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Department of Iron Range Resources & Rehabilitation

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<https://www.mn.gov/irrrb>

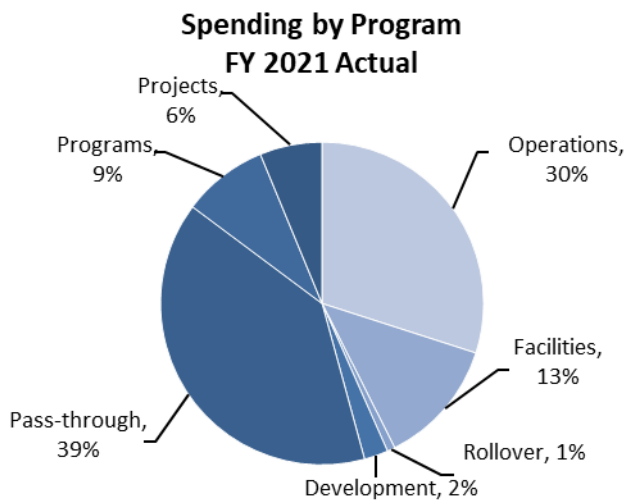
AT A GLANCE

- Established in 1941, the Department of Iron Range Resources & Rehabilitation was created to diversify the economy within a region largely dependent on the removal of minerals (iron ore and taconite) and other natural resources.
- The agency’s service area is defined by Minnesota Statute 273.1341 and encompasses 13,000 square miles in northeastern Minnesota: 53 cities, 134 townships, portions of four tribal nations and 14 school districts. The service area population is 155,081.
- The agency is primarily funded by a portion of local taconite production tax paid by mining companies on each ton of iron ore pellets or concentrates produced. The tax is paid in lieu of property taxes by mining companies located within the agency’s service area.
- The Department of Iron Range Resources & Rehabilitation operates on an annual budget established by the commissioner and approved by an eight-member board and the Governor.

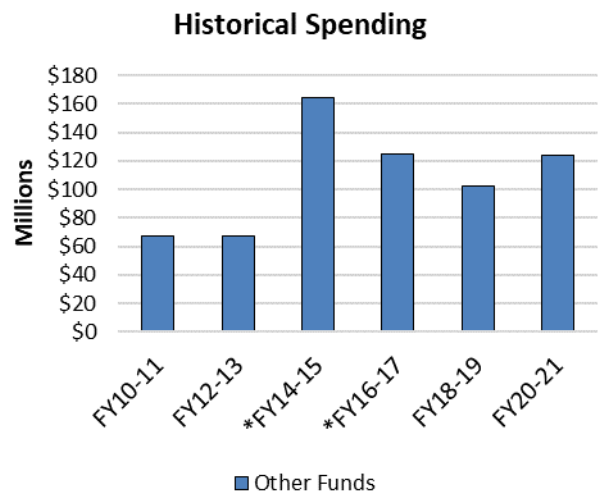
PURPOSE

The Department of Iron Range Resources & Rehabilitation is an economic development agency that reinvests local taconite production taxes back into northeastern Minnesota businesses and communities in order to strengthen and diversify the economy. Loans are provided to businesses relocating or expanding in the region. Grants are available to local and tribal units of government, educational institutions and nonprofits. Grants support projects related to business development, infrastructure and broadband, downtown revitalization, worker training and certification, and tourism and recreation.

BUDGET



Source: Budget Planning & Analysis System (BPAS)



*Include DJJ Corpus, Event Center Construction & School Bond Payments

Source: Consolidated Fund Statement

AGENCY GOALS AND STRATEGIES

The agency's strategic plan aligns its collaborative efforts around long-term economic growth that increases the well-being of all people in northeastern Minnesota. The agency's mission helps focus funding priorities around leveraging capital, improving quality of life and retaining and creating good paying jobs. We align our strategies with four long-term goals related to community development, asset reinvestment, business development and workforce development.

Communities invest in their foundational, business and social assets to ensure quality of life for all residents.

- Infrastructure funding is available to improve, replace and modernize foundational assets such as sewer, water and broadband.
- Redevelopment programs provide funds to improve business assets including interior and exterior renovation, energy efficiency and retrofits.
- Community development grants fund the construction, maintenance and improvement of social assets such as parks, recreation, trails, and arts and culture organizations.
- Opportunities to expand or create new child care facilities and programs are actively pursued.
- Agency broadband investments leverage other resources to increase the number of residents served by the state's 2026 broadband speed goals.
- The agency participates in enterprise sustainability to manage energy, conserve water and reduce waste.
- Access and equity inform outreach efforts and staff and leaders work directly with tribal nation representatives from Bois Forte, Grand Portage, Leech Lake and Fond du Lac helping connect their development priorities with grant and loan resources.

Agency investments in Giants Ridge increase its economic impact and contribute to the quality of life in the region.

- Improve assets that contribute to economic impact.
- Track economic impact over time using independent analysis.
- Maintain Giants Ridge's state and national golf course rankings.

Businesses invest in northeastern Minnesota.

- Respond to business needs with creative and flexible financial solutions.
- Recruit new businesses through lead generation, tradeshow and outreach to targeted industries.
- Track family sustaining wages of businesses served by agency loans.
- Promote energy efficiency for small businesses through the Business Energy Retrofit grant program.

Workers have the education and training to meet business needs.

- Invest in workforce development programs that meet businesses' training and education needs.
 - Support skills development that increase workers' ability to earn to a family-sustaining income.
- Invest in higher education programs through Iron Range Higher Education.
- Multi-district collaborative efforts increase availability and access to high quality education for the region's students through a Bricks and Mortar Program and an Innovative Academic Program.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous 19/20</i>	<i>Current 21/22</i>	<i>Dates</i>
Quantity	# of businesses/grantees served by Iron Range Resources & Rehabilitation programs	274	303	Previous FY19/20 and Current FY21/22
Quantity	Iron Range Resources & Rehabilitation investment	\$34.5 M	\$38.6 M	Previous FY19/20 and Current FY21/22
Results	Total project cost for regional projects that include IRRR Investment	\$326 M	\$310 M	Previous FY19/20 and Current FY21/22

M.S. 298.22 provides the legal authority for the Department of Iron Range Resources & Rehabilitation.

Iron Range Resources and Rehabilitation

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
2370 - Iron Range Resources & Rehab	38,806	52,191	44,382	50,322	47,614	47,640	47,614	47,640
2380 - Douglas J Johnson Econ Protect	8,284	24,685	17,292	10,209	10,128	10,128	10,128	10,128
4600 - Giants Ridge Golf & Ski Resort	10,520	11,195	12,020	13,063	11,837	10,950	11,837	10,950
Total	57,610	88,072	73,693	73,594	69,579	68,718	69,579	68,718
Biennial Change				1,605		(8,990)		(8,990)
Biennial % Change				1		(6)		(6)
Governor's Change from Base								0
Governor's % Change from Base								0

Expenditures by Program

Operations	11,004	26,382	19,060	13,655	13,079	13,079	13,079	13,079
Facilities	10,520	11,114	9,950	11,763	11,737	10,850	11,737	10,850
Development	2,237	2,109	1,979	2,650	2,650	2,650	2,650	2,650
Agency Roll Over	13	699	2,704	3,484	100	100	100	100
Pass-through Funding	21,091	34,743	24,189	24,280	24,276	24,286	24,276	24,286
Programs	6,251	7,529	9,311	10,962	10,937	10,953	10,937	10,953
Projects	6,494	5,494	6,500	6,800	6,800	6,800	6,800	6,800
Total	57,610	88,072	73,693	73,594	69,579	68,718	69,579	68,718

Expenditures by Category

Compensation	4,623	4,673	4,827	5,526	5,526	5,526	5,526	5,526
Operating Expenses	14,104	12,342	13,087	15,365	13,644	12,757	13,644	12,757
Grants, Aids and Subsidies	34,352	66,243	51,436	47,740	46,981	47,007	46,981	47,007
Capital Outlay-Real Property	497	684	296	383	383	383	383	383
Other Financial Transaction	4,034	4,130	4,046	4,580	3,045	3,045	3,045	3,045
Total	57,610	88,072	73,693	73,594	69,579	68,718	69,579	68,718

Total Agency Expenditures	57,610	88,072	73,693	73,594	69,579	68,718	69,579	68,718
Internal Billing Expenditures	0	0	0	0	0	0	0	0
Expenditures Less Internal Billing	57,610	88,072	73,693	73,594	69,579	68,718	69,579	68,718

Iron Range Resources and Rehabilitation

Agency Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Full-Time Equivalents</u>	42.03	42.04	42.21	45.45	45.45	45.45	45.45	45.45

Iron Range Resources and Rehabilitation

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
1000 - General								
Open Appropriation	2,848	2,659	2,650	2,510	2,591	2,459	2,591	2,459
Transfers In	3,721	3,795	3,688	3,599	3,654	3,666	3,654	3,666
Transfers Out	6,569	6,454	6,338	6,109	6,245	6,125	6,245	6,125

2370 - Iron Range Resources & Rehab

Balance Forward In	56,988	63,501	57,443	78,515	49,131	44,454	49,131	44,454
Receipts	44,723	44,952	44,297	44,311	44,311	44,311	44,311	44,311
Transfers In	20,513	23,611	48,945	24,486	21,289	21,157	21,289	21,157
Transfers Out	28,757	25,619	27,849	26,508	23,230	22,754	23,230	22,754
Net Loan Activity	463	803	61	(21,351)	567	567	567	567
Balance Forward Out	55,125	55,058	78,515	49,131	44,454	40,095	44,454	40,095
Expenditures	38,806	52,191	44,382	50,322	47,614	47,640	47,614	47,640
Biennial Change in Expenditures				3,707		550		550
Biennial % Change in Expenditures				4		1		1
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	33.62	33.95	34.04	35.10	35.10	35.10	35.10	35.10

2380 - Douglas J Johnson Econ Protect

Balance Forward In	41,555	60,417	58,603	55,069	41,395	35,648	41,395	35,648
Receipts	5,838	5,377	4,991	4,527	4,527	4,527	4,527	4,527
Transfers In	10,568	16,088	7,497	14,146	4,841	4,853	4,841	4,853
Transfers Out	8,347	13,419	5,069	11,960	1,687	1,687	1,687	1,687
Net Loan Activity	(20)	(2,351)	6,339	(10,178)	(3,300)	(3,300)	(3,300)	(3,300)
Balance Forward Out	41,310	41,426	55,069	41,395	35,648	29,913	35,648	29,913
Expenditures	8,284	24,685	17,292	10,209	10,128	10,128	10,128	10,128
Biennial Change in Expenditures				(5,468)		(7,245)		(7,245)
Biennial % Change in Expenditures				(17)		(26)		(26)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	6.01	6.01	6.01	8.35	8.35	8.35	8.35	8.35

4600 - Giants Ridge Golf & Ski Resort

Iron Range Resources and Rehabilitation

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Balance Forward In	2,222	2,789	3,345	4,199	3,550	3,214	3,550	3,214
Receipts	4,734	5,949	7,358	6,525	6,525	7,001	6,525	7,001
Transfers In	5,766	5,763	7,581	7,089	4,976	4,500	4,976	4,500
Transfers Out			2,066	1,200				
Balance Forward Out	2,202	3,307	4,198	3,550	3,214	3,765	3,214	3,765
Expenditures	10,520	11,195	12,020	13,063	11,837	10,950	11,837	10,950
Biennial Change in Expenditures				3,367		(2,296)		(2,296)
Biennial % Change in Expenditures				16		(9)		(9)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.40	2.08	2.16	2.00	2.00	2.00	2.00	2.00

Iron Range Resources and Rehabilitation

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Open				
Fund: 1000 - General				
FY2023 Appropriations	2,680	2,680	2,680	5,360
Base Adjustments				
Forecast Open Appropriation Adjustment		209	208	417
November Forecast Adjustment	(170)	(298)	(429)	(727)
Forecast Base	2,510	2,591	2,459	5,050
Total Governor's Recommendations	2,510	2,591	2,459	5,050
Dedicated				
Fund: 2370 - Iron Range Resources & Rehab				
Planned Spending	50,322	47,614	47,640	95,254
Forecast Base	50,322	47,614	47,640	95,254
Total Governor's Recommendations	50,322	47,614	47,640	95,254
Fund: 2380 - Douglas J Johnson Econ Protect				
Planned Spending	10,209	10,128	10,128	20,256
Forecast Base	10,209	10,128	10,128	20,256
Total Governor's Recommendations	10,209	10,128	10,128	20,256
Fund: 4600 - Giants Ridge Golf & Ski Resort				
Planned Spending	13,063	11,837	10,950	22,787
Forecast Base	13,063	11,837	10,950	22,787
Total Governor's Recommendations	13,063	11,837	10,950	22,787
Revenue Change Summary				
Dedicated				
Fund: 2370 - Iron Range Resources & Rehab				
Forecast Revenues	44,311	44,311	44,311	88,622
Total Governor's Recommendations	44,311	44,311	44,311	88,622
Fund: 2380 - Douglas J Johnson Econ Protect				
Forecast Revenues	4,527	4,527	4,527	9,054
Total Governor's Recommendations	4,527	4,527	4,527	9,054
Fund: 4600 - Giants Ridge Golf & Ski Resort				
Forecast Revenues	6,525	6,525	7,001	13,526
Total Governor's Recommendations	6,525	6,525	7,001	13,526

Department of Iron Range Resources & Rehabilitation

FY 2024-25 Biennial Budget Change Item

Change Item Title: Taconite Tax Distribution

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends maintaining the allocation of five cents per taxable ton of the taconite production tax imposed that would expire after 2023. This will preserve the funding stream for regional multi-district collaborative initiatives that result in increased availability and access to high quality education and training for students, teachers and communities. Funds will be retained by changing the expiration date on the statutory funding formula. The change enables the agency to meet its future obligations with bond payments for projects that resulted in district collaborations or consolidations.

Rationale/Background:

In 2014 the Minnesota Legislature enacted Minn. Stat. Sec. 298.28, subd. 7a, the Iron Range school consolidation and cooperatively operated school account (“School Account”). The School Account was established to provide the agency with funds to help school districts located within the Taconite Assistance Area with bond payments for projects or programs that resulted in district collaborations or consolidations. To date the agency has approved 13 School Account expenditures, including five projects that require ongoing agency payments for school bonds, totaling \$197,992,745. At present total School Account revenues are projected to cover all School Account projects with a fund balance of \$5,330,238 in state fiscal year 2041.

However, in 2024 a portion of taconite production tax dollars equal to five cents of the tax per ton of taconite production that are now dedicated to funding the School Account will expire; if not remedied, the School Account’s balance will be insufficient to meet its obligations. The proposal would maintain the allocation of five cents per taxable ton of the taconite production tax imposed that would expire after 2023.

Proposal:

Changes to Minnesota Statutes section 298.28, subdivision 7a will be required.

Equity and Inclusion:

Diverse populations served in school districts include black, indigenous and people of color (BIPOC), veterans and disabled individuals.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Statutory Change(s):

Minnesota Statutes section 298.28, subdivision 7a.

Department of Iron Range Resources & Rehabilitation

FY 2024-25 Biennial Budget Change Item

Change Item Title: Giants Ridge Capital Account

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends legislation to allow the Iron Range Resources & Rehabilitation Board to invest and grow a Giants Ridge Capital account within the Minnesota State Board of Investment (SBI). Funds will be used to grow a long-term capital and equipment replacement account. Future revenue from the account will be used for capital and equipment needs at Giants Ridge.

Rationale/Background:

Funds will be used to grow a capital account in order to fund planned capital and equipment replacement. Giants Ridge maintains and replaces the following:

- 308 pieces of equipment
- 10 large buildings and several small buildings
- Ski hill with 35 runs
- 5 chairlifts and 1 surface lift
- Snowmaking system
- 2 golf courses
- 2 boat landings
- 50 + Miles of Nordic trails and mountain bike trails

Proposal:

This is a new initiative, and this request is not for additional operating funds. The Capital Account will fund purchases necessary to maintain two professional quality golf courses, ski hill, parking lots and miles of ski and mountain bike trails. Giants Ridge has been averaging a capital need of \$1,970,000 over the past 3 fiscal years. The estimated average need for fiscal years FY23 – FY28 is \$2,000,000. In time the fund would create additional revenue that can be used to offset capital needs and put an end to the postponement of capital projects.

Impact on Children and Families:

Affordable access to recreation provides a healthy start for children; Giants Ridge provides elementary school children programs to expose them to outdoor recreation such as skiing, golf, biking, hiking. Programs are provided for physically disabled skiers. The facility also is host to the Minnesota State High School State Alpine and Nordic events.

Giants Ridge provides a \$55 million annual economic impact to the local economy in the region. It creates 300 jobs within the tourism industry. The facility is host to 132 High Schools from across Minnesota and 3,496 student athletes annually, hosts 17 high school events and provided access to 90 adaptive ski visits. The access and exposure to outdoor recreation provided will help to promote and provide heathy lifestyles to develop life-long healthy activities for the next generation of Minnesotans.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

Yes

No

Statutory Change(s):

Changes will be required to Minnesota Statutes section 298.221.