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GOVERNOR WENDELL R. ANDERSON

SPECIAL MESSAGE

THE ENVIRONMENT AND ENERGY:
THE MEASURE OF OUR COMMITMENT

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STATE OF MINNESOTA

To the 69th Session of
the Legislature of Minnesota

February 18, 1975

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"This we know. The earth does not belong to man; man belongs to the earth. This we know. All things are connected like the blood which unites one family. All things are connected.

Whatever befalls the earth befalls the sons of the earth. Man did not weave the web of life; he is merely a strand in it. Whatever he does to the web, he does to himself.

Even the white man, whose God walks and talks with him as friend to friend, cannot be exempt from the common destiny. We may be brothers after all; we shall see. One thing we know, which the white man may one day discover, our God is the same God. You may think now that you own Him as you wish to own our land; but you cannot. He is the God of man, and his compassion is equal for the red man and for the white man. This earth is precious to Him and to harm the earth is to heap contempt on its Creator. The whites too shall pass; perhaps sooner than all other tribes. Continue to contaminate your bed, and you will one night suffocate in your own waste.

When the last red man has vanished from this earth, and his memory is only the shadow of a cloud moving across the prairie, these shores and forests will still hold the spirits of my people, for they love this earth as the newborn loves its mother's heartbeat. So if we sell you our land, love it as we have loved it, care for it as we have cared for it, hold in your mind the memory of the land as it is when you take it, and with all your strength, with all your mind, with all your heart, preserve it for your children, and love it . . . as God loves us all."

-- Chief Seattle of the
Suquamish Indians, speaking
to officials of the Oregon
Territory, December 1854

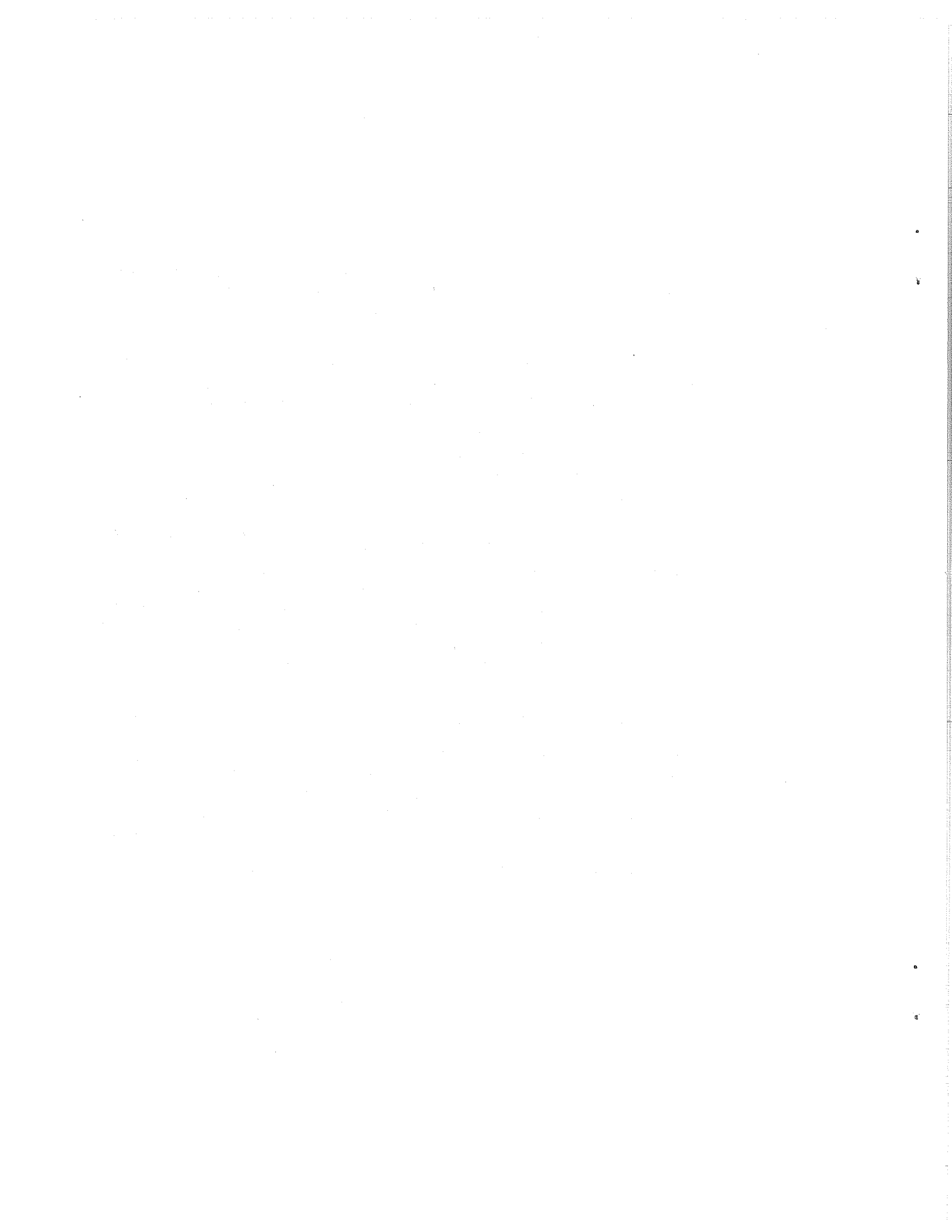
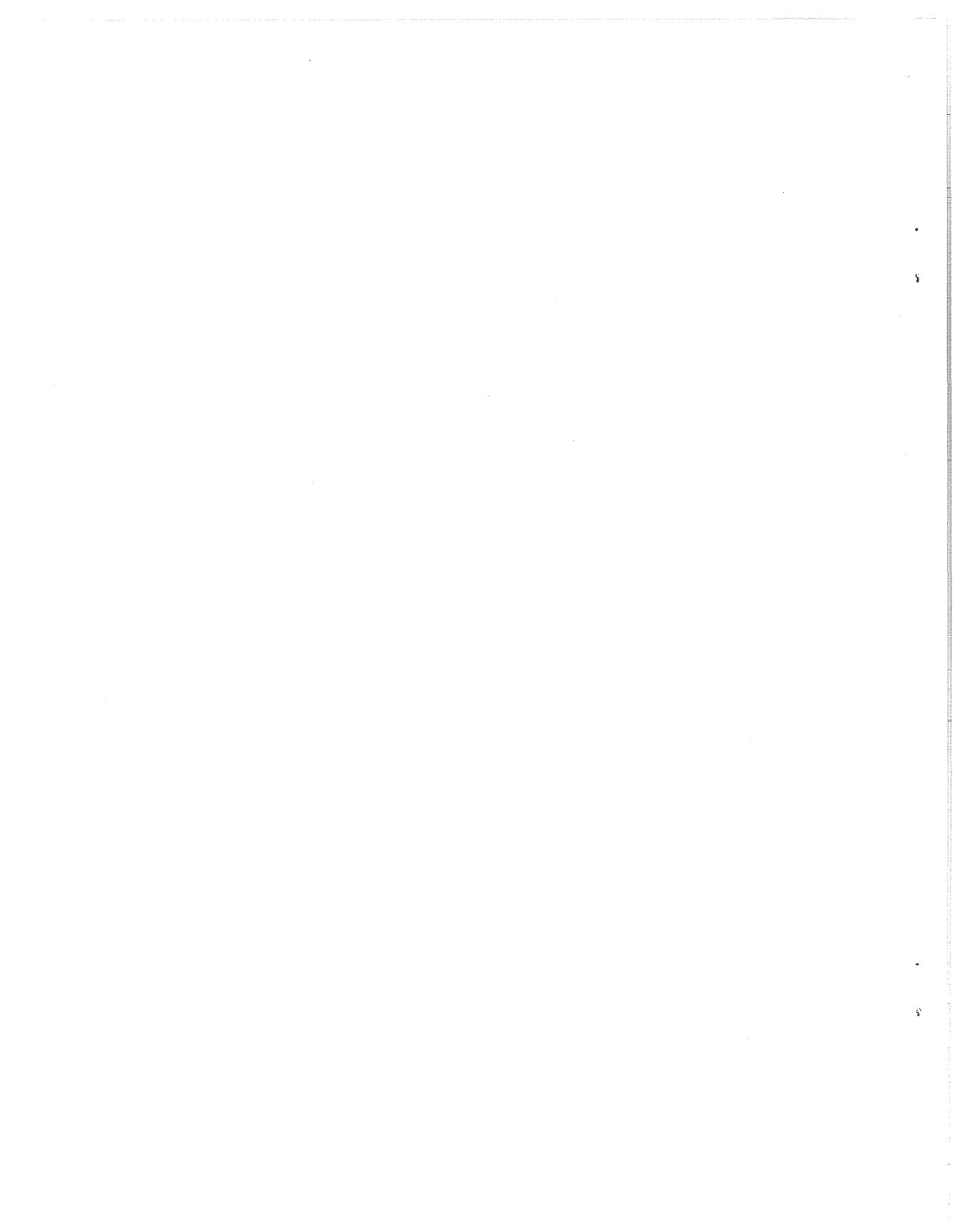


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INTRODUCTION

"This earth is precious to Him and to harm the earth is to heap contempt on its Creator . . . Continue to contaminate your own bed; and you will one night suffocate in your own waste."

- Chief Seattle.

Mr. Speaker, Mr. President, Members of the 69th Session of the Minnesota Legislature, and fellow citizens of Minnesota:

This is my third special message on the environment, and it contains fewer major legislative proposals than either of the two that preceded it. That is largely because the 1971 and 1973 legislative sessions brought Minnesota the toughest, most comprehensive set of environmental laws in the country.

The Critical Areas Act, passed in 1973, is one of only five laws in the nation that allows a governor to declare valuable areas off limits to damaging development.

No more than eight states have Minnesota's strong state authority to control the siting of electrical generating plants and high voltage transmission lines.

Under the Wild and Scenic Rivers Act, we can control development along sixteen Minnesota rivers to preserve and protect their natural and historic value. Only five other states have taken similar action.

No other state in the country has an environmental impact statement system as tough or as comprehensive as ours.

Four years ago, we passed unique legislation that has removed and recycled 175,000 junk automobiles from across the state.

Minnesota's effort to control solid waste through packaging regulations has not been duplicated by any other legislature.

Authorization of sewage treatment bonding has insured the construction of sewage treatment facilities in 252 municipalities at a cost of 265 million dollars in combined state and federal funds.

Your creation of the Minnesota Energy Agency established a single state unit responsible for dealing with the critical state effects of the continuing national energy shortage.

The Environmental Policy Act sets environmental goals for Minnesota and requires formal impact statements of the environmental consequences of private and governmental actions.

The Pollution Control Agency has been given the authority to control hazardous and toxic wastes and noise pollution.

The Environmental Quality Council coordinates environmental decision-making in state government.

Our mineland reclamation statute enables the state to require restoration of minelands to their natural condition.

The Environmental Rights Act allows citizens legal standing to seek judicial review of state environmental statutes, regulations, and permits.

Violators of state pollution control standards are subject to fines of up to 10,000 dollars per day.

The Shorelands Development Act and the Flood Plain Management Act enable municipalities and counties to regulate development along shorelines and in flood plains.

Many of these individual Minnesota laws, and others like them, are under consideration by the governments of other states. And the total environmental commitment we have made in Minnesota in the past four years is a subject of discussion - and a subject of amazement and envy - wherever I go as governor of Minnesota.

They wonder how we have been able to accomplish so much in so short a time. And they wonder how we have been able to overcome the resistance and the obstacles that keep them from making comparable progress.

I believe we have been successful for many reasons. Perhaps the most important of them are these:

We are blessed with an abundance of natural resources in Minnesota. Our land, our rivers and streams, our lakes, our forests, and our minerals sustain our economy as well as our enjoyment of life. We have recognized that whatever we do to our resources, we also do to ourselves.

And because our use of the earth is so entwined with our economic and personal well-being, we have concerned ourselves with the welfare of both. We know we cannot survive without the farms that use our land to help feed Minnesota and America and the world. We know that citizens of Minnesota depend for their livelihood on making the beauties of Minnesota nature available for others to enjoy.

We know we are dependent on our timber and on our depletable mineral resources for work for our people. We know that Lake Superior is an economic lifeline as well.

as the greatest resource of fresh water in North America.

We know, in other words, that the natural resources of our state are not valuable just for their own sake, but because we use them to sustain our lives. And we have proceeded to protect and preserve and restore those resources with the need for our citizens to make a living clearly in our minds.

The recommendations that I make in this message continue the recognition that we in Minnesota are indeed the sons of the earth. They continue to seek the proper balance between environmental and economic concerns. And they also recognize the close relationship between environmental protection and energy conservation.

SECTION I: THE ENVIRONMENT

RESOURCE CONSERVATION

Minnesota's timber, natural iron ore, and taconite have long provided our people with employment and our nation with raw materials vital to a strong, diversified economy.

Unfortunately, only timber is replaceable. Our mineral wealth, once taken from the ground, cannot be replaced.

As a result, the Legislature has passed a wide range of statutes to insure that the commercial uses of these resources are carefully regulated and monitored.

A. Taconite Production

We are still witnessing the depletion of one of the richest deposits of iron ore in the world. It took nature millions of years to form veins of high grade ore beneath the surface of Northeastern Minnesota, but only eight decades of intensive mining depleted our reserves. Today we have little to show for those years of profit and contribution to the development of modern American industry but gaping holes in the land and mountains of unreclaimed earth.

Fortunately, Minnesota technology has enabled us to process lower grade taconite into pellets that can be used to manufacture steel. Our reserves of taconite, however, are also limited as we have entered a period of greatly expanded demand for Minnesota taconite. In the past 18 months, over 720 million dollars have been invested in new and expanded taconite production. With present processing methods, our usable supply will run out within 150 years.

That may seem to be a long time. But today we look in amazement at the lack of foresight a century ago that has left us empty-handed in the aftermath of iron ore mining. We can predict what will accompany the depletion of our taconite reserves.

Severe economic and social problems could result. Widespread unemployment and the accompanying dislocation could convert Northeastern Minnesota into a barren landscape of deserted cities and empty mines.

We must insure that our citizens are protected from such disaster and that the people of our state derive adequate compensation as this non-renewable resource is depleted. The only way this can be done is through a tax formula that allows the industry a fair return on its investment and is tied to the conditions of the market-

place, the best standard for estimating the worth of natural resources.

So far, we have not insured the future protection of our people and the restoration of taconite land.

The Taconite Amendment of 1964 protects the investment of the mining industry by restricting the state's ability to raise the taconite occupation tax. The taconite production tax, however, is specifically exempt from the provisions of the Taconite Amendment, and is subject to review by each session of the Legislature. It is our available method of protecting our state.

In 1971, we enacted a modest increase in the production tax, spread out over a ten-year period. At the same time, the Legislature noted that it planned to make no other changes in the production tax during this decade.

Unfortunately, the 1971 Legislature did not effectively tie the production tax to the constantly changing conditions of the marketplace. And it is obvious that the marketplace of 1975 is drastically different from the marketplace of 1971.

In 1971, the price of taconite pellets was \$17.50 per ton and the price of a ton of finished steel was

approximately 192 dollars. That same year the taconite tax was a meager 13 cents per ton.

Today, the price of a ton of taconite pellets has gone up to \$28.50, an increase of 11 dollars, and the price of finished steel is now 240 dollars a ton. But the production tax has gone up only 18 cents to 31 cents per ton on taxes collectable in 1975.

Of the 11 dollar increase in the price of taconite, our tax has picked up only 18 cents, or 1.6 percent. Of the 58 dollar increase in the price of steel, that 18 cents constitutes less than four-tenths of one percent of the increase.

Between now and 1980, the production tax will increase to approximately 42 cents per ton, but no one knows what the price of a finished ton of steel will be by then. And in those five years, another 200 million tons of taconite will have been shipped from Minnesota to the steel mills.

It is time we take the guesswork out of our taconite tax system. And it is time we insure that we derive a percentage of the actual value of this depletable resource when it is taken from the ground to the market.

I recommend that the Legislature establish one-half of one percent of the price of a ton of finished steel as the basis for our taconite production tax. At present rates, this would increase the tax on taconite from 31 cents a ton to \$1.25 a ton.

In terms of current steel industry profits, this increase of less than one dollar per ton is modest. Within the past few weeks, for example, five major steel corporations which use Minnesota taconite reported combined 1974 profits of more than 1.5 billion dollars, an increase of over 85 percent from the previous year.

I recommend three goals for the use of the extra revenue that this new production tax formula will generate:

1. We must insure that persons living in Northeastern Minnesota are compensated for revenue lost because the production tax is levied instead of the property tax.
2. Production tax revenues should bring benefit to all of Minnesota, now and in future years.
3. We must protect the future environment of Northeastern Minnesota by setting aside some of this additional revenue in two

reserve funds. The first fund should be used to reclaim minelands, preserve environmental quality, prevent pollution, and support basic environmental research. The second fund should be used for education and for protection from the effects of potential economic dislocations.

In future years, the state will be called upon to assist the people of Northeastern Minnesota when the irreplaceable resource of taconite has diminished. This year, the state has the responsibility to write an economic disaster insurance policy for the generation of Minnesotans that will not have taconite to depend on.

B. Copper-Nickel Development

Northern Minnesota contains well over 90 percent of the nation's known reserves of nickel, as well as huge deposits of copper and other base metals. These resources lie in an environmentally fragile area - in close proximity to the Boundary Waters Canoe Area, Superior National Forest, Voyageurs National Park, and the Lake Superior basin.

Two companies have now expressed interest in mining these untapped, low grade deposits. Minnesota may be on a mining threshold matched by few other states in the country.

Two years ago, I recommended to the Legislature several proposals to give state government adequate authority to plan for, assess the impact of, and regulate such an industry. You responded by passing the Environmental Policy Act, the Mineland Reclamation Act, and the enabling legislation for the Environmental Quality Council. In addition, you appropriated funds to the State Planning Agency to analyze the ramifications of copper-nickel development.

Several months ago, the Environmental Quality Council voted to require a regional environmental impact analysis prior to approval of any copper-nickel development proposals. This study, which must be comprehensive and detailed, will address the questions of if, when, and how copper-nickel development should occur in Minnesota.

I recommend an appropriation of 125,000 dollars to support further work by the Environmental Quality Council Copper-Nickel Task Force.

This assessment of the environmental effects of copper-nickel mining must also include an evaluation of the economic benefit Minnesota should derive from the depletion of this exhaustible resource.

Our experience with copper-nickel taxation is minimal. It is a question that has been incidental to discussions about the prospects for this new industry.

Minnesota's copper-nickel resources should not be used until we can guarantee a just compensation to our people. Just as with taconite, Minnesota must obtain a fair share of the actual value of this resource as it is set by market conditions.

I recommend that the copper-nickel production taxes be tied to the copper and nickel price indices to accurately reflect the value of the ore taken from Minnesota.

We must learn from the expensive lesson of iron ore and taconite depletion.

We must determine a fair rate of taxation of copper-nickel production before even a small fraction of this exhaustible resource is lost forever.

C. Shade Tree Disease Control and Replacement

We usually think of "the environment" as the countryside - the lakes, hills and forests of our beautiful state. But for the majority of Minnesotans, most of the

time, the relevant environment is what surrounds us daily in our cities and towns.

This environment faces a serious threat. If Dutch elm disease sweeps through our cities and towns as it has in Iowa, Illinois, Wisconsin and Missouri, our handsome tree-lined streets will become ugly, barren roads. Oak wilt poses a similar threat, particularly to suburban communities.

These two diseases are already here and are on the increase. There is no known cure for either one. If we do nothing, they will spread rapidly as they have elsewhere and cause wholesale destruction of our shade trees. But with proper control measures, backed by an aware and aroused public, we can slow the losses and buy time to plant other species.

Accordingly, I recommend that three million dollars be appropriated for a Shade Tree Disease Control and Replacement Program. These funds will be used for public education, research, and program grants to county and municipal governments.

But I must warn the citizens and officials of Minnesota that these efforts will only buy time. We must use this time effectively by planting other species so that there will always be large and handsome trees adding

to the beauty of our state. By prompt and effective action, we can avoid the ecological disasters which have overtaken our neighboring states.

D. Forest Resources Inventory

Forests support the fourth largest industry in Minnesota. With better management, these same forests could support a much larger effort. But our forest industry is reluctant to expand without detailed, current, and factual data on our available resources.

A forest inventory will produce this information on a recurring basis. Part of the inventory will provide information essential for sound management of the seven million acres of forest land administered by the state and county governments. This means better utilization of existing timber, increased timber growth, and better wild-life habitats.

My budget includes 400,000 dollars for the Department of Natural Resources to complete a comprehensive inventory of Minnesota's forest resources during the next biennium.

E. Boundary Waters Canoe Area Logging Litigation

For over two years, a number of environmental

groups have been in litigation with the U.S. Forest Service and several timber companies over the extent of logging permissible in the portal zone of the Boundary Waters Canoe Area. The proceedings now center on the intent of Congress in establishing the Boundary Waters Canoe Area and whether the 1964 Wilderness Act permits any logging in the 412,000 acre portal zone portion of the 1,030,000 acre Boundary Waters Canoe Area. Fifty-four thousand acres of the portal zone are still virgin timber.

The issue is complicated and emotional. Many residents of northeastern Minnesota see an ever-increasing restriction on the non-wilderness uses of the Boundary Waters Canoe Area and surrounding lands. They have lived near this area for their entire lives and many depend on it for their livelihood or for recreation. On the other hand, conservationists are also rightly concerned, since this is one of the last remaining stands of virgin timber in the United States.

I do not believe that pursuing the case through the courts for a long period of time is the best solution. The basis of the suit is the unclear intent of Congress. This matter, important for the state, must be resolved in Washington, D.C.

I therefore request our Congressional Delegation to resolve the Boundary Waters Canoe Area logging issue in this session of Congress so that a clear Congressional policy for the management of this valuable region of the state is established.

Full public discussion of this issue will eliminate what I see as a growing conflict over the preservation of one of our priceless recreational resources.

The full services of my office and the Department of Natural Resources are available to assist in this effort.

LAND USE

The first priority of my 1973 Environmental Message was protection of Minnesota's land resources.

In the 68th Session, the Legislature responded to my recommendations for laws to protect Minnesota's land resources. The Critical Areas Act, the Mineland Reclamation Act, the Power Plant Siting Act, the Environmental Policy Act, the Wild and Scenic Rivers Act, the Subdivided Land Sales Practices Act are the products of that effort. Each is beginning to have an impact.

The Power Plant Siting Act, for example, has given the state authority to determine the proper location of a proposed Northern States Power facility. And the Department of Natural Resources is moving to protect the Kettle River under the provisions of the Wild and Scenic Rivers Act.

The Critical Areas Act was used in July of last year to protect the Lower St. Croix River Valley, and the environmental impact statement procedures adopted pursuant to the Environmental Policy Act are being used to prepare a regional environmental impact statement on the potential of copper-nickel mining in Northeastern Minnesota.

These laws insure that the impact of major land use decisions are adequately considered before being made so that we can avoid detrimental effects that are difficult to reverse.

We have accomplished a great deal, but there are still several steps that should be taken to provide Minnesota state and local government with the land use tools we need. Land use remains a major concern in Minnesota.

A. Local Land Use Planning Grants

As land prices escalate and growth continues in

an unplanned way, the pressure to misuse valuable Minnesota land will increase, placing a heavy responsibility on our counties and municipalities.

The tragedy of this situation is that those local governments facing the greatest development pressures are frequently the least able to respond. They simply cannot evaluate thoroughly the various development proposals they receive. As a result, environmental concerns and the long-term cost implications of new growth may be ignored.

The potential benefits of sound land use planning are enormous. Energy savings is clearly one. A recent study completed for the federal government indicated that as much as 44 percent less gasoline would be used in a high density, planned community as in a sprawling, low density one.

Furthermore, local land use planning can help reduce the long-term costs of state government. State government now provides between 30 and 35 percent of all local government resources through various state aids. Seventy percent of the total local revenues are used for such services as transportation and sanitation, the costs of which are increased by sprawl and inefficient land use. Through better local planning, the costs of governmental services can be reduced. And in Minnesota, this means a revenue savings for the state as well as for local governments.

I therefore recommend an appropriation of 2.5 million dollars to establish a grant program that will help local governments solve their short and long-term development problems.

The grant program is primarily intended to permit local governments to strengthen their ability to make and implement sound land use decisions. To do so will require the addition of personnel trained in this extremely important field. The highest priority will be for additional staff for the areas of the state where the greatest gap exists between planning capability and land use pressures.

Of the total local land use planning appropriation, 1.1 million dollars will be for grants in the metropolitan area; 1.1 million dollars for the remainder of the state; and 300,000 dollars will be available for planning assistance in designated critical areas anywhere in Minnesota. This program will be administered by the State Planning Agency.

To further strengthen the control of local governments over growth and development, I endorse the amendments proposed by the League of Minnesota Municipalities to certain provisions of the Green Acres Act and the Municipal Commission Act.

The Green Acres Act has helped us preserve our valuable agricultural land. It assures the farmer that

his farmland will not be reassessed merely because adjacent land is zoned for residential or commercial development.

But the planning needs of local governments should also be considered in the law. The proposed amendment would permit deferred development contracts between local governments and owners of agricultural, recreational, or open space land. Under such contracts, the landowner would agree to use the land for a specified time in a manner compatible with its present zoning. In return, the land would be taxed on the basis of its value for that purpose.

This will protect the landowner from a large and unexpected property tax increase resulting from reassessment. And it will help local officials to plan orderly growth. They will not be confronted overnight with the need for costly sewer and water lines. And they will know what areas are deferred from development, and for how long.

Since its creation in 1959, the Minnesota Municipal Commission has strengthened municipal government by providing a means for the evaluation of proposed incorporations, consolidations, and annexations throughout the state. The League of Municipalities has requested

that the Legislature improve the Commission's effectiveness by expanding the authority of cities to enforce their planning, zoning, and other development regulations in adjacent areas.

B. State Land Use Planning

The vast majority of land use problems are resolved by local units of government - the cities, townships, and counties. Although local in nature, these issues have important implications for state government.

In 1965, the Legislature foresaw this need to respond and created the State Planning Agency as a comprehensive planning body to coordinate the plans and programs of state and local governments. We recognized that this kind of planning effort cannot be accomplished by a single purpose agency with a narrow focus.

The state land use planning program was designed to identify solutions to land use problems that require state action. The program also provides certain services to local governments. As the Minnesota Horizons presentations demonstrated, the State Planning Agency has a broad focus and is uniquely qualified to administer and coordinate the state's land use program.

I recommend that the State Planning Agency land use program be continued this next biennium at a cost of 583,000 dollars. I provided funds for this purpose in my budget.

This amount will permit the Agency to continue several efforts started this biennium, including the Coastal Zone Management Program, analysis of laws and policies that affect our land resources, development of an information system for those who must make land use decisions, and the provision of technical assistance to regional development commissions and other units of local government engaged in land use planning.

C. Preservation of Agricultural Land

Perhaps the most tragic and most difficult land use problem we face is the preservation of our prime agricultural land and our family farms.

The American farmer is being asked to feed not only his fellow citizens, but much of the rest of the world as well. More acres are in production now than ever before in our history. And the demand for food continues to grow.

But we are losing one million acres of good agricultural land every year in America to commercial and industrial development, new public institutions and facilities, and other uses. Here in Minnesota, we have approximately 22 million acres of good agricultural land. We are losing about 150,000 acres of this land each year to non-agricultural uses.

How are farmers reacting to this steady decline in agricultural land? The current controversy over proposed drainage regulations and the definition of public waters by the Department of Natural Resources is a reflection of their concern. The agricultural community fears these regulations will severely limit the farmer's ability to put maximum acreage into production each year.

That concern is apparent, too, in Grant and Pope Counties, where attention is focused on the location of a transmission line bringing power from North Dakota to the Twin Cities area. The farmers believe that sloughs, streams, and other wildlife habitats have been deliberately avoided by the route. Instead, wheat and corn fields must pay the price.

While prime agricultural land is being threatened, the traditional transfer of farms from old to young is becoming impossible. In many areas, willing farmers cannot afford agricultural land because the price has

increased more than 70 percent since 1971, including a 42 percent rise in the past year. In southern and western Minnesota, farm land sales of 1,000 dollars per acre were common in 1974.

The average farm purchase price is now approaching 250,000 dollars. That figure is simply too high for most farm families even if the most generous credit terms were available, and they're not.

Professor Phillip Raup told you during the Minnesota Horizons seminar that a logical consequence of this situation is hereditary agriculture. It has been a standing joke in rural areas that the best way to acquire a farm is either to inherit one or marry one. It is no longer a joke. It is becoming the only way.

Professor Raup also indicated that state and federal estate and inheritance taxes make it difficult for young farmers to inherit a farm without selling some of their land or machinery in order to pay these taxes.

It's a bitter irony. The demand for food is increasing while farm acreage is steadily declining to other uses. And the young farmer who wants to help feed this nation can't find a farm, can't afford to buy a farm, and in some cases, can hardly afford to inherit one.

Unfortunately, it is a great deal easier to describe the problem than it is to specify a solution that can be managed by the State of Minnesota.

The economic resources of Minnesota state government are simply not large enough to have any major impact on the financing of farm purchases. And without the economic capability to deal with all aspects of the problem, more limited approaches present other barriers - major constitutional and equity questions, extreme financial risk, impossible state selection and administrative decisions.

So the responsibility for solving this problem cannot really be ours. Ironically, the Congress of the United States recognized that fact some time ago when it passed the Rural Development Act of 1972. That legislation authorizes a special credit program for new young farmers.

But unfortunately, the program has not been funded. I strongly urge Congress to recognize the plight of our farmers by appropriating funds to help solve this major national problem.

I have considered several state solutions to this agricultural land crisis, including a land bank proposal, an insurance plan, and a moratorium on the sale of land

for non-agricultural purposes. But the issue is complicated, and we lack the basic information we need to make the best decision. If Congress fails to fund the special credit program, the agricultural committees of the Legislature should carry out an intensive investigation of the problems of preserving agricultural land so that the state can be prepared to act in 1976 on behalf of our Minnesota farmers.

D. Wetlands Management

The worthwhile effort to preserve wetlands for wildlife, water storage, and other purposes has for many years put pressure on drainage of wetlands for agricultural uses. The new drainage regulations proposed by the Department of Natural Resources have been in conflict with the need to drain wetlands for agricultural purposes.

The problem cannot be resolved until the state determines its overall wetlands management goals - for wildlife and other purposes. At that point, the state can identify the extent and location of the wetlands it needs.

Therefore, I am directing the Department of Natural Resources to prepare by the 1977 Legislative Session a long-range wetlands management plan that will

specify: (1) locations and amount of needed wetlands;
(2) proper ownership and management of these lands; (3)
numbers and species of wildlife to be supported on these
areas; (4) purposes of wetland maintenance: wildlife
habitat, erosion control, or groundwater recharge.

The present effort of the Department to map all public waters in the state is essential to the completion of this wetlands management plan.

SOLID WASTE

Some steps have been taken in Minnesota to manage solid waste disposal, but the production of solid waste in the state continues to increase.

Currently, combined individual and commercial solid waste averages nearly four pounds per capita each day in the metropolitan area. The output is expected to increase to almost six pounds per day by 1980. This means that in our state each year -

150,000 tons of recoverable metals are thrown away;
195,000 tons of recoverable paper are discarded;
123,000 tons of recoverable glass are dumped; and
121,000 tons of recoverable plastic are wasted.

The Legislature recognized the need for state involvement in the solid waste disposal and recovery issue in 1969 by passing a solid waste management act.

This law authorized the state to close open dumps and to site new sanitary landfills.

Progress has been made in each area. The number of open, non-conforming dumps dropped from 10,000 in 1970 to about 300 at present.

As these open dumps were closed, the need for sanitary landfills increased. In 1970, the Pollution Control Agency estimated that 240 sanitary landfills would be needed in the state as an alternative to dirty, polluting dumps. Today, there are 125 sanitary landfills in Minnesota, serving 90 percent of the population.

A. Litter Control

Landfills help in the effort to solve Minnesota's solid waste problems but they do not stop hazardous and unsightly littering along our highways, on our land, and in our lakes, rivers and streams.

The statistics are staggering. The Highway Department estimates that each year 100,000 tons of litter

are deposited along state and local roads. This is the equivalent of over 3,000 cars or 1 billion beer and soda pop cans. For state, county, and municipal governments, the annual cost of cleaning up this thoughtless pollution is approaching four million dollars.

In the State of Washington, littering has been made a misdemeanor with a mandatory fine. The results of the minimum fine have been dramatic: arrests and warnings increased from 600 in 1971 to 1,500 in 1973. The combined effects of Washington's complete anti-litter program are outstanding - a reduction of over 50 percent in the amount of litter collected by the state.

Littering is presently a misdemeanor in Minnesota but arrests for violations are few in number, less than 500 each year. Our anti-littering statutes need to be strengthened to increase the severity of the penalty and to encourage more arrests.

I recommend that the Legislature enact a comprehensive litter control statute requiring the placement of litter bags in all automobiles and setting a mandatory, minimum fine of 25 dollars for littering. I have also reserved 1.5 million dollars in the Highway Department budget to reduce littering in Minnesota. These funds will provide for placement of litter bags and a comprehensive

public education campaign.

I set as a goal under this effort a reduction of at least 50 percent in the amount of litter collected by the state.

B. Detachable Can Tops

Pull tabs are an unfortunate by-product of the non-returnable containers available to convenience-minded consumers in the state. They are dangerous if left in cans and a menace if thrown on the ground.

Last year, an editorial writer for the Minneapolis Star said that "it's hard to think of a compelling reason why we should continue to put up with the throwaway tab." I agree.

I therefore recommend that the Legislature prohibit the sale of beer and soft drinks in cans with detachable tops, effective July 1, 1976.

C. Autohulk Recycling

In 1971, 400,000 abandoned vehicles marred the beauty of Minnesota's countryside. Each of these cars, on the average, represents 3,000 pounds of recyclable materials - mostly iron, but also recoverable amounts of aluminum, lead, copper, and rubber, whose recyclable value is very high.

In 1971, the Legislature agreed with me that these abandoned cars are a waste of many valuable resources as well as a serious visual pollution problem. I recommended action to stop this polluting waste, and the Legislature responded with an abandoned motor vehicles statute.

Under this legislation, unique in the nation, 175,000 automobiles have been recycled in four years. Nearly all the counties in the state have inventoried their abandoned cars, and 71 of 87 counties have actually moved cars into recycling centers.

Each of these abandoned cars, in addition to processed metals, usually contains crankcase oil and includes several tires. The abandoned motor vehicles program, however, does not provide authority to the Pollution Control Agency for recycling these resources.

I recommend that the Legislature continue the successful autohulk recycling program and expand it to include the recycling of automobile tires and crankcase oil. I have recommended an appropriation of 1.6 million dollars for this purpose, funded by the one dollar fee assessed for the transfer of any motor vehicle.

With these funds, 4.8 million car tires and two million gallons of crankcase oil can be recycled each year.

D. Packaging

The best way to solve Minnesota's solid waste problem is to reduce it at the source - to keep materials from becoming solid waste in the first place.

We must prevent the manufacture of all items for which the environmental costs of production are too great. And we must insure that discarded materials are collected and recycled into useful products.

The Comprehensive Recycling Act, passed in 1973 to encourage source reduction and resource recovery, granted authority to the Pollution Control Agency to control the sale of new packages.

Over the past 18 months, the Agency has worked long and hard to develop regulations governing the design and composition of packages. Difficult, lengthy negotiations with representatives of affected industries have taken place.

The regulations have been adopted, but disagreements remain. The issues are complex, and we have no models to follow. Costly, protracted litigation will result if certain sections of the Solid Waste Recycling Act are not clarified. Such litigation will slow down

the implementation of these packaging regulations as well as tie up the legal resources of the state.

I recommend that the Legislature amend the packaging review authority given the Pollution Control Agency. The Legislature should act in three areas: (1) adding a specific definition of packages and containers under the provisions of the Act; (2) clarifying the "grandfather" clause; and (3) determining whether specific criteria are necessary for the Pollution Control Agency to determine which packages present an unacceptable solid waste problem.

E. Recycling Grants

In 1973, the Legislature provided 1.5 million dollars to the Pollution Control Agency for grants to local units of government and certain private institutions to encourage innovative and effective recycling programs.

These funds have supported a solid waste planning structure in the metropolitan area, resource recovery planning and feasibility studies in Duluth and Hennepin County, and other demonstration projects in Fairmont, St. Cloud, Olmsted County, Mankato, Aitken County, and five counties in Region 1.

Of the total appropriation of 1.5 million dollars, only 800,000 dollars were spent this biennium. I recommend re-appropriation of 700,000 dollars to continue this recycling grant program for the next two years.

These additional funds should be focused on:

1. Consumer education.
2. Resource recovery facilities in the metropolitan area.
3. Outstate resource recovery options.
4. The problem of competition for refuse by recovery facilities.
5. Markets for materials produced by recycling programs.

F. Metropolitan Solid Waste Management

The system for solid waste collection, disposal and recycling in the metropolitan area is poorly managed and needs revision.

Under the present structure, municipalities license refuse collectors while counties license disposal sites. The Metropolitan Council is charged with coordination of all regional solid waste planning, and now the Metropolitan Solid Waste Commission is seeking greatly expanded authority over solid waste management.

This confusing division of responsibility has resulted in several problems. Municipal procedures for licensing refuse collectors are not standardized, requiring haulers to obtain separate licenses from each municipality. The authority of the counties and the Metropolitan Council is limited only to solid waste disposal, not its collection or transportation. And the monitoring of solid waste collection and disposal within the metropolitan area is fragmented, causing more inefficiency.

I recommend that the Legislature give careful consideration to the report of the Metropolitan Council on solid waste management and act this year to improve coordination of solid waste management in the Twin Cities.

G. Comprehensive Solid Waste Management

The solid waste programs I have recommended will help us to eliminate litter, encourage innovative recycling programs, and reduce the production of solid waste in the state. These programs, however, do not insure the long-range comprehensive management of solid waste problems in Minnesota.

Many questions remain unanswered:

- Can and should private industry do the job of collecting, transporting, and recycling solid waste?
- Will adequate markets be available for recycled paper and metals?
- How can solid waste be managed in outstate Minnesota, where the collection and transportation costs are high?
- Should local governments or state government have the responsibility for managing solid waste problems?

Several states have implemented comprehensive solid waste programs. I do not believe we have the information we need this year to make the crucial decision on what is the best solid waste management approach for the entire state. But it must be made soon, and we should take steps this session to insure that the best decision can be made in 1977.

I therefore recommend that the Legislature appropriate 200,000 dollars to the Pollution Control Agency for completion of a total state solid waste plan by January 1, 1977.

Since the burden of implementing this plan will fall primarily on the counties, I direct the Pollution Control Agency to take all possible steps to involve counties in the development of the solid waste management plan.

H. Nonreturnable Beverage Containers

Since 1969, debates have raged around bills to prevent or strongly discourage the sale of nonreturnable beer and soft drink containers in the state. And already this year legislation has been introduced which would place a mandatory deposit on all nonreturnable containers.

The arguments for and against "ban the can" are probably familiar to you. Some jobs would be lost. Energy and resource savings would result. And a small part of the solid waste in Minnesota would be eliminated.

Whether to prohibit nonreturnable containers in Minnesota has become a symbolic issue - jobs versus the environment. But like many symbolic issues, those on both sides tend to exaggerate the impact of the proposed action.

Banning nonreturnable containers will not destroy the economy of the state, and neither will it solve the solid waste problem.

First, although container legislation would eliminate some of the solid waste generated in the state, the amount of the reduction would be small, less than six percent overall.

Second, I believe that there are better solutions to the solid waste problem than simply banning every product that we use and throw away. The program that I outline here - to control all roadside litter, to eliminate throwaway tabs, to encourage innovative recycling efforts, to expand our capacity to remove unsightly auto hulks, to effectively implement packaging regulations, and to work toward a statewide recycling program - is a comprehensive and reasonable approach to solid waste management at this time.

Third, the highly skilled jobs that would be lost as a result of container legislation would not be replaced by comparable jobs in the refilling industry.

This is not the time to take more people off the payrolls. I hope that the 69th Legislature will be remembered for taking the final steps toward the establishment of a truly comprehensive solid waste management program in Minnesota.

POLLUTION ABATEMENT INCENTIVES

State and federal laws require industries to install highly efficient and expensive pollution abatement equipment within a limited time schedule in order to comply with air and water quality standards.

Many individuals and companies, especially small operators and those with low profit margins, are facing severe financial strains in meeting these deadlines. The pressures of inflation and recession have only made matters worse.

Four years ago, the Legislature recognized the problems faced by these businessmen and provided incentives to industries in Minnesota for investments in pollution control equipment required by state laws, regulations, or standards.

But the pollution problems are still there, the cost of purchasing and installing this equipment has gone up, and the deadlines are even closer.

I recommend expansion of current tax incentives for installation of pollution control equipment, by amending Minnesota Statutes Chapter 290, 297A, and 298 to:

1. Increase the income tax credit on the cost of certified pollution abatement equipment from five to ten percent and the maximum credit from 50,000 dollars to 100,000 dollars.
2. Extend the definition of "pollution control equipment" to "pollution control property," to allow credits for investments in land area for pollution abatement. Large investments in land area are often required in order to abate pollution. Examples include power plant cooling towers, sludge ponds, sewage aerating lagoons, and certain landfills. Most of these uses preclude profitable use of this land.
3. Provide rapid amortization of certified pollution control property within 60 months, consistent with what federal regulations allow.
4. Exempt from the four percent sales tax the sale of pollution control equipment and property used primarily for the abatement and control of pollution.
5. Extend ten percent credit for installation of pollution abatement equipment to those corporations that pay occupation taxes in

lieu of income taxes.

6. Eliminate the expiration date for the tax incentive program.

These provisions, if enacted, will reduce the revenue the state can expect for the next biennium by three million dollars. In return, we will help insure that pollution control standards are met.

ENVIRONMENTAL DECISION-MAKING

The 1973 Legislature took major action to coordinate state environmental policy and programs by creating the Environmental Quality Council and by passing the Environmental Policy Act.

This legislation has resulted in better inter-agency cooperation in the effort to provide a quality environment for all our citizens. As a result of these statutes, significant work is being done to prevent groundwater pollution, protect critical areas, control unsewered development, and regulate land use.

A. Environmental Impact Statements

The Environmental Quality Council was authorized in 1973 to carry out an environmental impact statements

program to investigate the consequences of any proposed developments in Minnesota.

Because of the difficulties in administering the environmental impact study process, the Council has maintained strong control of the program. But in the last two years, we have gained enough experience to increase the involvement of other units of government. In some cases during this period, issues of purely local concern have taxed the time of the Council and its staff while undermining the credibility of environmental interests.

Each locality is now in a better position to judge when detailed environmental review of a proposed development is necessary. And for actions that are of more than local significance, environmental review should be the responsibility of the state agency most directly involved in the action.

Under this plan, if a developer proposed the construction of a shopping center in St. Cloud, the city of St. Cloud would decide whether the proposal was environmentally significant and whether an impact statement would be required. St. Cloud would be responsible for the preparation and processing of an environmental impact statement, if one were deemed necessary. On the

other hand, if a freeway passing through St. Cloud were proposed, the Minnesota Highway Department would be responsible for implementing the environmental impact statement process.

I recommend that the Legislature authorize the Environmental Quality Council to delegate administration of the environmental impact statement process to state agencies and local governments, when appropriate. My budget includes an additional 750,000 dollars for the improvement of the environmental impact statement program.

These funds will provide for impact statement preparation by state agencies and local units of government, for development of guidelines to specify when impact statements should be prepared, and for general administration of the program.

I also recommend that the Legislature authorize the Environmental Quality Council to establish an appeals mechanism to insure that anyone in disagreement with an environmental impact statement can formally voice his objections.

A single appellate body yielding consistent decisions will help insure sound administration of the environmental impact statement program around the state.

To increase the effectiveness of the impact statement program, I recommend several other amendments to the Environmental Policy Act.

These revisions would:

- provide that public or private developers be required to bear the cost of an impact statement.
- limit impact statements to physical projects.
- exempt projects from state environmental impact statements if an adequate federal environmental statement on the same project has already been prepared.
- delete the petition procedure in the Environmental Policy Act if an appeals mechanism is established that provides better access for the public to environmental decisions.
- permit local units of government to undertake comprehensive environmental planning programs as an alternative to the impact statement process, if approved by the Environmental Quality Council.

B. Environmental Permits Coordination

Our commitment to the protection of Minnesota's environment has been essential and comprehensive.

But the by-product has been a growing, complicated body of state standards, regulations, guidelines, time-tables, rules and procedures - a bureaucratic maze that is too complicated for most persons to penetrate.

It is our responsibility to provide this information to anyone who wants it through easy access to permit and other regulatory procedures. Our goal must be quick and fair action for all.

I therefore recommend that the Legislature enact an Environmental Permits Coordination law to insure the most efficient handling of applications for environmental permits, at a cost this biennium of 125,000 dollars.

This law will require the Environmental Quality Council to establish a permit coordination unit so citizens seeking permits from several agencies can submit a single master permit application. The final decision on permit approval will remain with each state agency.

This legislation would also require the Environmental Quality Council to establish and maintain an information and referral system to assist the public in under-

standing the requirements of government laws and regulations in the environmental area.

I will also direct the Council to analyze over 100 environmentally related permits and licenses and report to the Legislature by January 1, 1976, with specific recommendations to merge, repeal, or otherwise simplify these regulatory procedures.

C. Agency Responsiveness

The Environmental Permits Coordination Act will not insure continued responsiveness of our state agencies under the burdens of new environmental protection legislation.

In order to enable the Pollution Control Agency and the Department of Natural Resources to carry out state regulatory requirements and permit procedures quickly and more efficiently, I have recommended 50 additional staff for these agencies.

The additional burdens of implementing federal water pollution legislation, the takeover of Minneapolis and St. Paul air pollution control responsibilities, and the placement of more staff in outstate areas make these additions at the Pollution Control Agency essential. Burgeoning responsibilities in flood plain management,

surface and groundwater control, and mineral resources planning and regulation require additional staff at the Department of Natural Resources.

D. Water Resources Board

The 1971 Legislature placed the Soil and Water Conservation Commission under the direction of the Commissioner of Natural Resources to insure better coordination of the activities of the Commission with the related efforts of the Department.

The decision was sound. The new organization is working well.

The Water Resources Board is in the same situation the Soil and Water Conservation Commission faced several years ago.

This unit has been operating independently since 1955 to establish and monitor watershed districts. The Department of Natural Resources also has water resources management responsibilities. The two efforts should be better coordinated.

I therefore recommend that the Water Resources Board be made an advisory board of the Department of Natural Resources.

The Board will continue to have responsibility for the establishment and monitoring of watershed districts.

WATER RESOURCES

A. Municipal Sewage Treatment

Since 1971, the State of Minnesota has contributed 55 million dollars and coordinated a 291 million dollar federal-state-local effort to design and construct primary, secondary, and tertiary sewage treatment plants.

A total of 252 communities have received state grants of 15 percent to match 75 percent federal funding, leaving the local communities to pay just 10 percent of the cost.

Unfortunately, impoundment of these federal funds greatly limited the ability of this program to meet our statewide needs. Although the Pollution Control Agency was successful in obtaining a District Court ruling that such impoundments were illegal, the 8th Circuit Court of Appeals still has not made a decision on the case.

If the Pollution Control Agency is successful in this case, over 50 million dollars in impounded federal funds will be available to Minnesota.

I recommend an authorization of 30 million dollars in bonds to continue the state grant program to municipalities for sewage treatment projects.

These funds will allow us to continue our commitment to Minnesota communities to improve their sewage treatment systems and preserve the quality of our water resources.

B. Groundwater Pollution

The main body of fresh water in the earth is groundwater. Over 90 percent of our Minnesota communities depend upon groundwater for their municipal water supply. Minnesota's land contains as much water in natural underground storage as all of the rivers and streams in the world combined.

Protection of this irreplaceable resource has been sadly neglected. In some areas across the country, groundwater quality has been irreversibly destroyed. And there are localities in Minnesota where this great drinking water reservoir is being contaminated by poor land use practices.

Specific known areas of pollution contamination include the site of the former Republic Creosote plant in St. Louis Park, a chemical disposal area in Woodbury

township in Washington County, the Oronoco landfill near Rochester, the site of an oil spill in western Ramsey County, and the Pine Bend area of Dakota County.

In southern Minnesota, polluting chemicals from damaging land use practices are entering the limestone formations through outcroppings or abandoned and improperly closed wells and sinkholes. Such pollution travels great distances without being removed or destroyed by natural purification processes.

The present groundwater management staffs in the Departments of Health, Natural Resources, and the Pollution Control Agency are too small to adequately manage and protect our important groundwater resources. I have included in my recommendation for additional complements increased staffing for these departments for groundwater evaluation, protection, and management. In addition, I am requesting increased funding for the Health Department for groundwater sample analysis, and for evaluation of sites that are potential threats to groundwater quality.

C. Septic Tanks

Problems resulting from improper use of sewage disposal systems have been well documented in Minnesota.

Better controls are essential to protect public health and to minimize any adverse effects on surface water and groundwater.

Some urban centers around the country have sought to control unwise fringe growth by declaring a moratorium on unsewered developments. I believe a blanket moratorium at this time in Minnesota is unnecessary. Holding tanks or chemical toilets can adequately serve some unsewered areas, and septic tanks are acceptable in others. In addition, new methods are being developed to serve small residential neighborhoods.

The state also needs authority to license septic tank manufacturers, installers, inspectors and pumpers to insure uniform application of sound disposal system standards throughout the state. I recommend that the Legislature expand the authority of the Pollution Control Agency to regulate individual sewage disposal systems.

D. Minnesota-Wisconsin Boundary Area Commission, Great Lakes Basin Commission, Upper Mississippi River Basin Commission

Three commissions in Minnesota have consistently acted in the interest of Minnesota's environmental quality.

The Minnesota-Wisconsin Boundary Area Commission played a major role in the successful inclusion of the Lower St. Croix River in the National Scenic Riverways system and in the recent increase of 11 million dollars in federal funds for the protection of the river. It has also worked effectively on the Mississippi River dredging issue and in the Calder Corporation case.

I recommend that the state increase its commitment to the Minnesota-Wisconsin Boundary Area Commission by 100 percent to a total of 88,000 dollars for the next biennium.

The Great Lakes Basin Commission (GLBC) and the Upper Mississippi River Basin Commission (UMRBC) are responsible for planning in basin areas covering 98 percent of the state. These commissions carry out an important informational and coordinating role between federal agencies operating in basin areas and state government.

The GLBC and UMRBC are involved in the Great Lakes water level issue, navigation problems on the Mississippi River and the Great Lakes, water quality protection, and wildlife preservation.

The Missouri River Basin Commission (MRBC), in which Minnesota has participated on a trial basis since 1972, is responsible for planning in basin areas covering only

two percent of the state. Although the Commission is operating successfully, the benefits of continued participation for Minnesota would be minor. In addition, the costs of participating in the activities of the Commission are rising. We can change our relationship with the MRBC to observer status and thus insure that we receive a regular update on new activities.

I recommend that the state continue its participation in the Great Lakes Basin Commission and Upper Mississippi River Basin Commission, and begin observer status in the Missouri River Basin Commission on July 1, 1975.

RECREATIONAL RESOURCES

A. Resources for the Future

For the last ten years, the Department of Natural Resources has annually acquired approximately 15,000 acres of public and private land for resource preservation and management.

The cost of acquiring this land has been over seven million dollars.

But for the last 10 years, land prices have been rising at an annual rate of over 20 percent. At the present funding and acquisition rates, purchase of land for high priority natural resources protection projects cannot be completed until well into the next century.

The total cost of acquiring 15,000 acres of land each year until 1995 would be 400 million dollars if the present rate of inflation continues.

If this same amount of land could be purchased on an accelerated basis in the next three bienniums through the authorization of 100 million dollars in bonds, the total cost to state taxpayers would be 168 million dollars. This represents a savings of more than 200 million dollars over the 20-year land acquisition plan.

By acting now to purchase these high priority land reserves, the state can:

- protect irreplaceable natural resources from private speculation and development pressure in order to preserve them for public benefit and use;
- provide increased direction and assurance to private landowners;

- preserve and protect the wildlife of Minnesota.

I therefore recommend that the Legislature begin the acquisition of more than 275,000 acres of recreational and other natural resources open space land in Minnesota through authorization of a two-year, 20 million dollar bonding program.

The first phase of the Resources for the Future program will enable the Department of Natural Resources to purchase 71,000 acres of top priority recreational land in the state, including park lands, wildlife preserves, forestry preserves, fisheries, and land adjacent to rivers. This includes one million dollars for acquisition of at least 100 additional miles of multi-use trails.

Legislative review of acquisition of these lands should be similar to current procedures for the natural resources acceleration account.

B. Tettagouche State Park

Minnesota has one of the finest park systems in the world. Our 61 state parks provide 161,000 acres of recreational land for use by our citizens all year.

The negotiations between the State of Minnesota and Reserve Mining Company on an acceptable tailings disposal

site in the Palisades area near Silver Bay have shown us another area that deserves protection as a state park. By combining adjoining lands with the Baptism River Park along the North Shore, we can create a new 10,000 acre state park in a magnificent wilderness setting.

The word "Tettagouche," the name of one of the four privately owned lakes in the area, is from the language of the Micmac tribe of the Iroquois Indians. It means "retreat," an appropriate name for a park established to preserve a beautiful wilderness area for the citizens of Minnesota.

I recommend that the Legislature establish Tettagouche State Park on the North Shore of Lake Superior. For purchase of the necessary private lands in the park area, I recommend that two million dollars be set aside in the Resources for the Future Program.

C. Outdoor Recreation Land Use Protection

Two years ago, I supported a bill that would have established guidelines for the selection, management, and use of natural, historical, and recreational lands in the state.

This outdoor recreation legislation won support in the House in 1973, but not in the Senate. The objections

of Minnesota sportsmen effectively prevented passage of the bill.

Since then, Senator Willet's public lands subcommittee has held over 50 hours of hearings on this legislation. The result is that the bill has been considerably improved - it now recognizes the legitimate concerns of sportsmen.

I again recommend passage of this Outdoor Recreation legislation to help classify and protect land in Minnesota with lasting recreational and historical value.

ENVIRONMENTAL EDUCATION

The Minnesota Environmental Education Council and its 13 regional councils are making a significant and continuing contribution to the environmental awareness of Minnesota citizens.

Since their organization in late 1973, the regional councils have undertaken a variety of important, innovative activities in the state. The Arrowhead Council, for example, is converting a corrections facility into an environmental learning site. And the Region 5 Council has started a water quality education program.

I recommend an appropriation of 434,000 dollars for the Minnesota Environmental Education Council (MEEC) and the 13 Regional Environmental Education Councils.

These funds will allow MEEC to expand its activities in environmental education as authorized by the Minnesota Environmental Education Council Act of 1973. Most of the appropriation will be used to provide part-time staff for the thirteen regional environmental education councils. These personnel will conduct classes and programs for the residents of the regions they serve.

Since 1971, the site of a former Job Corps camp near Isabella, Minnesota has been the headquarters for the Environmental Learning Center. Last year nearly 15,000 persons, 80 percent of them elementary and secondary school children, benefited from the outdoor educational and environmental learning activities and workshops of the center. School children spend an average of five exciting days living and learning at the Isabella Center.

The Environmental Learning Center is a success and its continuation should be insured by the state. I support the Legislation sponsored by Representative Willard Munger to appropriate 100,000 dollars to the Environmental Learning Center to support its activities. These funds

will allow the center to continue to charge only a modest fee so that all Minnesota school children can participate in its programs.

I also recommend continued support for the state environmental library, ECOL, located at the Minneapolis Public Library.

SECTION II: ENERGY

As every Minnesotan is painfully aware, energy is both expensive and scarce, and we have helped to make it so.

In the last sixteen years, energy consumption in the United States has more than doubled. By 1972, this country, with only 6 percent of the world's population, was using one-third of the total world production of energy. If all other nations consumed energy at the same rate, it is estimated that the world's total energy resources would be depleted by the year 2010.

We are not entirely blameless in Minnesota. Even though our energy consumption has stabilized somewhat in this time of inflation and recession, Minnesota's energy use was growing at the same rate as that of the rest of the country until 1973 -- approximately 4.5 percent each year.

Yet our state has no fuel supplies of its own. We receive one-third to one-half of our petroleum products from refineries that are totally dependent on Canadian crude oil.

The Canadian government, however, plans to reduce the export of crude oil to the United States. This supply will be totally eliminated by 1982 if current Canadian policy is not changed. If this supply is not replaced, Minnesota's economy will be severely damaged.

And in the future, natural gas will no longer be readily available to large consumers in Minnesota. Many large users in the state, including some state corrections and welfare institutions, have been notified that presently available supplies will be significantly cut back after 1978. And as the pressure for deregulation of natural gas mounts, the price will increase.

Both industry and homeowners will be affected by the shortage in these two vital fuels. Sound energy management, conservation, and the development of alternative energy sources must all be pursued to solve the energy crisis in Minnesota. The recommendations that follow encourage all three.

ENERGY AGENCY

The 68th Legislature established the Minnesota Energy Agency in recognition that the energy crisis is real, that it will not end soon, and that it demands the continuing attention of state government.

Since then, the need for the Agency has become even more crucial. The cutback in the supply of Canadian crude oil to our refineries, the shortage of natural gas, severe increases in the price of energy, and the lack of a meaningful

federal energy policy mean that even more careful management of our limited supplies is required.

Minnesota state government cannot directly affect energy prices, distribution, or availability. But the state can take action to manage the energy resources that we use every day, both in the public and the private sectors.

If we are to manage these supplies in the best interests of our people:

- We need sound forecasts of energy demand and supply, and a comprehensive state plan to deal with future shortages;
- We must determine whether construction of new energy-producing facilities are really needed;
- We must educate our citizens on the nature of energy supply and demand;
- And we must end waste of the existing energy supplies.

The Minnesota Energy Agency is charged with these responsibilities. No other agency in state government can accomplish them.

I have recommended an appropriation of 1.4 million dollars to fund the activities of the Energy Agency during the next biennium. This amount provides for more personnel necessary for the Agency to effectively fulfill its statutory duties and responsibilities.

Research into alternative energy sources and more effective use of existing supplies is the principal responsibility of the federal government. But we must determine how best to use our resources for the conditions unique to Minnesota: our winter climate and the heavy reliance on fuel oil to heat our homes, major agricultural processes which require the use of propane, and crucial industries that consume large quantities of natural gas.

I recommend an appropriation of an additional 100 thousand dollars to the Minnesota Energy Agency for programs in energy research and development to match funds available under the Federal Non-Nuclear Research and Development Act of 1974.

RESIDENTIAL ENERGY CONSERVATION

The climate in Minnesota is one of the most varied in the world. In January, we can normally count on around 17 days of below-zero temperatures. Almost half our typical February days are sub-zero. Temperatures of 20 to 30 below

zero for extended periods of time are not uncommon. We joke about it. And we take a certain pride in it.

We also survive. We go about our daily activities as though it were a balmy twenty degrees. But we consume enormous amounts of energy in the process.

When the temperature averages 18 degrees for a week, the normal December temperature for Minnesota, it takes 35 gallons of fuel oil to heat a three-bedroom home. But when the temperature averages 5 degrees below zero, it takes 52 gallons of fuel oil to heat that same home. It is easy to see why residential heating and cooling in Minnesota account for over 15 percent of our total energy use - 66 thousand barrels of oil each day.

Yet we do not use this energy efficiently.

Many of the homes built before 1950 are poorly insulated. Energy was plentiful and cheap back then, or at least we thought so. Building standards did not require the kind or amount of insulation that new homes must have today under the standards being developed by the Minnesota Energy Agency and the Department of Administration.

The re-insulation of an older home will pay for itself through reduced fuel bills in just five years. The average cost of re-insulation is only 225 dollars.

Of the 1.2 million living units in Minnesota, 800,000 have inadequate insulation. I believe we should set a state goal of re-insulating 45,000 of these homes in the next two years.

To accomplish this objective, I propose a two-point home re-insulation program.

First, of the 45 million dollars previously recommended for housing purposes in my Budget Address, I have recommended that at least three million dollars be used for low-interest loans for home re-insulation.

This revolving loan program, administered by the Minnesota Housing Finance Agency, will provide re-insulation funding for at least 15,000 homes during the next biennium. The Agency will make these loan funds available to any interested homeowner and will vary the repayment period to accommodate family budgets. These funds will expand the financing plans currently available from private utilities and that may be available from the federal government.

Second, I recommend an appropriation of 100,000 dollars for the Minnesota Energy Agency to initiate a promotional campaign for home energy savings.

Through this effort, our citizens will be encouraged to take advantage of private utility, federal agency, and the state re-insulation financing plans. Home-owners will be informed of the savings in wise energy use at home, including appliance energy consumption, peak load energy use, and other energy savings tips.

The goal of this promotion campaign will be the re-insulation of 30,000 Minnesota homes during this biennium.

TRANSPORTATION ENERGY CONSERVATION

A. Public Transportation

The best way to reduce energy consumption in Minnesota is to cut back on use of the automobile. But for that to happen, we must provide alternatives to the car - for transportation to and from work and for recreational activities.

In my Budget Message, I endorsed the recommendation of the Metropolitan Transit Commission and the Minnesota Highway Department for a 150 million dollar transportation bonding program to design the best and most practical public transportation system for the metropolitan area and to repair

critical bridges statewide. My budget also includes funds for the establishment of a Department of Transportation and a recommended appropriation of 9 million dollars to continue the public transportation subsidy program around the state.

B. Commuter Van Program

The long-term solution to our dependence on the automobile in the Twin Cities area is the development of an efficient public transportation system. In the meantime, we must explore other programs to reduce automobile use.

One good example is a commuter van system being used by three Twin Cities firms to transport their employees to and from work. The 3M Company, for example, has a fleet of 57 vans, each carrying up to eleven passengers, including the driver. Riders are charged a minimal fare to cover the cost of insurance, gas, and maintenance.

The net savings of this program to 3M and its employees include: 350 parking spaces; 1,425,000 vehicle miles of travel; and 100,000 gallons of gasoline each year. An employee participating in this program can save as much as 1,200 dollars a year by not owning, operating, and maintaining a second car to drive to work.

Each day in the Twin Cities there are 830,000 individual work trips, 60 percent of them during the rush hours. 3M, General Mills, and Cenex have shown us how this waste can be reduced.

Today I am asking each of the 250 metropolitan area firms with 500 or more employees to establish a commuter van program. The Minnesota Energy Agency and the Department of Economic Development will contact each of these companies and provide the expertise necessary to initiate these programs. I am also asking the Minnesota Association of Commerce and Industry and the St. Paul and Minneapolis Chambers of Commerce to help in this effort. Our goal is to have 100 percent participation in this program by the end of 1976.

The commuter van program is one of the creative solutions to our energy and transportation problems that has developed within the last year. Neither governmental regulations nor financial assistance is necessary for the program to work.

We should also be seeking out and encouraging other low-cost alternatives to the daily use of the automobile, especially in our Twin Cities metropolitan area.

The Minnesota Energy Agency will assist the Metropolitan Transit Commission in investigating additional low-capital alternatives to daily trips for shopping,

medical, recreational, and personal business not served by present or future public transportation systems.

C. Strict Enforcement of Speed Limits

Since the lowering of highway speed limits last year, traffic fatalities in Minnesota are down some 20 percent. According to a recent Minneapolis Tribune editorial, 200 Minnesotans are alive in 1975 who would have been killed by traffic accidents in 1974.

Average energy savings for car owners who drive 55 miles per hour instead of 70 miles per hour are approximately 21 percent.

But recently the cost of gas has declined and automobile speeds have begun to creep up once again.

And that means more deaths. Nationally, fatalities increased 13 percent between March and August of 1974, as speeds climbed to old levels.

And it means wasted energy. An average increase of just five miles per hour costs this country 100,000 barrels of oil per day -- half our potential savings from the 55 mph limit.

Such violation of the law and common sense cannot and will not be permitted.

I reaffirm Minnesota's policy of strict enforcement of the 55 mile per hour speed limit.

GOVERNMENT ACTION

The responsibility for continued efforts in the energy conservation field cannot rest with industry and the private consumer alone. Government must also do its share.

Our state energy conservation program has resulted in substantial reductions in energy use through state purchase of compact cars, reduced highway lighting, and preferential parking assignments for state employees who ride in car pools.

Last year under this program state government reduced its total fuel oil consumption by 15 percent, reduced the amount of electricity consumed by 14 percent, and achieved a gasoline savings of 11 percent.

But we can do more. Last year, the Legislature authorized the state to establish a commuter van system of its own. No action has been taken yet for two reasons. The first is that our state laws would not permit the driver of the van to use the vehicle for his personal activities after work. This has been one of the key elements in the successful private commuter van programs. Second, the Legislature did not appropriate funds to purchase vans.

I recommend that the Legislature amend the statutes to permit a state employee to use a government vehicle under this program for a mileage fee after work. I further recommend that the Legislature appropriate 100,000 dollars for the purchase of 15 vans during the next biennium.

Several municipal governments in Minnesota have achieved significant energy savings. In Duluth, for example, the city gas division has reduced heating costs in its own buildings by 20 percent. In Moorhead, the City Council has established a system of energy conservation review for all city purchasing. St. Cloud, Thief River Falls, Rochester, and many other communities have made significant attempts to conserve on energy. But many of the smaller communities in the state have not taken similar action.

All county and municipal governments in Minnesota that haven't adopted an energy conserving plan should follow the state model - to turn thermostats down to 68 degrees in the winter and up to 75 degrees in the summer, to purchase compact cars, and to cut down on the use of unneeded lights.

UTILITY ENERGY RATES

Crucial to our long-term energy conservation effort is the regulation of utility energy rates.

Under the present system in Minnesota, users of small quantities of energy pay more per unit of energy than consumers of large quantities. Our pricing structure does nothing to help stabilize energy prices or encourage energy conservation.

The Wisconsin Public Service Commission has endorsed the principle that all customers pay for energy at a rate tied to the cost of energy production and supply. Several other states - - including New York, New Jersey, and Michigan - - are considering similar action.

The Ford Foundation Energy Policy Project has recommended that states adopt a peak-load pricing structure based on long range incremental cost. Peak-load pricing, which means charging higher prices for energy during those times of the day when it is in high demand, is intended to encourage the use of energy during off-peak hours. This would increase the efficiency of the utilities' generating equipment, help avoid the construction of unnecessary generating facilities, and minimize price increases.

The Minnesota Legislature has given the Public Service Commission the authority to establish utility rates under the public utility regulation law passed in 1974. The Minnesota Energy Agency was also given authority to study energy rates and prices and to participate in the Public Service Commission's decision on energy rates.

Revision of existing rate structures to reflect long-range incremental costs deserves careful consideration by both the Minnesota Energy Agency and the Public Service Commission.

In order to arrive at the best possible method of utility price regulation in Minnesota, I direct the Minnesota Energy Agency to intervene in the deliberations of the Public Service Commission and to present expert testimony to insure that Minnesota utility rate structures encourage energy conservation, treat all energy consumers fairly, discourage unneeded new construction or expansion of energy-producing facilities, and take into account all adverse economic impacts of reform.

Whatever action the state takes in this field will have major long-range energy, environmental, and economic effects. It is crucial that the utility rate structure decision is based on a full understanding of all the implications of each reform alternative. Our goal is not to discourage economic growth and development but to encourage conservation and sound energy use.

CERTIFICATE OF NEED

By July 1, 1976, the Minnesota Energy Agency is required to develop criteria to permit assessment of the need for large energy producing facilities in Minnesota.

This program will protect our citizens from the waste and possible environmental dangers of unneeded electrical generating plants and other energy-related facilities, and help to insure adequate distribution of energy throughout the state. It also will prevent delay of the construction of these facilities once their need is determined.

Several energy suppliers have already begun planning for the construction of new facilities. The citizens of the state would have better assurance of adequate energy supplies in the future and the large suppliers would be assisted by an acceleration of this certificate of need program.

I therefore recommend that the Legislature amend this statute to begin the certificate of need process by July 1, 1975. My budget recommendations provide the Minnesota Energy Agency with the necessary personnel to complete the acceleration of this program.

By taking this action, we can insure that the certificate of need program will become self-sustaining by the end of the next biennium. Under the accelerated program, the Energy Agency will be able to generate revenues of 165,000 dollars the first year of the biennium and up to 200,000 dollars during fiscal year 1977.

SECTION III: ACCOMPLISHMENTS

This brief summary of administrative and legislative accomplishments is a useful reference to the comprehensive commitment we have made to preserving the environment in Minnesota.

A. Administrative Actions

1. Voyageurs National Park

One of the highlights of my first year in office in 1971 was the signing of legislation providing for the donation of state lands to establish Voyageurs National Park. In December, 1974, I transferred the last parcel - 32,000 acres of state and local land - to the federal government. The National Park Service can now proceed to officially establish the 219,400 acre Voyageurs National Park.

2. Leech Lake Reservation Code

One of the most significant actions taken by the 1973 session of the Legislature was the ratification of the settlement agreement between the State of Minnesota and the Leech Lake Band of the Minnesota Chippewa tribe over treaty rights governing the taking of game and fish on the reservation.

A recent budget decision by the federal Bureau of Indian Affairs, however has placed the objective of this agreement in jeopardy. The Bureau has decided not to provide funds for law enforcement activities on the Leech Lake Reservation. Without these funds, the Reservation cannot adequately enforce the terms of the Conservation Code included in the Agreement. The Code governs the enforcement of game and fish regulations. I have requested the Commissioner of the Bureau of Indian Affairs to restore these law enforcement funds to his budget so that the Reservation can enforce the Conservation Code. I am determined to see that this issue is satisfactorily resolved.

3. Protection of the Lower St. Croix River

In 1968, after three years of intensive efforts, the Upper St. Croix River was included as part of the National Scenic Riverway System. In 1971, through the bipartisan efforts of the Minnesota and Wisconsin Congressional Delegations, the remaining 52 miles of the lower river were added to the federal system.

Unfortunately, this action was not enough to insure complete protection of this beautiful natural resource. In 1973, the city of Hudson, Wisconsin, gave preliminary approval to a new development adjacent to

the city along the high bluffs above the river. The combined efforts of my office, Attorney General Spannaus, Governor Lucey in Wisconsin, and the Minnesota Congressional Delegation were successful in preventing construction on any phase of the project.

To insure the maximum protection of this area, I designated the Lower St. Croix River the first critical area in Minnesota under the provisions of the Critical Areas Act.

4. Mississippi River Dredging

Our economy depends significantly on the shipment of goods along the Mississippi River. The U.S. Army Corps of Engineers has assisted the state since the early 1900's by maintaining a navigational channel along the Upper Mississippi River. But the maintenance of this channel requires daily dredging of the river for over six months of each year. This dredging has a detrimental impact on the fragile ecology of the river.

Since June, 1974 the Pollution Control Agency and the Department of Natural Resources have sought to insure that the Corps of Engineers complies with state pollution control regulations in its dredging activities. In November, 1974 the Pollution Control Agency authorized legal action against the Corps of Engineers for alleged

pollution of state waters by dredging. The purpose of this action is to have the courts render a judgment on whether the Corps must comply with state water quality standards.

I believe our state agencies have acted in good faith to find an accommodation between the economic and environmental problems of dredging along the Upper Mississippi River.

5. Great Lakes Water Levels

In 1973, the U.S. Army Corps of Engineers proposed to the International Joint Commission considering Great Lakes water levels that the regulation of the water levels be changed to alleviate the massive shoreland erosion and damage of the downstream Great Lakes. The essence of the Corps' plan was to store more water in Lake Superior to decrease the very high water levels in downstream lakes. Such action would endanger the Minnesota and Wisconsin shores of Lake Superior.

To protect the environment and economy of Northeastern Minnesota, I presented testimony on the issue before the International Joint Commission at a public hearing in Duluth on June 13, 1973. My position was that it is inadvisable to establish a water level regulating

system which would cause extensive shoreline damage in our state. Any plan to increase the water level in Lake Superior should include provisions to alleviate resulting shoreland damages. I requested the International Joint Commission to determine methods of alleviating shoreland damage from such action and to prepare an environmental impact statement on the effects of this proposal.

Under emergency powers granted the Army Corps of Engineers, some manipulation of the Lake Superior water level has already begun. Such action cannot be allowed to continue until the full extent of the impact is known and until a plan for providing just compensation to the state is provided. If all other efforts fail, the State of Minnesota will seek an injunction against any further regulation of the Lake Superior water level by the U.S. Army Corps of Engineers.

B. Environmental Legislation

1. Establishment of Western Lake Superior Sanitary District (1971, Chapter 478)
2. Regulation of Snowmobiles (1971, Chapter 577)
3. Noise Pollution Regulation (1971, Chapter 727)
4. Autohulk Recycling (1971, Chapter 734)
5. Voyageurs National Park (1971, Chapter 852)
6. Marine Holding Tanks (1971, Chapter 861)

7. Establishment of Alexandria Lake Area Sanitary District (1971, Chapter 869)
8. Regulation of Roadside Junkyards (1971, Chapter 881)
9. Regulation of Highway Billboards (1971, Chapter 883)
10. Cleaning Agents and Phosphates (1971, Chapter 896)
11. Municipal Sewage Facilities Assistance Fund (1971, Chapter 916)
12. Environmental Rights Act (1971, Chapter 952)
13. Leech Lake Indian Agreement (1973, Chapter 124)
14. Lower St. Croix Management Act (1973, Chapter 246)
15. Wild and Scenic Rivers Act (1973, Chapter 271)
16. Litter Law Amendments (1973, Chapter 299)
17. Watercraft Safety Program (1973, Chapter 310)
18. Comprehensive Water Resources Amendments (1973, Chapter 315)
19. Public Water and Sewer System (1973, Chapter 322)
20. Environmental Quality Council (1973, Chapter 342)
21. Dam Maintenance and Safety Program (1973, Chapter 344)
22. Flood Plain Management Amendments (1973, Chapter 351)
23. Civil Penalties for Pollutors (1973, Chapter 374)
24. Shoreland Management in Municipalities (1973, Chapter 379)
25. Environmental Policy Act (1973, Chapter 412)
26. Subdivided Land Sales Practices Act (1973, Chapter 413)
27. Stream Maintenance Program (1973, Chapter 434)
28. Comprehensive Drainage Law Revisions (1973, Chapter 479)
29. Mineland Reclamation (1973, Chapter 526)

30. St. Croix Watercraft Control and Surface Use Zoning (1973, Chapter 557)
31. Minnesota Environmental Education Council (1973, Chapter 558)
32. Department of Natural Resources Reorganization (1973, Chapter 615)
33. Solid Waste Disposal Facility Operator Certification (1973, Chapter 646)
34. Severed Minerals Registration and Taxation (1973, Chapter 650)
35. Lake Improvement Districts (1973, Chapter 702)
36. County Water and Land Resources Programs (1973, Chapter 702)
37. Packaging Control and Recycling Grants (1973, Chapter 748)
38. Critical Areas Act (1973, Chapter 752)
39. Department of Natural Resources Wildlife Management Acquisition (1974, Chapter 242)
40. Hazardous Waste Controls (1974, Chapter 346)
41. Shade Tree Disease Control Analysis (1974, Chapter 355)
42. Pollution Control Agency Motor Vehicle Noise Regulations (1974, Chapter 500)
43. Sewage Facility Design and Construction Contracts (1974, Chapter 503)
44. Statewide Water Information System (1974, Chapter 558)

C. Energy Legislation

1. Power Plant Siting (1973, Chapter 591)
2. Energy Supply Reporting Requirements (1973, Chapter 697)
3. Building Code Insulation and Illumination Standards (1974, Chapter 12)

4. Authorization of Highway Speed Reduction (1974, Chapter 79)
5. State Carpool Enabling Authority (1974, Chapter 260)
6. Creation of the Minnesota Energy Agency (1974, Chapter 307)
7. Regulation of Public Utilities (1974, Chapter 429)

D. Recreation Legislation

1. Establishment of State Zoo (1973, Chapter 207)
2. Volunteers in the Park Program (1973, Chapter 420)
3. Expansion of Afton State Park and William O'Brien State Park (1973, Chapters 436 and 482)
4. St. Croix Wild River State Park Established (1973, Chapter 567); Rice Lake State Park (1973, Chapter 608); Sibley State Park (1973, Chapter 628)
5. Recreational Vehicle Lanes on Public Highways (1973, Chapter 620)
6. Refunded Gas Tax to Trail Development (1973, Chapter 468)
7. Luce Line Trail Establishment (1973, Chapter 684)
8. Expansion of Trail Acquisition Authority (1973, Chapter 713)
9. Duluth-Twin Cities Hiking Trail Established (1973, Chapter 743)
10. Heartland Trail and Taconite Trail Establishment (1974, Chapter 407)
11. Recreational Motor Vehicle Operations (1974, Chapter 468)
12. County Road Funds for Bicycle Trails (1974, Chapter 491)
13. Metro Parks and Open Space Acquisition (1974, Chapter 563)

