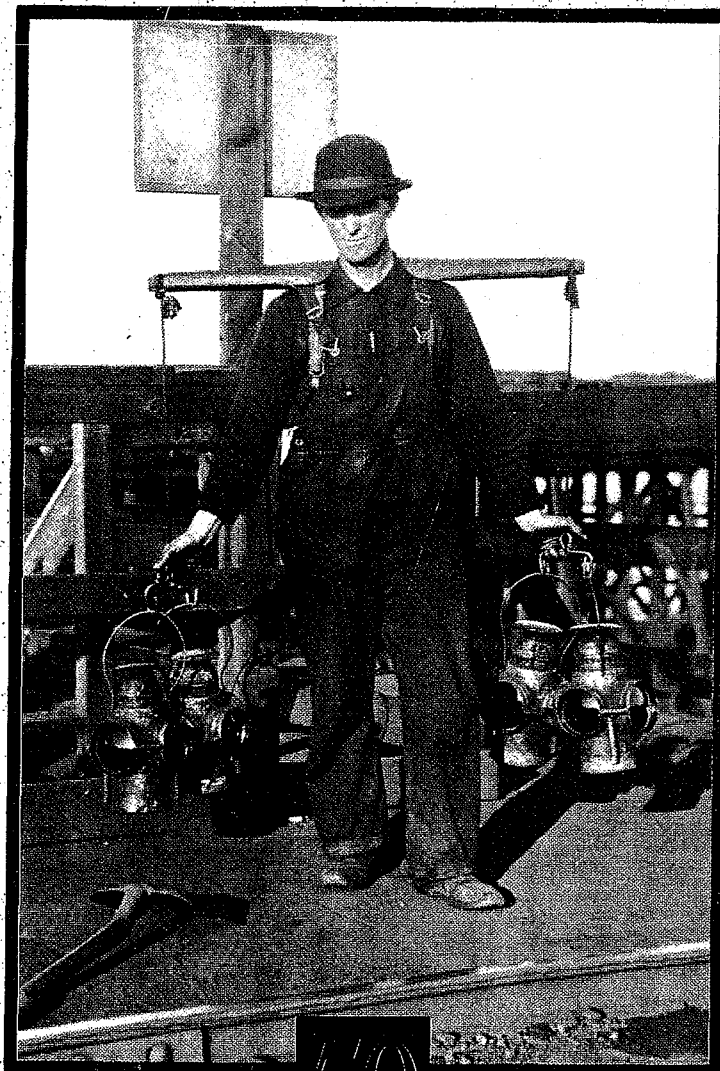


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THE IRON RANGE RESOURCES AND REHABILITATION BOARD THE FIRST FIFTY YEARS

BY DANA H. MILLER, DIRECTOR
IRON RANGE RESEARCH CENTER

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THE EARLY VISION

In April 1991, the Iron Range Resources and Rehabilitation Board (IRRRB), will observe its fiftieth anniversary as a Minnesota regional development agency. These 50 years represent a longer existence than many better known state-sponsored agencies such as the Pollution Control Agency and the Department of Health and Human Services which, like the IRRRB, were created by the legislature to address specific issues and ongoing problems.

The IRRRB was founded by the 1941 Legislature, with the urging and strong support of Governor Harold Stassen, to rehabilitate the Iron Range area of northeastern Minnesota. While the methods of rehabilitation have varied over the years, the mission of the agency has remained constant, adhering to the principles first endorsed by Governor Stassen in 1941.



Governor Harold Stassen.

Stassen considered the Iron Range to be one large community of many cities and towns sharing common economic and social conditions. He felt that a rehabilitation program benefitting any one area of this community would be

a benefit to all. Harold Stassen observed that while mining would remain as the main industry for years to come, the area's future could be enhanced by the development of other resources, both natural and human.

Some resources, such as the enormous deposits of low-grade iron ore and taconite, could supplement and eventually replace the dwindling supply of high-grade iron ore. The once great forests, replaceable through proper planting and management, could provide the basis for a new wood products industry. The Governor also believed that opportunities existed for residents willing to plant and harvest cash and specialty crops such as berries, potatoes, vegetables, fish packing, flax

production and wild rice.

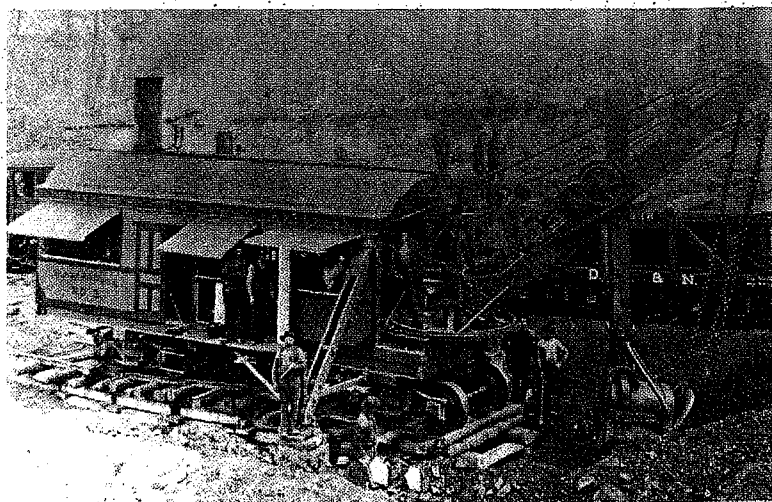
To provide for the area's human resources, Governor Stassen recommended additional educational facilities. He viewed post-high school training, and especially vocational training, as very important to the success of any rehabilitation program.

Stassen also recognized the area's natural advantages for tourism. The abundance of lakes and rivers, combined with the development of resorts, campgrounds, outfitters, recreation and other leisure facilities, offered the promise of a new tourism industry.

While the Iron Range of the 1930s was a one-industry economy, Stassen reasoned dependence on mining could be lessened through the development of new industries. These industries would be based on the existing natural and human resources of northeastern Minnesota.

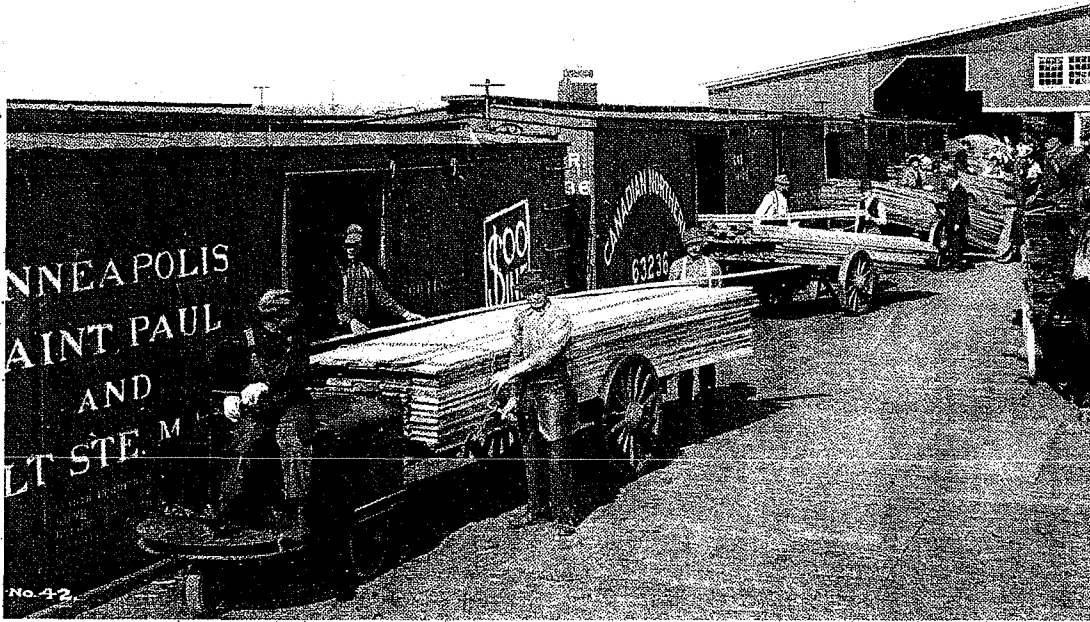
SCARS ON THE LANDSCAPE

During the Depression years of the 1930s, the Iron Range landscape reflected the influence of mining and lumbering. In developing some of North America's largest deposits of iron ore, mining had left enormous scars since the 1890s. By 1941, more than two



Steam shovel at Mountain Iron Mine, 1893.

The Virginia & Rainy Lake Co. Virginia, Minnesota
Dressed Lumber Loading, showing East Entrance to Mammoth Warehouse and Planer
where twenty-seven cars can be accommodated under cover



The Virginia and Rainy Lake Company, Virginia.

billion tons of iron ore had been shipped to the steel mills of the east. More than a billion additional tons of lean ore and overburden (soil, rock and gravel) were stored in stockpiles and dumps near the mines. The entire Mesabi Iron Range reflected the business of mining the soft, often powdery ore. Everything—clothes, cars, houses—was tinted with the deep red hue of iron ore.

On the Iron Range and in other areas of northeastern Minnesota, a second industry had also left its mark. During the 1880s, even before the advent of the Mesabi, the timber industry began the decimation of the great white pine forests of the Minnesota Arrowhead. In the 1920s, the largest lumber firm, the Virginia and Rainy Lake Company sawmill in Virginia, claimed to be the world's largest white pine mill, producing more than two million board feet of dressed lumber daily. The docks in nearby Duluth buzzed with the sound of sawmills, as lumber packets made their way down the Great Lakes, their decks piled high with sawtimber.

With little thought given to conservation

and reforestation, the magnificent forests had all but disappeared by the mid-1930s. By the start of World War II, much of northeastern Minnesota was a waste land of pits, dumps and scraggly second-growth timber. The federal government's designation, "cut over area," was too kind for the real condition of the Iron Range area. And yet, northeastern Minnesota possessed many advantages not readily apparent.

UNDERLYING STRENGTHS

The two counties which contained the majority of the state's iron mines, St. Louis and Itasca, could also lay claim to a substantial number of the state's 10,000 lakes. With the growing metropolis of Minneapolis and St. Paul less than 200 miles away, the possibilities for tourism were evident. Iron ore is a non-renewable resource; once it is mined, it is gone and can never be replaced. Forests, on the other hand, are renewable resources. With proper management and replanting, the state's forests could be sustained for centuries to come. The once magnificent forests of northeastern Minnesota could again be great, forming the basis for an emerging wood products economy.

There were also other resources to be tapped. Certain agricultural crops had done well in the area. Northern Minnesota, especially St. Louis County, had enormous quantities of peat, used in many parts of the world for heating, fertilization, farming, building materials and industrial fuels. As most of the iron mines lay idle during the mid-1930s, a group of University of Minnesota scientists, including Dr. Edward W. Davis, began to investigate a new iron ore industry, based on a hard, low-grade, magnetic ore known as taconite.

Northeastern Minnesota during the 1930s reflected the problems of dependence on a one-industry economy, much like the agricultural "dust bowl" communities of the Great Plains. Unlike those communities, which had only the soil as their base, northeastern Minnesota contained a wealth of natural resources on which to build a new and diversified non-mining economy. For many residents, the Great Depression provided an all too real picture of the end of iron mining and its consequences for northeastern Minnesota. It was in this setting that a group of area residents began the rehabilitation program.

REHABILITATION: IDEA TO REALITY

The Great Depression hit the Iron Range with the impact of a sledge hammer, bringing the iron mining economy to its knees and leaving most of the residents jobless. During the 1920s, iron ore shipments averaged about 33 million tons per year, but this number dropped to 16.5 million tons in 1931 and hit an all-time low of 2.2 million tons in 1932.

Employment fell from an average of approximately 12,000 miners during the 1920s to less than 2,000 in 1932.

Widespread unemployment presented the mostly voluntary relief agencies with a situation they were neither prepared for, nor equipped to handle. With little in the way of federal and state programs for the unemployed, the burden fell largely on the municipalities and schools of the Iron Range.

THE EARLY TAX STRUCTURE

At this time, the iron mining industry paid two types of taxes, known as ad valorem and occupation. Ad valorem taxes were assessed by the municipalities and schools and represented a form of property tax, levied on the amount of iron ore remaining in the ground. Occupation taxes, on the other hand, were assessed by the state and represented a form of income tax, but these taxes were levied on iron ore tonnage mined and shipped. Because of the ad valorem tax structure, unmined ore would be taxed again and again, as long as it remained in the ground.

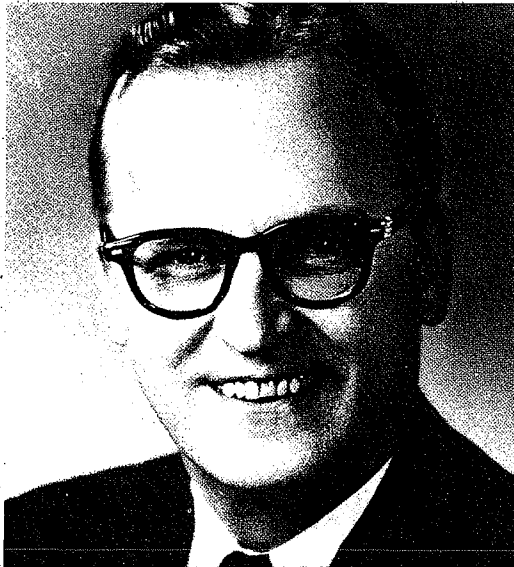
In high-production years, the mining companies found the ad valorem taxes hardly bearable. In the lean years of the 1930s, their resentment could not be contained. During the 1920s, when seasonal shipments averaged 33 million tons, ad valorem taxes totalled approximately \$18 million per year, but in 1932, the year that only 2.2 million tons of ore were mined, the ad valorem taxes payable were still nearly \$16 million.

Much of this tax money was spent for relief projects by local units of government.

Unemployed miners and their families scraped by with the help of a few days of employment each month working for the cities and schools.

At each legislative session, and especially during the Depression, the mining companies sought to ease the ad valorem tax by either changing the law or limiting the taxable amount to a maximum for each resident of a city or school district. The Iron Range legislators fought off each challenge until the 1939 session, when it looked like a tax bill more favorable to the mining companies would pass easily. Near the end of the session, Governor Stassen kept a campaign promise and indicated that he would not sign any restrictive iron ore legislation until a study of mining taxes had been made. The legislature, well aware it could not override a veto, agreed to a major study.

THE BLATNIK-KELLY PLAN



John Blatnik.

At about this time, a group of young Iron Range men developed a plan for area rehabilitation. In 1938, John Blatnik and Richard Kelly, both members of the Chisholm Junior Chamber of Commerce, unveiled their program at a regional Junior Chamber meeting in Duluth. The program called for

changes in tax laws to encourage underground mining, the establishment of municipal forests, closer cooperation between the area's local governments, the establishment of a four-year college, and the development of a new industry based on taconite. The idea caught on with the project-minded JCs, and several committees were set up to study and make recommendations on how to best revitalize the area economy.

In July 1940, the Rehabilitation Committee took its program to the Minnesota Junior Chamber convention seeking statewide support, which it received unanimously. Armed with this backing, the committee then provided each member of the 1941 Legislature and Governor Stassen, also a Junior Chamber member, with a copy of the plan.

The legislative committee charged with making the study of iron ore taxation made its presentation to the same session of the legislature. The nine-member committee, chosen by House and Senate leaders and Governor Stassen, was composed of three members of the House, three of the Senate and three designated by the Governor.

Stassen chose Biwabik Attorney Carl Schuster, Grand Rapids Dr. John McLeod and University of Minnesota School of Mines Director E. H. Comstock. The House and Senate members were politically conservative and known to be in favor of curtailing the ad valorem tax and transferring the bulk of this taxation to state coffers.

As expected, the majority report presented a "scathing indictment" of unreasonable and wasteful Iron Range spending of tax monies, which the committee felt should be drastically reduced. Unfortunately, the mining companies could take little solace in the committee's recommendations, for the ad valorem reductions were to be more than offset by an increase in occupation taxes, resulting in an overall tax increase for iron ore. The minority report by Carl Schuster called for maintenance of the status quo with regard to taxation, while Dr. McLeod called for a more reasoned and less vindictive approach.

THE ROLE OF GOVERNOR STASSEN

In January 1941, Governor Stassen met with John Blatnik — by then a state Senator — for more than an hour and received a detailed briefing on the Rehabilitation Program. The Governor was noncommittal and let the legislature follow its course on the matter, until late in the session. On March 27, 1941, the Governor, on a statewide radio hookup, addressed the problems of northeastern Minnesota. In his address, he strongly supported a program of rehabilitation for the Iron Range.

Stassen offered his own program of iron ore taxation, which called for increased occupation taxes on the richest ores and reduced taxes on lower-grade ores to encourage their mining. He also recommended that ad valorem taxes be limited to an amount based on population, but that a certain percentage of the increased occupation taxes be made available to a new department, that of Iron Range Resources and Rehabilitation. The mission of this

1941 Minnesota Statute 298.22 which created the IRRRB.

agency would be to develop the resources of northeastern Minnesota to create a more diversified economy based on tourism, agriculture, wood products, vocational education and low-grade iron ores.

With little notice, another iron ore tax bill was making its way concurrently through the legislature which would have enormous significance for northeastern Minnesota. Sponsored by Representative Tom Vukelich of Gilbert and John Blatnik, the legislation set up the basis for taxation of taconite as recommended by Professor Edward Davis. It contained no provision for an ad valorem tax, but instead a tax based only on the amount of ore processed and shipped.

The legislature had little choice but to give the Governor most of what he wanted or risk a veto, and no legislation until at least the next session. Still, in Stassen's opinion, the final iron ore tax bills sent to his desk were too restrictive. Yet, everyone involved was tired. The bills offered an opportunity to lay the long and

1921 c. 225 (2388)
298.22 APPROPRIATION FOR REHABILITATION. For the period beginning May 1, 1941, and ending April 30, 1942, there is hereby appropriated from the general revenue fund, for the purposes hereinafter set forth, five per cent of amounts paid and credited into the fund from the proceeds of taxes paid under the provisions of the law relating to occupation taxes on the business of mining or producing iron ore, and on and after May 1, 1942, there is hereby appropriated from the general revenue fund, for the purposes hereinafter set forth, ten per cent of all amounts paid and credited into the fund from the proceeds of these taxes. The office of commissioner of Iron Range resources and rehabilitation is hereby created. The commissioner shall be appointed by the governor, with the advice and consent of the senate, for a term of two years, the first term to begin July 1, 1941. The salary of the commissioner shall be \$5,000 per annum, which shall be paid from the amounts appropriated by this section; provided, that such salary shall be reduced by such amount as he may receive from other funds, and the commissioner may hold such other positions or appointments as are not incompatible with his duties as commissioner of Iron Range resources and rehabilitation. All expenses of the commissioner, including the payment of such assistance as may be necessary, shall be paid out of the amounts appropriated by this section.

When the commissioner shall determine that distress and unemployment exist in any county by reason of the removal of natural resources and the decrease in employment resulting therefrom, he may use such amounts of the appropriation made to him in this section as he may determine to be necessary and proper in the development of the remaining resources of the county and in the vocational training and rehabilitation of its residents.

[1941 c. 544 s. 4]

298.23 TACONITE. For the purpose of this law, "taconite" is defined as ferrous chert or ferruginous slate in the form of compact, siliceous rock, in which finely disseminated that substantially all of the iron-bearing material is smaller than 20 mesh. Taconite may be further beneficiated as iron ore in its natural state or by methods of beneficiation.

divisive matter to rest. So, on April 27, 1941, during the last hour in which bills could be signed, Governor Stassen approved the legislation establishing the Department of Iron Range Resources and Rehabilitation. He also signed the new taconite taxation law, even though few people had ever heard of this form of iron ore.

The contributions of Governor Stassen to northeastern Minnesota cannot be overemphasized. He bucked his own party to assist an area with an overwhelming record of Farmer-Labor support. Carl Schuster and soon-to-be state Representative Fred Cina of Aurora publicly acknowledged the role of Governor Stassen in making possible a much better result for northeastern Minnesota than had been anticipated.

To his credit, Stassen understood that Iron Rangers did not want charity or relief. They wanted jobs and the opportunities that went hand-in-hand with steady employment. To help in the creation of those jobs would be the new agency's priority.

Governor Stassen, in recommending the establishment of a Range-wide agency, realized a fact about northeastern Minnesota that many residents did

not. The Iron Range, from Coleraine in the southwest to Ely in the northeast, represented one community united by a common economy and culture. Economic development within the Iron Range area would benefit all of the individual communities, no matter where that development occurred.

ORGANIZATION

The bill creating the office of the Commissioner of Iron Range Resources and Rehabilitation was contained in Section 4, Chapter 544, of the Session Laws of 1941. Funding for the new agency would be provided by a 5 percent allotment of the occupation taxes on iron ore paid by the mining companies. This funding, "dedicated" in the statute, meant that no general fund monies would be used for Iron Range rehabilitation. At the same time, the legislation specified that these dedicated funds could only be used for the purposes described.

The Governor also recommended that the agency be included in the Reorganization Act, which brought most state departments and agencies



Herbert J. Miller,
IRRRB Commissioner,
July 1, 1941—June 30, 1942.

298.24 OCCUPATION TAX ON M

298.24 TAX ON MINING OF TACONITE. There is hereby taconite, and upon the mining and quarrying thereof, and upon the iron ore concentrate therefrom, and upon the concentrate so produced, one cent per ton of merchantable iron ore concentrate as shipped therefrom, plus one-tenth of one cent per ton for each one per cent that the iron content of such shipping product exceeds 55 per cent, when dried at 212 degrees Fahrenheit.

[1941 c. 375 s. 2]

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

[1941 c. 375 s. 3]

298.26 TAX ON UNMINED TACONITE. In any year in which at least 1,000 tons of iron ore concentrate is not produced from any 40-acre tract or portion of a lot containing taconite, a tax may be assessed upon the taconite in the tax rate prevailing in the taxing district and upon the taconite, such assessment

under a central administrative and fiscal system. Under these terms, the new Department began the process of rehabilitation with a first-year budget of \$158,000.

The Commissioner was to be appointed by, and serve at the pleasure of, the Governor with the "advice and consent" of the legislature. In July 1941, Harold Stassen appointed Herbert J. Miller, the executive secretary of the Minnesota Resources Commission, to be the first Commissioner of Iron Range Resources and Rehabilitation.

The powers given the Commissioner were extensive and remain unchanged to this day. The Commissioner has the authority to "determine when distress and unemployment exists or may exist in the future by reason of the removal of natural resources... [and] he may use...the appropriation... as he may determine to be necessary and proper in the development of the remaining resources."

Miller understood that the purpose of the agency was "to develop jobs and income principally in those counties affected by the decreasing amounts of taxes from iron ore." To accomplish this objective he "assemble[d] the best experience available to advise" on the ways to proceed, designating committees on mining, forestry, agriculture and vocational training. The Commissioner planned to develop comprehensive surveys of the present status of the northeastern Minnesota economy and then continue with a rehabilitation program. To maintain and foster contact with the Iron Range, Miller, who was located in St. Paul, established an office in Chisholm.

Almost as soon as Miller had begun his work, the Great Depression came to an end on the Iron Range. World War II brought full employment to northeastern Minnesota almost overnight and even created a labor shortage as the area's young men and many women were called to military service. The Iron Range and the new agency joined wholeheartedly in the war effort, placing

rehabilitation efforts within a war context. Herbert Miller left the position of Commissioner effective July 1, 1942, and was replaced by Robert E. Wilson of Minneapolis. He would serve until May 1, 1949.

WILSON TAKES CHARGE

Throughout the war years, Robert Wilson did an admirable job of melding rehabilitation with the war effort. Under his

Number of mines in operation	60
Number of mines not in operation	158
Total number of mines	218
Number of visits and inspections	378
Total number of men employed	8,101
Ore shipped, open pit, gross tons	28,899,025
Ore shipped, underground, gross tons	4,042,632
Total ore shipped	32,941,658
Waste material removed, cubic yards	16,117,100
Number of fatal accidents, open pit	8
Number of fatal accidents, underground	6
Total fatal accidents	14
Number of fatal serious accidents	107
Number of fatal accidents per hour	0.852

Number of mines operated	43
Number of mines not operated	168
Total number of mines	211
Number of visits and inspection	388
Number of men employed under ground	1,572
Number of men employed in open pit mining	1,764
Number of men employed in stripping operations	305
Total number of men employed	948
Number of tons of ore shipped from under ground	3,914,773
Number of tons of ore shipped from open pits	20,241,485
Total shipment	24,156,258
Number of cubic yards stripping removed	3,000,000
Number of fatal accidents under ground	1
Number of fatal accidents on surface	1
Total fatal accidents	2

According to the "Annual Report of the Inspector of Mines" from 1939 and 1942, total ore shipped more than doubled between those years.

direction, the agency laid the base for peacetime projects through surveys, studies and inventories of natural and human resources. In the field of vocational education, the Commissioner began a program of training that would benefit area residents and the nation.

Under this program, Department funds were used to pay instructors to provide a broad range of courses, taught in the local schools. These courses included home economics, typing, shorthand and business skills, but also prepared workers for specific tasks, with instruction in "Washing Plant Practice," "Laboratory Manipulations" and "Chemistry for Nurses." Most of the graduates were women trained to take the place of male miners called to the military. In this way the Department contributed significantly to both human rehabilitation and the war effort.

As early as 1943, Wilson began a program called "postwar planning in action." The agency's comprehensive studies provided the basis for employment programs in agriculture, mining, forestry and continuing education. The forestry report showed conclusively that proper management could rebuild the forests and foster a new wood products industry. To encourage this process, Wilson made professional foresters available at no cost to all northern Minnesota counties. These individuals brought with them the latest conservation and reforestation technology and developed land use plans enabling the counties to literally and figuratively sow the seeds of a new prosperity.

The Commissioner saw real promise in northeastern Minnesota's agricultural potential. Area agriculture could in no way compete with the Great Plains or the farmlands of southern Minnesota in wheat or corn production, but other cold weather cash crops had done well. These included berries, flax, potatoes and certain varieties of vegetables, especially rutabagas. A major effort was directed at milk production, including cow testing, insemination and breeding, and milk house construction.

In mining, the Commissioner received help from the legislature. During the 1943 session, the Iron Range Resources and Rehabilitation Commission was formed to make a study of "policies and plans for future development of low grade ore." Six legislators were chosen, three each by the



Robert E. Wilson, IRRRB Commissioner, July 1 1942—May 1, 1949.

Speaker of the House and the Senate Committee on Committees, and the Commissioner of the Department of Conservation (now the Department of Natural Resources).

SOME WINS, SOME LOSSES

The Legislative Commission report foresaw a declining iron mining industry, as ever larger machines replaced men and the supply of high-grade natural ore diminished. The members felt the "state should stand ready to cooperate to the limit in promoting [taconite] development." This would include funding the University of Minnesota's Mines Experiment Station (which the agency did for many years); beneficial tax legislation for the mining companies and use of the state's power of eminent domain to open lands for mining.

An even brighter star on the 1943 horizon was powdered iron. This pure form of iron could be compressed and molded into gears and precision parts without the need for tooling and machining. The Commission recommended that some \$250,000 of the rehabilitation fund be used to erect a pilot plant to test this technology. In the late 1940s, construction began near Aurora. Disaster struck soon after. The leading scientist, who developed the process but neglected to record

it, died and left the agency with a large building and the loss of nearly a million dollars.

Overall, the postwar years were good ones for the Iron Range, with the return of consumer goods unavailable during the conflict and billions of dollars in savings accounts. Americans purchased refrigerators, stoves and cars as fast as they could be produced. With the continuing high demand for iron and steel, there was little pressure for rehabilitation.

THE FIFTIES AND SIXTIES

If the 1940s represented a period of surveys and studies for the IRRRB, the 1950s and 1960s were the time when many of those studies were turned into viable projects providing employment for northeastern Minnesotans.

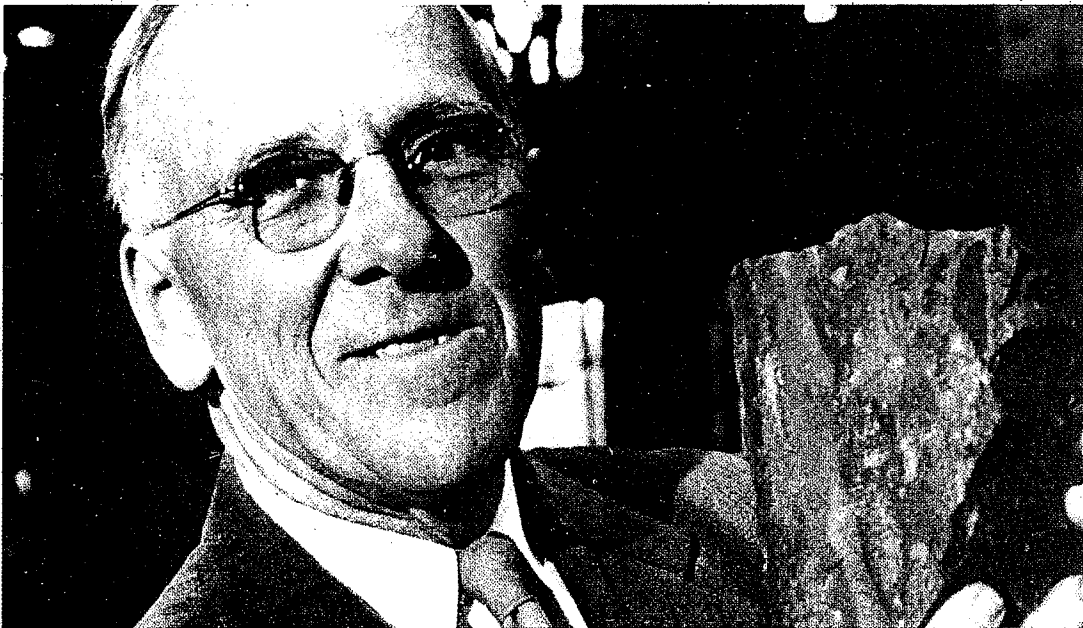
The most important agency project, the development of a commercial taconite industry, derived from research at the University of Minnesota's Mines Experiment Station in Minneapolis. Much of the funding for this research was supplied by the IRRRB through a method known as "legislative

transfer." The legislature, at its biennial sessions, simply transferred a significant portion of dedicated IRRRB funds to the School of Mines for ongoing research.

The chief scientist and most ardent proponent of taconite, Edward Wilson Davis, contributed significantly to the industry through his research and advocacy. In his 40 years of work, he designed much of the equipment and developed the process that resulted in cost-efficient methods of taconite production. It was Davis more than anyone else who convinced Iron Range legislators to adopt a tax system which would encourage mining companies to invest in Minnesota ore by abandoning the ad valorem tax.

THE FUNDING OF THE MINES EXPERIMENT STATION

With the creation of the IRRRB, the Mines Experiment Station and Davis found a consistent and generous supporter of its research. The agency's first transfer, in 1942-44, totalled \$40,000 and reached a high in the 1962-64 biennium when the legislature committed \$390,000. All told, more than \$2.5 million found its way to the Mines



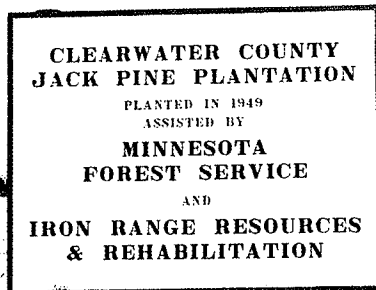
Professor E.W. Davis, the "Father of Taconite."

Experiment Station from 1942 to 1968. This amounted to nearly 15 percent of all monies dedicated by statute to the IRRRB during those 26 years.

In the field of mining research, the IRRRB either funded totally or shared project or research costs with the federal government, adjacent states, or state agencies. Efforts included copper/nickel exploration, geologic mapping, deep hole drilling, magnetic surveys, and the suitability of Minnesota clays for pellet use. Public-private partnerships were encouraged. The IRRRB assisted with efforts in iron ore briquetting, manganese ore concentration and in the continuing dream of direct reduction of iron ore to pig iron in northeastern Minnesota.

A BOOST FOR FORESTRY

In the agency's forestry efforts, prior studies, surveys and funding began to pay



One of the many IRRRB-sponsored reforestation programs.

dividends following World War II. Wood products companies found the once cut over region reforested, thanks to IRRRB-hired foresters and reforestation programs. Also in place were water resource and quality studies, land ownership and topographic maps, wood species information and aerial photographs.

The availability to industry of this "free" information, financial assistance and an educated and willing work force resulted in the construction of major wood products plants at Virginia, Bemidji and Duluth.

Smaller companies in the region processed charcoal, turned fence posts, wholesaled kiln-dried lumber and made water skis.

AGRICULTURAL INITIATIVES DECLINE

Agriculture, one of the basic "resources" of the original legislation in 1941, slowly faded into obscurity during the 1950s and 1960s. The small "cash basis" enterprises raising berries, rutabagas, potatoes, and even packing Lake Superior bluefin herring did not possess the financial resources or quality land necessary to survive. Generally, with few exceptions, northeastern Minnesota found it impossible to compete financially with farms of several thousand acres worked by massive and expensive machinery.

One of those exceptions involved Jeno Paulucci, a Hibbing-raised Duluth businessman. In the late 1940s, Paulucci used an IRRRB loan to purchase peat bog land south of Eveleth, where he planned to grow celery for a Chinese food plant in Duluth. On the face of it, the venture seemed absurd. Agency critics provoked many a chuckle with this seemingly foolhardy use of tax money.

Peat, however, proved to be an excellent soil for celery, and both the farm and company prospered. The chuckling didn't stop, though, until Paulucci repaid the loan with interest and eventually sold his Chun King company to food giant R. J. Reynolds for more than \$60 million.

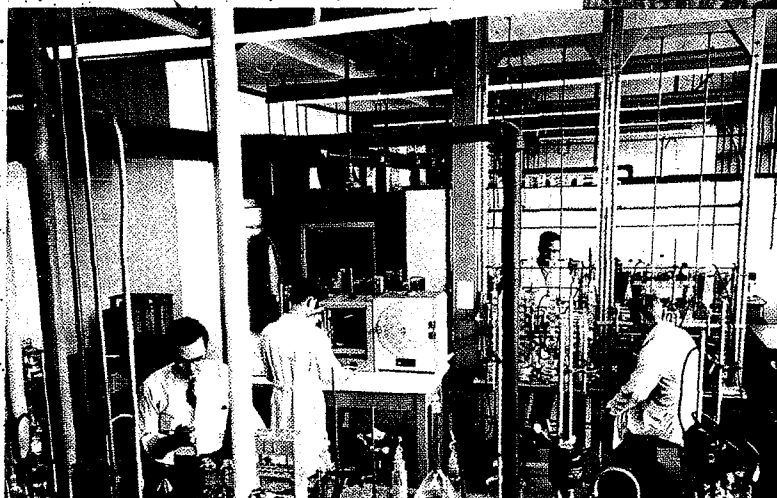
Mostly harvested and sold by native Americans, wild rice presented an opportunity for a high-value cash crop which actually prospered in the area's cold climate. In cooperation with the Nett Lake band of Chippewa, the IRRRB hired experts on raising the grain and constructed a wild rice "farm" on the Nett Lake reservation.

The project was eventually abandoned for reasons unrelated to

feasibility. Other companies would later make use of IRRRB methods, research and financial assistance to create a "paddy-grown wild rice" industry, which today supplies a significant portion of the nation's wild rice market.



Aase wild rice research project, 1968.



Scientists perform peat research at the UMD lab (1954—1956).

FOR THE SAKE OF PEAT

Northeastern Minnesota contains the largest concentration of peat in the contiguous 48 states. In Europe, peat is used for heating and cooking, fertilizing, building materials and many other purposes.

Abundance of other natural resources, however, has severely limited peat's practical application in the United States. After four decades of research on the part of the IRRRB, the state of Minnesota has discovered many new applications for peat, some of which have been adopted in other parts of the world. Cooperative surveys have provided detailed information on the state's peat resources, quality and moisture content. Until conditions warrant, however, peat will most likely see limited use in flower and vegetable gardens and specialty applications, waiting for the inevitable day when this valuable Iron Range resource is needed.

TOURISM

Tourism realized little direct benefit of agency funding during the 1950s and 1960s. Although the IRRRB provided money for studies such as the feasibility of Voyageur's National Park, and cooperated in campground and hiking trail construction, a major impediment precluded direct agency involvement in tourism projects. Tourism was not designated as a "remaining resource" under the law as interpreted by the Minnesota Attorney General and was, therefore, ineligible for IRRRB financial assistance.

In the early 1970s, the Attorney General finally agreed that tourism, a multi-million dollar business in Minnesota, indeed met the intent of the rehabilitation legislation as a "remaining resource."

As the 1960s drew to a close, Commissioner Armando M. (Mundo) DeYoannes could look back upon nearly 30 years of IRRRB efforts to diversify the economy of northeastern Minnesota. DeYoannes, who served 10 years as Commissioner (1961-71), first became involved in Iron Range rehabilitation in 1938, as a member of the Junior Chamber committee. Another member of that committee, Edward C. Bayuk, also served as Commissioner from 1950 to 1955. These men, indeed all who filled the post of Commissioner, knew both the frustration of the assignment and the rewards of seeing a new industry prosper.



Armando M. DeYoannes,
IRRRB Commissioner,
1961-1971.

CATCH 22

Over the years, IRRRB Commissioners attempted to deal with problems inherent in the original legislation. The most vexing of these was the funding system. Since the

IRRRB's funds were dependent on natural iron ore production, a good year for the mining companies meant a good year for the agency. The greater the tax money paid by the industry, the larger the appropriation for the IRRRB.

To many Commissioners, this approach seemed backward. High production meant high employment and reduced need for new development. Low production corresponded to low employment, which meant less money to counter an increased demand for agency services. This "Catch 22" situation would not be addressed satisfactorily until well into the taconite era, when revenue would be averaged over several years.

HELPING MANKATO

A second problem concerned legislative transfers. While many of these transfers served worthwhile purposes, a sizable portion benefitted areas physically far removed from the Iron Range. In fact, IRRRB money assisted in some way in the forest surveys of all 87 Minnesota counties, and funded development projects in Staples, Royalton, St. Cloud and Anoka, all far from the Iron Range. While Commissioner Herbert Miller could state in 1942 that the intent of the act was "to develop jobs and income principally in those counties affected by the decreasing amounts of taxes from iron ore," the IRRRB nevertheless provided assistance to the Carney Cement and Rock Wool Manufacturing Company in Mankato. During the first quarter century of the IRRRB, legislative transfers totalled nearly \$6.5 million, more than a third of the entire amount appropriated to the agency.

Income and sales taxes are funnelled into the state general fund to plow roads, fund the educational system and pay employees. Until 1962, all income generated by the IRRRB, exclusive of the dedicated occupation tax, also reverted to the general fund. Money received for rents, sales of equipment, and repayments of loans was lost to the agency, but benefitted the state at large. At the request of Governor Elmer L.

Anderson, the legislature created a "revolving fund," authorizing the IRRRB to retain repaid loans and other income for additional development.

FUNDING SUNSET

There is no evidence that the legislature foresaw a time when the IRRRB would not be needed, and yet it inadvertently included a "sunset" provision. The agency's funding base, occupation taxes on iron ore, decreased steadily as the high-grade natural ores were exhausted and taconite was developed as a replacement.

The basic taxing method for taconite, passed by the 1941 Legislature, remained relatively unchanged over the years. Taconite would be assessed a production tax, not an occupation tax. Unfortunately, there was no provision in the taconite tax law for an appropriation for Iron Range rehabilitation. The overwhelming passage of the Taconite Amendment in 1964 accelerated taconite production and further reduced the need for natural ore. The once mighty Mesabi, with its thousand-year supply of iron ore, had lasted only 80 years. Unless the legislature acted, the IRRRB and Mesabi iron ore would pass away together.

THE SEVENTIES: IRON ORE AND TACONITE

The Iron Range and northeastern Minnesota experienced a period of economic recession throughout the first half of the 1960s. This downturn affected the IRRRB as agency income relied on the amount of iron ore produced. While the overwhelming passage of the Taconite Amendment in 1964 helped put many residents back to work, the agency's income actually decreased because taconite was not considered "iron ore" for taxation purposes.

Since 1941, taconite had been taxed by a production tax, which was levied only against taconite actually produced and shipped. Thus, while residents were steadily employed

and the state received additional tax dollars from taconite, the IRRRB realized precious little from this large-scale development taking place within the boundaries of its operation.

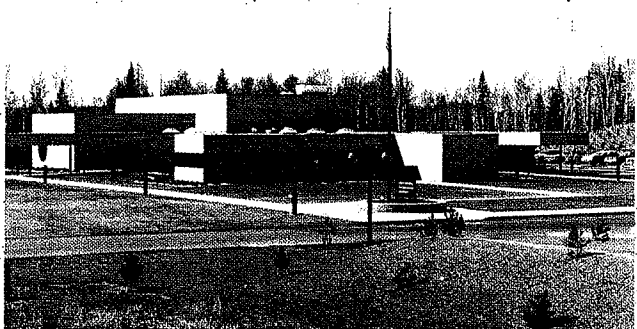
ONE CENT PER TON

After years of effort on the part of agency officials and area legislators, the 1971 Legislature appropriated one cent per ton of the taconite production tax to the IRRRB. Lawmakers left open the question of whether the original legislation applied to taconite as well as iron ore. But even this penny helped in a substantial way. The 17 million tons of taconite production that year would bring in about \$170,000 to agency coffers.

Again, in 1973, the legislature increased IRRRB funding by allowing a portion of the taconite occupation tax (essentially an income tax) to be dedicated to Iron Range rehabilitation. With taconite production now approaching the 50-million-ton level, these two taxes provided more than \$1 million a year to the agency.

For the first time in 1973, the Iron Range Resources and Rehabilitation Board contained a majority of area legislators. Senators Norbert Arnold, George and Anthony (Tony) Perpich, and Representative Douglas Johnson all represented Iron Range districts. Also, a member of the seven-member Board since the original 1943 Legislation was the Commissioner of Conservation, whose agency changed its name to the Department of Natural Resources in 1970.

NEW HOME ON THE RANGE



Iron Range Resources & Rehabilitation Offices, Eveleth, MN, 1976.

To be closer to its area of responsibility, the IRRRB constructed a new headquarters building approximately three miles south of Eveleth on U.S. Highway 53. The facility opened in 1975 and housed administrative staff and other agency divisions. By 1981, after more than 30 years of maintaining offices both in the State Capitol and on the Iron Range, the IRRRB was at last consolidated into a single office in northeastern Minnesota.

BIRTH OF THE INTERPRETATIVE CENTER

In 1972, the Minnesota Attorney General, at Commissioner Scuffy's request, rendered an opinion which would profoundly affect the agency's future. Ruling that tourism was indeed an industry and that the "remaining resources" of the Iron Range were

The Commissioner created a new division, the Iron Range Interpretative Program (IRIP) to administer and promote the agency's tourism efforts. First priority was the construction of an interpretive museum, to explain the history and culture of the Iron Range area, and also to provide a repository for the region's historical and cultural resources.

On August 19, 1977, Governor Rudy Perpich opened the Iron Range Interpretative Center to the public. The Center met with instant success and wide support from the area. Only three years later, the Center could boast of several expansions and the addition of the Iron Range Research Center, a facility designed to collect, preserve and make available to all the historical resources of the unique Iron Range area.

The Iron Range Interpretative Program



Groundbreaking ceremonies at the Iron Range Interpretative Center.

particularly suited to attracting visitors, the Attorney General gave the IRRRB permission to develop tourism. More than 30 years after Governor Harold Stassen cited tourism as one of the main reasons for the formation of the agency, the IRRRB could assist in building a viable tourism industry in northeastern Minnesota.

Ed Nelson, Assistant Director and Archivist at the Iron Range Research & Interpretative Center, teaches a class from Mesabi East on how to use the historical resources at the Center's library.

also provided assistance to a wide variety of tourism-related programs. These included the Forest History Center, the Vermilion Interpretive Center, Voyageur's National

Park, the Croft Mine Park, Tower-Soudan State Park and many community and municipal activities. During the 1978-80 biennium, the IRRRB acquired its second interpretive site, the Hill-Annex Mine at Calumet, which offered visitors the opportunity to tour an actual openpit iron mine.

The focus on tourism heralded a new direction for the agency in the mid-1970s. With the continuing scarcity of financial resources, however, the IRRRB found it had to trim projects and funding in other areas. Balancing the budget required temporarily curtailing assistance to private business development, the provision of matching funds to federal and other state agencies for such projects as wild rice research and mineral exploration, and the scaling down of non-tourism related agency activities. Legislative transfers continued to divert agency funds to the Mines Experiment Station at the University of Minnesota and to forestry projects and foresters in eight northern counties.

RAINY DAY FUND

During the 1976 Legislative session, northern lawmakers attempted to write new taconite tax legislation. The intent was to make more money available for area units of government, IRRRB projects and create "rainy day" funds for the time when mining experienced its inevitable decline. At the last minute, the opposition of the mining industry and a number of conservative legislators thwarted this attempt. In the 1977 session, however, the legislation passed and was signed into law by Governor Perpich. The implementation of this legislation marked the beginning of a new era in the agency's history.

The 1977 legislation set up two major funds, which became pillars of the agency's grants programs and economic development efforts. The Taconite Area Environmental Protection (TAEP) fund provided the IRRRB the authority to grant and administer money to municipalities, townships and other units of government for local economic development, such as tourism projects,

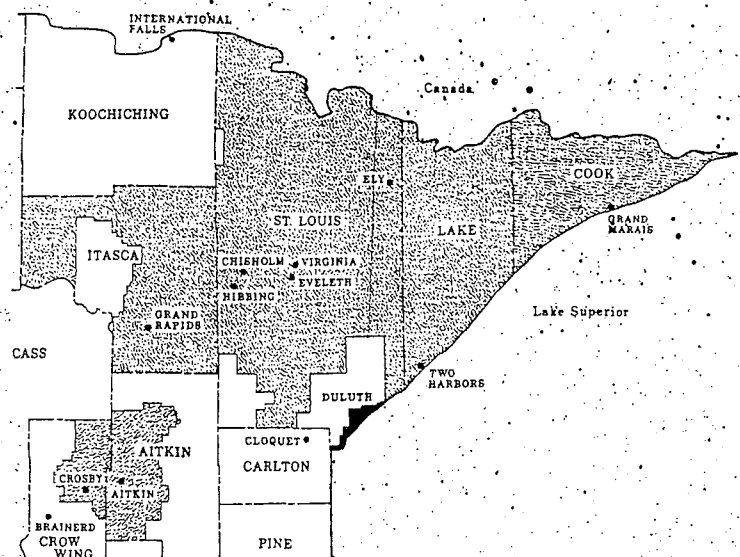
business assistance, and "public works" projects, including sewer and water systems.

The language of the law used to fund the TAEP provided the Commissioner and the Board with a wide range of options in dealing with problems.

The legislature recognized that taconite, a non-renewable resource, would not provide the Iron Range with jobs forever. They had learned the lessons of the "limitless" Mesabi, which lasted only 80 years. To prepare for the day when the taconite industry would exhaust its raw material, lawmakers also decided to set aside a portion of the production tax for the future. Officially known as the Northeastern Minnesota Economic Protection Fund, this money was placed in interest-bearing securities for economic development projects in the year 2002.

Ironically, use of the "2002 Fund" came some 20 years early, when the depression in the steel industry decimated the Iron Range in the early 1980s. Presently, only the interest paid on the dedicated money in this fund may be used for economic development projects.

Another important section of the new



Shaded area shows boundaries of the Taconite Tax Relief Area.

tax law concerned what was to be considered the "taconite area." The original legislation empowered the Commissioner to act "in any county" of Minnesota where he determined distress existed due to the removal of natural resources. While Commissioners generally understood these natural resources to be iron ore and forests, the law did not prohibit the IRRRB from assisting projects in Mankato, Onamia and other communities far from the mines and pines of the Iron Range.

The 1977 legislation carefully defined what would become known as the taconite area, where agency dollars could be granted. Originally described in terms of townships, the taconite area's boundaries are presently drawn along school district lines to reflect the distribution of approximately 90 percent of the tax, which is to schools, cities and counties.

The new legislation also enlarged the IRRRB Board and established a new "oversight" group. The seven-member board was expanded to eleven members, which included five senators and five representatives, plus the Commissioner of the Department of Natural Resources. In a distinct departure from past Boards, in which most members represented non-Iron Range constituencies, the Board was required beginning in 1977 to be primarily composed of members whose districts included at least a portion of the taconite area.

The legislature also set up a group known as the Legislative Advisory Commission (LAC) to advise the Board and the Governor on each project recommended for funding. The LAC is composed of key House and Senate Committee chairmen, and the Governor, who has final approval on agency projects for the taconite area and "2002 Fund."

REBUILDING THE INFRASTRUCTURE

The effect of the TAEP tax dollars on the Iron Range has been dramatic. Once an area of decaying infrastructure and declining community services, northeastern Minnesota

today is well prepared for business and industrial development. The area offers excellent sewer and water systems and a variety of social, educational, recreational and community advantages, such as day care, rehabilitation programs and medical facilities.

The Commissioner and the Iron Range Resources and Rehabilitation Board have made available to taconite area communities more than \$127 million through this grants program. It is safe to say there is not one taconite area community which has not benefitted significantly from the enactment of the 1977 legislation.

The taconite production tax is paid by mining companies instead of a property tax. Therefore, these monies are the same as property taxes residents pay to fund local communities and schools. Taconite taxes have been "leveraged" to match grants and funds from other state agencies and the federal government. This leveraged money has brought in many millions of dollars from other sources for area projects, especially water and sewer construction.

The Iron Range has always depended on a healthy and viable steel industry. Any downturn in steel is felt directly, and quickly, in northeastern Minnesota. Governor Stassen's primary goal in the IRRRB formation was to diversify the area economy and lessen this one industry dependence. Today, as in the past, it is accepted without question that whatever action is required to maintain the taconite industry must be taken. And yet, with steadily declining employment in taconite as technology advances and productivity increases take their toll, other industries must be encouraged to replace those lost jobs.

The word "rehabilitation" in the IRRRB's title meant the same 50 years ago that "economic development" means today. Over the years, agency economic development efforts have taken many forms and have been pursued with varying degrees of intensity. They have continually sought a constant goal: the diversification of northeastern Minnesota's economy. Changes in the methods of rehabilitation have largely been

the result of legislative action, such as the creation of the "2002 Fund" or the pressures of the marketplace, including loan practices and bond guarantees. Through the decades, this flexibility in financial arrangements has served the residents of northeastern Minnesota well.

THE EIGHTIES AND BEYOND

Northeastern Minnesota's taconite industry enjoyed banner years during the late 1970s. The seven Iron Range plants produced nearly 60 million tons of pellets in 1978, rivaling any production year for iron ore, even those of the World War II years. The economic boom resulted in an influx of young men and women to work in the mining industry, a phenomenon not experienced in northeastern Minnesota since the 1950s. Many additional jobs were created in taconite service and supply industries and area retailing. The IRRRB also benefitted as the high production levels poured production tax dollars into agency accounts, especially

the TAEP and "2002 Fund."

The increasing population and new construction in the Iron Range communities overloaded many municipal services, especially sewer and water. The IRRRB responded to this challenge through the grants program, providing millions of dollars to construct new facilities and to repair the old, decaying infrastructure of taconite area municipalities. In the years 1978 through 1982, the agency committed more than \$60 million to rebuild sewer and water lines, replace water towers, construct fire and town halls, recreation centers and other needed facilities.

Other areas of the economy also benefitted. The agency assisted day care centers and educational facilities and helped expand social programs. Several major health and welfare studies were initiated, as well as taconite research into a number of areas, especially direct reduction of iron ore. The IRRRB,



Davis fuels Twins skid
Surrenders game-winning homer
Details/9



Reagan tax reform
New limits on business
Details/2

3 99/99/99
MINNESOTA HISTORICAL SOC.
HISTORICAL BLDG. - MN 55101
ST. PAUL

Partly Cloudy
Wednesday
High in the 60s
Low in the 40s
Details / Page 2

THE TUESDAY

MESABI DAILY NEWS

The Range's Newspaper

VOL. 92 - NO. 81, ©1985

VIRGINIA, MINNESOTA, MAY 14, 1985

25¢

Published in Virginia, Minnesota
Tuesday, May 14, 1985
134th Day, 231 to go this year

"It is better to live rich, than to die rich." English critic and conversationalist Samuel Johnson

NEWSPULSE

April sales rise .9 percent

WASHINGTON (UPI) — U.S. retailers saw sales improve 0.9 percent in April, the seventh increase in eight months, while the big drop reported in March turned out to be quite a bit less, the Commerce Department said Tuesday.

The March revision and the April increase were enough to repair what economists viewed as an important negative trend. It made April's \$112.2 billion in sales larger than the first quarter average of \$111.3 billion and so started the second quarter with an advance.

However, one economist said that the numbers still show some fundamental weaknesses in the consumer sector and that the flood of late income tax refunds now being delivered across the country will boost sales only temporarily.

Woman won't leave California

— Helen

NASHWAUK — Even after it's had a weekend to sink in, people Monday expressed shock over the news of the permanent closing of the Butler Taconite plant in Nashwauk.

The suddenness of the Friday announcement by M.A. Hanna Co., the managing partner of the plant, sparked reactions of anxiety and anger among legislators, business people and union representatives from the Range.

Hanna chairman Robert F. Anderson said in a company statement the decision

to close the plant was precipitated by the recent bankruptcy filing of Wheeling-Pittsburgh Steel Corporation, another of the owners of the taconite facility. "Further details on the timing and financial impact of the closure will be released as soon as we've had an opportunity to study the situation," Anderson said.

Jerry Dronk, a spokesman for Hanna in Hibbing, said Monday he had no further information about when the plant will close. About 450 employees from Butler and National Steel, also managed by Hanna, will be laid off with the permanent closure.

Representatives from Inland Steel, which also is a part owner of Butler, said they

would issue an official statement on the closing today, but would not comment otherwise.

Sen. Ron Dicklich, D-Ft. Hibbing, said he doesn't believe that the permanent closure of the plant is due to the recently announced bankruptcy of Wheeling-Pittsburgh Steel Corporation, also a partner in the plant along with Inland Steel.

Dicklich said he feels the closing of the plant is something Hanna has been planning for a long time.

Dicklich said the closing is more likely due to Inland and Hanna investing in steel operations outside the Great Lakes region, on the East Coast and overseas.

Dicklich said he has been very disappointed with Hanna management over the past five years and indicated they were uncooperative last year when Iron Range legislators wanted to work together with taconite industry officials and business people to avoid the closing of a taconite plant.

Range legislators last year formed an Iron Range Defense Committee, made up of Dicklich, Rep. Louie Minne, other legislators and community members, designed to work together to face the possible closing of a taconite plant.

Please see • Butler / Page 16

Butler shutdown shocks Iron Range

By CHUCK MOWREY
Specialist to the MDN

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Please see • Butler / Page 16

State's finance official resigns

By RICHARD McFARLAND
United Press International

ST. PAUL, Minn. (UPI) — Gordon "Gus" Donhowe, described by Gov. Rudy Perpich as the best state finance commissioner in the country, has resigned to become executive vice president of Fairview Community Hospitals.

Perpich announced late Monday that Donhowe will leave at the end of the Minnesota

"I really truly hate to see you go," Perpich said, "but I understand."

"I always appreciate the governor's understatements," Donhowe said.

Donhowe was elected to his new job Monday by the board of directors of Fairview Community Hospitals, which owns four hospitals in the Twin Cities, one in Des Moines and one in Princeton, Minn., and manages several other hospitals.

Donhowe said that with



through the TAEP, contributed in a meaningful way to every facet of Iron Range life.

The effect of the creation of the Taconite Area Environmental Protection fund cannot be overestimated. Since 1977, the IRRRB has provided more than \$127 million to the taconite area. These funds have helped increase the quality of life on the Iron Range and make it an attractive area for business development and tourism.

The Iron Range has always experienced the problems of a "boom or bust" economy. The taconite era proved no exception to this rule. Still heavily dependent on the steel industry, the northeastern Minnesota economy all but folded in the early 1980s as the nation, and especially the steel industry,

experienced its biggest downturn since the Great Depression. The good years of the 1970s turned to the sour 1980s, as plants closed or cut production and thousands of people were laid off or lost their jobs. Many of these workers were young men and women with families and new homes.

The IRRRB responded as best it could. Area legislators requested that a portion of the "2002 Fund" be made available to fund a jobs program, and the legislature and Governor agreed. These funds provided public works jobs for the unemployed through the local units of government for a limited period. Other monies were still being allotted to area units through the grants program which, undoubtedly, helped many communities through the worst of the recession. With much of the nation in similar circumstances, Iron Range residents were forced to "tough it out," using first

their savings and then relief programs to survive.

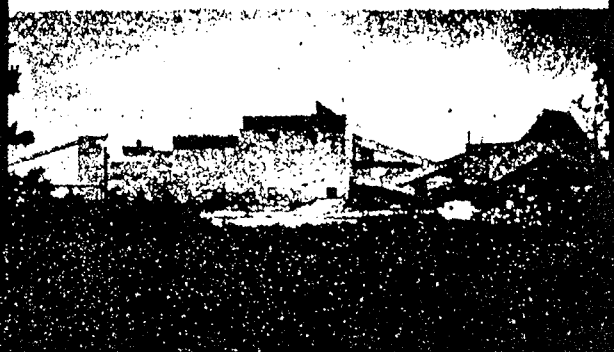
The taconite industry emerged from the deep and painful recession slowly. Thankfully, only two Minnesota taconite plants closed permanently, a much better record than that of other taconite producing states and provinces. The Reserve Mining operation in Babbitt and Silver Bay has since been sold and reopened as Cyprus Northshore Mining Co. Still, the experience provided a strong reminder to the Commissioners and Board members of the downside effects of over-dependence on a single industry.

The Hibbing Daily

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HIBBING, MINNESOTA 55746, FRIDAY EVENING, JUNE 28, 1985

Butler Taconite 1967-1985



Staff photo by Jeff Syme

BUTLER TACONITE: January 1967 to June 28, 1985.
OWNERSHIP: Inland, 38%, Hanna, 37.5%, Wheeling Pittsburgh, 24.5%
PEAK EMPLOYMENT: 672
EMPLOYMENT IN 1985: 450
PRODUCTION CAPACITY: 2.6 million tons each year.
PRODUCTION IN 1984: 1.96 million tons
TOTAL PRODUCTION: Nearly 40 million tons of taconite pellets.
TAXES PAID: \$50 million from 1967 to April, 1985.
WAGES PAID: \$161,722,000 from 1967 to April, 1985.
EMPLOYEE BENEFITS PAID: \$53,318,000.
SUPPLIES BOUGHT: \$413 million.

Butler Tac closes after 18 years of operation

By CHUCK MOWREY

Today is the final day for the Butler Taconite plant in Nashwan. After nearly 18 years of operation, during which it produced more than 40 million tons of taconite pellets, the plant will shut down for good today when it stops producing pellets at 11 p.m.

450 people, many of whom have been working in the Butler plant or the National Steel Pellet Co. plant — both of which Hanna manages — for more than a decade.

The Steelworkers union has filed a grievance against Hanna because it says that according to its contract the company must give a 90-day notice in case of a shutdown.

The shutdown came after a sudden turn of events, said Delight Morgan, public relations director for Hanna. "We gave as much notice as possible," he said. "We announced it was going down within hours — the partners —"

called for the partnership to be dissolved if one of the partners went bankrupt.

Now that the plant is being shut down, Hanna spokesmen said they don't know yet what will become of it.

"We're studying a number of options," Morgan said.

By PETER AMERSON
BEIRUT, Lebanon —
Amal militia freed an American hijack host after taking him to a hospital where the remainder had been transferred that arrangements were to move the rest.
An aide to Amal Berri said Simon Grosamyer was released and taken to University Hospital for treatment of an ailment.
Grosamyer was taken to hospital from Berri's Beirut to the hospital where reports he was to board a plane for a flight to Cyprus.
A spokesman at the Ministry of Information said Grosamyer's release was receiving in American University. The spokesman said if the treatment was successful, Grosamyer would have a lung removed and Berri said Berri was considering releasing left 36 hostages of the powerful Shiite militia or of Shiite.

Hibbing weather

By United Press Int.
MINNESOTA —
north and partly tonight with a chance. Lows upper 40s to 50s. Saturday mostly cloudy with a chance of showers. Highs mid 70s north to the middle south.

IRON RANGE —
cloudy with a 40-60 degree showers. Low upper 40s. Wind variable.

Newspaper announces the closing of the Butler Taconite Plant in Nashwan after 18 years of operation.

THE PERPICH ERA



Governor Rudy Perpich.

With the election of Hibbing native Rudy Perpich to the Governorship, the IRRRB set out to rectify this over reliance on taconite. One important step in the process was to resolve the "Catch 22" situation that had existed since 1941. Taconite

taxes, like occupation taxes on iron ore, were allotted to the agency based on the previous year's production. This meant that when times were good and revenues high, there was little impetus for economic diversification. When times were bad and money was needed for development, tax revenues decreased due to low production. In the mid-1980s, the legislature provided for taconite taxes paid to the agency to be averaged over a three-year period, eliminating the drastic swings in income the IRRRB had experienced.

The legislature also assisted the agency with money for an upgraded economic development program. Portions of the "2002 Fund," now growing again as taconite production increased, were made available for job creation. While the principal of the fund had to remain untouched until 2002, the interest paid annually could be used by the agency for economic development. Leveraged with bank loans, federal and state grants and loans, these agency dollars bought down interest rates for businesses and served in other innovative ways to foster taconite area development and business assistance since 1983.

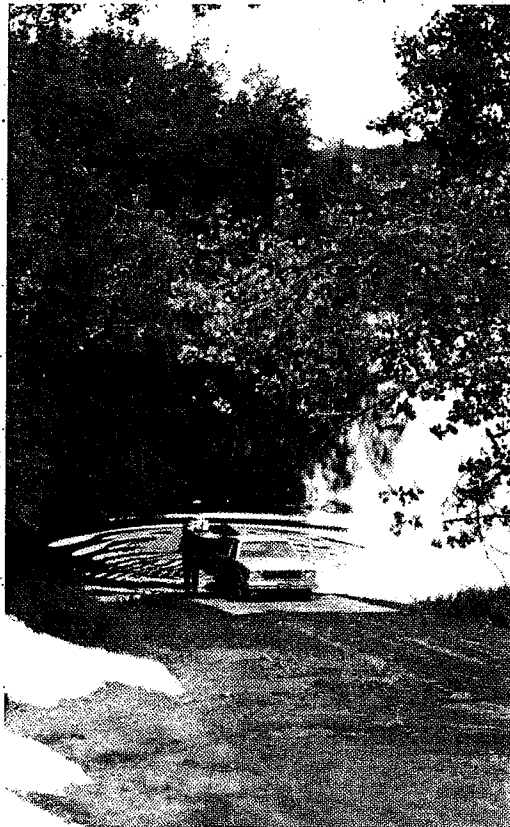
The IRRRB's involvement in tourism promotion began in the mid-1970s with the construction of the Iron Range Interpretative Center. Later, the Interpretative Program was added to assist area communities with tourism assistance. This active role was

substantially scaled down from 1979-82, as the agency concentrated on renewing the Iron Range infrastructure. With the completion of the Iron Range Research Center in 1980, no new construction was undertaken at the Interpretative Center until 1984.

Tourism promotion was handled mostly by the area communities with money from the taconite fund. The Interpretative Program all but vanished, and concentration focused on the Mineland Reclamation Division.

Mineland Reclamation projects sought to make abandoned lands and pits useful as interpretive areas, picnic and rest stops, parks, swimming beaches and fishing lakes.

Another important part of Reclamation was the reforestation and "shaping" of abandoned mine lands. These projects made land available for new businesses, snowmobile trails and public access for future economic/



The IRRRB constructed an access into the Sagamore Mine Pit near Riverton. Trout, bass, crappies and sunfish are plentiful in this minepit lake.

tourism development.

Early in 1983, the IRRRB's major focus shifted once again from public works projects to business development and tourism. To be sure, successful programs such as Mineland Reclamation, building demolition and peat and taconite-related research continued. But the bulk of agency funds was targeted at the creation of new businesses, the expansion of existing ones and agency-owned tourist facilities.

Commissioner Gary Lamppa recognized that replacement of even a portion of the hundreds of taconite-related jobs would be a long and tedious process. The most likely large-scale employer, the wood products industry, would be assisted as much as possible. But the capital required to construct a major facility such as a wafer board plant was well outside the range of available agency funds.

That being the case, the IRRRB decided to concentrate on small business creation and to act as a "broker" in larger projects, bringing capital and industry together using agency flexibility and resources to complete an agreement. Success in bringing large wood products plants to Two Harbors and, more recently, to Deerwood represents excellent examples of this brokerage concept.

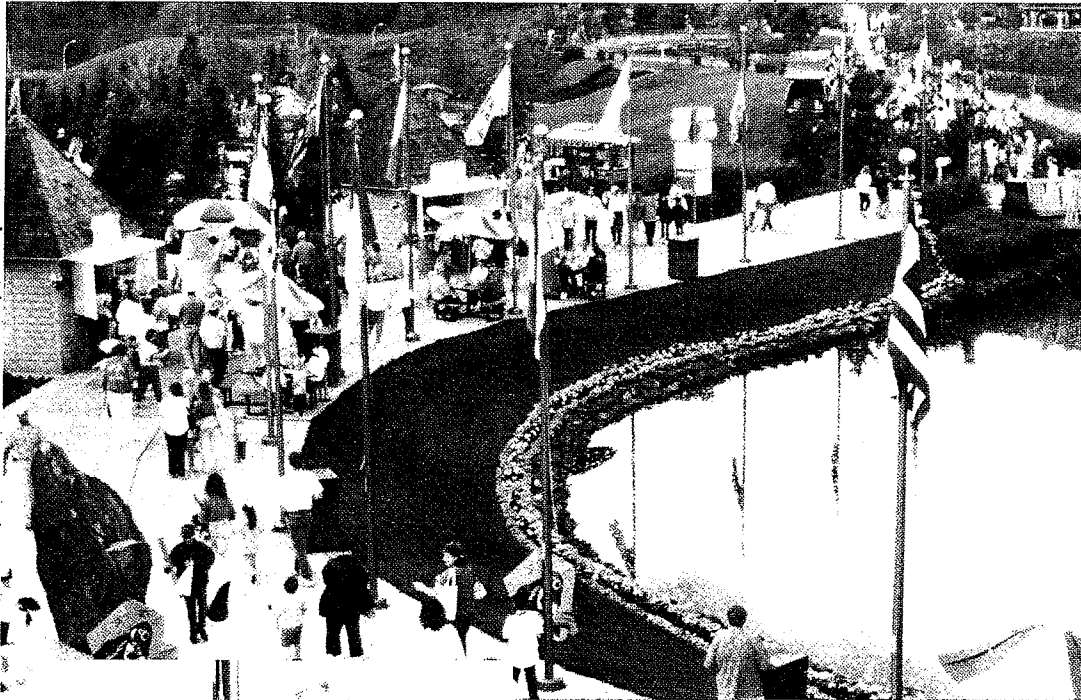
SMALL BUSINESS ENCOURAGEMENT

The IRRRB assists small business development in a variety of ways. Bank participation loans, in which an area bank and the agency split the amount of the loan, remain a popular form of leveraging tax dollars with those of private lenders. A second method involves the "interest buy down," in which a portion of the interest charged by private lenders is paid by the IRRRB, reducing the interest charged to the borrower. In this way, more operating capital is made available to the new or expanding company in its formative stages. Industries such as Hibbing Printed Circuits and Hill Wood Products have benefitted from the IRRRB's business loan program.

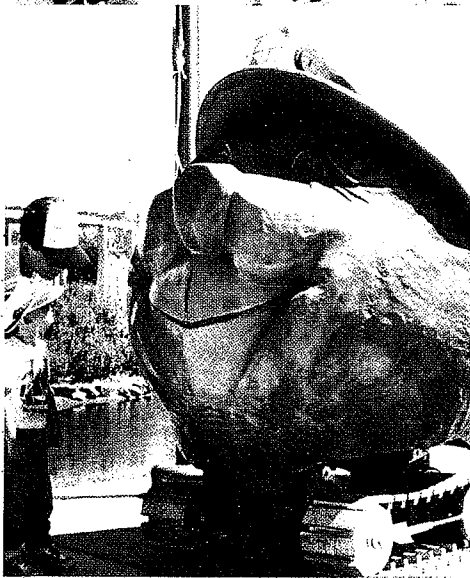
In 1983, the IRRRB established an industrial bonding program. This program, with \$20 million of bonding authority, has sought to assist medium-size industries and businesses. The Industrial Bonding Program offers clients low rates and extended payment schedules as incentives to building or locating in the taconite area. As with any new endeavor, the bonding program has experienced setbacks. These unsuccessful projects have attracted criticism due to the amount of bonding involved, casting a shadow over the entire program.

Many business opportunities today are in high-tech industries such as computer applications and electronic design and assembly. Even in basic industries, increasingly sophisticated technology and complicated processes are commonplace. The Technical Advisory Committee was formed to advise the IRRRB on the technical aspects of business loans and product development relative to the agency programs. The Committee meets regularly and makes recommendations to the agency on the viability of each loan request before the Commissioner recommends approval to the Board.

Tourism has been the beneficiary of an expanded IRRRB commitment. In the past, the agency provided funds to existing public and private facilities, such as the Hockey Hall of Fame, Lookout Mountain Ski Area and others. In the 1980s, the IRRRB made a decision to own and operate two large facilities itself, IRONWORLD USA and Giants Ridge. These facilities continue to have significant economic impact on the Iron Range area, both in terms of employment and dollars brought in through tourism.



Colorful flags draw people into Festival Park.



IRONWORLD USA's very own Pellet Pêe delights children as they enter Festival Park.

IRONWORLD USA

The Iron Range Interpretative Center became IRONWORLD USA in 1986, combining quality theme entertainment with history. To accomplish this, the agency built an outdoor amphitheater, a new admissions and administration building and a scenic railroad system circling the abandoned Glen Mine pit.

The rail system makes use of electric trolleys acquired from Melbourne, Australia, which closely resemble the coaches of the Iron Range's Mesabi Interurban Street Railway of the early twentieth century. A diesel locomotive and a turn-of-the-century steam locomotive which saw service in the Morgan Park steel plant in Duluth also provide rides to IRONWORLD USA customers. Future development for the Glen Mine complex includes a 1950s-era natural ore mine with authentic equipment, hiking trails, and a depot/town area.

GIANTS RIDGE

Winter in northeastern Minnesota brings with it a reputation for snow and cold temperatures. To cross-country and downhill skiers, snowmobilers and ice fishermen, these conditions are requirements for outdoor recreation.

Two ski facilities, Lookout Mountain in Virginia and Giants Ridge in Biwabik, had received grants and loans from the IRRRB in the past. In 1983, the last remaining Iron Range ski area, Giants Ridge, was on the verge of closing for good. Realizing the negative impact this would have on the area economy, IRRRB officials purchased the facility and completely made it over. Snow-making equipment was purchased, new chair lifts installed and a chalet/training center

built. Also added were some 40 kilometers of groomed cross-country ski trails and a biathlon course.

Aggressive marketing of the new facility resulted in Giants Ridge hosting a World Cup ski event in 1984, several Olympic trials, the annual Pepsi Challenge race and several United States Ski Association events. Giants Ridge now enjoys a regional reputation and attracts more than 100,000 skier visits per season. During the summer months, the facility hosts a popular Japanese language camp for Minnesota students.

The IRRRB has a long history of recreational snowmobile promotion. Since the advent of the modern snowmobile in the 1950s, the agency has assisted snowmobile clubs, the Department of Natural Resources



Snowmobilers encounter beautiful scenery as they ride the more than 3,100 miles of groomed trails in northeastern Minnesota.



From the summit of Giants Ridge, a skier's view of the great northwoods stretches for miles and miles.

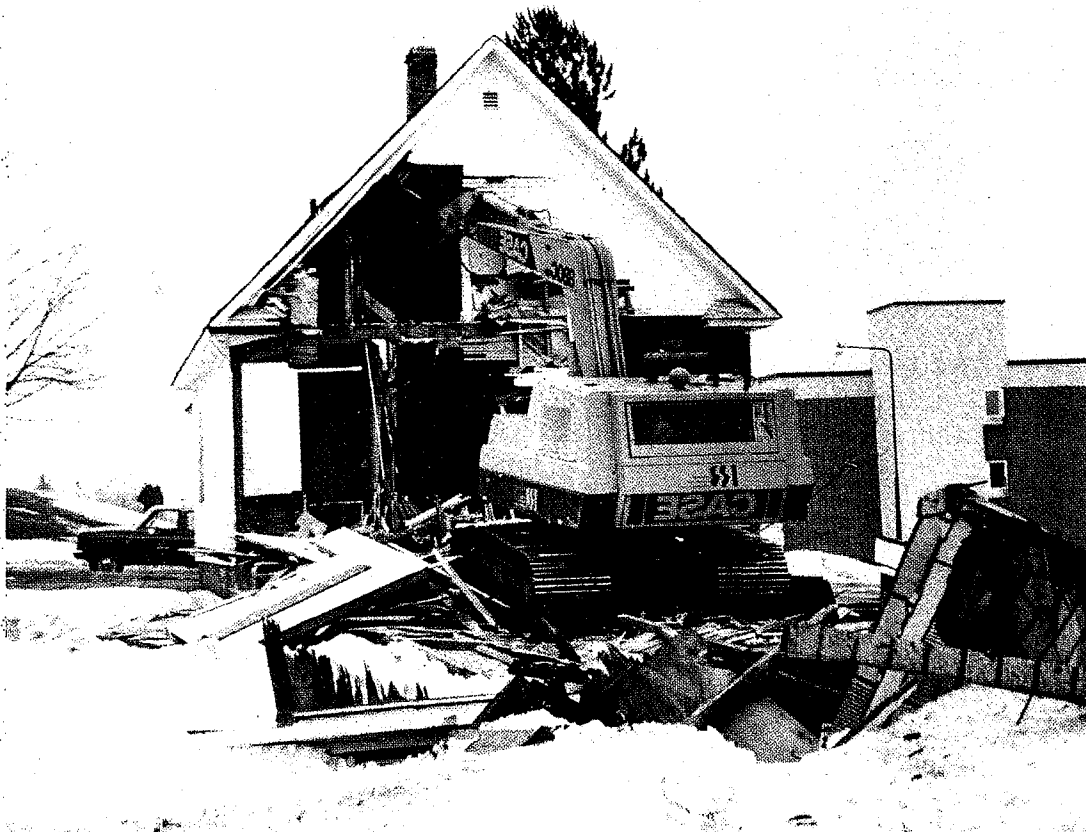
and communities with funds and equipment to build and maintain trails. These efforts offer residents and visitors alike the finest recreational snowmobile trails system in the nation.

To support this new winter tourism, the IRRRB developed a range of programs aimed at the resort industry. Loans and grants have been provided to add amenities and to turn summer facilities into year-round businesses.

Over the years, the IRRRB has supported and funded many programs to improve the quality of life enjoyed by Iron Range residents and visitors. Some of these efforts have been temporary, phased out as conditions warranted. Others have had a continuing impact. The IRRRB's building demolition program, introduced in 1972, razes

dilapidated and unsafe structures to enhance the region's appearance and to make way for new construction.

The Mineland Reclamation Division, established by the 1977 Legislature, has combined the agency's longtime commitment to forestry with the rejuvenation of abandoned mine lands and pits. The Division grows and plants its own trees and turns mine pits into "lakes," where campgrounds, parks, swimming beaches and fishing opportunities beckon the visitor. To date, 21 abandoned pits and mine sites have been reclaimed for recreation, and more than 1.5 million trees have been planted.



Gordy Dormanen operates a backhoe to raze an old house in Bizvabik. A neighbor purchased the empty lot which, in turn, adds value to tax rolls.



Downtown Eveleth, circa 1923. Photo courtesy of Northeast Minnesota Historical Society.

REFLECTIONS

In 1940, Dr. John McLeod of Grand Rapids, a member of the Interim Commission on Iron Ore Taxation, voiced the opinion that extractive industries such as mining bear some responsibility to the people and region in which they conduct their business. McLeod stated that companies cannot "fold their tents" like Bedouins in the night, and leave a stranded population without means of survival. Governor Stassen recognized this commitment and held to it against his own party when he helped create the IRRRB. He believed it was proper that a portion of the millions of dollars paid in taxes by the mining companies be returned to the Iron Range for job creation and resource development.

Over the past 50 years, the

Commissioner and the Iron Range Resources and Rehabilitation Board have sought to increase employment through economic development in northeastern Minnesota. Like any business or organization that bets on the future, the IRRRB has had numerous successes and its share of failures. Without doubt, the agency efforts in taconite research and forestry have borne the greatest economic benefit for northern Minnesota. These huge industries, employing thousands of people, provide the basic socioeconomic environment necessary for smaller industries to succeed. Without them, Hal Landis' 1938 thesis, "Three Iron Mining Towns," which predicted northeastern Minnesota "ghost towns" by 1960, may well have come true.

THE PATH BEYOND

In 1970, Commissioner Armando M. (Mundo) DeYoannes posed the question, "Is there still a need for the IRRRB?"

At that time taconite was clearly northeastern Minnesota's major industry, providing employment for thousands of iron ore miners in the new plants. DeYoannes pointed out that taconite, too, was an extractive industry that would eventually succumb to a shortage of raw material.

Today, while substantial ore remains on the Iron Range for the foreseeable future, technology and productivity increases have cut the work force by nearly half in the past 25 years. Industry experts point out that this trend toward more production and declining employment will continue. Thus, taconite in the 1990s presents much the same situation as iron ore in the 1960s. The maintenance of a viable society in northeastern Minnesota demands that these jobs be replaced. DeYoannes' emphatic "yes" to the need for the IRRRB is as valid today as it was in 1970.

As the IRRRB heads into its second 50

years, major emphasis will continue to be placed on the retention and expansion of healthy taconite and wood products industries. As in the past, the agency will continue to actively seek economic development of the region's resources through job creation and support for the tourism industry.

In 1990, Commissioner Jack DeLuca could point to an Iron Range with superior infrastructure, excellent emergency services, quality recreational and civic areas, and a high quality of life for the area's residents. A substantial portion of these accomplishments were made possible in some way through the programs of the IRRRB. Commissioner DeLuca predicted that the challenges of a changing world economy and its effect on northeastern Minnesota would influence the role of the agency in the future.

Commissioner Wayne Dalke, appointed by Governor Arne Carlson on February 1, 1991, offered his views on the future of the IRRRB on his first day in office. The agency "has been in existence for 50 years, and there is no doubt there have been a lot of ups and downs." But, "as I look at it, no matter what your attitude is towards the IRRRB, you have to admit that it has been an influence, a powerful influence in this area over the last fifty years. And, I say it has been a powerful influence for the good... But really, we should do better than the last fifty years. We should take those positives that came out of the IRRRB and expand and grow on them. And then, we should honestly look at the things that were negative and... not make the same mistakes again. I want my children, my grandchildren to have an opportunity on the 100th birthday [of IRRRB] to stand up and say that the IRRRB continues to be a powerful force in northeastern Minnesota." No past commissioner has thought much differently, or could have said it better.



Commissioner Wayne Dalke.

PRESENT BOARD MEMBERS

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COMMISSIONERS

Herbert J. Miller	July 1, 1941—June 30, 1942
Robert E. Wilson	July 1, 1942—May 1, 1949
Ben P. Constantine	May 1, 1949—November 20, 1950
Edward G. Bayuk	November 20, 1950—April 30, 1955
Karlò Otava	May 1, 1955—January 4, 1961
Hyrom S. Sorenson	January 5, 1961—February 2, 1961
A.M. DeYoannes	February 3, 1961—May 1, 1971
Robert J. Scuffy	May 2, 1971—January 10, 1975
Frank Ongaro	January 11, 1975—December 31, 1978
Patrick J. McGauley	January 1, 1979—December 31, 1982
Gary Lamma	January 1, 1983—February 27, 1987
Jack DeLuca	February 28, 1987—January 7, 1991
Greg Love (Acting)	January 8, 1991—January 31, 1991
Commissioner Wayne Dalke	February 1, 1991—Present



**Iron Range Resources
and Rehabilitation Board**

Box 441 • Highway 53 So. • Eveleth, MN 55734
(218) 744-2993