

Minority Report

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DISSENTING REPORT  
OF  
FRED A. CINA, AURORA, MINNESOTA  
MEMBER OF THE GOVERNOR'S COMMITTEE ON THE  
NORTHEAST MINNESOTA ECONOMIC PROTECTION FUND

← Ramo File

The undersigned member of the Governor's Committee on the Northeast Minnesota Economic Protection Fund find himself unable to agree in entirety with the majority report and submits the following conclusions to the Governor for his consideration.

I can agree with those portions of the report dealing with those economic factors which have affected the economy of the Iron Range mining area of Northeast Minnesota but I am most adamantly opposed to the use of the Northeast Minnesota Economic Protection Fund for the purposes recommended by the committee. The recommendation of the committee that seventy-five million dollars of this fund be appropriated for research before the year 1990 and 25% of the fund be used each year thereafter is totally unacceptable to me and to the people of the Iron Ranges. The Range Association of Municipalities and Schools, composed of 48 governing bodies, all of whom receive taconite production tax monies, have constantly opposed the opening up of this Fund before the year 2002 for uses other than has been designated by law, that is for "economic rehabilitation and diversification of industrial enterprises" when mining creates economic dislocations and unemployment.

I agree that extensive research is necessary for the

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Oursuant to Ex Order #79-4....  
- NE Mn Economic Protection fund estab. -  
in Mn 298.291 - 298/294

exploration and development of other metals in Northeastern Minnesota. I cannot however agree that this research should be financed with funds from the Northeast Minnesota Economic Protection Fund. The income for this fund is derived from the Taconite Production Tax. The Taconite Production Tax is in lieu of ad-valorem taxes which the cities, schools, towns and counties would normally receive from the taconite industry for governmental support. It was the form of taxation requested in 1941 by those mining companies interested in the development of the billions of tons of low-grade iron formation of the Range area and by Professor Ed Davis of the University School of Mines who developed the original process for its use. The Range communities and schools agreed to accept this form of taxation in lieu of ad-valorem taxes. I attach as an exhibit, copy of the original letter of Professor Davis urging the Range people to accept this form of taxation. The writer lobbied the original bill which established this system of taxation as the basis for taxing the taconite ore of the Iron Ranges and urged the 1941 Legislature to adopt such system.

No other area of the State is required to use its ad-valorem taxes for research or for the development of other industries in their area. It is true that the Minerals Resource Research Center, the Department of Natural Resources and the Minnesota Geological Survey are in need of additional funds for research in other metals but this research should not be funded from the funds being accumulated for the economic rehabilitation of the people of the Iron Ranges from their own

taxes, but should be funded by the state. In the Governor's budget, now before the Legislature, over six million dollars from state funds is being requested for research purposes. This is as it should be.

Although the first preliminary research in Taconite was done by Professor Davis at the University of Minnesota with state appropriated funds, millions of dollars were spent by the mining companies interested in development the low-grade taconite ores of Minnesota to make them economically feasible. As a result of this private research a great industry was born, contributing more than a billion and one-half dollars annually to the state's economy.

Companies that are interested in other ores such as copper-nickle, uranium, direct reduction, colbat and other metals are presently spending millions of dollars in such research.

In his presentation before the committee on direct reduction, Mr. Joe Abdnor, a Vice-President of Pickands-Mather & Co., detailed the research his company is, and has been, conducting in Canada on direct reduction of taconite pellets, the cost of such research wholly assumed by his company. United States Steel Corporation is presently conducting extensive research on many different types of ores and metals at its research center at Coleraine, Minnesota.

The State can provide incentives for research and development of other ores with tax policies and tax credits such as was done for the taconite and copper-nickel. For example:

- (a) there is an occuption tax credit for research in iron ore.

- (b) a labor credit in the occupation tax computation for high labor costs.
- (c) a tax credit for research in low-grade ores.
- (d) a pollution control credit for cost of pollution control equipment.
- (e) a tax credit for ore sold at a discount.
- (f) a credit for ore processed in the State.
- (g) a tax credit for research on copper-nickel ores.
- (h) a tax credit for copper-nickel processed in the state.

With the proper incentives and tax policies developed for other metals, research will be conducted by private industry and these metals, when the market so demands, will be developed without raiding the Northeast Minnesota Economic Development Fund as has been suggested in the majority report.

I agree that a trust and trust board be established to manage the Northeast Minnesota Economic Development Fund for the purposes for which it was established. I do not however agree with the makeup or duties of the board as recommended by the majority report. The committee had been advised six months prior to its recommendation to establish a trust board, that the Range Association of Municipalities and Schools was setting up a task force composed of people entirely from the taconite area to make recommendations for membership on the trust board. Members of the Iron Range Legislative Delegation had suggested that this task force be established by the Range Association of Municipalities and Schools and are in full agreement as to the makeup of the task force. They will be responsible for passing the legislation to establish the trust board and to outline its duties.

potential that hundreds of millions of dollars of refunds will have to be made if the companys were to prevail. The cases deal with the fact that: (a) Taconite Production Taxes are in lieu of ad-valorem taxes and should be used solely in the Range area where generated and (b) that the use of these taxes for State purposes amounts to enhancing the general revenue funds of the State. Taconite taxes, which are property taxes, should be spent solely in the Taconite relief areas as defined in Minnesota Statutes Section 273:134. The main thrust of these cases is that the State is indirectly enhancing itself by the use of these taxes, which are generated by the taconite industry; that they are in lieu of the ad-valorem taxes, and that use by the State of these ad-valorem taxes violates the due process and equal protection requirements of the United States Constitution and the Constitution of the State of Minnesota. Constitutional provisions prohibit the levy or imposition of taxes with respect to property or taxpayers in a particular sub-division or taxing district, either to pay an indebtedness not of that district or are being used for a purpose that does not benefit the district or subdivision in which the taxes are generated.

In conclusion, let me state and recommend:


- (1) that the Northest Minnesota Economic Development Fund be made a trust and a Trust Board be established to manage the trust and to make recommendations to the Governor as to the remedial action to be taken for the economic rehabilitation and diversification of industrial enterprises needed as a result of the decline in mineral-related activities which has caused economic dislocations and wide-spread unemployment in Northeast Minnesota.

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- (2) that the trust board members shall be solely from the taconite relief area as defined by law, and that the membership be as recommended by the task force established by the Range Association of Municipalities and Schools.
- (3) that research in other metals should be expanded by the State and should be funded from state funds and not from the taconite production taxes which are in lieu of the ad-valorem taxes of Northeast Minnesota communities and schools.
- (4) that companies interested in other metals besides iron ore or taconite should be encouraged to conduct research in such metals by the enactment of tax policies and laws such as has been done for taconite and copper-nickel ores.
- (5) that no funds be taken from the Northeast Minnesota Economic Development Fund - except for administration costs of the Trust Board - and that such Fund remain intact and be used solely for the purposes for which it was created.

Covetous eyes are being cast upon the Northeast Minnesota Economic Fund. When the Taconite ores of Northeast Minnesota are depleted creating economic disaster and widespread unemployment in the area, the Northeast Minnesota Economic Development Fund will be the tool to rehabilitate the area without creating an undue burden upon the rest of the State.

Respectfully submitted

  
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Fred A. Cina

March 6, 1941

The time is very short, and if anything is to be accomplished, we must move rapidly.

Yours very truly,



E. F. Davis,  
Director.

E.F.D:TM

Encl.

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March 6, 1943

Committee, because they talked much about low-grade ore and employment, but did practically nothing about it. If anything constructive is to be accomplished, the Range people will have to do it themselves.

The proposed bill places a 3% per ton production tax on taccite concentrate in lieu of all other ad valorem taxes. This tax is too high a tax, and perhaps it should be only 2%, but this 2% is in lieu of taxes on mill buildings and equipment to mine and concentrate the taccite. The producer of a million tons per year of taccite concentrate will therefore, pay a total tax of \$50,000 per year (occupation and royalty taxes would be very low). This is not much more than the normal tax would be on his concentration plant and mining equipment. From that point of view, we can say to the mining companies that the tax on taccite will be practically nothing, which is what I have been advocating. Practically, an operator producing a million tons of taccite concentrate per year would have a payroll of about \$3,500 per day the year around (Republic is producing at about this rate in New York, and has a payroll higher than this).

I, of course, give no definite assurance that the enactment of this bill into law will bring industries to the State to concentrate our taccite, but it is at least a move in the right direction, and there is nothing to lose.

Personally, I believe that if this law is enacted, we could interest some of the mining companies sufficiently to at least do some prospecting and development work.

I would like very much to have your reaction to this proposed bill.



UNIVERSITY OF MINNESOTA  
MINES EXPERIMENT STATION

March 6, 1941

Senator John Blatnick  
Senator George Larson  
Senator Geo. Harried  
Representative Thos. Vukovich  
Representative J. A. Huhtala

Representative Elmer Peterson  
Representative William Berlin  
Representative ~~Wm. A. Harried~~  
Mr. W. H. Montague  
Mr. Fred A. Cinn  
Mr. H. M. MacGregor

Gentlemen:

I am enclosing a copy of a proposed taxonite tax bill that I would like to have you study. As you probably know, I am greatly concerned about the fact that our own iron mining companies are going out of the State to secure their future iron ore supply, and the ore that they are acquiring in other districts is similar to the taconite that we have here in enormous quantities. Unfortunately for us, other districts have enormous quantities of this taconite also, and if we are to stop this migration, we must do something to remove the threat of high and volatile prices of this material. I have proposed two methods for doing this, only to find that in the opinion of legal experts, both proposals would require a change in the State Constitution. Unwilling to give up completely, I have enlisted the assistance of legal talent, which has resulted in the enclosed bill. It is not what I want, but I have been assured that it is constitutional and apparently in the best that can be done. In its present form, it effectually accomplishes the purpose of removing the threat of high taxes on taconite, but unfortunately there is no guarantee that, if enacted, the rate may not be increased in the future. The only answer to this that I can see is for this bill to be strongly sponsored by many people. If they will do this, I feel that a great constructive will have been accomplished to indicate to the mining companies and to the people of the State generally that the large communities have focused their attention on larger payrolls. I was disappointed in the report of the Inter