AuctionsSales/ShorelandLeaseSales.aspx

Shoreland Lease Sales Program

Update: March 17, 2015

Minnesota Session Laws 2012, Chapter 236, Section 28 authorizes St. Louis County to sell, at its sole discretion, tax forfeited shoreland lots that are currently leased. In anticipation of future requests and inquiries regarding the transfer, purchase and continued leasing of shoreland lots, the Land & Minerals Department has developed the following set of operational directives, presented here in the form of **Frequently Asked Questions**. The Land & Minerals Department is currently in the process of recording the land surveys as they are completed *and* approved by the County Surveyor. Sale of lease lots cannot occur until there is a recorded lot. Additionally, the Department is imposing easements where applicable, which must also be recorded before sale of lot can occur.

The majority of shoreland leases have a Primary and Joint lessee who are "Joint Tenants." Both will be served with the notice of appraised value. Shoreland leases have been prioritized for survey, appraisal and sale by the Land Commissioner. Appraisals will be mailed to the leaseholders when the surveys have received final approval.

Frequently Asked Questions:

1) When will I receive the appraisal for the land and my personal property (leasehold improvements)?

Appraisals will go out by lake as surveys are approved and recorded. Appraised values and purchase agreements will be presented by mail from Hanft Fride Law Firm. We do not know exactly when your lake's values will be sent. As a leaseholder, if you choose to purchase, you only have to purchase the LAND. The improvements appraisals would apply only if you chose NOT to purchase. The improvement appraisal is the amount you would be paid by the purchaser for the value of your improvements. Leasehold improvements include the cabin and any other structures, wells and septic systems on the designated lot.

2) What are my options after receiving the appraised values and purchase agreement?

Pursuant to the legislation, you have the option to buy the lot or continue leasing, but only for your lifetime; otherwise the lease will be terminated and the lot will be sold at public auction.

3) When do I need to decide whether to buy my leased lot or continue leasing with the county?

If you choose to purchase the land, you must pay the appraised value of the land in cash within 180 days from the date of mailing of the appraised values and purchase agreement. However, the purchase agreement encourages a response within 90 days to allow time for closing. If you choose to continue leasing, you must submit an executed leasing agreement within 180 days from the date of mailing of the appraised values.

Leaseholders have one opportunity at the time of the notice of appraised values to elect NOT to purchase the leased lot, but rather continue in the annual leasing program. If the Primary and Joint lessees do not mutually agree to continue in the annual leasing program, then the lot must be purchased or relinquished.
The leaseholders' decision to purchase, continue leasing or relinquish the leased lot shall be made in writing and is irrevocable.

4) If I change my mind and decide not to purchase after 90 days, do I get my earnest money back?

No. However, there may be an extenuating circumstance asked for in writing and approved by the county. Such a case would be handled individually based on its unique circumstances and variables.

5) What if I disagree with the appraised value of the land?

The legislation does not provide for a challenge to the land value appraisal, since the land belongs to the state of Minnesota. Pursuant to the legislation, the county has selected appraisers who meet the minimal appraisal standards established by the federal Farmers Home Administration or the federal Veterans Administration, and are licensed under Minnesota Statutes, section 82B.03.

6) If I disagree with the appraised value of my improvements can I hire my own appraiser?

Yes. But, the appraiser you choose must also meet the qualifications described in the legislation *and* you must give notice of your intent to object within 10 days from the date of mailing of the appraised value. Your improvements reappraisal must be delivered to the Land and Minerals Department within 60 days of receiving this notification. The leaseholder is responsible for the cost of the second appraisal. If necessary, the legislation also allows for a third appraisal in order to come to a final agreement on the value of the improvements. The cost of this appraisal must be paid equally by the county and the leaseholder. The improvements owned by the leaseholder have been appraised separately from the land.

7) Will all parcel corners be monumented as part of the survey process?

Yes. The preliminary survey work has been completed, which includes all required corner certificates and preliminary plats submitted to the county by April 11, 2014. Surveyors will place additional monumentation after the plats have received final approval from the County Surveyor.

8) If I choose to purchase, do I still need to pay my 2015 lease fee?

No. There is no requirement to pay the 2015 lease fee if you purchase the lot.

9**) What is the cost of the new lease fee if I decide to continue my lease with the county?**

The annual lease fee for those opting to continue in the leasing program will be the sum of the current lease fee rate (adjusted by the Consumer Price index) and the estimated property taxes based on the assessed fair market value of the land, as if it had been returned to private ownership. The assessed value is calculated by the County Assessor's office to determine the tax rate. If you continue to lease, the increase will be in effect for 2016.

10) Can I continue to lease now, but also have the option to terminate my lease in 5, 10 or even 15 years?

Yes. However, you will NOT have the option to purchase at that time. The option to purchase is a one-time offer provided by the special legislation. If you decide to terminate the lease in the future, it will be sold at public auction.

11) Is it true that if I choose to continue my lease with the county, the lease will end with my death and cannot be passed on to a family member?

Yes. The option to continue the lease is available only to leaseholders whose names appeared on the lease on or before April 27, 2012 (the date the legislation was signed), or to leaseholders who made a written request for a transfer on or before April 27, 2012, which was subsequently approved. The lease will remain in effect only until the death of the named leaseholder at that time.

12) If I continue to lease, and I pass away, does the value of the cabin transfer to my heirs? What happens to the value of the cabin and other buildings should I need to sell them due to hardship, divorce or health reasons?

The shoreland lease sales legislation remains in effect for five (5) years, or until April 28, 2017. At that time, the management of all continuing leases will revert to the lease practices prescribed in your revised lease stipulations. Your cabin and other structures are considered to be your personal property, but the lease will terminate upon the death of the leaseholder.

Any personal property left on the land will be subject to the terms below:
If the lease is terminated at any time, all requirements listed in the current shoreland lease agreement under Section 14. REMOVAL OF PERSONAL PROPERTY, will apply. The current lease agreement states*: "Upon termination of this lease, if all fees, taxes, penalties and other charges are paid, lessee shall remove all buildings and personal property owned by lessee from the premises within three (3) months after the date of termination, time being of the essence…if lessee fails to remove any property within the time above state, all such property remaining after expiration of such time will be disposed of pursuant to Minnesota Law."*

13) If I continue to lease, do I still have to request building permits/firewood permits, etc.?

Yes. The lease will be subject to the same terms and regulations on the current lease agreement. You will still have to request building authorizations, firewood permits and dead and downed tree removal permits. Leaseholders will be required to sign a new lease agreement containing revised language pursuant to the shoreland lease legislation.

14) If I decide NOT to purchase the lease, and the lot is offered at a public auction, what is the starting minimum bid? When will I be reimbursed for my improvements?

The appraised cost of the land is the starting bid price. The land is the only portion being sold at the auction. . You will be reimbursed upon the sale of the property at a public auction. Payment for the value of your leasehold improvements must be made within 15 days of the auction sale by the winning bidder. We do not know at this time when the auction(s) will be held.

15) If I decide NOT to purchase the lease, and the lot is offered for sale at public auction but doesn't sell, what happens to my improvements?

First, you may continue to lease for the duration of 2015 if the lot does not sell. If you choose to occupy the lease through December 31, 2015, you will pay your annual fee as usual. If you choose NOT to continue to lease and/or vacate the lease mid-year, your lease fee will be pro-rated accordingly.

If the lease has been listed on one auction, but does not sell, the lease may go on an available listing for purchase through an "over-the-counter" sale from the Land & Minerals Department, at the appraised price. If the lot does not sell in this manner, it may again be offered at an upcoming land sale auction. We do not have a timeframe established yet for auction dates. If your improvements remain on the lot at that time, you will be reimbursed for them at the time of sale as noted above.

16) If I decide NOT to purchase the lease, but the property with my improvements doesn't sell in the first auction, how do I handle insurance on my improvements and routine maintenance?

Continuation of insurance on the structures is at the discretion of the lessee, as it is currently. Lessees will be allowed to perform maintenance upon prior knowledge and authorization of the Land & Minerals Department.

For zoning information, please contact the St. Louis County Planning and Community Development Department at 218-725-5000 (Duluth) or 218-749-7103 (Virginia).

For septic information, please contact the St. Louis County Environmental Services Department at 218-749-7625 or 218-725-5200.

St. Louis County Lease Program

Updates from the St. Louis County Land and Minerals Department **December 2014**

Shoreland Lease News

Status Report

Appraisals are required to be completed in their entirety and submitted to the County by December 15, 2014.

Appraisal information will be mailed out to current lessees sometime thereafter, **upon approval of final survey**.

Per Legislative directive, the appraisers are valuing the land *and* improvements separately, i.e. all improvements upon the designated lot as well as the land.

The preliminary survey work has been completed. When the shoreland lots were established many years ago an official survey was not conducted. This is the reason state legislation required St. Louis County to survey each lot prior to sale. Your surveyed lot lines may or may not be located exactly where you expected them to be. Please understand that your lot was surveyed using the best information available to incorporate existing improvements and to minimize the effect on your neighbors.

Final approval of the preliminary plats is underway; therefore, changes to surveyed lot lines can no longer be made. Preliminary plats are being submitted to the County Surveyor as they are received for final approval. Once approved they will go to the County Board and Recorders office.

As a leaseholder, if you choose to purchase, you only have to purchase the LAND. The improvements appraisal would apply if you chose *not* to purchase. Those shoreland lease lots not purchased and turned back to the county will be sold at public auction. The improvements appraisal is the amount you would be paid by the purchaser for the value of your improvements.

Frequently asked questions:

1) Will the appraisals go out at once (ie after Dec 15) or will some leases get them early as the appraisals come in.
Appraisals will be mailed out by lake upon approval of final survey. This may or may not be before the December 15, 2014 appraisal deadline.

Appraised values and purchase agreements will be presented by CERTIFIED MAIL from Hanft Fride Law Firm. Appraisals will be available when the surveys have received final approval, and will be mailed to you.

2) IF I choose not to lease or buy, when will I be reimbursed for my improvements? You will be reimbursed upon sale of property at auction. We do not know at this time when the auction(s) will be held.

3) IF I decide not to continue to lease, and the lot is offered for sale and doesn't sell, what happens to my improvements?
We will continue to offer the lot for sale until such time it does sell.

- You may continue to lease for the duration of 2015.
- IF you choose to occupy the lease through December 31, 2015, you will pay your annual fee as usual.
- IF you choose NOT to continue to lease and or to vacate the lease mid-year; your lease fee will be pro-rated accordingly.
- All personal property except improvements, must be removed by December 31, 2015.

4) IF I choose to continue to lease, what will be my new lease fee?
State Statute Chapter 236, Section 28, subd 8: the fee for a lease under this subdivision shall include the amount of the estimated property tax on the parcel if it had been returned to private ownership.

The annual lease fee for leaseholders opting to continue in the leasing program will be the sum of the current rate times the Consumer Price Index (CPI) plus the estimated real estate property tax.

IF you continue to lease, the lease fee increase will be in effect for 2016.

5) IF I choose to purchase, do I have to pay my 2015 lease fee.
Yes. Your 2015 lease fee will be pro-rated and included in your closing costs.

If you decide to continue to lease, you will be billed for 2015 at time of notification.

For updated information about the shoreland lease sale process, please visit our website at: http://www.stlouiscountymn.gov/GOVERNMENT/AuctionsSales/ShorelandLeaseSales.aspx

Any Questions?

Contact the St. Louis County Land and Minerals Department at **218-726-2606**

St. Louis County Lease Program

Updates from the St. Louis County Land and Minerals Department **Mid-Summer 2014**

Shoreland Lease News

Appraisals Continue on Shoreland Lease Sites

The Appraisal contract started **May 1, 2014**. Appraisals are required to be completed in their entirety and submitted to the County by December 31, 2014.

What this means to the shoreland leaseholder is that the appraisal firms are currently working on shoreland lease sites. The appraisers will be assessing the land *and* improvements, i.e. all structures upon the designated lot as well as the land.

The preliminary survey work has been completed. When the shoreland lots were established many years ago an official survey was not conducted. This is the reason state legislation required St. Louis County to survey each lot prior to sale. Your surveyed lot lines may or may not be located exactly where you expected them to be. Please understand that your lot was surveyed using the best information available to incorporate existing structures and improvements and to minimize the effect on your neighbors.

Final approval of the preliminary plats is underway; therefore, changes to surveyed lot lines can no longer be made.

We are appraising the Land *and* improvements (the cabin and any structures on the lot) per Legislative directive.

As a leaseholder, if you choose to purchase, you only have to purchase the LAND. The improvements appraisals (the buildings) would apply if you chose *not* to purchase. The improvement appraisal is the amount you would be paid by the purchaser for the value of your buildings.

Frequently asked questions:

1) Will the appraisals all go out at once (ie after Dec 31) or will some leases get them early as the appraisals come in. Appraisals will go out by lake as they become available. This may or may not be before the December 31, 2014 appraisal deadline.

2) If I continue to lease, and I pass away, does the value of the cabin transfer to my heirs? What happens to the value of the cabin? Your cabin is considered your personal property and you would continue to lease under standard lease agreement which states:

Upon termination of this lease, if all fees, taxes, penalties and other charges are paid, lessee shall remove all buildings and personal property owned by lessee from the premises within three (3) months after the date of termination, time being of the essence. Additional time may be granted at the discretion of Lessor for extenuating circumstances. If lessee fails to remove any property within the time above stated, all such property remaining after expiration of such time will be disposed of pursuant to Minnesota Law.

4) If I continue to lease, do I still have to request building permits/firewood permits/etc? Yes. The lease will be subject to the terms and regulations in the current lease agreement. You will still have to request building authorizations, firewood permits and dead and down permits.

If you continue to lease, your lease fee is expected to increase by the amount the county would have received in taxes on the land if sold.

5) Can I continue to lease, but have the option to release the lease in 5, 10, 15 years? Yes. However, you do not have the option to continue to lease and then buy 5 (10, 15) years later. The lease would go to public auction.

6) **Why am I getting mail/email/phone call solicitations from banks for loans for my lease cabin?** The Land and Minerals Department does not know who is generating these mailings and phone calls. We have not provided any financial agency or institution with mailing lists or personal information.

7) **Will all lot/parcel corners be monumented as part of the survey process?** Yes. The surveyors will place additional monumentation after the plats have received final approval from the county surveyor.

For updated information about the shoreland lease sale process, please visit our website at:

http://www.stlouiscountymn.gov/GOVERNMENT/AuctionsSales/ShorelandLeaseSales.aspx

Any Questions?

Contact the St. Louis County Land and Minerals Department at **218-726-2606**

St. Louis County Lease Program

Updates from the St. Louis County Land and Minerals Department **Spring 2014**

Shoreland Lease News

Appraisals to Begin on Shoreland Lease Sites

The process to sell our St. Louis County shoreland lease sites, that was approved by the County Board and State Legislature in 2012, continues into the second phase this Spring.

The preliminary survey work has been completed, which includes all required corner certificates and preliminary plats to be submitted to the County by April 11, 2014.

A copy of the preliminary plat or metes and bounds delineations can be found here: http://www.stlouiscountymn.gov/GOVERNMENT/AuctionsSales/ShorelandLeaseSales/ShorelandLeasePlats.aspx

Appraisal contracts have been awarded, and the starting date for the Appraisers is **May 1, 2014**. Awarded contracts are required to be completed in their entirety and submitted to the County by December 31, 2014.

What this means to the shoreland leaseholder is that the appraisal firms will begin working on shoreland lease sites soon. *Please be aware that these companies will be at your lease site to complete their work at various times throughout the Summer and Fall.*

The appraisers will be assessing the Land *and* Improvements, ie, all structures upon the designated lot as well as the land.

Frequently asked questions:

1) **How soon will I see the appraised value for my lease?** We anticipate the first appraisals in about 6 months.

2) What are my options? Pursuant to the legislation, you will have the option to buy or continue leasing (for your lifetime); otherwise the lease will be terminated and the lot sold.

If you decide to continue leasing, the lease fee will include the amount of the estimated property tax on the parcel as if it had been returned to private ownership.

If you choose not to purchase or continue leasing, you will be reimbursed for the value of your improvements.

3) When do I have to decide? If you choose to purchase the parcel, you must pay in cash the appraised value of the land within 180 days from the date of mailing of the appraised value.

If you choose to continue leasing, you must submit an executed leasing agreement within 180 days from the date of mailing of the appraised value.

4) If I disagree with the appraised value of my improvements, can I hire my own appraiser? Yes, but the appraiser must meet the qualifications described in the legislation *and* you must give notice of your intent to object within 10 days from the date of mailing of the appraised value. The reappraisal must be delivered within 60 days of the notification.

For updated information about the shoreland lease sale process, please visit our website at:

http://www.stlouiscountymn.gov/GOVERNMENT/AuctionsSales/ShorelandLeaseSales.aspx

Appraisal Contract Tracts

The following is a list of appraisal tracts and the lakes within those tracts:

Tract A - Cliff Crosby, Duluth
Floodwood, Third, Fish Lake

Tract B - Cliff Crosby, Duluth
Little Long, Little Paleface
Long Lake, Comstock Lake

Tract C - Steigerwaldt Land Services, Inc. Tomahawk, WI
Island Lake, Thompson, Sullivan Lake

Tract D - Steigerwaldt Land Services, Inc. Tomahawk, WI
Island Lake, Devine, Moose, Pequawan

Tract E - Steigerwaldt Land Services, Inc. Tomahawk, WI
Island Lake, Lower Stone, Upper Stone

Tract F - Steigerwaldt Land Services, Inc. Tomahawk, WI
Island Lake, Linwood Lake, Whiteface

Tract G – Wayne Edwards, Ely:
Long Lake

Tract H - Wayne Edwards, Ely, MN:
Section 14

Tract I - Wayne Edwards, Ely, MN:
Bear Island, Cold Lake, Little Birch

Tract J - Wayne Edwards, Ely, MN:
Vermillion, Eagles Nest, Wolf Lake

Tract K - Wayne Edwards, Ely, MN:
Ban Lake, Ban Lake North, Elbow Lake
West Elbow Lake, Elephant Lake

Any Questions?

Contact the St. Louis County Land and Minerals Department at **218-726-2606**

Survey questions? Please contact Scott Smith at **218-725-5005**

Shoreland Leases

On State Tax Forfeited Lands

Information Guide

Land and Minerals Department

Mission Statement

St. Louis County Land and Minerals Department's vision is to provide the optimum combination of benefits from tax forfeited lands through leadership and a commitment to a standard of excellence in the management of the Tax Forfeited Trust for the people of St. Louis County. The mission of the St. Louis County Land and Minerals Department is to promote, enhance, and protect St. Louis County Tax Forfeited Trust lands by providing professional expertise in the use of sound land management principles.

Tax Forfeited Lands

The St. Louis County Land and Minerals Department manages approximately 900,000 acres of State tax forfeited land for the benefit of the citizens and taxing districts of the County.

For More Information:

St. Louis County Land and Minerals Dept.
Government Services Center
320 West 2nd Street Rm 607
Duluth, MN 55802-1495
218-726-2659
http://www.stlouiscountymn.gov/

Minnesota Revisor of Statutes
https://www.revisor.mn.gov/

What is a Shoreland Lease?

Since the 1950s St. Louis County has administered a shoreland leasing program on state tax forfeited lands. There are currently 278 leases on 27 lakes located on surveyed lots within unrecorded plats. New shoreland leases were last issued in the 1990s.

What Action has the County Taken?

On November 1, 2011, the St. Louis County Board of Commissioners determined that the shoreland lease program no longer meets the criteria for which it was established, in that it does not reflect the true market values of the properties, nor does it provide the opportunity for all county citizens to equally participate in the program. The County Board authorized and directed the Land Commissioner to begin the process of obtaining a market value appraisal of all current shoreland lease properties, with the intention of offering these lots for sale into private ownership, and to pursue special legislation for approval to sell these riparian lands (County Board Resolution No. 11-559).

What is the Legislation?

Minnesota Session Laws, 2012, Chapter 236, Section 28 authorizes St. Louis County to sell tax forfeited shoreland lots currently under lease, and sell adjacent lands for access and lot-size conformity. The leaseholder may purchase the lot and any allocated lands at a private sale. The purchase price is the appraised value of the land exclusive of improvements. To purchase a lot, a leaseholder must pay in cash within 180 days from the date of service of the notice of appraised value.

If the leaseholder does not purchase the lot, the county may offer the lands for sale at public auction. If a person other than the leaseholder purchases the parcel, the purchaser must make payment in full to the leaseholder for the value of any improvements.

The leaseholder may elect not to purchase the leased lot and instead continue in the annual lease program, not to exceed the lifetime of the leaseholder. The fee for the lease shall include the amount of the estimated property tax on the parcel.

The county shall select the appraiser. Improvements that are owned by the lessee must be appraised separately. The successful purchaser shall reimburse the county for the appraisal costs. If the leaseholder disagrees with the appraised value of improvements, he/she may select a qualified appraiser. If the county and leaseholder fail to agree on value, each of the appraisers shall agree upon a third appraiser to conduct a third, conclusive appraisal.

The county shall have each lot surveyed by a licensed surveyor. The successful purchaser shall reimburse the county for survey costs.

Whenever possible, St. Louis County may add land to the lots to permit conformance with zoning requirements.

Legislation at a Glance:

- Leaseholder may purchase leased lot at a private sale;
- Purchase price is appraised value exclusive of improvements;
- Leaseholder shall pay in cash within 180 days of notice of appraisal;
- If leaseholder does not purchase the lot it may be offered for sale at public auction;
- Purchaser shall pay leaseholder for value of improvements;
- Leaseholder may elect to continue leasing for his/her lifetime;
- Purchaser shall reimburse county for appraisal and survey costs;
- County may add land to conform to zoning requirements.

Taconite Production Tax

TO: St. Louis County Board of Commissioners

FROM: Nora Sandstad, Assistant County Attorney

DATE: 2/5/2015

RE: Taconite tax - anticipated concern/action item for 2015 County Board

History of the Taconite Production Tax in St. Louis County

A. Purpose

In 1941, the Minnesota State legislature created the taconite tax as a production tax *in lieu* of property taxes. The taconite production tax[1] derives its authority from Minn. Stat. Chapter 298 and Article 10, §6 of the Minnesota State Constitution (enacted in 1964). Section 298.25, explains, the taconite production "taxes shall be in lieu of all other taxes upon taconite ... or the lands in which they are contained...."

B. Tax Collection

When first created by statute in 1941, the tax was 5 cents per ton of iron-bearing material. The proceeds were distributed in a beautifully simplistic formula: 1/4 each to the state, the county, the school district and the town in which the taconite was mined. Thus, St. Louis County originally received 25% of the taxes collected on taconite produced within the county. The law regarding all taxing of taconite was a brief two pages. See the attached 1941 statute.

Over the years, the tax rate has increased exponentially from 5 cents/ton; the tax rate for 2014 is $2.56 per ton. The rate is adjusted annually, tied to a formula based on gross domestic

[1] There are other ways taconite is taxed which are not part of this review. For example, in 2012, $22 million was collected in occupational and other non-production related taxes on mining and ore and directed to the state general fund.

product. Rather than a straight tax per ton produced each year, the tax is assessed based on a three year average tonnage.

The most recent statistics available on mining taxes are from the 2012 production year and 2013 distribution year. In 2012, about $94 million dollars was collected in taconite production taxes. Of the $94 million in taconite tax collected in 2012, about 80% was collected in St. Louis County (most of the eight mines that pay the tax are located in the county).

The attached Timberjay article explains how the ratio of the production tax has fallen dramatically compared to the retail value of taconite sales over time. The article compares the tax assessed with the retail value of taconite between 1991 and 2012, noting a 360% increase in the output value for mines. In other words, while the mines pay more in taconite production tax now than in the past, that increase is minor compared to the huge revenue increase mines have experienced over the same period of time. More recently, taconite prices have fallen, though still remain well above the level proportionate to earlier taxing figures.

C. Tax Distribution

In addition, over the years, the distribution scheme of the taconite production tax proceeds has grown astoundingly complex. Now, rather than a simple quartering of the proceeds, there are dozens of recipients of taconite money. Some recipients receive a flat amount per ton each year, others have inflators attached to their awards, increasing their take on an annual basis. New recipients are created by the legislature on a regular basis. See the attached 2013 distribution chart (put together by the Department of Revenue). The chart, and Revenue's accompanying Mining Tax Guide, gives an overview of taconite tax inputs and expenditures.[2]

[2] The Mining Tax Guide (available here: http://mn.gov/irrrb/images/2012%2520Mining%2520Tax%2520Guide.pdf) provides a lot of information on the taconite taxes, but questions remain and it appears the figures do not always add up. There is hope the legislative auditor's report will shed further light on the financial ins and outs of the tax distributions.

The proportion of taconite production tax proceeds allotted to counties has been manipulated by the legislature many times over the years. In 1955, the county share was dropped from 25% to 22%; it was reduced by half to 11% several years later. A major overhaul of the law took place in 1977, at which time counties were awarded a rate of 19.5 cents/ton of the tax collected, which was equivalent to 15.6% of the overall tax revenue. As part of the overhaul, the county share was granted an inflation rate, so that the actual amount and proportional share for the counties would increase over time. However, in 1986, the county share was reduced to 16.5 cents/ton and the inflation factor was eliminated, leaving counties sharing less than 9% of the total production tax revenue. Not until 2002 was the county share increased again, to 26.05 cents/ton, at that time 12.3% of the total production revenue.

Of the $94 million in taconite production taxes collected in 2012, the share distributed directly to counties was about 15%: $14,270,998. That 2012 amount was divided between four counties (Cook, Itasca, Lake and St. Louis), with St. Louis receiving the largest portion - $11,610,218. Pursuant to statute, about 2/3 of the funds directed to the county are placed into the county's general fund and the remaining 1/3 is directed to a dedicated road and bridge fund.

Legislative changes implemented last year will reduce the county share for the next nine years to 21.05 cents/ton, or less than 10% of the total tax proceeds. Overall, St. Louis County's share of the taconite tax proceeds from the taconite mined within the county has been reduced over the years from 25% down to about 8%.

The following list of taconite tax proceed recipients illustrates the existing convoluted and interwoven distribution scheme, as of 2013:

- Public works projects, 38.7 cents/ton (taken from property tax relief fund; new projects selected and approved by legislation each year, numerous municipalities and projects funded each year; amount varies year to year)

- The taconite environmental protection fund, 34.8 cents/ton (IRRRB run fund for local economic development projects)
- The taconite economic development fund, 31.9 cents/ton (IRRRB fund returning money to the mines - $12.2 million in 2013)
- County general fund, 23.5 cents/ton (dropped to 21.5 cents/ton beginning 2015)
- Regular school district fund, 18 cents/ton (schools)
- Taconite municipal aid, 16.6 cents/ton (cities)
- New in 2015: School consolidation and cooperation program, 15 cents/ton (IRRRB fund for school bond payments and other projects)
- Douglas Johnson economic protection trust fund, 13.1 cents/ton (IRRRB fund, only interest and dividends can be spent before 2028 (per Minn. Stat. 298.296) (was originally 2002, in 2002 the spending date was pushed back another 26 years), used for economic diversification projects; previously used for loans to mines)
- County road and bridge fund, 11.7 cents/ton
- IRRRB general fund, 9.5 cents/ton
- School bond payments, 8.8 cents/ton
- Producer grant & loan fund, 8.3 cents/ton (formerly went to special projects approved by the IRRRB (see Minn. Stat. 298.2961) but now flows into the taconite environmental protection fund, above)
- Taconite referendum (schools), 8.1 cents/ton
- City and township mining and construction fund, 5.4 cents/ton
- Iron range higher education account, 5 cents/ton
- Others (less than 5 cents/ton each):
  - Township fund
  - Taconite railroad - three separate buckets, under cities, schools and counties.
  - Mining effects (cities)
  - Special city/township fund
  - Taconite school fund
  - Building maintenance fund (schools)
  - Actual property tax relief
  - IRRRB fixed fund
  - IRR educational revenue bonds (IRRRB)
  - Range association of municipalities and schools (IRRRB)
  - Hockey hall of fame

On the other hand, general property taxes are handled quite differently than this elaborate taconite production tax system. The list of recipient organizations is short, clear and unchanging. Property taxes are collected by counties and distributed to county general funds, school districts, cities, special taxing districts and the state. The divisions are consistent and predictable from year to year. The distributions are not micromanaged and public entities receiving property tax dollars are able to decide how the funds are best spent.

Conclusion

There has been significant dilution of the county's share of taconite tax proceeds in the past 30 years. Additionally, the current statutory scheme for distribution of taconite production tax proceeds is quite distinct from the way the county handles property tax proceeds.

Lastly, the office of the legislative auditor has undertaken an audit of the taconite production tax this year. The auditor's report is anticipated to be available in mid to late April. The report will hopefully shed some light on the disarray that is the current state of the taconite tax law and offer some reasonable resolutions. The auditor's office sought and received input from St. Louis County, via John Ongaro and Don Dicklich, as part of its preparation for this report. I would strongly advise any action taken on the county board level related to the taconite production tax await and be informed by the legislative auditor's report.

CHAPTER 375—H. F. No. 1292

An act relating to the taxation of taconite, as defined herein, the mining and quarrying thereof, the production of iron ore concentrates therefrom, providing methods of collecting and distributing such tax, and penalties for the violation thereof.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. **What is taconite.**—For the purpose of this law, "taconite" is defined as ferruginous chert or ferruginous slate in the form of compact, siliceous rock, in which the iron oxide is so finely disseminated that substantially all of the iron-bearing particles of merchantable grade are smaller than 20 mesh. Taconite may be further defined as ore-bearing rock which is not merchantable as iron ore in its natural state, and which cannot be made merchantable by simple methods of beneficiation involving only crushing, screening, washing, jigging, drying or any combination thereof.

Sec. 2. **Tax on mining of taconite.**—There is hereby imposed upon taconite, and upon the mining and quarrying thereof, and upon the production of iron ore concentrate therefrom, and upon the concentrate so produced, a tax of five cents per ton of merchantable iron ore concentrate as shipped therefrom, plus one-tenth of one cent per ton for each one per cent that the iron content of such shipping product exceeds 55 per cent, when dried at 212 degrees Fahrenheit.

Sec. 3. **Shall be additional tax.**—Such tax shall be in addition to the occupation tax imposed upon the business of mining and producing iron ore and in addition to the royalty tax imposed upon royalties received for permission to mine and produce iron ore. Except as herein otherwise provided, it shall be in lieu of all other taxes upon such taconite, or the lands in which it is contained, or upon the mining or quarrying thereof, or the production of concentrate therefrom, or upon the concentrate produced, or upon the machinery, equipment, tools, supplies and buildings used in such mining, quarrying or production. Provided that nothing herein shall prevent the assessment and taxation of the surface of such lands at their value thereof without regard to the taconite therein, nor the assessment and taxation of merchantable iron ore or other minerals, or iron-bearing materials other than taconite in such lands in the manner provided by law.

Sec. 4. **Tax on unmined taconite.**—In any year in which at least 1,000 tons of iron ore concentrate is not produced from any 40 acre tract or governmental lot containing taconite, a tax may be assessed upon the taconite therein at the mill rate prevailing in the taxing district and spread against the assessed value of the taconite, such assessed value to be determined in accordance with existing laws. Provided the amount of the tax spread under authority of this section by reason of the taconite in any tract of land shall not exceed $1.00 per acre.

Sec. 5. **Collection and payment of tax.**—The tax provided by Section 2 hereof shall be collected and paid in the same manner and at the same time as provided by law for the payment of the occupation tax. Reports shall be made and hearings held upon the determination of the tax at the same times and in the same manner as provided by law for the occupation tax. The commissioner of taxation shall have authority to make reasonable regulations as to the form and manner of filing reports necessary for the determination of the tax hereunder, and by such regulations may require the production of such information as may be reasonably necessary or convenient for the determination of the tax. All the provisions of the occupation tax law with reference to the assessment, determination and collection of the occupation tax, including all provisions for penalties and for appeals from or review of the orders of the commissioner of taxation relative thereto, are hereby made applicable to the tax imposed by Section 2 hereof, except insofar as inconsistent herewith.

Sec. 6. **Proceeds to general fund of the state and various taxing districts.**—The proceeds of the tax collected under Section 2 hereof shall be distributed by the state treasurer, upon certificate of the commissioner of taxation, to the general fund of the state and to the various taxing districts in which the lands from which the taconite was mined or quarried were located in the following proportions: one-fourth thereof to the city, village or town; one-fourth thereof to the school district; one-fourth thereof to the county; one-fourth thereof to the state. The amount so distributed shall be divided among the various funds of the state, or of the taxing districts in the same proportion as the general ad valorem tax thereof. Provided if in any year the state shall not spread any general ad valorem tax levy against real property, the state's proportion of the tax shall be paid into the general revenue fund.

Approved April 22, 1941.

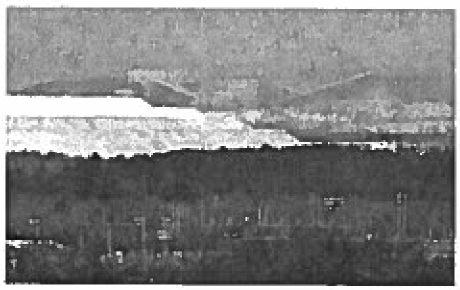
1/15/14 | 1 comment SHARE

MINING

Falling behind

Value of production tax erodes even as ore values skyrocket

Marshall Helmberger



M. Helmberger

US Steel

REGIONAL—At a time when Minnesota mining companies continue to reap major windfalls from the historically high price of taconite produced on the Iron Range, state and local taxpayers are definitely not sharing in the bounty.

Indeed, on a percentage basis, the financial benefits from taconite mining, be it to local cities, counties, school districts, or for local economic development, are at an all-time low.

To understand just how badly state and local governments have fared in recent years, consider the taconite production tax, the primary means by which the state of Minnesota collects tax revenue from mining companies. The production tax was implemented decades ago as an alternative to levying property taxes on mining companies and their vast holdings in northeastern Minnesota.

As recently as 1991, the production tax annually collected about $82 million from mining companies operating on the Iron Range. At the time, the companies were producing about 39 million tons of taconite a year, which is virtually identical to production levels in recent years. At that time a ton of taconite was valued at $28, so the year's annual production generated revenues or equivalent value of approximately $1.1 billion to the mining companies. The $82 million the companies paid to the state in production tax amounted to just over seven percent of the market value of the ore they produced.

In 2012, by comparison, the 39.7 million tons of taconite that mining companies produced on the Range enjoyed an average market value of $90/ton, netting the companies a combined $3.6 billion in total output value. Even adjusted for inflation, the mining companies enjoyed a 360 percent increase in output value compared to 20 years earlier. While the costs of mining have also increased, by about 90 percent over the same period, those cost increases have fallen well short of the increase in overall taconite prices.

Even as industry revenues have grown remarkably, the amount that mining companies paid in production taxes actually fell substantially, once adjusted for inflation. That $82 million in production taxes that the mining companies paid out in 1991, had the same buying power as $140 million today, based on the consumer price index, or CPI. Yet, the companies actually paid just $102 million, or just 2.84 percent of their operating revenues. That's compared to more than seven percent of operating revenues that they paid 20 years earlier.

While the production tax formula includes an escalator provision, it clearly has not kept pace with the rate of inflation, much less the extraordinary rise in the price of taconite. Were the state's production tax based on that same percentage of mining revenues as in 1991, Minnesota would be enjoying annual production tax revenues in excess of $284 million. And Iron Range cities, counties, and school districts would be flush with new revenues, and home and business owners would have seen major reductions in their property taxes, rather than the steady increases of recent years.

Some officials take notice

Such disparities have caught the attention of a least a couple local lawmakers, who say it's well past time that Iron Range communities begin to see more of the benefits of their geological heritage.

"If you look at the tax rate relative to the price of ore, it's miniscule compared to what the companies used to pay," Rep. Carly Melin, DFL-Hibbing, said during a recent meeting of the Iron Range Resources and Rehabilitation Board. "On top of that, they get a pretty sizable rebate."

That rebate, which amounts to roughly 13 percent of the production tax which goes back to mining companies through a reinvestment program, known as the Taconite Economic Development Fund, is designed to encourage updating of Iron Range taconite plants. That means that of the $102 million that mining companies paid in production taxes last year, they can expect to receive roughly $13 million of it back to help pay for plant improvements. Melin notes that the program, first instituted in 1992, depletes funding that used to go to help fund schools, cities, public works, and economic diversification efforts on the Iron Range. "There is no other business on the Iron Range that gets a big check back from St. Louis or Itasca counties on their property taxes each year," notes Melin.

What's worse, says Melin, the production tax was supposed to, in part, help fund economic diversification on the Iron Range. Just rebating it to the mining companies for plant improvements "is the opposite of diversification," she says.

Melin said she'd like to see the rebate program end, but she also wants a serious discussion about raising the production tax to provide financial benefits to the region more in line with the past. She said she's gotten plenty of positive feedback from Iron Rangers since she made her comments at the last IRRRB meeting. "Cliffs made over $100 million last quarter. People know these companies are making money hand over fist."

Craig Pagel, President of the Iron Mining Association of Minnesota, dismissed the notion that the taconite industry is enjoying hefty profits. He said the global market for taconite is intensely competitive and higher taxes on the industry here in Minnesota could put the Iron Range at a disadvantage. He said some U.S. steel companies have experienced losses in recent years due to the dumping of Chinese steel products.

But Rep. Tom Anzelc, DFL-Balsam, who has looked at the steady erosion in the production tax in recent years, agrees with Melin. "I have concluded that the current state of the taconite production tax is a very good deal for the taconite producers. It is not as good a deal for the property taxpayers in the taconite relief area," he said.

It's also not a good deal for area cities and school districts, said Anzelc, since the erosion in the buying power of the production tax means more and more economic development and infrastructure projects, once funded by the production tax, go undone. "Clearly there are more projects and requests chasing a shrinking amount of public dollars generated off the production tax," he said.

Melin notes that taconite is a finite resource and suggested state officials are remiss in not seeking to maximize the return on the state's natural heritage, particularly at a time when taconite prices are historically high. "It's a missed opportunity not to take advantage of it," she said.

While the disparity in production tax rates today versus 20 years ago is dramatic, both Melin and Anzelc say there has been resistance at the Legislature, even from some members of the Iron Range delegation to the notion of returning the production tax to something approaching its value in the past.

"The mining companies up here hold everybody hostage," said Melin. "They talk about decreasing production and laying people off," she said, whenever the subject turns to a change in the production tax. "I think a lot of their threats are empty," said Melin. "Cliffs pays four times as much in Quebec, and it hasn't slowed their production there."

Senate Majority Leader Tom Bakk, DFL-Cook, said he's open to a discussion of the production tax, albeit with some reservations. "This is a very good discussion to have when times are good," he said. But Bakk is concerned that generating new revenues from the production tax could create political backlash in St. Paul, from legislators who might think the Iron Range region needs less state funding. And that could hurt the region during the next downturn in the mining industry, when production tax revenues could fall substantially.

What's more, Bakk said the tax is currently billed as a replacement for the property tax, and if it begins to exceed the level the companies would pay if property taxes wer actually assessed, it becomes harder to justify, said Bakk. At the same time, he acknowledged he's not sure what the mining companies would be paying today if they were subject to property taxes.

Bakk said he would likely support taking another look at the rebate program now under fire from Melin and others. "It's definitely a serious case of corporate welfare, ripe for review," he said. "In the past, [Rep.] Rukavina opposed eliminating it."

Mining industry officials in Minnesota note that the rebate program has encouraged mining companies to invest in Minnesota, and that all projects must have the support of their local unions. What's more, they say the rising cost of taconite should not be a factor when determining rates for the production tax. "That rate, which is set statutorily and escalates automatically, is unaffected by dramatic changes in the sales price of iron ore or what it costs mines to produce a ton of iron ore," said Sandra Karnowski, a spokesperson for Cliffs Natural Resources. "The number of taxable tons changes each year based on a three-year average of production. This structure provides for stability of the tax base, which keeps revenue fairly constant and helps insulate against the periodic downturns that have been characteristic of our industry," Karnowski added. "The Occupation Tax, on the other hand, is assessed based on mine value (including, in part, iron ore sale price) and is adjusted on an annual basis."

Minnesota's mining tax much lower than elsewhere

While Minnesota has a reputation as a high tax state, when it comes to the mining industry, its tax rates are lower than many other places. That's become increasingly so in recent years as other countries, U.S. states, and Canadian provinces have taken steps to adjust their mining taxes to take advantage of the recent escalation in market prices for a wide range of metals and other basic commodities.

In Quebec, for example, the provincial government recently adopted a new mining tax regime that substantially boosted the province's share of revenues from mining operations there. The new tax system sets a minimum mining tax of four percent on mines that generate more than $80 million in output value. Such a tax here in Minnesota could have generated over $140 million in 2013, based on an output value of approximately $3.6 billion from the region's six taconite plants in 2012.

But Karnowski disputes that. "Unlike the Minnesota production tax, the Quebec mining tax is calculated based on the gross value of mining production with deductions permitted for processing, transportation, marketing and administration. Allow-ances for depreciation and processing are also permitted," said Karnowski. "The value reached when these deductions and allowances are factored in is used to calculate both the minimum tax and the profit tax. As a result, at least with regard to this specific tax, Cliffs does not currently pay anywhere near four times the Minnesota rates as referenced in the article. In fact, our current and projected near term Quebec mining tax obligations are expected to be significantly lower than the Minnesota production tax, with regard to both our overall tax bill and when considered on a per-ton basis."

Many countries and provinces also benefit from mining through corporate income taxes on mining company profits. In Quebec, the province levies an 11.9 percent tax on profits, which is assessed in addition to its minimum mining tax. Nearby Ontario levies a 10 percent tax on profits generated in the province. Australia, another significant mining region, assesses a 30 percent federal income tax and a separate 22.5 percent tax on mining profits, for an effective tax rate of 45.8 percent.

Minnesota, by contrast, assesses no corporate income tax on mining company profits. The state does levy an occupation tax, which is supposed to substitute for an income tax. But that tax generated just $21 million last year, or just over one-half of one percent of the gross value of taconite output on the Iron Range.

In 2012, in Minnesota, the iron mining industry paid a total of $118 million in various taxes, the vast majority through the production tax. That represents just three dollars for every ton of taconite produced, or just over three percent of the value. By contrast, the mining companies paid nearly $8 per ton for electricity to run their operations, $3.90 for royalties (some of which did go to the state of Minnesota), $5.27 for fuel, and $26.84 per ton for supplies and equipment. Labor costs, for both mining and processing, amounted to $7.36 per ton.

Attachments

1.24 taconite chart.pdf
application/pdf; charset=binary, 31 KB

Comments

1 comment on this item Remove scrollbar

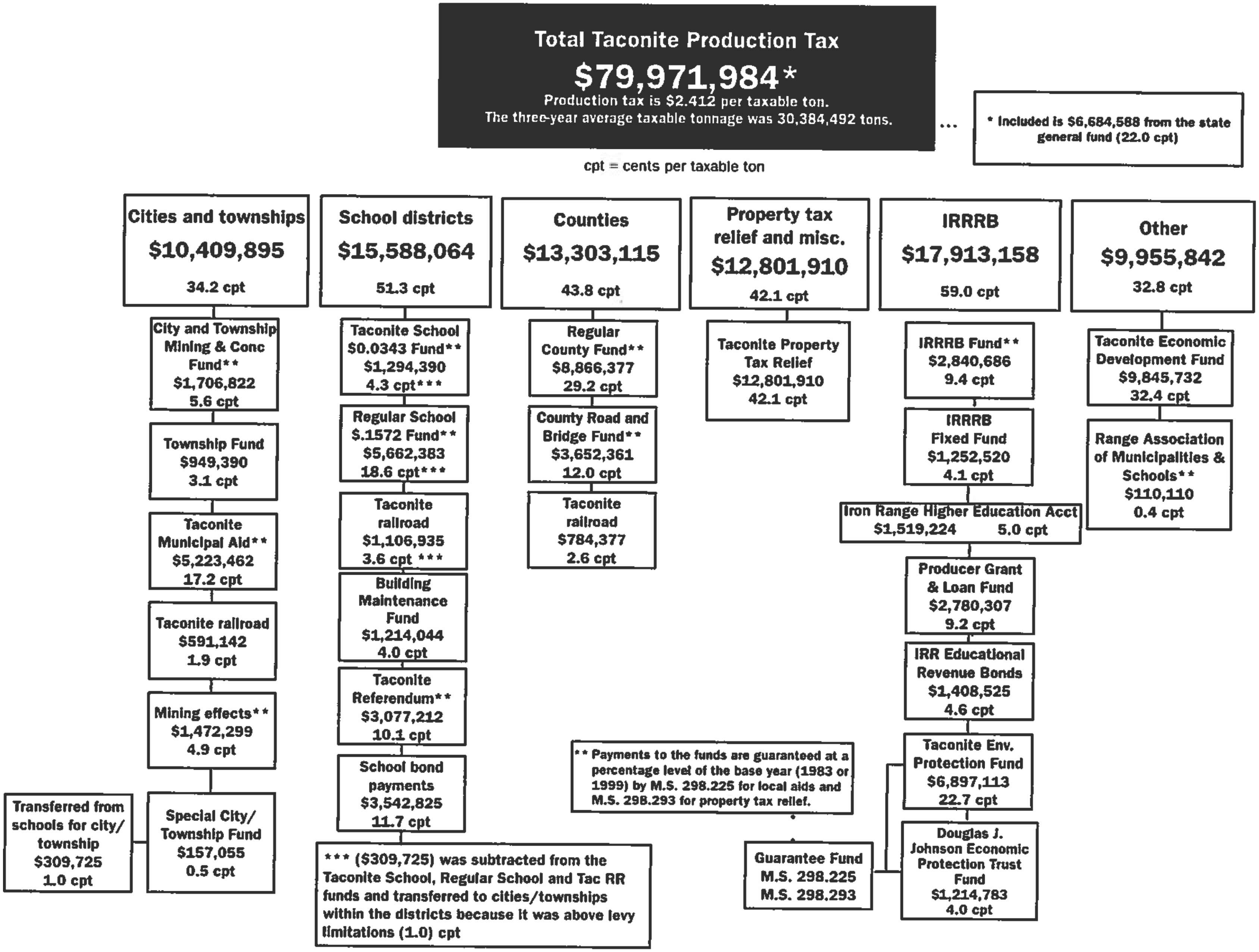
On 1/16/14 at 02:54 PM, **orrcountry** wrote:

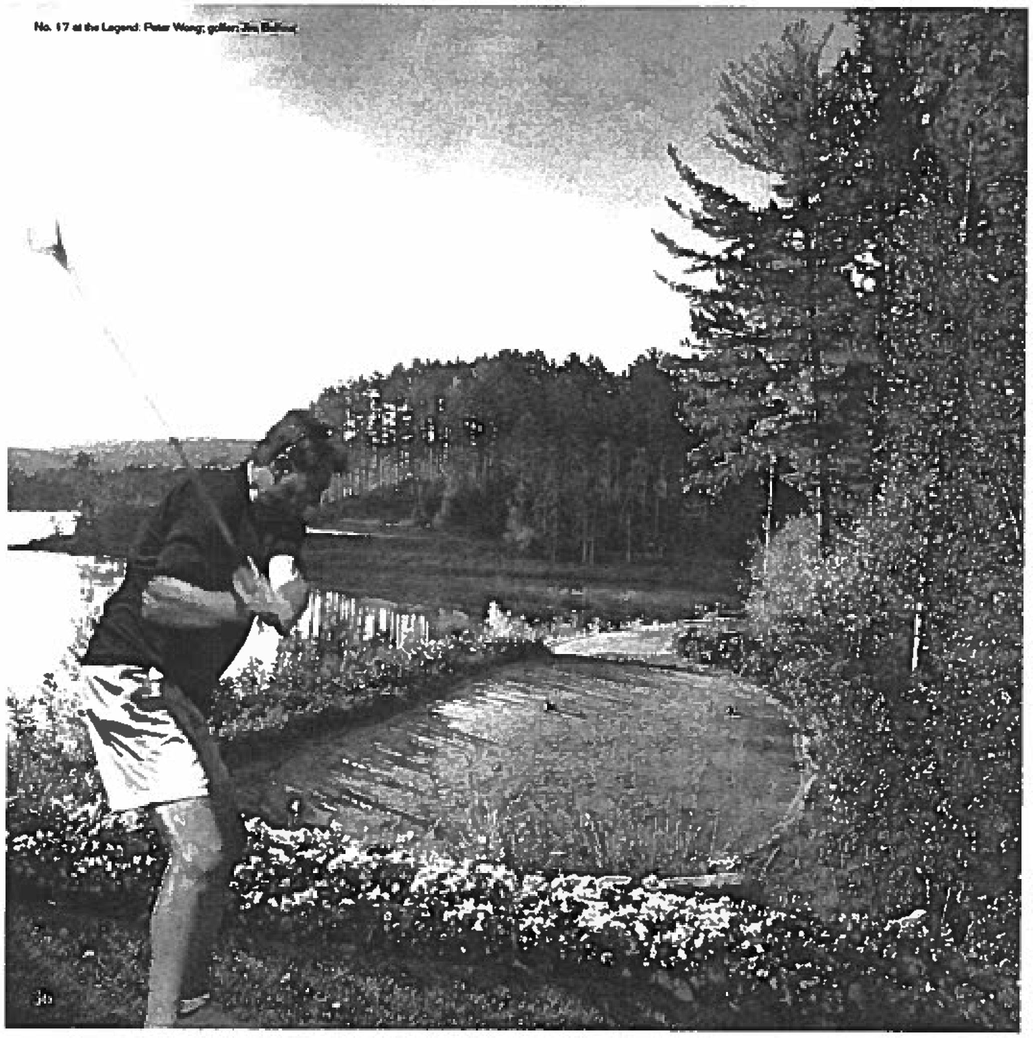
I agree with the editor, Representatives Anzelc and Melin. My hope is that Senator Bakk and Representative Dill will also join Anzelc and Melin. It should be noted for full disclosure that Senator Bakk's son is a manager at U.S. Steel.

Post a comment

2012 Distribution of Taconite Production Tax

2011 Production Year





No. 17 at the Legend: Peter Wong; golfer: Jim Bullion

APPENDICES

AGENCY BUDGET

	FY 2013 Budget	FY 2014 Budget
Resources		
Carryforward In	$16,169,941	$12,511,670
Current Resources		
Taconite Production Taxes	$13,770,626	$21,384,480
Investment Earnings	494,116	494,116
Loan Revenues	2,574,849	2,552,311
Facilities Revenues	5,123,404	4,806,250
Occupation Tax Region III	455,767	574,655
Subtotal Current Resources	$22,418,762	$29,811,812
Total Resources	$38,588,703	$42,323,482
Estimated Expenditures		
Projects		
Development Projects	7,500,000	12,447,000
Public Works	9,400,000	7,025,000
Total Projects	$16,900,000	$19,472,000
Programs		
Program Grants	4,206,572	5,631,572
Occupation Tax Region III	455,767	574,655
Total Programs	$4,662,339	$6,206,227
Giants Ridge Golf & Ski Resort	$7,270,234	$7,996,901
Operations & Development Fixed Costs	$5,813,757	$5,993,888
Giants Ridge Bond Redemption Repayment	$0	$2,000,000
Total FY Budget	$34,646,330	$41,669,016
Estimated Carryforward Out	$3,942,373	$654,466

GRANTS

FY13 GRANTS

Organization - Description	IRRRB Investment	Total Project Investment
Arrowhead Economic Opportunity Agency (AEOA) – Business Energy Retrofit program	250,000	750,000
Arrowhead Economic Opportunity Agency (AEOA) – Neighborhood Revitalization program	500,000	1,500,000
Arrowhead Economic Opportunity Agency (AEOA) – addition to Arrowhead Transit facility	50,000	255,000
Aurora – infrastructure to North 1st Street and East Central Avenue	250,000	554,000
Aurora – demolish 3 houses and a garage	13,294	31,350
Babbitt – infrastructure for hotel and conference center	300,000	2,075,800
Bigfork – improvements to water treatment and distribution system	250,000	892,800
Bigfork Valley Hospital – infrastructure for expansion of a memory care center	250,000	4,012,850
Biwabik – infrastructure on 2nd Street	250,000	615,000
Bois Forte – infrastructure for medical/dental clinic on Lake Vermilion	300,000	4,975,000
Bovey – infrastructure for expansion of KMDA, Inc.	100,000	441,900
Buhl – infrastructure on Jones Avenue and State Street	250,000	400,000
Calumet – infrastructure on 3rd and 4th Avenue	150,000	300,345
Calumet – demolish 2 houses and a garage	10,842	15,581
Chisholm – extend waterline to Minnesota Discovery Center and St. Louis Co. Fairgrounds	20,000	20,000
Chisholm – infrastructure and site work on 6th Street East	190,000	3,962,500
Chisholm – demolish 3 houses and 6 garages	21,605	33,135
Chisholm – infrastructure on 7th to 9th Street on Central Drive	250,000	750,000
Cohasset – improvements to lift station and water main on Highway 2	200,000	504,700
Coleraine – infrastructure on Powell Avenue	70,000	450,000
Coleraine – demolish a house and a garage	7,970	15,877
Cook – demolish old wastewater plant	33,000	54,610
Cook – improvements to wastewater treatment pond	150,000	288,000
Cook – demolish 2 houses and 2 garages	12,133	17,050
Cook County – demolish west wing of Cook County School	103,000	9,971,141
Cook County – EDA emergency business fund	26,000	26,000
Cook County Visitors Bureau – produce videos for website	16,500	40,000
Crosby – flood prevention at Graphics Packaging	150,000	300,013
Destination Voyageurs National Park – upgrade website and purchase ads	5,000	10,000
Dorothy Molter Museum – reinstall Point Cabin exhibit	5,000	10,000
East Range Joint Powers Board – sulfate reducing bioreactor research study	124,943	369,500
Ely – demolish county garage	11,143	1,170,000
Ely – infrastructure on 1st and 8th Avenue and Harvey Street	200,000	1,508,500

Organization - Description	IRRRB Investment	Total Project Investment
Ely – demolish a house	4,575	13,000
Ely Chamber of Commerce – restore Whiteside Park log structure	12,500	40,000
Embarrass – demolish a garage	6,450	8,985
Eveleth – infrastructure and site work for expansion of Aqua Power, Inc.	250,000	306,637
Eveleth – infrastructure on Jones Street	250,000	2,855,773
Friends of Sax-Zim Bog – construct Visitor Center	12,500	72,000
Giants Ridge – Ski Patrol emergency first-aid supplies	5,900	5,900
Gilbert – infrastructure on Circle Drive and Alaska Avenue	180,000	296,000
Gilbert – infrastructure on Minnesota and Michigan Streets	250,000	504,000
Gilbert – upgrade transformer at Nelle Shean Elementary School	19,926	19,926
Grand Rapids – demolish school, parochial school and rectory	41,000	41,000
Grand Rapids – improve entrance to Itasca Community College	250,000	5,591,939
Grand Rapids – infrastructure and site work for expansion of Cutsforth, Inc.	150,000	w/loan
Grand Rapids – infrastructure, site work for relocation & expansion of Hammerlund Const.	350,000	2,670,000
Grand Rapids Amateur Hockey Association – produce & promote Hockey Day Minnesota 2013	5,000	90,000
Grand Rapids Showboat – capital repairs to the showboat	3,000	6,000
Greyhound Bus Origin Center – Freedom Riders exhibit	5,000	14,000
Hibbing – infrastructure for Highway 169 development	350,000	2,950,000
Hibbing – infrastructure for Brooklyn area	250,000	857,000
Hibbing – demolish 5 houses	27,894	69,630
Hibbing – demolish 7 houses and 2 garages	26,707	46,458
Hoyt Lakes – remodel and expand emergency service facility	350,000	1,650,800
Iron Range Tourism Bureau – produce regional video	10,000	20,500
Ironworld Development Corporation – operating expenses and capital improvements	1,174,511	1,174,511
Itasca Community College – demolish Donovan Hall dormitory	180,000	4,809,000
Itasca County Historical Society – preserve artifacts and restore exhibit	20,000	300,000
Itasca Ski and Outing – repair grooming machine	40,000	45,000
Keewatin – infrastructure and site work for expansion of Pro Blast Technology, Inc.	285,000	2,937,550
Keewatin – demolish 3 houses and 2 garages	9,090	16,840
Lake Superior-Poplar River Water District – water line to Lutsen Mountain	250,000	4,874,371
Lake Vermilion Resort Association – Lake Vermilion Trail feasibility study	15,000	45,000
LaPrairie – infrastructure and road reconstruction for Highway 169	250,000	605,664
LaPrairie – infrastructure to Brokings Transport site	55,000	329,000
Lutsen Township – capital improvements at Superior National Golf Course	300,000	4,600,000

FY13 Grants - Continued

Organization - Description	IRRRB Investment	Total Project Investment
McDavitt Township – demolish a garage and a shed	3,080	4,107
Mesabi Family YMCA – replace pool HVAC	50,000	97,447
Minnesota Arrowhead Association – regional online marketing project	20,000	55,000
Minnesota Highway 38 Leadership Board – preserve CCC cabin in Marcell	13,000	164,064
Mountain Iron – infrastructure to expand Unity addition	250,000	600,000
Mountain Iron – demolish a house and 2 garages	6,948	20,877
Mountain Iron – site work for MRI unit at St. Lukes Clinic	80,000	1,281,103
Nashwauk – infrastructure on 2nd and 3rd Street and York and Platt Avenues	200,000	582,000
Northeast Higher Education District – Arrowhead Institute of Technology	390,000	390,000
Northeast Higher Education District – DeCare Training	15,100	42,868
Northeast Higher Education District – DMR/Detroit Diesel Training	42,000	42,000
Northeast Higher Education District – Iron Range Engineering	1,000,000	1,000,000
Northeast Higher Education District – Telepresence Technology Phase I	500,000	500,000
Northspan Group – NorthlandConnection.com website	30,000	145,000
Orr – design project for comprehensive plan	3,500	15,000
Orr – infrastructure and site work for assisted living facility	50,000	2,600,000
Quad Cities - University of Minnesota – Small Business Development Center	60,000	120,000
Range Assn. of Municipalities & Schools – development of regional integrated learning model	181,520	1,803,250
Riverton – city-wide infrastructure	150,000	330,000
Silver Bay – capital improvements to Victus Farm building	50,000	65,000
Taconite – infrastructure on Nelson Street	100,000	204,000
Tower – infrastructure on Main Street	170,000	1,145,000
Two Harbors – construction of airport building	300,000	800,000
United Way of Northeastern Minnesota – daycare assessment by Wilder Foundation	10,000	61,320
University of Minnesota – Precambrian Research Center education/outreach program	25,000	61,800
University of Minnesota – Peter Mitchell Mine closure plan	75,000	254,100
US of Anderson LLC – film production	45,000	226,971
Virginia – infrastructure and site work for expansion of Sundell Eye Associates	141,689	2,354,000
Virginia – infrastructure and site work on 4th Street North	350,000	761,000
Virginia – demolish 4 houses and 3 garages	25,264	72,358
Virginia Area Historical Society – "The Way We Worked" Smithsonian exhibit	2,500	5,625
White Township – infrastructure extension from 1st Street to Poplar Street	175,000	255,520
Wild North Golf – market and promote the region as a golf destination	30,000	45,000
Total	$14,454,084	$90,291,546

FY14 Grants

Organization - Description	IRRRB Investment	Total Project Investment
Advocates for Family Peace – expand domestic violence services	50,000	50,000
Aitkin – demolish former Riverwood Healthcare Center Clinic	38,115	38,115
Aitkin – demolish 3 buildings	10,115	*
Aitkin – comprehensive plan	16,825	33,650
Aitkin – infrastructure for business development expansion	300,000	3,232,200
Aitkin – demolish a garage	1,893	3,733
APEX – Northforce.org online marketing plan	16,000	74,000
Arrowhead Economic Opportunity Agency (AEOA) – Business Energy Retrofit program	500,000	1,500,000
Arrowhead Economic Opportunity Agency (AEOA) – Home Energy Improvement program	500,000	1,500,000
Aurora – infrastructure and site work for assisted living facility	350,000	5,588,547
Aurora – demolish 3 houses and a garage	15,531	49,010
Babbitt – demolish former Bryant Center	200,000	623,108
Babbitt – demolish and remove concrete slab	23,200	23,200
Babbitt – comprehensive plan	4,757	9,513
Babbitt – infrastructure and site work for hotel and conference center Phase II	150,000	2,502,456
Balsam – site work for emergency services facility	200,000	700,000
Bigfork – upgrade well and city water treatment	50,000	50,000
Biwabik – infrastructure on 2nd Street North Phase II	150,000	447,250
Bois Forte Band of Chippewa – infrastructure and site work for duplex housing units	100,000	2,358,000
Bois Forte Band of Chippewa – demolish 4 houses	13,392	13,392
Bovey – comprehensive plan	3,275	6,550
Breitung – replace sanitary sewer lines on Main Street	115,000	365,000
Buhl – comprehensive plan	6,000	12,000
Buhl – infrastructure on Frantz Avenue South	190,000	460,000
Calumet/Marble/Greenway – infrastructure and site work for new emergency services facility	350,000	798,000
Chisholm – resolve highway and land issues for Hibbing Taconite expansion	100,000	149,400
Chisholm – infrastructure on 3rd Avenue Northeast	225,000	967,733
Chisholm – infrastructure on 5th Avenue Northwest	200,000	627,000
Chisholm – demolish 13 houses and 5 garages	89,544	89,544
Clinton – demolish 2 houses and a garage	21,825	33,318
Club Mesabi – promote and advertise the Mesabi Trail	20,000	40,000
Cohasset – infrastructure for development	12,500	1,173,500
Cohasset – infrastructure for development on Hwy 2 corridor	31,000	562,000

Organization - Description	IRRRB Investment	Total Project Investment
Cohasset – demolish laundromat building	13,000	19,500
Cohasset – demolish commercial building and underground tanks	40,000	95,000
Coleraine – comprehensive plan	4,680	9,360
Coleraine – deceleration lane for Highway 169 near Midway Pit Road	50,000	81,760
Coleraine/Bovey – infrastructure and site work for emergency services facility	450,000	1,000,000
Cook – demolish Dollar Barn building	46,000	66,450
Cook – comprehensive plan	10,000	20,000
Cook County Higher Education – Superior Innovations Project	50,000	150,000
Cook County Historical Society – stabilize historic Bally Blacksmith Shop	20,000	40,000
Crosby – comprehensive plan	9,750	19,500
Deerwood – comprehensive plan	9,550	19,100
Deerwood – water main reconstruction on Cross Drive	175,000	600,000
East Range Joint Powers Board – economic development programs	60,000	120,000
East Range Joint Powers Board – sulfate reducing bioreactor research study Phase II	70,000	390,000
Ely – infrastructure on 1st Avenue East and Conan and White Street alley	150,000	667,000
Ely – demolish 2 houses and a garage	14,025	34,434
Embarrass – capital improvements at Timber Hall	14,500	14,843
Engesser, John – evaluate Density Media Separation process	5,000	5,000
Enterprise Minnesota – manufacturing and marketing services	50,000	200,000
Eveleth – demolish Sleeve's Sportsmans bar	20,000	23,783
Eveleth – infrastructure for assisted living facility	350,000	4,471,040
Eveleth – demolish a house and 4 garages	11,226	11,226
Eveleth – improve United Taconite Spruce Stockpile and truck shop embankment	98,000	158,285
Eveleth – upgrade water and sewer and road reconstruction	250,000	513,757
Farm Island – demolish a garage	4,455	4,455
Fayal – connect city sewer to IRRRB Administration building	212,094	212,094
Fayal – replace culvert on Pleasant Drive	35,000	35,424
Fayal – demolish a house	6,750	21,085
Friends of B'Nai Abraham Synagogue – capital improvements	8,481	16,962
Gilbert – electrical upgrades to water plant and infrastructure on four avenues	175,000	1,029,400
Gilbert – infrastructure and site work for expansion of Mesabi Bituminous	250,000	667,300
Gilbert – demolish 3 houses and a garage	18,213	32,450
Grand Rapids – infrastructure and site work for Grand Itasca Clinic	400,000	4,942,380
Grand Rapids – comprehensive plan	20,000	85,575

Organization - Description	IRRRB Investment	Total Project Investment
Gunflint Trail Historical Society – construct Interpretive Center	20,000	250,000
Hibbing – construct Miracle League baseball field	50,000	330,000
Hibbing – infrastructure for Highway 169 development Phase II	600,000	**
Hibbing – demolish 2 houses, 2 garage apartments and a garage	16,519	24,390
Hibbing – demolish 3 houses	10,760	24,410
Hoyt Lakes – replace four intersections and upgrades to Dorchester Drive Lift Station	150,000	557,887
International Wolf Center – promote Aurora Borealis exhibit	5,780	11,560
Ironton – comprehensive plan	8,000	16,000
Ironworld Development Corporation – operating expenses and capital improvements	1,321,572	1,321,572
ISD 319 Nashwauk Keewatin – demolish school bus garage	20,000	29,800
Itasca Choral Society – present and broadcast Veterans concert	3,375	8,600
Itasca County – comprehensive plan	20,000	49,450
Keewatin – comprehensive plan	3,275	6,550
Keewatin – upgrade electric substation	200,000	250,000
Keewatin – water line on 2nd Avenue East to 3rd Avenue East	70,000	90,275
Kinney – upgrade water reservoir tank	25,000	27,500
Lake County – infrastructure for expansion of existing business	90,000	1,287,000
LaPrairie – comprehensive plan	5,000	10,000
LaPrairie – extend sewer on LaPrairie Avenue, Glenwood Avenue and Northland Street	150,000	3,782,500
Luna, Judith – film production	860	10,500
Lutsen Trail Breakers Snowmobile Club – replace bridge	12,000	25,000
Marble – demolish old city hall, library and fire hall	93,763	142,065
Marble – demolish 3 houses and a garage	14,436	38,285
Minnesota Logger Education Program – erosion control training	11,000	40,250
Minnesota Power – wood fiber study	15,000	75,000
Mountain Iron – comprehensive plan	18,000	36,000
Mountain Iron – reconstruction of Mountain Iron Drive	250,000	650,000
Mountain Iron – demolish 4 houses and a garage	30,952	46,956
Nashwauk – demolish Spur gas station	11,000	17,275
Nashwauk – infrastructure on Fourth Street and Platt Avenue	175,000	508,000
Nashwauk – demolish 2 houses and a garage	8,976	12,075
Northeast Higher Education District – Certified Nurse Practioner	350,000	350,000
Northeast Higher Education District – Customer Service Training	23,800	67,480
Northeast Higher Education District – Healthcare Simulation Training	41,000	164,100

FY14 GRANTS - CONTINUED

ORGANIZATION - DESCRIPTION	IRRRB INVESTMENT	TOTAL PROJECT INVESTMENT
Northeast Higher Education District – Iron Range Engineering	35,000	35,000
Northeast Higher Education District – Iron Range Engineering	1,000,000	1,000,000
Northeast Higher Education District – Telepresence Technology Phase II	500,000	500,000
Northern Community Radio – develop Iron Range based Great Northern Radio Show	9,430	18,860
Northern Lights Nordic Ski Club – purchase groomer	12,400	24,900
North Shore Scenic Drive Council – support tourism and enhance accessible recreation	5,000	20,000
Northspan Group – Northlandconnection.com website	20,000	122,625
Northspan Group – TRP Data Management Tool	17,933	35,865
Northwoods Outfitters, LLC – film production	13,177	195,880
Quad Cities - University of Minnesota – Small Business Development Center	60,000	120,000
Range Association of Municipalities and Schools – Better IRRRB Task Force	55,954	55,954
Silver Bay – replace water main and upgrade booster station	150,000	750,000
Strangers LLC – film production	4,000	126,871
Taconite – upgrade sewer lines on Stephen Street South and alleys	90,000	291,127
Tofte – infrastructure for housing units	230,000	1,757,500
Tower Soudan Historical Society – capital improvements to train cars	16,000	34,200
Tower – demolish a house	3,657	4,260
Two Harbors – infrastructure for retail and manufacturing facility	276,500	1,361,550
Two Harbors Area Chamber of Commerce – capital improvements at RJ Houle Center	13,000	26,000
Virginia – infrastructure for surgery building on Bailey's Lake	350,000	3,250,000
Virginia – infrastructure for expansion of existing business	250,000	700,000
Virginia – demolish a house	8,562	8,562
Virginia – demolish 3 houses and 2 garages	24,870	24,870
Virginia – demolish 5 houses and a shed	29,709	29,709
White – infrastructure in Gardendale area	150,000	330,400
Wild North Golf – market and promote the region as a golf destination	33,437	45,000
Wolf Ridge Environmental Learning Center – capital improvements at farm	50,000	150,000
Total	$14,388,393	$61,136,995

*Total project investment included with FY14 Aitkin grant - infrastructure for business development expansion.

**Total project investment included with FY13 Hibbing grant - infrastructure for Highway 169 development.

LOANS

FY13 LOANS

ORGANIZATION - DESCRIPTION	TYPE	IRRRB INVESTMENT	TOTAL PROJECT INVESTMENT
Airmark, Inc. DBA Nelson Wood Shims – expansion	Bank Participation	305,550	679,000
Amptek, Inc. – working capital	Loan Guaranty	37,500	50,000
Aqua Power, Inc. – renovations and expansion	Bank Participation	250,000	777,000
Atrium Restaurant – capital improvements	Loan Guaranty	11,250	15,000
Aysta Water, Inc. – purchase equipment	Loan Guaranty	22,500	30,000
Cherish, LLC – working capital	Loan Guaranty	22,500	30,000
Chisholm-Hibbing Airport Authority – DMR-Detroit Diesel build out of spec building	Non-recourse Direct	2,500,000	2,735,000
Ciao of Side Lake, Inc. – working capital	Loan Guaranty	41,962	55,950
Cutsforth, Inc. – construct new facility	Bank Participation	305,422	2,050,000
David A Olson Logging – working capital	Loan Guaranty	18,750	25,000
Furin & Shea Welding & Fabricating, Inc. – purchase machinery	Bank Participation	113,000	226,000
JPJ Engineering, Inc. – working capital	Loan Guaranty	75,000	150,000
KMDA, Inc. – purchase inventory	Loan Guaranty	75,000	100,000
Lenci Enterprises, Inc. – working capital	Loan Guaranty	72,000	175,000
Louisiana Pacific Corporation – expansion and rebuild machinery	Direct	2,000,000	7,050,000
Lutsen Mountains Corporation – purchase and upgrade equipment	Bank Participation	450,000	900,000
Northshore Manufacturing – purchase equipment	Bank Participation	500,000	5,450,000
Parrk Paving, Inc. – working capital	Loan Guaranty	45,030	60,040
Premier Plastics, Inc. – purchase equipment	Loan Guaranty	75,000	114,960
Pure Driven, LLC – working capital	Loan Guaranty	75,000	100,000
Range Tool Company, LLC – purchase equipment	Bank Participation	125,938	282,640
Ryan's Rustic Railings & Furniture – purchase inventory	Loan Guaranty	30,000	40,000
Sullivan Candy & Supply – purchase equipment	Loan Guaranty	9,000	12,000
Tek-Car Metal, LLC – working capital	Loan Guaranty	75,000	100,000
Virginia/Eveleth Economic Development Authority – Premier Plastics expansion in Progress Park	Direct	59,980	310,000
	Total	$7,295,382	$21,517,590

FY14 LOANS

Organization - Description	Type	IRRRB Investment	Total Project Investment
City of Biwabik – Laurentian Monument expansion	Non-recourse Direct	1,940,000	2,840,000
Cast Corporation – foundry line expansion	Bank Participation	945,000	3,500,000
Chisholm-Hibbing Airport Authority – DMR-Detroit Diesel buildout of spec building	Direct	5,035,000	5,035,000
Delta Air Lines – renovation and modernization	Direct Loan	5,900,000	5,900,000
Derek L. Gustafson, DDS, PA – working capital	Loan Guaranty	63,750	85,000
Gateway Store – capital improvements	Loan Guaranty	56,123	74,830
Guyer's Corner Store – rebuild store	Loan Guaranty	75,000	150,000
Hibbing Fabricators – purchase equipment	Bank Participation	250,000	500,000
Hoyt Lakes – purchase and renovate Segetis building	Non-recourse Direct	1,200,000	***
MnStar Technologies – working capital	Loan Guaranty	75,000	100,000
NK-G Transportation – working capital	Loan Guaranty	48,750	65,000
Segetis – construct commercial scale bio-chemical plant	Direct	20,000,000	105,100,000
Silver Lake Floral – capital improvements	Loan Guaranty	13,500	18,000
Spectrum Community Health – purchase equipment	Loan Guaranty	75,000	100,000
Three Families Brewing, LLC – purchase real estate and equipment	Bank Participation	450,000	1,650,000
Two Harbors Machine Shop – expansion	Bank Participation	500,000	1,277,000
	Total	$34,687,123	$123,554,830

***Total project investment included with Segetis loan project.

Mining Reinvestment Fund

The Mining Reinvestment Fund was established by the 1992 Minnesota Legislature. In years when total industry production exceeds 30 million tons, up to 30.1 cents-per-ton of the taconite production tax may be rebated to northeastern Minnesota iron ore mining operations.

The rebate must be used for:

- workforce development and associated public facility improvement
- acquisition of plant and stationary mining equipment and facilities
- research and development in Minnesota on new mining or production technology

FY13

Company - Description	IRRRB Investment
ArcelorMittal-Minorca – construct a building to house all compressed air systems	774,718
Hibbing Taconite – convert to Derrick Stack Sizer screens	1,504,555
Magnetation LLC – install ball mill	42,786
Magnetation Inc. – add vacuum disk filtration	4,800
Northshore Mining – reactivate concentrator Section 5	1,453,194
United Taconite – upgrade finishers and roll screens	1,628,692
US Steel Keetac – upgrade mine management system, replace crusher canopy doors, install new concentrator secondary mill area air handling system, install remote openers for maintenance shop overhead doors and expand concrete approach aprons for the truck shop	1,141,598
US Steel Minntac – upgrade mine management system, upgrade VFD fans and replace transformer relay in agglomerator	3,295,389
Total	$9,845,732

FY14

Company - Description	IRRRB Investment
ArcelorMittal-Minorca – upgrade machine shop, refurbish vacuum disc filter and upgrade tailings pump	831,403
Hibbing Taconite – upgrade surge pile dust control, rebuild and replace plant infrastructure, build hazard guards and install dewatering system pumps	2,112,607
Magnetation LLC – install Vertimill	562,023
Mesabi Nugget – upgrade pan pushing system	40,339
Northshore Mining – construct a fine crusher maintenance building	1,666,834
United Taconite – upgrade vacuum system pump, replace three dust collector systems and replace air filtration system	1,619,470
US Steel Keetac – new pump transfer station and upgrade burning machine	1,538,730
US Steel Minntac – upgrade fine tailings pump and upgrade concentrator finisher	3,860,006
Total	$12,231,412

minnesota inter-county association
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benton·blue earth·carver·crow wing·dakota·olmsted·otter tail·rice·st. louis·scott·sherburne·stearns·washington·winona

MEMORANDUM

DATE: February 19, 2015

TO: Commissioner Tom Rukavina

FROM: Keith Carlson

SUBJECT: Impact of Taconite Production Tax Changes on St. Louis County

Effective for distribution in 2015, the distribution of taconite production tax was amended so as to:

1. reduce the distribution to counties by $.05 per ton,
2. reduce the distribution to the taconite economic development fund by $.05 per ton,
3. eliminate the indexing of (and reduce) the distribution of the $.03 per ton mining effects distribution to cities and towns, the $.348 per ton distribution to the taconite tax relief account and the $.065 per ton distribution to the IRRRB for three years,
4. eliminate the indexing of (and reduce) the distribution to the Douglas J. Johnson economic protection trust fund for three years, and
5. create a new $.10 per ton distribution to an Iron Range School Consolidation and Cooperatively Operated School Account. The account also receives a distribution equal to 2/3 of the reduced distribution under #3 and #4. The Douglas J. Johnson economic protection trust fund receives a distribution equal to 1/3 of the reduced distribution under #3 and #4. Finally, the account receives the equivalent of $.06 per ton. Expenditures from the account shall be made to assist school districts with the payment of bonds that are issued for school projects within the taconite assistance area as defined in section 273.1341, which are (1) approved, by referendum, after December 7, 2009; and (2) approved by the commissioner of education.

At the time of enactment, the legislation was estimated to have the following impact on all counties:

2015	2016	2017
($1,980,00))	($1,990,000)	($2,020,000)

I have calculated the impact or loss using 2013 production figures as follows:

Cook	$0
Itasca	($239,575)
Lake	($156,321)
St. Louis	($1,906,317)
TOTAL	($2,302,213)

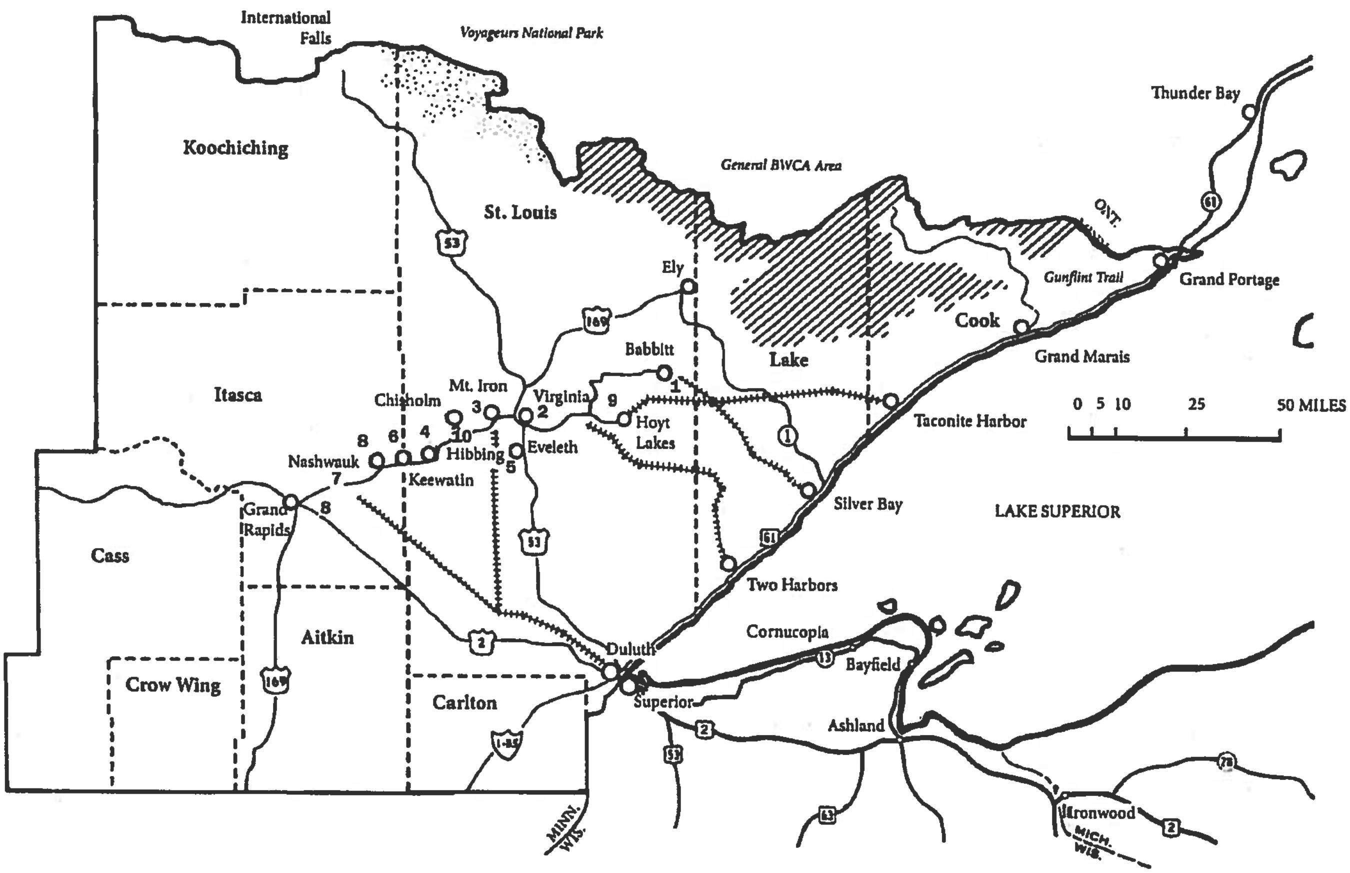
Note the department may calculate the adjustment in what is called the 298.225 guarantee differently so the loss could be a little greater.

The actual distribution for 2015 will be out in a week or so. I will update this information once I receive the 2015 data.

Please contact me if you have questions.

cc: Kevin Gray
John Ongaro

Mine Locations and Production Capacity



	Effective Capacity* (million tons)
1. **Northshore Mining** Owner: Cliffs Natural Resources, Inc. (100%)	6.2
2. **ArcelorMittal Minorca Mine** Owner: ArcelorMittal (100%)	2.8
3. **U. S. Steel-Minntac** Owner: USS Corporation (100%)	16.0
4. **Hibbing Taconite** Cliffs Natural Resources, Inc., Managing Agent Owners: ArcelorMittal (62.3%) Cliffs Natural Resources, Inc. (23%) U. S. Steel Canada (14.7%)	8.0
5. **United Taconite LLC** Owners: Cliffs Natural Resources, Inc. (100%)	5.3

	Effective Capacity* (million tons)
6. **U. S. Steel-Keewatin Taconite** Owner: USS Corporation (100%)	6.0
7. **Essar Steel Minnesota LLC** (under construction) Owner: Essar Resources Inc. (100%)	Unknown
8. **Magnetation LLC** Owners: Magnetation, Inc. (50.1%) AK Steel (49.9%)	1.5
9. **Mesabi Nugget LLC** Owners: Steel Dynamics, Inc (81%) Kobe Steel, Ltd (19%)	0.5
10. **Mining Resources LLC** Owners: Steel Dynamics, Inc. (80%) Magnetation, Inc. (20%)	1.0

* Effective capacity is the annual production capacity in natural long tons (including flux) that can be sustained under normal operating conditions.

The ownership percentages shown are the ultimate percentages controlled by parent steel and mining companies.
In some instances, various other partnerships and subsidiaries are listed on legal corporate documents.

2014 Distribution of Taconite Production Tax

(Based on 2013 Production Year)

Total Taconite Production Tax — $109,928,009*

Production tax per taxable ton – $2.560. Taxable tonnage – 39,607,765 tons.

Cities and Townships
$14,911,750
37.6 cpt

- **City and Township Mining & Conc Fund****
  $2,134,737
  5.4 cpt
- **Township Fund**
  $1,287,505
  3.3 cpt
- **Taconite Municipal Aid****
  $6,633,334
  16.7cpt
- **Taconite Railroad**
  $591,142
  1.5 cpt
- **Mining Effects****
  $1,794,389
  4.5 cpt
- **Special City/ Township Fund**
  $157,055
  0.4 cpt
- **Transferred from schools to cities and townships**
  $2,313,588
  5.8 cpt

School Districts
$21,426,698
54.1 cpt

- **Taconite School $0.0343 Fund****
  $1,610,748
  4.0 cpt***
- **Regular School $0.2472 Fund****
  $10,676,982
  27.0 cpt***
- **Taconite Railroad**
  $1,106,935
  2.8 cpt ***
- **Building Maintenance Fund**
  $1,535,158
  3.9 cpt
- **Taconite Referendum****
  $6,178,596
  15.6 cpt
- **School Bond Payments**
  $2,631,867
  6.6 cpt

Counties
$14,502,580
36.6 cpt

- **Regular County Fund****
  $9,095,093
  23.0 cpt
- **County Road and Bridge Fund****
  $4,623,110
  11.6 cpt
- **Taconite Railroad**
  $784,377
  2.0 cpt

Property Tax Relief and Misc.
$13,783,501
34.8 cpt

- **Taconite Property Tax Relief**
  $13,783,501
  34.8 cpt

IRRRB
$32,459,946
81.9 cpt

- **IRRRB Fund****
  $3,819,425
  9.6 cpt
- **IRRRB Fixed Fund**
  $1,252,520
  3.2 cpt
- **Iron Range Higher Education Acct.**
  $1,980,388
  5.0 cpt
- **Producer Grant & Loan Fund**
  $3,241,471
  8.2 cpt
- **IRRRB Educational Revenue Bonds**
  $4,147,804
  10.5 cpt
- **Taconite Env. Protection Fund**
  $12,938,216
  32.6 cpt
- **Douglas J. Johnson Economic Protection Trust Fund**
  $5,080,122
  12.8 cpt

Other
$12,843,534
32.4 cpt

- **Taconite Economic Development Fund**
  $12,621,936
  31.9 cpt
- **Range Association of Municipalities & Schools****
  $142,382
  0.3 cpt
- **Hockey Hall of Fame**
  $79,216
  0.2 cpt

* Includes $8,713,708 from the State General Fund (22.0 cpt).

** Payments to the funds are guaranteed at a percentage level of the base year (1983 or 1999) by M.S. 298.225 for local aids and M.S. 298.293 for property tax relief.

*** ($2,313,588) was subtracted from the Taconite School, Regular School and Tac RR funds and transferred to cities/townships within the districts because it was above levy limitations (5.8) cpt

cpt = cents per taxable ton

Overview

The *Minnesota Mining Tax Guide* is published to identify all Minnesota mining-related taxes paid by the mining industry. This book strives to simplify the complicated tax statutes using language that is easy to understand and non-technical narratives, tables, graphs and flowcharts.

Taconite Production Tax

The taconite production tax is the largest tax paid by the iron mining industry. It is a major source of revenue to the counties, municipalities and school districts within the taconite assistance area.

The production tax distributed in 2014 is the tax due for the 2013 production year. The taconite production tax rate for concentrates and pellets produced in 2013 was $2.560 per taxable ton. An additional tax of three cents per ton is imposed for each 1 percent that the iron content exceeds 72 percent. The taxable tonnage for 2013 is the average tonnage produced in 2011, 2012 and 2013. If this tax is imposed on other iron-bearing material, it is applied to the current-year production.

The inside front cover illustrates how the production tax is distributed. It shows both the cents per ton (cpt) distribution and the total amount distributed to various funds. The funds to which the production tax are distributed are explained on pages 7–11, *Distribution of Funds.*

State Taxes

Other major taxes paid by the mining industry are the occupation tax, similar to an income tax, pages 31 - 34, and sales and use tax, pages 37–38. These taxes are deposited in the State General Fund.

Aggregate Material Sales/Use Tax

An explanation of sales and use tax on aggregate material is found on page 39.

County Taxes

Other taconite and iron ore ad valorem (property) taxes are paid directly to the counties, pages 40–46. These are property taxes assessed on auxiliary mining lands, unmined taconite, unmined natural iron ore, taconite railroads and severed mineral interests.

Taxes on Other Minerals

Taxes on minerals other than taconite or iron ore, such as gold, silver, copper, nickel, lead and other nonferrous minerals are explained on page 47.

Figure 1

Iron Ore Production Comparison

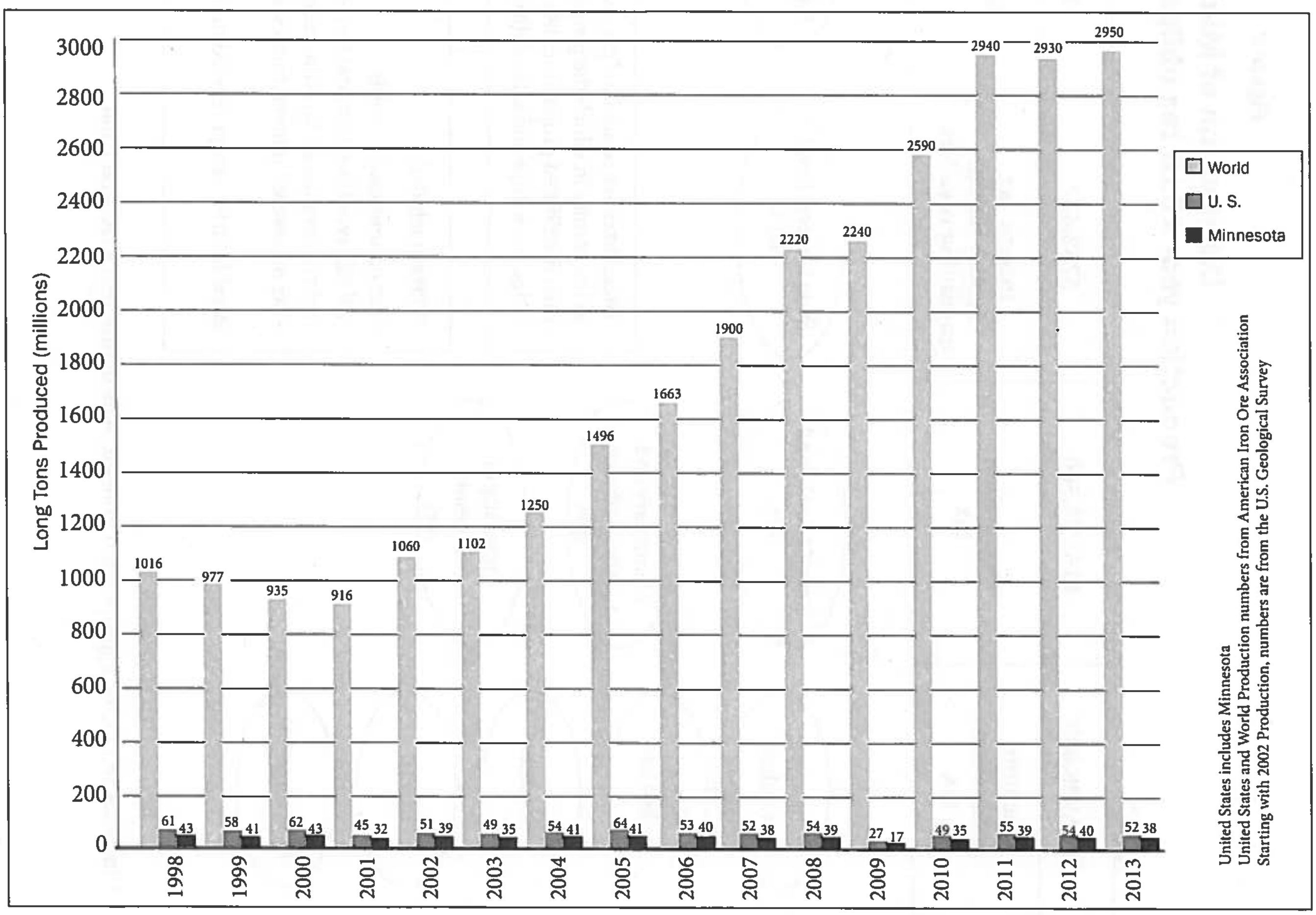
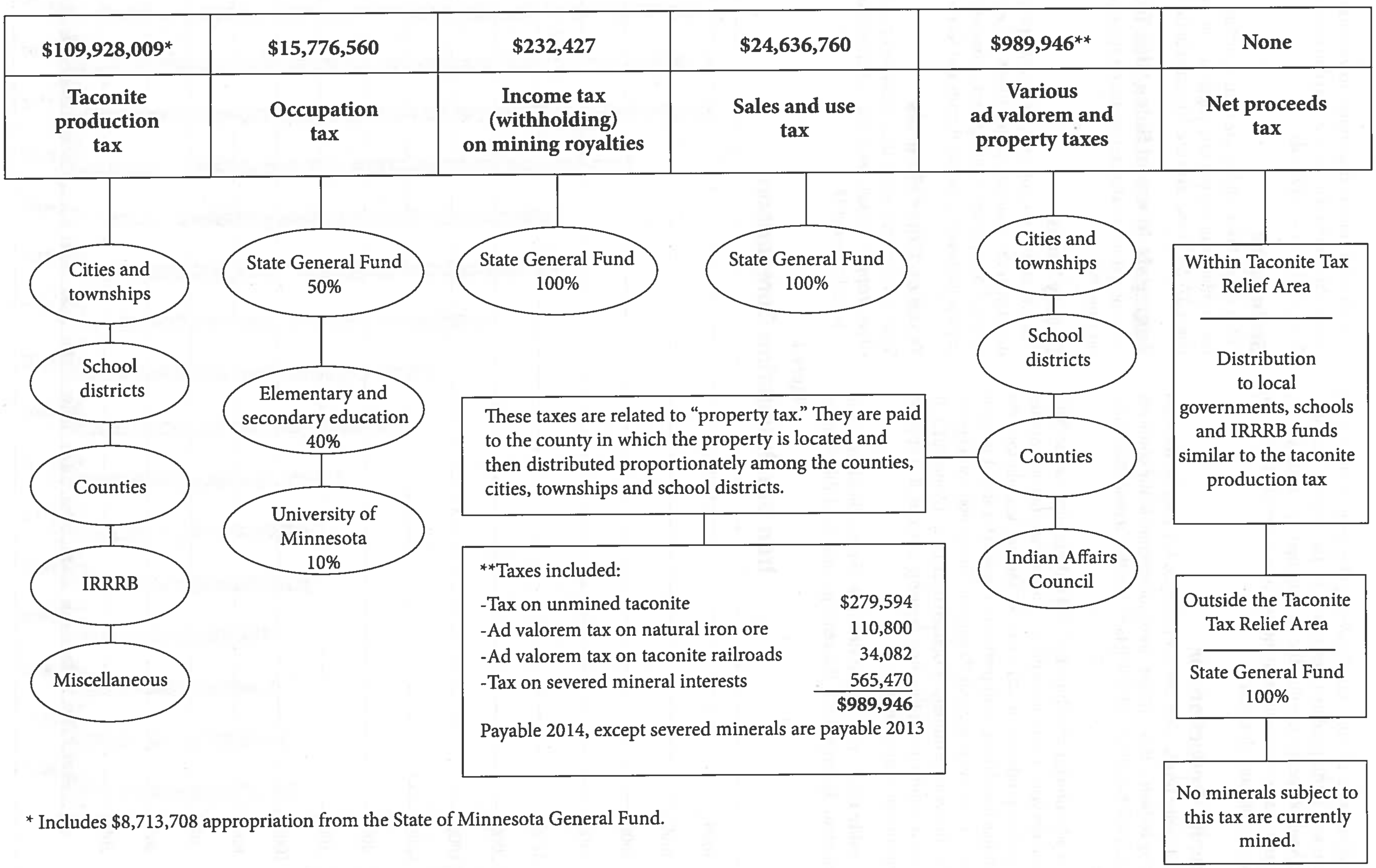


Figure 2

Distribution of Mining Taxes
Production year 2013 tax obligations - $151,563,702



* Includes $8,713,708 appropriation from the State of Minnesota General Fund.

Figure 3

Minnesota Taconite Production Summary (1950–2013)

	Butler[1]	Eveleth	Hibbing Taconite	Inland	Erie/LTV[2]	National	Reserve[3]	U.S. Steel–Minntac	Total
1950-59	–	–	–	–	8,698,109	–	19,505,772	3,844,384	32,048,265
1960-69	6,563,140	7,044,287	–	–	84,781,306	3,596,325	85,868,508	17,114,580	204,968,146
1970-79	24,252,403	27,977,804	14,112,865	4,396,278	96,017,018	30,997,498	92,258,522	108,033,775	398,046,163
1980-89	9,310,164	42,496,916	64,376,577	20,019,655	55,458,801	37,585,214	23,114,810	93,151,913	345,514,050
							Cyprus/ Northshore		
1990-94	–	19,349,520	39,391,327	11,627,818	36,182,510	19,149,095	12,605,743	64,514,640	202,820,653
							Northshore		
1995-02	–	36,278,954	59,316,864	20,677,968	42,417,328	40,691,180	30,353,690	103,671,262	333,407,246
		United Taconite				**U.S. Steel–Keewatin Taconite**			
2003	–	1,630,242	7,769,999	2,657,673	–	4,376,891	4,683,657	13,231,018	34,349,480
2004	–	4,030,871	8,101,948	2,693,971	–	5,343,915	4,912,594	14,327,728	39,411,027
2005	–	4,836,140	8,147,611	2,558,197	–	5,196,512	4,799,887	13,996,412	39,534,759
				Mittal Steel USA					
2006	–	4,207,096	8,125,923	2,707,562	–	5,234,336	4,970,526	13,702,701	38,948,144
				Arcelor-Mittal					
2007	–	5,278,708	7,265,682	2,495,201	–	5,220,394	4,975,108	12,750,828	37,985,921
2008	–	4,986,395	8,058,366	2,571,803	–	4,663,703	5,299,304	13,588,239	39,167,810
2009	–	3,777,486	1,693,512	1,364,783	–	74,680	3,081,289	7,087,356	17,079,106
2010	–	5,028,482	5,697,457	2,604,162	–	4,883,724	4,599,796	12,226,427	35,040,048
2011	–	5,095,221	7,604,595	2,625,659	–	4,969,039	5,591,721	13,047,915	38,934,150
2012	–	5,220,491	7,753,828	2,658,023	–	5,144,477	5,140,985	13,063,450	38,981,254
2013	–	5,081,692	7,312,252	2,645,243	–	4,956,740	3,776,603	13,448,911	37,221,441
Total	40,125,707	182,320,305	254,728,806	84,303,996	323,555,072	182,083,723	315,538,515	530,801,539	1,913,457,663

[1] Butler closed in 1986.
[2] Erie sold to LTV in 1987. LTV closed in 2001.
[3] Reserve closed in 1987.

Note:

- Numbers after 1986 do not include flux.
- Beginning in 1990, all weights are dry.
- Taconite production tax report tonnages are used.

Figure 4

Minnesota Taxes Levied on Taconite

Production years	Unmined taconite tax	Use tax (net)[1]	Production tax	Occupation tax[2]	Royalty tax[3]	School bonds	Railroad gross earnings tax[4]	Total taxes	Total tons produced[5]	Total taxes per ton
1956-60	–	–	$2,457,832	$1,046,907	$1,730,615	$6,410,394	$2,570,566	$14,216,314	42,259,000	$.34
1961-65	–	–	4,884,757	6,830,282	1,926,246	8,372,662	5,843,668	27,857,615	81,923,000	.34
1966-70	$64,000	–	12,558,526	10,726,680	3,519,487	7,518,661	7,982,248	42,369,602	145,015,000	.29
1971-75	64,000	$7,214,111	65,013,384	44,909,601	9,262,076	3,841,750	12,321,573	142,626,495	192,013,000	.74
1976-80	471,966	45,967,313	324,497,931	78,350,978	18,142,273	852,437	14,733,733	483,016,631	214,883,632	2.25
1981-85	1,573,792	36,976,524	376,270,806	63,263,212	20,447,300	2,740,712	10,904,721	512,177,067	166,940,177	3.07
1986-90	1,850,555	42,451,323	308,322,812	16,989,611	9,581,602	3,935,120	4,739,807	387,870,830	178,831,169	2.17
1991-95	2,013,388	61,954,403	411,847,680	10,728,133	–	4,868,599	919,839	492,332, 042	205,300,201	2.40
1996-00	2,102,157	42,631,033	467,090,494	11,497,627	–	1,977,079	592,377	525,890,767	219,266,001	2.40
2001	316,140	(1,652,702)	72,842,808*	56,153	–	–	71,861	71,634,260	31,628,494	2.26
2002	317,033	844,287	74,814,128*	1,340,700	–	–	24,636	77,340,784	37,511,567	2.06
2003	300,173	1,197,577	72,497,652*	1,441,500	–	–	20,483	75,457,385	34,349,480	2.20
2004	273,601	8,514,814	79,262,806*	5,659,500	–	–	17,208	93,727,929	39,411,027	2.38
2005	261,687	7,825,884	78,544,450	6,650,000	–	–	14,287	93,296,308	39,534,759	2.36
2006	532,102	8,744,868	84,451,384	7,736,000	–	–	13,135	101,477,489	38,948,144	2.61
2007	495,033	6,603,598	85,644,627	10,358,000	–	–	12,275	103,113,533	37,985,921	2.71
2008	466,991	9,554,673	89,630,648	23,388,181	–	–	8,977	123,049,470	39,167,810	3.14
2009	238,274	(2,835,766)	74,255,473	340,000	–	–	9,612	72,007,593	17,079,106	4.22
2010	239,518	17,101,895	72,441,708	12,617,000	–	–	10,137	102,410,258	35,122,570**	2.92
2011	228,517	24,673,718	73,287,396	22,055,000	–	–	10,725	120,255,356	39,120,810**	3.07
2012	297,390	2,579,876	94,204,746	21,817,000	–	–	13,632	118,912,644	39,680,723	3.00
2013	**279,594**	**24,636,760**	**101,214,301**	**15,776,560**	–	–	**34,082**	**141,941,297**	**38,481,228**	**3.69**

Taxes often levied (assessed) for one year and paid in the following year
1 Total use tax less total refunds paid after 1990, see *Figure 33*.
2 Amount paid (unaudited).Does not include adjustments.
3 Repealed effective after December 31, 1989.
4 Repealed effective after December 31, 1988. Beginning with payable 1990, taconite railroads were taxed on an ad valorem basis.
5 Tons are without flux additive beginning in 1987. Beginning in 1990, production tons are reported dry.
* Full amount of tax levied. Does not include bankruptcy adjustments.
** Includes tonnage produced by Mesabi Nugget but not taxed under production tax.

Taconite Production Tax

(M.S. 298.24, 298.27 and 298.28)

Definition

The taconite production tax is a severance tax paid on concentrates or pellets produced by the taconite companies. It is paid in lieu of ad valorem (property) taxes on taconite and lands containing taconite. Land and structures used in the production of taconite are also excluded from property tax, with some exceptions (see pages 40 and 41). Electric power plants principally devoted to the generation of power for taconite mining and concentrating are considered to be used in the production of taconite (or direct reduced ore) and are covered by the *in lieu exemption* for property taxes. If part of the power is used for other purposes, that proportion of the power plant is subject to the general property tax. The power plant must be owned by a company subject to production tax to qualify for the exemptions.

Tax Rate

The taconite production tax rate for any given year is determined by multiplying the prior year's rate by the percentage change in the Gross Domestic Product Implicit Price Deflator (GDPIPD) from the fourth quarter of the second preceding year to the fourth quarter of the preceding year. The U.S. Department of Commerce publishes the GDPIPD monthly in *Survey of Current Business*. This escalator takes effect each year unless the rate is frozen or changed by the Minnesota State Legislature. The tax rate for the 2013 production year was $2.560 per taxable ton. For concentrates produced in 2014, the rate escalated to $2.597 per taxable ton.

Taxable Tons

The taconite production tax is levied on taxable tons, which are the average tons produced during the current year and the previous two production years. This eliminates the peaks and valleys of tax payments by the taconite producers and distribution to the tax recipients. The result is a more stable tax base resembling a property tax. The tax for a producer of other iron bearing material is based on the current year production.

Distribution

Under Minnesota law, taconite production tax revenues are distributed to various cities, townships, counties and school districts within the Taconite Assistance Area. This is an area comprising the present taconite mining areas plus areas where natural ore was formerly mined.

Funds are also allocated to the Iron Range Resources & Rehabilitation Board (IRRRB), which administers the Taconite Environmental Protection Fund (TEPF), the Douglas J. Johnson Economic Protection Trust Fund (DJJ), the Taconite Economic Development Fund (TEDF) (sometimes referred to as the Mining Reinvestment Fund), the Taconite Assistance Program and other loan and grant programs for both the range cities and townships and the taconite industry. More information about the IRRRB can be found on pages 27–30.

Payment Dates and Method

For taxes payable in 2004 and thereafter, the payments are due 50 percent on February 24 and 50 percent on August 24. The Department of Revenue must notify each taconite producer of its tax obligation for the year before February 15.

Each producer must make payments to six counties and the IRRRB on or before the due date. Payments are made to Aitkin, Cook, Crow Wing, Itasca, Lake and St. Louis Counties, and to the IRRRB. The county auditors then make payments to cities, townships, school districts, and other recipients.

Taconite Economic Development Fund (M.S. 298.227)

The Taconite Economic Development Fund (TEDF) was first created for production year 1992 at a rate of 10.4 cents per taxable ton.

No distribution is made under the TEDF in any year in which total industry production falls below 30 million tons. Any portion of the TEDF fund not released within one year of deposit is divided, with two-thirds to the Taconite Environmental Protection Fund and one-third to the Douglas J. Johnson Economic Protection Trust Fund. The 2001 legislature made the TEDF permanent at 30.1 cpt for distributions in 2002 and thereafter. The first 15.4 cents (of the 30.1 cents) did not require a matching investment by the company. A matching expenditure of at least 50 percent is required to qualify for the additional 14.7 cents per ton (above 15.4 cents). Beginning with distributions in 2014, a matching investment of the entire 30.1 cents is required. The legislature reduced the distributions to 25.1 cents beginning with 2015 distributions.

In addition, if a producer uses money from the fund to procure haulage trucks, mobile equipment, or mining shovels, and the producer removes the piece of equipment from the taconite tax relief area defined in M.S. 273.134 within ten years from the date of receipt of the money from the fund, a portion of the money granted from the fund must be repaid to the TEDF. The portion of the money to be repaid is 100 percent of the grant if the equipment is removed from the taconite tax relief area within 12 months after receipt of the money from the fund, declining by ten percent for each of the subsequent nine years during which the equipment remains within the Taconite Tax Relief Area.

Each producer has two potential sources of TEDF money:

1. **Acid or fluxed pellets** — The production tax amount credited to each producer's share of the TEDF is 30.1 cpt.
2. **Pellet chips and fines** — An amount equal to 50 percent of the tax for pellet chips and fines sold not exceeding 5/16-inch, is allocated to each company's share of the TEDF. The total amount may not exceed $700,000 for all companies. If the total claimed exceeds $700,000, each company's share will be prorated. The determination of this allocation is

based on current production year **sales** of chips, fines and concentrate—not the three-year average of production. Sales of crushed pellets *do not* qualify for this credit. [M.S. 298.28, subd. 9a(b).]

Therefore, each company is eligible to receive 30.1 cents per taxable ton plus an additional amount based on current year tons of chips and fines sold. A list of TEDF-funded projects and yearly distributions is shown in *Figure 21*.

Fluxed Pellets

Fluxed pellets have limestone or other basic flux additives combined with the iron concentrates before pelletizing. Two companies, ArcelorMittal and USS, produce fluxed pellets, although all have experimented with them. United Taconite, Hibbing Taconite, Keewatin Taconite and Northshore are producing a partially fluxed pellet containing a low percentage of limestone additives.

M.S. 298.24, subd. 1 (f) allows the weight of flux added to be subtracted from the pellet weight for production tax purposes. All tables in the *Minnesota Mining Tax Guide* with production statistics use an equivalent or calculated weight for fluxed pellets. The taxable weight is the dry weight less the weight of the flux. The weight of the flux is determined by a metallurgical calculation based on the analyses of the finished pellet, the concentrate and the flux stone. Beginning in 1988 (1987 production year), a flux credit was allowed against production tax.

Occupation tax is based on iron units and uses the full weight including flux.

Pellet Weighing

Pellet tonnages are reported on a dry weight basis. This began with the 1990 production year.

Definition of Taconite Tax Relief Area

One common prerequisite exists for all taconite aids and grants; the recipient must be within the geographic confines of the Taconite Tax Relief Area or the Taconite Assistance Area. This is defined by state laws (M.S. 273.134 and M.S. 273.1341) as follows:

"Taconite Tax Relief Area" means the geographic area contained within the boundaries of a school district that meets the following qualifications:

(1) It is a school district in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property and whose boundaries are within 20 miles of a taconite mine or plant; or

(2) It is a school district in which, on Jan. 1, 1977, or the applicable assessment date, there is a taconite concentrating plant or where taconite is mined or quarried or where there is located an electric generating plant which qualifies as a taconite facility.

Definition of Taconite Assistance Area

A "Taconite Assistance Area" means the geographic area that falls within the boundaries of a school district that contains a municipality in which the assessed valuation of unmined iron ore on May 1, 1941, was not less than 40 percent of the assessed valuation of all real property, or contains a municipality in which there was a taconite facility or taconite power plant on January 1, 1977. Any area within the Taconite Tax Relief Area is also considered to be within the Taconite Assistance Area.

State Appropriation (M.S. 298.285)

The Department of Revenue determines a state aid amount equal to a tax of 22 cents per taxable ton of iron ore concentrates. It is distributed under M.S. 298.28 as if the aid were production tax revenues. The aid is appropriated from the state's General Fund.

2014 Legislation

For 2013 production, distributable in 2014 only, a special fund was established to receive 18.84 cents per ton from the balance of the Taconite Property Tax Relief Account. The funds were allocated to 18 various public work and economic development projects.

For 2014 production and forward:

(1) The Iron Range school consolidation and cooperatively operated school account was created and will be administered by the IRRRB. It will receive distributions from the following:

- For production years 2014 through 2022, the fund will receive ten cents per ton from taconite production tax. This will be reduced to five cents per ton beginning with the 2023 production year.
- For production years 2014, 2015 and 2016, the fund will receive two-thirds of the amount generated by the increase in the tax rate due to the change in the GDPIPD. This amount is cumulative over the three years.
- Six cents per ton will be annually allocated to the fund from the occupation tax by May 15.

(2) For production years 2014, 2015 and 2016, the Douglas J. Johnson Economic Protection Trust Fund will receive the remaining one-third of the amount generated by the increase in the tax rate due to the change in the GDPIPD. This amount is cumulative over the three years.

(3) The escalation factor used for the township fund, 6.5 cent IRRRB fund, Taconite Property Tax Relief Account, and the Douglas J. Johnson Economic Protection Trust fund was frozen for the 2014, 2015 and 2016 production years.

(4) The distribution to the county fund was reduced by five cents per ton to 10.525 cents per ton.

(5) The M.S. 298.225 guarantee distribution to the county fund was reduced by five cents per ton.

(6) The distribution to the Taconite Economic Development Fund was reduced by five cents per ton to 25.1 cents per ton.

For 2016 production and forward, beginning the production year after a taconite school bond receives its last taconite payment, an amount equal to what the bond received from the 2012 (pay 2013) production year distributions will be added to the Iron Range school consolidation and cooperatively operated school account fund with the amount being deducted from the same sources as the original bond. (The 2016 production year is the first year this would apply.)

For 2023 production and forward:

(1) The distribution to the Iron Range school consolidation and cooperatively operated school account will be reduced from 10 cents per ton to five cents per ton.

(2) The five cents per ton distribution to the County road and bridge fund will be increased to 10 cents per ton.

2014 Distribution of Funds (M.S. 298.28)

Subd. 2 - Cities and Towns Where Mining & Production is located

(a) The Taconite Cities and Towns Fund allocates 4.5 cents per ton to cities and towns where taconite mining and concentrating occur. Fifty percent goes to cities and townships in which mining activity occurs. The remaining 50 percent goes to cities and townships in which concentrating taconite occurs. *Note: This is done on a company-by-company basis.*

If both mining and concentrating take place in a single taxing district, the entire 4.5 cents is allocated there. If mining occurs in more than one city or town, the revenue (2.25 cpt) is divided based on either a percentage of taconite reserves or a four-year production average. Most taconite mines have mining in two or more areas.

If concentrating is split between two or more cities or towns, the revenue (2.25 cpt) is divided by the percentage of hours worked in each. The primary crusher is considered the first stage of concentration. The only current examples are Northshore (Babbitt, Beaver Bay Township and Silver Bay), former LTV (Hoyt Lakes and Schroeder Township-LTV power plant), and United Taconite (Eveleth, Fayal Township, and McDavitt Township). Beaver Bay Township qualifies due to the location of the tailing basin that is part of the concentrating process. Distribution detail is shown in *Figure 10.*

(b) Mining Effects — Four cents per taxable ton is allocated to cities and organized townships affected by mining because their boundaries are within three miles of a taconite mine pit that was actively mined in at least one of the prior three years. If a city or town is located near more than one mine meeting the criteria, it is eligible to receive aid calculated from only the mine producing the largest taxable tonnage. When more than one municipality qualifies for aid based on one company's production, the aid must be apportioned among the municipalities in proportion to their populations. The money must be used for infrastructure improvement projects.

(c) If there are excess distributions from the 3.43 cent, 24.72 cent, and taconite railroad school funds after covering the levy reduction in M.S. 126C.48, subd. 8, then the excess money must be distributed to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the net tax capacity of the school district for property taxes payable in the year prior to distribution.

Subd. 3 - Taconite Municipal Aid Account

(a) The Taconite Municipal Aid is funded at 12.5 cents per taxable ton. The Kinney-White allocation (par. b and c) and the 0.3 cent Range Association of Municipalities and Schools (RAMS) allocation in subd. 8 are subtracted from it. The payment is made on September 15. Each city or township first receives the amount it was entitled to receive in 1975 from the occupation tax. The amount is then reduced according to the percentage aid guarantee provisions in M.S. 298.225. For example, if production levels mandate a 90 percent aid guarantee, then the occupation tax grandfather amount is also reduced to 90 percent. The remainder of the aid is distributed according to a complex formula using levies, valuation, population and fiscal need factors.

The first step in this formula is to determine the fiscal need factor (FNF). The FNF is a three-year average of the sum of the local government aid (LGA), local levy and production tax revenues received by the community. Next, the local effort tax capacity rate equals the fiscal need factor per capita (FNFPC) divided by 17. If the FNFPC is greater than 350, the local effort tax capacity rate (LETCR) is 350 divided by 17 plus the excess over 350 divided by 15. The minimum allowable LETCR is 8.16. The final step in this formula is to compute the distribution index (DI). The DI for a community equals its FNF minus LETCR times the adjusted net tax capacity divided by 100.

If FNFPC $\leq$ 350, LETCR = $\frac{\text{FNFPC}}{17}$

If FNFPC > 350, LETCR* = $\frac{350}{17} + \frac{(\text{FNFPC} - 350)}{15}$

DI = (FNF minus LETCR*) x $\frac{\text{Adjusted Net Tax capacity}}{100}$

* Minimum allowable LETCR = 8.16

A DI is determined for all eligible communities. A percentage is determined by comparing the DI of a particular community to the total of distribution indexes for all eligible communities. This percentage is then multiplied by the amount of available municipal aid to determine an amount for each community. Prior to this calculation, the occupation tax grandfather amounts and special aid for the city of Kinney and township of White are subtracted from the total available to the Taconite Municipal Aid Fund.

The conditions necessary for a municipality to qualify for this aid are identical to the qualifications for the 66 percent taconite property tax relief listed under subd. 6 (see page 9). The state laws governing Taconite Municipal Aid are M.S. 273.134, 298.28, subd. 1, Clause 2, and 298.282. Distribution detail is shown in *Figure 10.*

(b) and (c) - Additional money is allocated to cities and townships if more than 75 percent of the city's assessed valuation consisted of iron ore as of Jan. 2, 1980, or if more than 75 percent of the township's assessed valuation consisted of iron ore on Jan. 2, 1982. The distribution is calculated using certified levies, net tax capacities and population. Currently, only White Township and the city of Kinney qualify.

(d) The Township Fund was funded at 3 cents per ton for townships located entirely within the Taconite Tax Relief Area for 2009 distributions. For distributions in 2010 and subsequent years, the 3 cents is escalated in the same proportion as the Implicit Price Deflator as provided in M.S. 298.24, subd. 1. The money is distributed to the townships on a per capita basis with a maximum of $50,000 per township. If a township would receive more than $50,000, the portion that exceeds $50,000 is redistributed among the townships under $50,000.

Subd. 4 - School Districts

(a) A total of 32.15 cents per taxable ton is allocated under (b) and (c), plus the amount in paragraph (d).

(b) (i) Taconite School Fund (3.43 cents)

A total of 3.43 cents per taxable ton for each taconite company is allocated to school districts in which mining and concentrating occurs. If the mining and concentrating take place in separate districts, 50 percent is allocated to the location of mining and 50 percent to concentrating. In addition, if the mining occurs in more than one school district, the 50 percent portion is further split based on either a four-year average of production or a percentage of taconite reserves. If the concentrating function of a company takes place in more than one school district, the 50 percent portion is further split according to hours worked in each district. The primary crusher, tailings basin and power plant owned by a taconite company are considered part of concentrating. When these are in different school districts from the plant, the hours-worked split is used. Distribution detail is shown in *Figure 11.*

(b) (ii) School Building Maintenance Fund (4 cents)

Four cents per taxable ton is allocated to specified school districts, based on proximity to a taconite facility, to be used for building maintenance and repairs. The money allocated from each taconite facility shall be apportioned between its recipient school districts based on pupil units.

a. Keewatin Taconite proceeds are allocated to the Coleraine and Nashwauk-Keewatin districts.

b. Hibbing Taconite proceeds are allocated to the Chisholm and Hibbing districts.

c. ArcelorMittal and Minntac proceeds are allocated to the Mountain Iron-Buhl, Virginia, Mesabi East and Eveleth-Gilbert districts.

d. Northshore Mining proceeds are allocated to the St. Louis County and Lake Superior districts.

e. United Taconite proceeds are allocated to the St. Louis County and Eveleth-Gilbert districts.

This additional money is not subject to the 95 percent levy limitations in M.S. 126C.48, subd. 8.

(c) Regular School Fund (24.72 cents)

A total of 24.72 cents per taxable ton is split among the 15 school districts in the Taconite Tax Relief Area. Each school district receives the amount it was entitled to receive in 1975 from the taconite occupation tax (under M.S. 298.32). This amount may be increased or reduced by the percentage aid guarantee provisions of M.S. 298.225. The remaining amount in the fund is distributed using an index based on pupil units and tax capacities. Generally, districts with larger tax capacities per pupil unit tend to receive a proportionately smaller amount of this fund. Eleven cents per ton of this distribution is not subject to the 95% levy limitation in M.S. 126C.48, subd. 8. Distribution detail is shown in *Figure 11.*

The index is calculated as follows: The pupil units for the prior school year are multiplied by the ratio of the average net tax capacity per pupil unit of all taconite districts to the adjusted net tax capacity per pupil unit of the district. Each district receives the portion of the distribution that its index bears to the sum of the indexes for all taconite school districts.

(d) Taconite Referendum Fund (21.3 cents)

The Taconite Referendum Fund (TRF) receives an allocation of 21.3 cents per taxable ton. Taconite school districts receive money from the fund on July 15 based on two calculations: (1) an additional $175 per pupil unit over and above state aids by passing a special levy referendum equal to 1.8 percent of net tax capacity. The pupil units used in the computation are the greater of the previous year or the 1983-84 school year units. The fund pays the difference between the local levy and $175 per pupil unit. (2) A second calculation equal to 22.5 percent of the amount obtained by subtracting 1.8 percent of the district's net tax capacity from the district's 2012 weighted average daily membership times the sum of (A) $415, plus (B) the district's fiscal year 2013 referedum allowance. If any money remains in the fund, it is distributed to the Taconite Environmental Protection Fund (two-thirds) and the Douglas J. Johnson Economic Protection Trust Fund (one-third). *Note: A district receiving money from the TRF* *must reserve the lesser of $25 or the amount received per pupil unit (of the $175 authorized) for early childhood programs or outcome-based learning programs.* Distribution detail is in *Figure 11.*

(e) Each school district is entitled to receive the amount it received in 1975 under M.S. 298.32 (Occupation Tax Grandfather).

Subd. 5 - Counties

(a) The allocation of 26.05 cents per taxable ton to taconite counties (subject to adjustment by M.S. 298.225) is to be distributed under subd. 5(b) through (d). The amounts listed in (b) and (d) are the statutory amounts prior to any adjustment by M.S. 298.225. Distribution detail is shown in *Figure 13.*

(b) **Taconite Counties with Mining or Concentrating**
An amount of 15.525 cents per taxable ton is distributed to the county in which the taconite is mined or quarried or in which the concentrate is produced (split in the same manner as taconite cities and towns), less any amount distributed in subd. 5(c). Distribution detail is shown in *Figure 13.*

(c) **Counties - Electric Power Plant**
If an electric power plant owned by and providing the primary source of power for a taconite plant is located in a county other than the county in which the mining and concentrating processes are conducted, one cent per ton (for that company) is distributed to the county in which the power plant is located. *This one cent is not escalated but is subject to M.S. 298.225 adjustment with variable guarantee.*

Cook County continues to receive aid based on Minnesota Power's power plant, located in Taconite Harbor, due to the guarantee provided by M.S. 298.225. (Minnesota Power has owned and operated the power plant since purchasing it during LTV's bankruptcy in 2001.) For the 2013 production year, this amounted to $93,251. The one cent per ton distribution for the 1983 base year was figured on 9,793,639 tons. The current year M.S. 298.225 guarantee percentage is always applied.

$0.01 x 9,793,639 x 95.215530% = $93,251

There is also a transfer of $21,450 ({1983 base of $22,528} x 95.215530%) to the county fund covered in subd. 6(b). Therefore, Cook County receives a total of $114,701 due to the power plant.

(d) **Taconite County Road and Bridge**
Each county receives a portion of the aid that is deposited in the County Road and Bridge Fund in the same manner as taconite cities and towns. The basic allocation is 10.525 cents per taxable ton subject to adjustment as in M.S. 298.225. Distribution detail is shown in *Figure 13.*

Subd. 6 - Taconite Property Tax Relief

(a) **Taconite Property Tax Relief**
The amount sent to this fund was rebased by the 2013 legislature at 34.8 cents per taxable ton for the 2013 production year. The fund will resume indexing by using the Gross Domestic Product Implicit Price Deflator beginning with the 2017 production year. The qualifications and distribution of Taconite Property Tax Relief are described in the following paragraphs.

The *Taconite Homestead Credit* reduces the tax paid by owners of certain properties located on the Mesabi and Vermillion ranges located within the Taconite Tax Relief Area. The properties receiving this credit are owner-occupied homes and owner-occupied farms.

If an owner-occupied home or farm is located in a city or town that contained at least 40 percent of its valuation as iron ore on May 1, 1941, or which had a taconite mine, processing plant, or electric generating facility on January 1, 1977, or currently has a taconite mine, processing plant, or electric generating facility, the taconite credit is 66 percent of the tax, up to a maximum credit of $315.10 for taxes payable in 2014.

If the property is not located in such a city or town, but is located in a school district containing such a city or town, the taconite credit is 57 percent of the tax, up to a maximum credit of $289.80.

The total amount of taconite property tax relief paid in each county and school district is listed in *Figure 7.* An example of the calculation is shown in *Figure 8.*

State laws governing taconite property tax relief are contained in M.S. 273.134 to M.S. 273.136 and M.S. 298.28, subd. 6. This is guaranteed by the Douglas J. Johnson Economic Protection Trust Fund as stated in M.S. 298.293.

b) **Electric Power Plant Aid from Property Tax Relief**
For any electric power plant located in another county, as described in 5(c), 0.1875 cent per taxable ton (cpt) from the Taconite Property Tax Relief account is paid to the county. The distribution is subject to the M.S. 298.225 variable guarantee. For the 2013 production year, $21,450 was distributed, with the entire amount coming from the M.S. 298.225 guarantee (calculation details on page 9 under (c) counties).

(c) **Electric Power Plant Aid from Property Tax Relief**
This subdivision allocates 0.4541 cent per LTV's taxable tonnage to the Cook County school district due to LTV's power plant in Cook County. The distribution is subject to the M.S. 298.225 guarantee at 31.2 percent or the variable rate, whichever is less. For the 2013 production year, $21,087 was distributed. This is calculated by multiplying the 1983 base of $67,586 x .312 = $21,087.

Subd. 7 — Iron Range Resources & Rehabilitation Board (IRRRB)

An amount of 6.5 cents per taxable ton escalated by the Gross National Product Implicit Price Deflator is allocated to the IRRRB (subject to M.S. 298.225 guarantee). The funds are used by the IRRRB for general operating expenses and community development grants.

Subd. 8 — Range Association of Municipalities & Schools (RAMS)

An amount equal to 0.3 cent per taxable ton (subject to M.S. 298.225 guarantee) is paid to the RAMS to provide an area-wide approach to problems that demand coordinated and cooperative actions. All cities, towns and schools in the taconite and iron ore mining area are included. This amount is subtracted from the Taconite Municipal Aid distribution in subd. 3.

Subd. 9 — Douglas J. Johnson Economic Protection Trust Fund (DJJ)

In addition to the amount provided in the remainder after all other distributions are completed, 3.35 cents per taxable ton is allocated to the DJJ for production year 1998 and thereafter.

Subd. 9a — Taconite Economic Development Fund

This subdivision is explained in detail on pages 5 and 29.

Subd. 9b — Producer Grants

Five cents per taxable ton must be paid to the Taconite Environmental Protection Fund (TEPF) for use under M.S. 298.2961, subd. 4.

Subd. 9c — City of Eveleth

The City of Eveleth shall receive 0.20 cents per taxable ton for support of the Hockey Hall of Fame provided that an equal amount of donations have been received. Any amount of the 0.20 cents per ton that exceeds the donations shall be distributed to the IRRRB.

Subd. 9d — Iron Range Higher Education Account

Five cents per taxable ton must be allocated to the IRRRB to be deposited in the Iron Range Higher Education account to be used for higher education programs conducted at educational institutions in the Taconite Assistance Area defined in M.S. 273.1341. The Iron Range Higher Education committee under M.S. 298.2214 and the IRRRB must approve all expenditures from the account.

Subd. 10 — Indexing

Beginning with distribution in 2000 (1999 production year), the amounts determined under subd. 6, paragraph (a), subd. 7 and subd. 9 are increased in the same proportion as the increase in the implicit price deflator as provided in M.S. 298.24, subd. 1.

Subd. 11— Remainder

(a) After calculating the initial distributions to the various funds and grandfathered amounts including (b) & (c) below, the remainder is distributed two-thirds to the TEPF and one-third to the DJJ. Any interest earned on money on deposit by the counties is sent to the IRRRB to be split into the two funds using the same two-thirds/one-third apportionment.

(b) **Taconite Railroad**
Until 1978, the taconite railroad gross earnings tax was distributed to local units of government based on a formula of 50 percent to school districts, 22 percent city or town, 22 percent county, and six percent state. The respective shares were further split based on miles of track in each government unit. Beginning in 1978, the distributions were frozen at the 1977 level and funded from production tax revenues. The total amount distributed in 2013 is $2,482,454. Taconite railroad aids are not subject to the percentage reduction mandated for other aids by M.S. 298.225 and so remain constant from year to year. Beginning with the 2002 production year, the taconite railroad distribution to schools was reduced to 62 percent of the 1977 amount.

(c) **Occupation Tax Grandfather Amount to IRRRB**
In 1978 and each year thereafter, the amount distributed to the IRRRB was the same as it received in 1977 from the distribution of the taconite and iron ore occupation taxes: $1,252,520.

Additional Payments

In Minnesota Laws 2013, Chapter 143, Article 11, Section 11, the legislature authorized the Commissioner of IRRRB to issue $38,000,000 in revenue bonds to make grants to school districts within the Taconite Assistance Area. The grants are to be used for various building projects with the exception of ISD 2142 which must use the grant for debt service reduction for a bond passed in 2009. The revenue bonds are paid from taconite production tax revenues prior to the calculation of the remainder under M.S. 298.28, subd. 11, with a maximum of 10 cents per ton. Any amount above 10 cents per ton will be paid by the DJJ fund.

Although the following payments are not included in M.S. 298.28 or its subdivisions, they are subtracted after dividing the remainder described in subd. 11.

These payments are listed in detail on page 21 and consist of school bond payments to school districts within the Taconite Tax Relief Area and Taconite Assistance Area. Most are funded 80 percent taconite and 20 percent local efforts.

In Minnesota Laws 2005, Chapter 152, Article 1, Section 39 the legislature authorized the Commissioner of IRRRB to issue $15,000,000 in revenue bonds to make grants to school districts in the Taconite Tax Relief Area or Taconite Assistance Area. The bonds are to be used by the school districts to pay for health, safety and maintenance improvements. The bonds are funded in equal shares from the TEPF and the DJJ. Minor amendments were made by the 2006 legislature.

Aid Guarantee (M.S. 298.225)

The recipients of the taconite production tax, provided in M.S. 298.28, subds. 2 to 5, subd. 6, paragraphs (b) and (c) and subds. 7 and 8, are guaranteed to receive distributions equal to the amount distributed to them with respect to the 1983 production year, provided that production is not less than 42 million taxable tons. If the production is less, the amount distributed from the fund is reduced proportionately by two percent per each 1,000,000 tons by which the taxable tons are less than 42 million tons. For example, if the taxable tonnage (three-year average) is 39.8 million then the proportionate reduction is 4.4 percent. This is calculated by multiplying two percent times 2.2 million tons.

This aid guarantee is funded equally from the initial current year distributions to the TEPF and the DJJ. If the initial distributions are insufficient to fund the difference, the Commissioner of the IRRRB makes the payments of any remaining difference from the capital of the TEPF and the DJJ in equal proportions.

The Commissioner of the Minnesota Department of Revenue determines the amounts. The aid payments covered by this variable guarantee are listed as follows:

1. 4.5 cents—Taconite Cities and Towns Fund
2. 12.2 cents—Taconite Municipal Aid Account
3. 21.3 cents— Taconite Referendum Fund
4. 6.5 cents—escalated to IRRRB
5. 0.3 cent—RAMS
6. 0.1875 cent—Electric Power Plant Aid is transferred from Taconite Property Tax Relief Account to Cook County
7. 4 cents - Mining Effects Fund (uses 1999 production year as base year)

The following funds are guaranteed at 75 percent or the variable guarantee, whichever is less:

1. 15.525 cents—Taconite County Fund
2. 10.525 cents—Taconite County Road and Bridge Fund

The following funds are guaranteed at 31.2 percent or the variable guarantee, whichever is less:

1. 24.72 cents—Regular School Fund
2. 3.43 cents—Taconite School Fund
3. 0.4541 cent—Electric Power Plant Aid is transferred from Taconite Property Tax Relief Account to School District 166, Cook County

The Taconite Property Tax Relief Account is not covered by M.S. 298.225, but is separately guaranteed by the DJJ, as stated in M.S. 298.293.

Taconite Production Tax Distribution Calculation (M.S. 298.28)

The taconite mining companies make the production tax payments directly to six counties (Cook, Lake, St. Louis, Itasca, Crow Wing and Aitkin) and the IRRRB. Each county auditor is responsible for making the taconite aid payments to the various jurisdictions within the county. St. Louis County was designated as fiscal agent for the taconite property tax relief account and issues taconite property tax relief checks to the other counties. The State of Minnesota also makes a payment of 22 cents per taxable ton (payable 2014). This money was added to the amount available for distribution.

The Minnesota Department of Revenue makes all computations regarding the amount paid by the companies, state and the aid payments due to cities, schools, townships, counties and IRRRB. Interest earnings on undistributed funds are remitted by the counties to the IRRRB.

The proceeds of the 2013 taconite production tax (payable 2014) were distributed as follows:

M.S. 298.28	Payment Recipients	Cents per Taxable Ton
Subd. 2a	Taconite cities and towns	4.5
Subd. 2b	Taconite cities and towns (mining effects)	4.0
Subd. 3	Taconite municipal aid account	12.2
Subd. 3(d)	Township Fund	3.0*
Subd. 4	School districts	
	(b)(i) Taconite schools (mining and/or concentrating in the district)	3.43
	(b)(ii) School Building Maintenance Fund	4.0
	(c) Regular School Fund (distributed by formula)	24.72
	(d)Taconite Referendum Fund	(formula amount–see page 9)
Subd. 5	Counties	
	(b and c) Taconite counties (includes electric power plant)	15.525
	(d) Taconite county Road and Bridge	10.525
	Counties total	**26.05**
Subd. 6	Taconite property tax relief (includes .6416 cents for Cook County and Cook County Schools)	34.8*
Subd. 7	IRRRB	6.5*
Subd. 8	Range Association of Municipalities and Schools	0.3
Subd. 9	Douglas J. Johnson Economic Protection Trust Fund	3.35*
Subd. 9a	Taconite Economic Development Fund	30.1
Subd. 9b	Taconite Environmental Fund for use in Producer Grants	5.0**
Subd. 9c	City of Eveleth (Hockey Hall of Fame)	0.2
Subd. 9d	Iron Range Higher Education Account	5.0
Subd. 10	Indexing provisions	-
Subd. 11	Distribution of remainder	-

* These funds are escalated using the Gross Domestic Product Implicit Price Deflator. After escalation, the cents per ton for Township fund was 3.25 cents, Taconite Property Tax Relief was 34.8 cents, IRRRB was 8.75 cents, and the Douglas J. Johnson Economic Protection Trust Fund was 4.44 cents.

** Plus amount of revenue due to tax increase generated in pay 2005.

The full amount distributed, including escalation and M.S. 298.225 guarantees, is listed in Figure 9.

Taconite Environmental Protection Fund (TEPF) and Douglas J. Johnson Economic Protection Trust Fund (DJJ) (M.S. 298.223 and 298.291)

The TEPF and the DJJ (formerly known as Northeast Minnesota Economic Protection Trust Fund) were established by the 1977 Legislature. These two funds receive the remainder of the production tax revenues after all distributions are made according to M.S. 298.28. The remainder is split with one-third to the DJJ and two-thirds going to the TEPF.

The TEPF was created for the purpose of reclaiming, restoring and enhancing those areas of Minnesota that are adversely affected by environmentally damaging operations involved in mining and producing taconite and iron ore concentrate. The scope of activities includes local economic development projects. The IRRRB Commissioner administers the fund, and the board and the governor approve projects.

The DJJ is somewhat different in that only interest and dividends earned by the fund may be spent before January 1, 2028. Expenditures from the principal may be made with approval from the IRRRB for economic development projects.

Figure 5

DJJ and TEPF Fund Balances

Period Ending	DJJ Balance	TEPF Balance
June 30, 2005	$83,433,221	$15,691,497
June 30, 2006	80,394,959	9,234,489
June 30, 2007	84,478,169	9,659,460
June 30, 2008	88,971,850	8,332,921
June 30, 2009	91,327,362	10,849,252
June 30, 2010	95,098,257	17,047,396
June 30, 2011	83,749,720	16,816,569
June 30, 2012	85,974,981	14,686,541
June 30, 2013	89,788,626	10,802,916
June 30, 2014	**$66,697,130**	**$11,195,092**

DJJ Major Withdrawals

Feb. 2006	$6.49 million	Loan to Mesabi Nugget (LTV Lands)
May 2009	$6.04 million	Mesabi Nugget Loan repayment/transfer (M.S. 298.2931 and 298.223, subd. 1[6])
Oct. 2010	$8.7 million	Redemption of Giants Ridge Revenue Bonds
June 2011	$4 million	Loan to PolyMet Mining
June 2012	$250,000	Big Trout Lakes—Chisholm property
June 2013	($2 million)	GR Bond Redemption repayment
Nov. 2013	$5.04 million	Loan to Chisholm/Hibbing Airport
April 2014	$20 million	Loan to Segetis

Taconite Property Tax Relief

The taconite homestead credits described on page 9 are administered by the county auditors. Distribution is determined by the formula described on page 15. The amounts do not equal the total production tax allocated for property tax relief shown in the tables as collections or payments. The difference is carried in the Taconite Property Tax Relief Fund balance with St. Louis County as fiscal agent. If the fund balance and production tax collections are not sufficient to make the payments, the deficit is made up from the Douglas J. Johnson Economic Protection Trust Fund. The last time this occurred was in 1989.

Figure 6

Taconite Property Tax Relief Fund Balance

Year Payable	Payments into Account[1]	Interest & Other	Payments Out (by formula)	Balance December 31
2005	$13,567,734[2]	$398,393	$11,254,494	$27,145,288
2006	14,449,177[2]	941,169	11,400,696	31,134,938
2007	14,753,800	1,336,342	22,435,332[3]	24,789,748
2008	16,347,135[2]	1,545,680	19,931,625[4]	22,750,938
2009	9,770,711[2]	520,872	11,506,130	21,536,391
2010	12,468,249	431,000	19,902,000[5]	14,534,000
2011	11,846,794	160,000	11,845,000	14,696,000
2012	12,801,910	27,200	11,546,000	15,979,000
2013	16,493,071	33,341	26,239,269[6]	6,265,724
2014	13,783,501			

1 Listed under year payable; for example, 2014 payments result from 2013 production.
2 Includes bankruptcy settlements of $49,173 from United Taconite in 2005; $729,423 from LTV in 2006; $1,312,081 from EVTAC in 2008; and $36,324 from EVTAC in 2009.
3 Includes $10,887,059 in public works and local economic development projects.
4 Includes $4,323,954 in public works and local economic development projects.
5 Includes $9,032,845 in public works and local economic development projects.
6 Includes $14,826,100 in public works and local economic development projects.

Figure 7

2013 Taconite Property Tax Relief Fund Distribution

Total by School District

	Mobile home	Real property
166 - Cook County	$1,278	$528,489
316 - Coleraine	2,418	839,325
319 - Nashwauk-Keewatin	819	402,097
381 - Lake Superior	675	1,409,315
695 - Chisholm	147	582,431
696 - Ely	346	561,973
701 - Hibbing	6,699	1,767,785
706 - Virginia	453	1,031,215
712 - Mt. Iron-Buhl	2,786	461,447
2142 - St. Louis County	1,443	1,965,295
2154 - Eveleth-Gilbert	707	935,218
2711 - Mesabi East	541	905,494
Total Payable 2013	**$18,312**	**$11,390,084**

Total by County

	Mobile home	Real property	Total
(69) St. Louis	$13,464	$8,471,826	$8,485,290
(31) Itasca	3,237	1,241,422	1,244,659
(38) Lake	330	1,143,642	1,143,972
(16) Cook	1,278	528,489	529,767
(36) Koochiching	3	4,705	4,708
Total Payable 2013	**$18,312**	**$11,390,084**	**$11,408,396**

Mobile homes are taxed differently from other real estate in that they are assessed and taxed in the same year.

The supplemental property tax relief paid from the State General Fund revenue to the Deer River (Itasca Co.), Floodwood (St. Louis Co.), Aitkin, Crosby-Ironton and Grand Rapids school districts is not included in any of the production tax tables.

Iron Range Resources & Rehabilitation Board

Introduction

Iron Range Resources & Rehabilitation Board (IRRRB) is a unique Minnesota state agency whose mission is to promote and invest in business, community and workforce development for the betterment of northeastern Minnesota – a 13,000 square mile service area defined by Minnesota Statute 273.1341.

Established in 1941, the IRRRB through business development seeks to create new jobs and economic development by supporting existing businesses' expansions and attracting new businesses. Agency community development programs are designed to prepare cities and townships for change and growth by investing in infrastructure and public works. To develop a well-trained workforce that meets the needs of existing and emerging industries, IRRRB partners with schools, colleges and industries in creating and implementing innovative educational programs.

IRRRB programs and operations are funded by a portion of the Taconite Production Tax, paid by mining companies in lieu of local property taxes on each ton of iron ore pellets produced.

Governance

A commissioner, appointed by the governor, oversees agency operations and programs. The commissioner is advised by a board comprised of the state senators and representatives elected from state senatorial or legislative districts in which one-third or more of the residents reside within the IRRRB service area. One additional state senator is appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration.

Economic Development

While much of the agency's business support is for other industries and companies to diversify the regional economy, financial assistance provided by IRRRB also has helped leverage the development and construction of new large-scale mining projects. IRRRB support in creating new value-added products such as iron nuggets and iron unit reclamation, has created hundreds of construction and permanent jobs across the region.

Magnetation, Inc. plans to complete construction of a fourth iron ore concentrate plant on the Iron Range in the first quarter of 2015. Magnetation, which in 2009 began production at its first plant near Keewatin, is an iron unit reclamation company that uses a proprietary process to extract weakly magnetic particles from previously mined natural ore deposited years ago in tailings basins. The company's second plant near Bovey began production June 1, 2012. Magnetation and Steel Dynamics, Inc. are partners in a third plant, Mining Resources, LLC, near Chisholm. Mining Resources, LLC. provides feed to Mesabi Nugget's iron nugget plant near Aurora and Hoyt Lakes. In addition, Magnetation on November 9, 2011, began shipping 650,000 wet metric tons of concentrate per year to a steelmaker in Mexico

Essar Steel Minnesota is constructing a $1.8 billion state-of-the-art open pit mine and pellet plant. The first phase of the project, which will produce 4.1 million tons of iron ore pellets annually, is targeted to begin production in late 2015. Iron ore pellet production is forecast to expand to 7 million tons per year by mid-2016. At peak, more than 800 contractor employees will be employed to construct the project. Essar Steel Minnesota plans to recruit 300 permanent employees to operate the facility upon completion.

Beyond iron ore pellets, iron ore concentrate and steel production, IRRRB supports the development of a non-ferrous mining industry in northeastern Minnesota. The Duluth Complex, with an estimated 4 billion tons of crude, non-ferrous ore, is perhaps the largest deposit of base and platinum group metals in the United States.

PolyMet Mining Corporation's NorthMet project near Hoyt Lakes and the Twin Metals Minnesota project near Babbitt and Ely, hold the potential to create hundreds of construction and permanent jobs and generate millions in new revenue to local units of government, the state and federal government. Additional non-ferrous projects are under exploration or in various stages of development in northeastern Minnesota. Copper, nickel and platinum group metals can be mined, processed and used in applications to help manufacture electronic components, electric-powered cars, catalytic converters, hospital equipment, jet engine fuel nozzles, piping, and in power transmission.

IRRRB also operates a Mineland Reclamation program, headquartered in Chisholm. The Mineland Reclamation program partners with communities and mining companies in undertaking safety, environmental and economic development projects on abandoned minelands.

Taconite Mining

IRRRB supports a healthy Minnesota mining industry. Since the Taconite Economic Development Fund (TEDF) was approved by the Minnesota Legislature in 1993, more than $186.3 million in Taconite Production Tax payments has been rebated to taconite producers for reinvestment in local facilities.

In addition to the TEDF, IRRRB has provided an additional $46.4 million since 1993 through its Taconite Assistance Program, Producer Grant Program and other assistance. Included is a $10 million appropriation from the Douglas J. Johnson Economic Protection Trust Fund, which in 1996 provided grants to taconite producers for environmentally unique reclamation projects and facility improvements.

From 1993-2014, IRRRB has reinvested approximately $232.7 million in the Minnesota iron ore industry through its programs.

Figure 20

FY 2015 Iron Range Resources & Rehabilitation Board Budget[1]

(as approved by the IRRRB on June 23, 2014)

Sources of Funds	All Funds	Board[2]	TEPF[3]	DJJ[4]	Supplemental Tax[5]	Iron Range School Collaboration[6]
Unobligated Operating Reserve In	$6,085,554	$810,653	$1,295,200	$3,979,701	-	-
Taconite Production Taxes	$21,251,632	$5,071,945	$16,179,687			-
Investment Earnings	550,116	143,820	144,785	261,511	-	-
Loan Revenues	2,772,094	418,028		2,354,067		-
Facilities Revenues	4,231,768	4,034,977	-	196,791		-
Occupation Tax Region III	594,116	-	-		594,116	-
Taconite Homestead Credit Transfer	2,574,505	-	2,574,505	-	-	-
Iron Range School Collaboration	7,213,634					7,213,634
Total Current Resources	**$39,187,865**	**$9,668,770**	**$18,898,977**	**$2,812,369**	**$594,116**	**$7,213,634**
Total Resources Available	**$45,273,419**	**$10,479,423**	**$20,194,177**	**$6,792,070**	**$594,116**	**$7,213,634**

Budgeted Uses of Funds	All Funds	Board	TEPF	DJJ	Supplemental Tax	Iron Range School Collaboration
Projects						
Development Projects	$9,050,000	-	$3,550,000	$5,500,000	-	-
Public Works	5,574,505	-	5,574,505	-	-	-
Programs						
Program Grants	4,595,000	250,000	4,345,000	-	-	-
Occupation Tax Region III	594,116	-	-	-	594,116	-
Iron Range School Collaboration	7,213,634	-	-	-	-	7,213,634
Facilities						
Giants Ridge Golf & Ski Resort	7,862,536	7,662,536	200,000	-	-	-
Operations & Development	6,099,179	2,526,272	2,558,565	1,014,342	-	-
Total Budgeted Uses of Funds	**$40,988,970**	**$10,438,808**	**$16,228,070**	**$6,514,342**	**$594,116**	**$7,213,634**
Unobligated Operating Reserve Out	**$4,284,449**	**$40,615**	**$3,966,107**	**$277,728**	**$0**	**$0**

1 FY 2015 is the period July 1, 2014 through June 30, 2015.
2 "Board" is an amount appropriated to the IRRRB from the Production Tax, pages 10 and 11, subd. 7 and subd. 11(c).
3 "TEPF" is the Taconite Area Environmental Protection Fund, page 13.
4 "DJJ" is the Douglas J. Johnson Economic Protection Fund, page 13.
5 "Supplemental Tax" is an amount appropriated from the Occupation Tax for Koochiching and Carlton Counties, page 33.
6 "Iron Range School Collaboration" is appropriated from the annual Production Tax and Occupation Tax, page X.

Figure 21

Taconite Economic Development Fund (TEDF) Distribution to Minnesota's Iron Ore Producers*

(as approved by the IRRRB on December 18, 2014)

	Total Project Investment	Individual Project Estimates	TEDF Distribution
ArcelorMittal Minorca Mine	$1,880,000		$818,240
Cobber Magnetic Separator Improvements		$780,000	
Process Gas Scrubber Stack Replacement		$1,100,000	
Hibbing Taconite	$5,000,000		$2,274,624
Guarding of Potential Hazards		$500,000	
Filtercake Reclaim Upgrade		$2,400,000	
Rebuild Plant Infrastructure		$500,000	
Albany Pumps and Pipeline Replacement		$1,600,000	
Magnetation, LLC	$4,011,500		$709,404
Plant 4, 17'x32' Gear Driven Ball Mill (Primary Mill)		$4,011,500	
Mesabi Nugget, LLC	$139,000		$54,060
Lime and Soda Ash Make-Up System		$139,000	
Mining Resources, LLC	$13,000,000		$88,460
Development of the Sherman Fine Tailings Basins		$13,000,000	
Northshore	$4,706,535		$1,600,862
Fine Crusher Assemblies		$2,469,000	
Direct Reduction (DR) Grade Pellets		$2,237,535	
United Taconite, LLC	$3,800,000		$1,595,023
Furnace Line 2 Cooler, Fairlane Plant		$3,800,000	
U. S. Steel–Keewatin Taconite	$3,900,000		$1,512,049
Fine Screening Upgrade		$2,400,000	
Tails Basin Reclamation and Dust Control		$550,000	
Carlz Pit Water Supply		$400,000	
Tailings Pipe Replacement		$400,000	
Potable Water Storage Tank		$150,000	
U. S. Steel–Minntac	$16,700,000		$3,969,214
Sulfate Compliance #6 Sump		$8,000,000	
Concentrator Finisher Upgrades		$5,000,000	
Agglomerator Step II Concentrate Reclaim Upgrade		$1,900,000	
Fine Screening Upgrade Line 16		$1,800,000	
Total	**$53,137,035**	**$53, 137,035**	**$12,621,936**

* Each company is eligible for a maximum grant that is equal to 30.1 cents per ton (cpt) based on each company's 2013 taxable taconite production tonnage as determined by the Minnesota Department of Revenue. Each company must match, at minimum, 100% of the grant amount. For example, to receive an $818,240 TEDF grant, ArcelorMittal-Minorca must provide at least $818,240 to complete a project costing at least $1,636,480.

Rate History (cpt=cents per ton)

10.4 cpt in 1993
15.4 cpt in 1994–1996
20.4 cpt in 1997
15.4 cpt in 1998–2001
30.1 cpt in 2002 - 2007
20.1 cpt in 2008
30.1 cpt in 2009
Only chips and fines in 2010
15.4 cpt in 2011
30.1 cpt in 2012–2014

Figure 22

Taconite Industry Investments 1993–2014

Total Investments – $232,694,955

	Taconite Assistance Program	TEDF[1]	Producer Grant Program	Other Assistance	Total
ArcelorMittal Minorca Mine (former Ispat Mining Company)	$2,000,000	$13,410,421	$1,328,226		$16,738,647
Hibbing Taconite Company	$2,000,000	$35,026,397	$4,026,531	$1,000,000	$42,052,928
LTV Steel Mining Company (Permanently closed in January 2001)	$2,000,000	$11,361,981	$2,675,966		$16,037,947
Magnetation, Inc.		$16,500			$16,500
Magnetation LLC		$1,314,213			$1,314,213
Mesabi Nugget		$94,399			$94,399
Mining Resources		$88,460			$88,460
Northshore Mining Company	$2,000,000	$21,341,367	$2,033,805		$25,375,172
United Taconite (former EVTAC Mining)	$2,000,000	$22,660,841	$2,263,294	$1,500,000	$28,424,135
U.S. Steel - Keewatin Taconite (former National Steel Pellet Company)	$2,000,000	$21,455,110	$2,327,192	$6,173,375	$31,955,677
U.S. Steel - Minntac	$2,000,000	$59,535,705	$6,811,172	$2,250,000	$70,596,877

1 TEDF is the Taconite Economic Development Fund.