

January 25, 2005

The 2005 Minnesota Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the FY 2006-07 biennial budget of Iron Range Resources.

Iron Range Resources is funded by a portion of the taconite production taxes paid by mining companies on each ton of taconite produced. These taxes are paid in lieu of property taxes. The agency also receives funding from non-mining sources such as facilities revenue, interest earnings and interest generated from loan programs. Unlike other state agencies, the agency receives no direct operational funding from the state's General Fund.

Iron Range Resources is challenged by the fact that the agency's revenues are dependent on cyclical mining production levels and investment earnings. In response to declines in the last biennium, the agency has successfully moved through a significant budget-driven reorganization which allowed us to focus more clearly on our core mission and the goals we intend to pursue. These initiatives have resulted in a flattened, more nimble organization that has a more defined customer emphasis. In addition, special task forces have assisted us in identifying strategies for enhancing the long-term sustainability of agency-owned facilities.

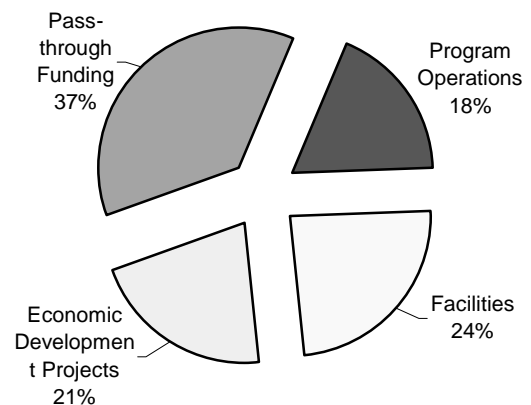
Based on current forecast of revenues, the agency's budget totals \$63.286 million for the biennium. This amount includes an operating and program budget of \$40.066 million and \$23.220 million in pass-through funding to the agency. The agency credits the pass-through amount to special accounts, including: the Mining Rebate Program, M.S. 298.227, a rebate of production taxes to mining companies for capital improvement projects; Region III Projects, M.S. 298.17, grants to Koochiching and Carlton counties for economic and environmental development projects; and the USDA Intermediary Relending Program for small business loans.

The core mission of Iron Range Resources is to diversify the economy of the Taconite Assistance Area, a geographical region encompassing approximately 13,000 square miles. As part of its mission of economic development, the agency reclaims mining impacted lands and owns and operates two facilities, Giants Ridge Golf & Ski Resort and Ironworld Discovery Center. As the graphic indicates, our primary activities fall into four major areas: program operations, facilities, economic development projects and pass-through funds.

Four principle goals guide the agency's activities. To assist Iron Range Resources in fulfilling its mission of "Advancing Regional Growth," the four goals serve as broad boundaries within which all divisional, operational and individual employee goals are managed:

- Position the agency to be a leader in developing and implementing a strategy for the long-term economic viability of the northeastern Minnesota region.
- Sustain the region's economic base by working with existing businesses to retain existing jobs and expand to create new jobs.
- Diversify the region's economy by growing new businesses and recruiting expanding businesses from outside of the area.
- Reclaim mining impacted lands to create a diverse regional economic development resource.

Iron Range Resources
FY 2006-07 Biennial Budget



During the past biennium, the agency made significant progress with several major economic development initiatives. Nearly \$18 million in agency financing leveraged over \$111 million in new investments for area projects. Significant developments in value-added iron products, like that produced by Mesabi Nugget, hold tremendous long-term potential for the region. The Minnesota Steel Industries, Excelsior Energy and Laurentian Energy Authority projects also offer exciting opportunities for significant job creation. In addition, Iron Range Resources has helped diversify the area economy by spurring growth in service sector employment and small manufacturing in communities across our entire service area. Nearly 1,500 new jobs will be added as a result of these efforts, and we remain excited about the prospects for additional economic growth in the future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Sandy Layman".

Sandy Layman
Commissioner

IRON RANGE RESOURCES & REHAB

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	26,104	22,919	21,338	23,239	44,577
Giants Ridge Golf & Ski Resort	5,440	5,965	5,874	5,874	11,748
Ne Mn Economic Protection	5,023	16,381	4,381	2,580	6,961
Total	36,567	45,265	31,593	31,693	63,286
<u>Expenditures by Category</u>					
Total Compensation	5,581	5,782	5,782	5,782	11,564
Other Operating Expenses	6,239	8,304	6,843	6,843	13,686
Capital Outlay & Real Property	228	732	0	0	0
Local Assistance	11,344	13,719	13,564	13,664	27,228
Other Financial Transactions	13,175	16,728	5,404	5,404	10,808
Total	36,567	45,265	31,593	31,693	63,286
<u>Expenditures by Program</u>					
Administrative Services	2,119	7,313	2,311	2,311	4,622
Facilities	6,684	7,834	7,533	7,533	15,066
Development Strategies	1,423	1,729	1,726	1,726	3,452
Agency Roll Over	734	8,527	0	0	0
Mining Rebate Program	9,731	9,731	10,342	10,442	20,784
Marketing Comm & Ext Affairs	1,200	1,429	1,429	1,429	2,858
Agency Projects	14,326	8,323	7,873	7,873	15,746
Attorney General	350	379	379	379	758
Total	36,567	45,265	31,593	31,693	63,286
Full-Time Equivalent (FTE)	90.8	94.6	93.3	93.3	

Agency Purpose

Iron Range Resources is a state economic development agency that was created by the legislature in 1941 to diversify the economy of the iron mining areas of northeastern Minnesota. Specifically, the agency serves the interests of the Taconite Assistance Area (TAA), a geographical region encompassing approximately 13,000 square miles that stretches from Crosby, Minnesota, across the state's Cuyuna, Mesabi, and Vermilion iron ranges to the North Shore of Lake Superior. As part of its core mission of economic development, Iron Range Resources owns and operates two facilities, Giants Ridge Golf and Ski Resort, and Ironworld Discovery Center.

Day to day operation of the agency is managed by a full-time commissioner appointed by the governor who serves as a member of the governor's cabinet. The agency's annual budget and most economic development proposals are subject to review and approval by a 13 person Iron Range Resources Board (IRRRB).

Besides encouraging growth in timber, taconite, tourism, and technology, the agency focuses its economic development efforts on four key industries:

- ◆ value added secondary wood products manufacturing
- ◆ industrial machinery manufacturing
- ◆ high end customer service centers
- ◆ electronics manufacturing

The agency receives no General Fund money. The agency's funding comes from a percentage of the production taxes, assessed in lieu of property taxes, on area iron mining companies. The production tax provides approximately 50% of the agency's budget. The other half of the budget is derived from non-mining sources such as facilities revenue, interest earnings, and interest generated from loan programs.

Core Functions

The agency focuses its efforts on promoting the region's resources:

- ◆ **agency resources** are structured to advance the region's economic growth;
- ◆ **business resources** involving grants, loans, and equity investments;
- ◆ **human resources** include a high level of existing skills and knowledge plus available training from a variety of programs in support of business development;
- ◆ **regional resources** including a large number of business locations that offer exemptions from state and local taxes;
- ◆ **natural resources** from timber to taconite and value-added opportunities in between; and,
- ◆ **tourism resources** highlight the rugged beauty of the region, and the beckoning facilities that contribute to an excellent quality of life.

Operations

Iron Range Resources serves the interests of the TAA through the following divisions:

- ⇒ **Administrative Services** combines human resources and payroll services with financial, procurement, information systems, and maintenance activities. It supports other agency programs and facilities, providing administrative services and resources to ensure smooth agency operation.
- ⇒ **Marketing, Communications and External Affairs** directs, develops, and coordinates marketing, promotional and communication materials and messages on behalf of Iron Range Resources, its Giants Ridge and Ironworld facilities, and its stakeholders as well as serving as the primary contact for external affairs.
- ⇒ **Development Strategies** deploy the agency's human and financial resources. Programs are designed to encourage economic growth across the TAA and use a variety of tools including bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments, and the Job Opportunity Building Zones (JOBZ) program.

At A Glance

Mission: To advance regional growth by stabilizing and enhancing the economy of northeastern Minnesota's Taconite Assistance Area.

⇒ **Giants Ridge Golf and Ski Resort and Ironworld Discovery Center** promote the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition. Ironworld is a museum and heritage attraction that preserves the story of Minnesota's Iron Ranges: the life, the work, the place, and the people.

Budget

Iron Range Resources is a state economic development agency committed to advancing regional growth and promoting the natural, human, and financial resources of northeastern Minnesota. Allocation of agency resources is based primarily on the agency's mission of economic growth in the TAA. Accordingly, programs to help new and existing businesses create or retain jobs receive the greatest share of agency funds. Other program allocations are based on economic priorities determined by the commissioner in cooperation with the Iron Range Resources Board.

Contact

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For further information check out the agency web site at www.IronRangeResources.org

IRON RANGE RESOURCES & REHAB

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
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Agency Projects	14,326	8,323	7,873	7,873	15,746
Attorney General	350	379	379	379	758
Total	36,567	45,265	31,593	31,693	63,286
Full-Time Equivalent (FTE)	90.8	94.6	93.3	93.3	

Program Description

The Administrative Services program provides accounting, purchasing, human resources, information systems, and maintenance services. It supports other agency programs and facilities, providing administrative services and resources to ensure smooth agency operation. This division also includes the office of the commissioner.

As Iron Range Resources looks to the future, it must continue to streamline operations and reduce overhead in order to focus resources on its core mission of job creation.

Program at a Glance

- ◆ Agency accounting, procurement, and financial reporting services
- ◆ Professional/technical contracting
- ◆ Human Resources
- ◆ Information Systems
- ◆ Maintenance services

- ⇒ **Finance and Human Resources** supports the agency's programs and facilities in the form of professional/technical contracting, procurement, accounting, and financial reporting. The program also provides payroll, employee recruitment, and training services. Activities are driven by cyclical or transactional events in support of customer needs.
- ⇒ **Information Systems** implements and manages the agency's voice and data technologies at the Eveleth headquarters, Giants Ridge Golf and Ski Resort, and Ironworld Discovery Center.
- ⇒ **Maintenance** supports the agency's programs and facilities through mobile equipment maintenance, repair, and fleet management. The program also provides building and grounds maintenance support of the Eveleth headquarters complex.

Population Served

Iron Range Resources programs, facilities, business clients and general public.

Services Provided

- ⇒ Professional/technical contracting, procurement, accounting, and financial reporting.
- ⇒ Payroll, employee recruitment, interviewing and hiring, employee benefits, training, and labor relations.
- ⇒ Information technology services.
- ⇒ Mobile equipment maintenance, repair, and fleet management.

Key Measures

- ⇒ Budget and accounts are aligned to support operational targets.
- ⇒ Accurate and timely financial information is available.
- ⇒ High level of service quality and customer satisfaction.

Program Funding

Finance and Human Resources	\$1.6 million (per year)
Information Systems	\$332,000 (per year)
Maintenance and Shop	\$395,000 (per year)

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IRON RANGE RESOURCES & REHAB
 Program: ADMINISTRATIVE SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	2,031	2,313	2,311	2,311	4,622
Ne Mn Economic Protection	88	5,000	0	0	0
Total	2,119	7,313	2,311	2,311	4,622
<u>Expenditures by Category</u>					
Total Compensation	1,678	1,675	1,675	1,675	3,350
Other Operating Expenses	441	638	636	636	1,272
Other Financial Transactions	0	5,000	0	0	0
Total	2,119	7,313	2,311	2,311	4,622
<u>Expenditures by Activity</u>					
Administrative Services	2,119	7,313	2,311	2,311	4,622
Total	2,119	7,313	2,311	2,311	4,622
Full-Time Equivalentents (FTE)	21.3	22.3	21.0	21.0	

Program Description

The Facilities program - Giants Ridge Golf and Ski Resort and Ironworld Discovery Center - directs, develops, and promotes tourism and recreation opportunities that will enhance the economic diversification of the Taconite Assistance Area.

⇒ **Giants Ridge Golf and Ski Resort** promotes the region's tourism and recreational resources. Giants Ridge operates two 18-hole championship golf courses and a winter sports area to standards that have earned national recognition. Giants Ridge offers 34 alpine ski runs, more than 60 kilometers of cross-country ski trails and easy access to lakes, mountain bike trails, and snowmobile trails. Lodging facilities include a suite at The Lodge or a condominium at The Villas. There is dining, conference facilities, and outdoor equipment rentals. The resort generates over \$1.5 million in payroll for over 300 part- and full-time employees. The annual economic impact is approximately \$10 million from The Legend golf course; \$13 million from the ski area; and, a projected additional \$4.3-7.4 million from The Quarry golf course.

⇒ **Ironworld Discovery Center** promotes the region's historical and tourism resources. Ironworld is a museum that preserves the story of Minnesota's Iron Ranges: the life, the work, the place, and the people. Ironworld collects artifacts and archival resources, preserves objects and documents, makes information and resources accessible, and provides educational opportunities for visitors and regional residents. Ironworld's museum is open May-September, the Research Center is open year around. The Research Center is a library focusing on the regional, local and personal history of Minnesota's iron ranges and the people who settled here. An integral part of the Ironworld Discovery Center, the Research Center is a repository and resource for historical documentation and interpretative information. Primary interest areas are geology, mining, settlement, industrial development, immigration, ethnicity, logging, natural resources, social, political and economic history and genealogy. The Research Center offers a broad array of services including on-site public services, genealogical research services, historical materials collection/preservation and education.

Program at a Glance

Giants Ridge Golf and Ski Resort:

- ◆ 36 holes of the Midwest's best golf
- ◆ 34 challenging downhill ski runs
- ◆ 60 kilometers of cross country ski trails
- ◆ Easy access to lakes, mountain bike trails and snowmobile trails
- ◆ Great accommodations: The Lodge or at Giants Ridge
- ◆ Great dining, shopping, and conference facilities
- ◆ Top-flight rental equipment - from snowboards and skis to canoes and kayaks

Ironworld Discovery Center:

- ◆ Explore the museum and outdoor exhibits
- ◆ Ride a vintage trolley
- ◆ Participate in living history
- ◆ Play mini-golf
- ◆ Marvel at spectacular mine views
- ◆ Visit the renowned library and archives

Population Served

Minnesota residents, national and international tourists.

Services Provided

- ⇒ Giants Ridge Golf and Ski Resort provides tourism and recreation opportunities including two 18-hole championship golf courses, a variety of winter sports activities, dining, lodging, shopping, and conference facilities.
- ⇒ Ironworld Discover Center preserves and interprets historical information and provides tourism and recreation opportunities including a museum, outdoor exhibits, mini-golf, and a library and archival facility.

Key Measures

- ⇒ Giants Ridge Golf and Ski Resort amenities are maintained to the highest standards.
- ⇒ Giants Ridge Golf and Ski Resort revenue targets are achieved.
- ⇒ Ironworld Discovery Center is northeastern Minnesota's premier history education facility.
- ⇒ Ironworld's museum and collections practices meet industry and professional standards.

Program Funding

Giants Ridge Golf and Ski Resort Operations	\$5.9 million (per year)
Ironworld Discovery Center Operations	\$1.6 million (per year)

Contacts

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Marianne Bouska
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IRON RANGE RESOURCES & REHAB

Program: FACILITIES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	1,512	1,959	1,659	1,659	3,318
Giants Ridge Golf & Ski Resort	5,172	5,875	5,874	5,874	11,748
Total	6,684	7,834	7,533	7,533	15,066
<u>Expenditures by Category</u>					
Total Compensation	1,940	1,973	1,973	1,973	3,946
Other Operating Expenses	4,287	5,183	4,206	4,206	8,412
Other Financial Transactions	457	678	1,354	1,354	2,708
Total	6,684	7,834	7,533	7,533	15,066
<u>Expenditures by Activity</u>					
Facilities	6,684	7,834	7,533	7,533	15,066
Total	6,684	7,834	7,533	7,533	15,066
Full-Time Equivalent (FTE)	40.4	40.8	40.8	40.8	

Program Description

The Development Strategies program deploys the agency's human and financial resources in conjunction with private and public sector partners. Programs create and retain jobs and enhance the physical landscape within the Taconite Assistance Area (TAA).

This program houses the agency's economic development activities, including existing initiatives in minerals, energy, forest products, technology, and mineland reclamation plus new development initiatives undertaken by the agency.

- ⇒ **Business and Community Development** has the primary responsibility for helping new and existing businesses create or retain jobs, while effectively leveraging private investment. The program uses a variety of tools that include bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments and the Job Opportunity Building Zones (JOBZ) program. Staff perform due diligence, financial structuring, and documentation and monitoring of projects.
- ⇒ **Business Recruitment** promotes the TAA to prospective businesses from outside the region in the hopes of attracting new jobs to northeastern Minnesota. The primary focus of the program is to generate leads from bona fide business prospects through a combination of activities that include: targeted mailings and telephone-based prospecting aimed at leaders of select groups of businesses located in the Midwest and nationwide, attending trade shows that attract interest from a variety of targeted businesses and advertising the advantages of our region in regional, national, and international publications.
- ⇒ **Mining Energy and Minerals Development** guides the agency's involvement in the mining sector and energy initiatives. The mining program works to insure the long-term utilization of Minnesota's mineral resources. Activities focus on supporting projects that produce higher value products from Minnesota iron ore, and administering the Taconite Economic Development Fund (TEDF) production tax rebates. Efforts are also underway to diversify Minnesota's mining industry by promoting the development of non-ferrous minerals (copper, nickel, and precious metals). The energy program explores opportunities to promote energy related jobs in the region. Projects focus on alternative energies, including new clean coal technologies, biomass and wind power.
- ⇒ **Mineland Reclamation** supports projects between units of government and private industry that promote safety and enhance community resources. The program's mission is outlined in M.S. 298.223 as follows: "A fund called the taconite environmental protection fund is created for the purpose of reclaiming, restoring and enhancing those areas of northeast Minnesota...adversely affected by...mining taconite and iron ore...for the purpose of promoting the economic development of northeast Minnesota...The fund will be used for reclamation, restoration, or reforestation of minelands not otherwise provided for by state law."
- ⇒ **do I.T!** primary focus is the deployment of information technology, technology-based economic development, and raising the community's awareness of technology in consultation with a Commissioner's Advisory Council, which is comprised of 20 citizens from throughout the TAA. The program provides grants to public and private organizations, collaborates with contracted professional and technical assistants, and makes investments in technology-related businesses.

Program at a Glance

- ◆ Business and Community Development assisted in the creation of 237 new jobs and the retention of 121 existing jobs in FY 2004.
- ◆ Business Recruitment efforts resulted in a regional Job Opportunity Building Zones designation that includes 4,000 acres and 80 subzones in 46 communities, spanning seven counties.
- ◆ Mining, Energy and Minerals Development administered \$9.4 million Taconite Economic Development Fund production tax rebates for projects that totaled \$12.3 million in new investments.
- ◆ Mineland Reclamation stocked 12,510 rainbow trout in six mine pits, and grew 150,000 tree seedlings.
- ◆ *do I.T!* efforts resulted in \$1.4 million grant from the U.S. Department of Commerce Technology Opportunities Program.

Population Served

Communities located within the TAA and eligible businesses currently located within or locating to the TAA

Services Provided

- ⇒ Financial assistance programs - bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, equity investments, and JOBZ.
- ⇒ Targeted recruitment strategy - telephone-based prospecting, site visits, trade show involvement, and business recruitment promotional activities including advertisements and informational mailings.
- ⇒ Mining/Energy/Minerals program - initiatives to enhance the existing taconite industry, promote the development of value-added iron, non-ferrous minerals and energy-related developments.
- ⇒ Mineland reclamation program - reclaims, restores, and enhances those areas of northeastern Minnesota adversely affected by past mining activities.
- ⇒ Technology awareness programs - high-speed broadband connectivity utilizing fiber optic cable, DSL and wireless technologies.

Key Measures

- ⇒ High level of service quality.
- ⇒ At least 400 new jobs are created.
- ⇒ At least 150 jobs are created through business expansion and relocation.
- ⇒ At least 40 quality leads are generated by JOBZ mailing and follow-up.
- ⇒ At least 60 quality leads are generated by trade show activities.
- ⇒ A project commitment for a production-scale iron nugget demonstration plant is finalized.
- ⇒ Project engineering for a coal gasification and electric power generating facility is completed.
- ⇒ Safety issues associated with abandoned mine lands are addressed in a timely manner.
- ⇒ Deployment of wireless, DSL, and fiber optic cable broadband connectivity throughout the TAA.

Program Funding

Development Strategies \$1.7 million (per year)

Contact

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IRON RANGE RESOURCES & REHAB
 Program: DEVELOPMENT STRATEGIES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	835	901	898	898	1,796
Ne Mn Economic Protection	588	828	828	828	1,656
Total	1,423	1,729	1,726	1,726	3,452
<u>Expenditures by Category</u>					
Total Compensation	1,239	1,393	1,393	1,393	2,786
Other Operating Expenses	177	336	333	333	666
Local Assistance	7	0	0	0	0
Total	1,423	1,729	1,726	1,726	3,452
<u>Expenditures by Activity</u>					
Development Strategies	1,423	1,729	1,726	1,726	3,452
Total	1,423	1,729	1,726	1,726	3,452
Full-Time Equivalent (FTE)	17.6	19.9	19.9	19.9	

Program Description

The agency's rollover consists of all budget activity that has been certified and reset into FY 2005. This account represents projects that had not been completed in FY 2004.

Program at a Glance

◆ FY 2005 Rollover Budget: \$8,309,801

Population Served

Iron Range Resources divisions, programs and facilities.

Contact

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IRON RANGE RESOURCES & REHAB

Program: AGENCY ROLL OVER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	377	1,437	0	0	0
Giants Ridge Golf & Ski Resort	268	90	0	0	0
Ne Mn Economic Protection	89	7,000	0	0	0
Total	734	8,527	0	0	0
<u>Expenditures by Category</u>					
Other Operating Expenses	292	404	0	0	0
Capital Outlay & Real Property	228	732	0	0	0
Local Assistance	(6)	391	0	0	0
Other Financial Transactions	220	7,000	0	0	0
Total	734	8,527	0	0	0
<u>Expenditures by Activity</u>					
Agency Roll Over	734	8,527	0	0	0
Total	734	8,527	0	0	0

Program Description

In 1992, the Minnesota Legislature established the Taconite Economic Development Fund (TEDF) to encourage capital investments in northeastern Minnesota taconite plants. Through the TEDF, 30.1-cents of the \$2.103 tax paid for each ton of taconite pellets produced is rebated back into northeastern Minnesota taconite plants for new equipment, facility improvements, and research and development in new mining technologies.

The taconite industry is a major contributor to Minnesota's economy and in particular to the economy of northeastern Minnesota. In 2003, 34.3 million tons of taconite pellets were produced, and over \$73 million in taconite production taxes were paid. The industry currently has 4,000 direct employees and other spin-off industries that do business with the taconite companies provide more than 16,000 jobs.

Under current law, 30.1-cents of the \$2.103 tax paid for each ton of taconite pellets produced is set aside in a special account administered by Iron Range Resources. The TEDF funds are then rebated back to each company for capital improvement projects.

Population Served

TEDF grants are provided to the six taconite plants located in northeastern Minnesota.

Key Measures

- ⇒ Capital improvement projects from TEDF grants are tracked.
- ⇒ Mining jobs are created or retained in northeastern Minnesota.

Program Funding

Taconite Economic Development Fund - \$9.7 million (Payable in 2004 based on the 2003 production year)

Contact

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Program at a Glance

- ◆ Recapitalization of Minnesota's taconite industry.
- ◆ Between 1993-2004, \$90.6 million in Taconite Economic Development Fund production tax rebates has leveraged \$28.3 million from taconite companies for projects totaling \$118.9 million.

IRON RANGE RESOURCES & REHAB
 Program: MINING REBATE PROGRAM

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	9,731	9,731	10,342	10,442	20,784
Total	9,731	9,731	10,342	10,442	20,784
<u>Expenditures by Category</u>					
Local Assistance	9,731	9,731	10,342	10,442	20,784
Total	9,731	9,731	10,342	10,442	20,784
<u>Expenditures by Activity</u>					
Mining Rebate Program	9,731	9,731	10,342	10,442	20,784
Total	9,731	9,731	10,342	10,442	20,784

Program Description

The Marketing, Communications and External Affairs program directs, develops, and coordinates communications on behalf of Iron Range Resources, its Giants Ridge and Ironworld facilities, and its stakeholders.

- ⇒ **Marketing** is responsible for directing the development and implementation of all marketing-related communications strategies, messages, and materials generated by and for the agency, its partners and its facilities.
- ⇒ **Communications** establishes and delivers key messages for the agency, using a fully integrated multi-media approach. Staff members provide written and graphical support for all operating areas, and develop and manage a variety of special projects. Staff create and distribute internal and external agency communications, update the agency web site, and provide staff support for various events and initiatives.
- ⇒ **External Affairs** is responsible for intergovernmental relations, special projects, special events, and recreational trails-related activities. The group also provides staffing assistance to mission-specific committees and task forces as well as other groups established to assist the agency in formulating effective strategies.

<u>Program at a Glance</u>	
◆	Agency marketing
◆	Economic development marketing
◆	Tourism and facility marketing
◆	Multi-media communication services
◆	Special project services

Population Served

Iron Range Resources programs, facilities, business clients, service areas, and the general population of Minnesota through its function of public information about the work and projects of the agency.

Services Provided

- ⇒ Marketing-related communications and materials.
- ⇒ Internal and external agency communications.
- ⇒ Staff support for special events and strategic initiatives.

Key Measures

- ⇒ High level of service quality and customer satisfaction.
- ⇒ Written and graphic work is on time and on budget.
- ⇒ Business leads from trade show and direct mail activities are tracked.

Program Funding

Marketing	\$971,000 (per year)
Communications	\$283,000 (per year)
External Affairs	\$177,000 (per year)

Contact

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IRON RANGE RESOURCES & REHAB

Program: MARKETING COMM & EXT AFFAIRS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	1,200	1,429	1,429	1,429	2,858
Total	1,200	1,429	1,429	1,429	2,858
<u>Expenditures by Category</u>					
Total Compensation	675	697	697	697	1,394
Other Operating Expenses	525	732	732	732	1,464
Total	1,200	1,429	1,429	1,429	2,858
<u>Expenditures by Activity</u>					
Marketing Comm & Ext Affairs	1,200	1,429	1,429	1,429	2,858
Total	1,200	1,429	1,429	1,429	2,858
Full-Time Equivalent (FTE)	10.7	10.8	10.8	10.8	

Program Description

Development Projects and Agency Operating Projects comprise the major portion of the agency's economic development activities throughout the Taconite Assistance Area (TAA).

Development Projects funds the agency's economic development packages and financial incentives to businesses wishing to relocate or expand in the TAA. The funding sources for these projects are:

- ⇒ **Board Account, Taconite Environmental Protection Fund and Douglas J. Johnson Economic Protection Trust Fund** - these monies are allocated for economic development projects within the TAA.
- ⇒ **Intermediary Relending Program** - Iron Range Resources received approval to borrow up to \$750,000 from the U.S. Department of Agriculture's (USDA's) Intermediary Relending Program. The funding, along with a 30% match from the agency, will establish a revolving loan fund to provide financing options for eligible businesses located within the TAA.

Agency Operating Projects supports all of the agency's economic development activities, including existing initiatives in minerals, energy, technology and mineland reclamation, plus new development initiatives.

- ⇒ **Commissioner Projects** - grants to advance regional growth.
- ⇒ **Health Care Practitioner Program** - funds to recruit physicians, physician assistants, nurse practitioners, dentists, and pharmacists to the TAA.
- ⇒ **Application Funding Program** - grants to communities and organizations to help pay for a portion of the cost of applying for funds from other sources.
- ⇒ **Marketing Projects** - funds activities directed towards promoting the Iron Range as a place in which to grow or relocate businesses in support of the agency's business recruitment initiatives.
- ⇒ **Communications Projects** - funds activities directed towards promoting messages from the agency regarding its economic development mission to audiences both within and outside the region.
- ⇒ **Tourism Projects** - funds activities directed towards promoting and developing tourism in the region.
- ⇒ **Mining/Energy/Minerals Projects** - funds projects/studies in the mining, minerals, and energy sectors, including initiatives to enhance the existing taconite industry, promote the development of value-added iron, non-ferrous minerals, and energy-related developments.
- ⇒ **Technology Projects** - funds activities that promote information technology through the deployment of high-speed broadband connectivity via investments made in conjunction with private or public organizations.
- ⇒ **Mineland Reclamation Projects** - grants for the reclamation and restoration of lands in northeastern Minnesota adversely affected by past mining activities.
- ⇒ **Region III Projects** - M.S. 298.17 authorizes Koochiching and Carlton counties (Region III) grants from occupation taxes for economic and environmental development projects.

Population Served

Communities located within the TAA and eligible businesses currently located within or locating to the TAA.

Services Provided

- ⇒ Economic development packages and financial incentives, including bank participation loans, direct loans, employment incentive grants, infrastructure improvement grants, training grants, and equity investments.

Program at a Glance

- ◆ Development Projects & Agency Operating Projects supports the agency's economic development activities throughout the Taconite Assistance Area.
- ◆ The agency's loan portfolio consists of 103 projects totaling over \$35 million.
- ◆ In FY 2004, 16 economic development projects were approved for a total of \$6 million in assistance.
- ◆ Economic development projects leveraged investments of \$24.5 million and created 237 new jobs in FY 2004.
- ◆ In FY 2004, a total of 358 jobs were created or retained in the TAA.

Key Measures

- ⇒ High level of service quality.
- ⇒ The agency's financial resources are leveraged at a minimum of 4:1.
- ⇒ At least 400 new jobs are created.
- ⇒ At least 150 jobs are created through business expansion and relocation.
- ⇒ At least 40 quality leads are generated by Job Opportunity Building Zones mailing and follow-up.
- ⇒ At least 60 quality leads are generated by trade show activities.
- ⇒ Taconite aggregate resources are developed and marketed.
- ⇒ Abandoned mine lands are developed for commercial, residential, and recreational uses.
- ⇒ Deployment of wireless, DSL, and fiber optic cable broadband connectivity throughout the TAA.

Program Funding

Development Projects	\$5.7 million (per year)
Agency Operating Projects	\$2.9 million (per year)

Contacts

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IRON RANGE RESOURCES & REHAB

Program: AGENCY PROJECTS

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	10,145	4,873	4,423	6,224	10,647
Ne Mn Economic Protection	4,181	3,450	3,450	1,649	5,099
Total	14,326	8,323	7,873	7,873	15,746
<u>Expenditures by Category</u>					
Other Operating Expenses	216	676	601	601	1,202
Local Assistance	1,612	3,597	3,222	3,222	6,444
Other Financial Transactions	12,498	4,050	4,050	4,050	8,100
Total	14,326	8,323	7,873	7,873	15,746
<u>Expenditures by Activity</u>					
Agency Projects	14,326	8,323	7,873	7,873	15,746
Total	14,326	8,323	7,873	7,873	15,746

Program Description

Legal Services provides legal counsel by the Attorney General's Office to the agency and the Iron Range Resources Board (Board) in support of all agency activities.

Program at a Glance

- ◆ Agency legal counsel

Two assistant attorneys general and one legal assistant provide the commissioner, agency staff, and the board with counsel on legal matters, including statutory interpretation, drafting or interpretation of legal documents, drafting of legislative language, and defense of the agency or board in litigation.

Population Served

Iron Range Resources programs, facilities, business clients, and board.

Services Provided

- ⇒ Provide legal advice to the agency and the board.
- ⇒ Advise and counsel the Commissioner, agency staff and the board.
- ⇒ Draft contracts, loans and other agreements for the agency.
- ⇒ Represent the agency and the Board in litigation

Key Measures

- ⇒ High level of service quality and legal advice.
- ⇒ Quality and timeliness of legal documents.
- ⇒ Outcome of litigation.
- ⇒ Customer satisfaction.

Program Funding

Legal Services \$379,000 (per year)

Contact

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IRON RANGE RESOURCES & REHAB

Program: ATTORNEY GENERAL

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Fund</u>					
Statutory Appropriations					
Iron Range Resources & Rehab	273	276	276	276	552
Ne Mn Economic Protection	77	103	103	103	206
Total	350	379	379	379	758
<u>Expenditures by Category</u>					
Total Compensation	49	44	44	44	88
Other Operating Expenses	301	335	335	335	670
Total	350	379	379	379	758
<u>Expenditures by Activity</u>					
Attorney General	350	379	379	379	758
Total	350	379	379	379	758
Full-Time Equivalents (FTE)	0.8	0.8	0.8	0.8	

IRON RANGE RESOURCES & REHAB

Agency Revenue Summary

Dollars in Thousands

	Actual FY2004	Budgeted FY2005	Governor's Recomm.		Biennium 2006-07
			FY2006	FY2007	
<u>Non Dedicated Revenue:</u>					
Taxes:					
General	276	0	0	0	0
Total Non-Dedicated Receipts	276	0	0	0	0
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Iron Range Resources & Rehab	298	330	330	330	660
Giants Ridge Golf & Ski Resort	4,453	5,554	5,554	5,554	11,108
Ne Mn Economic Protection	34	122	122	122	244
Other Revenues:					
Iron Range Resources & Rehab	503	471	471	471	942
Giants Ridge Golf & Ski Resort	427	950	200	200	400
Ne Mn Economic Protection	1,111	1,083	1,083	1,083	2,166
Other Sources:					
Iron Range Resources & Rehab	46	784	784	784	1,568
Ne Mn Economic Protection	2,644	1,370	1,370	1,370	2,740
Taxes:					
Iron Range Resources & Rehab	13,028	16,697	13,028	13,028	26,056
Ne Mn Economic Protection	755	755	755	755	1,510
Total Dedicated Receipts	23,299	28,116	23,697	23,697	47,394
Agency Total Revenue	23,575	28,116	23,697	23,697	47,394