

6 NET PROCEEDS TAX AND GUARANTEED PAYMENTS

A description of the Net Proceeds Tax and Mining Investment and Local Impact Fund provided for by Wisconsin Statutes regarding the mining of metalliferous minerals is presented in this section. Discussion of the amount of NPT paid by Flambeau Mining to the State of Wisconsin during its mining operation is also included in this section. In addition, the section provides an account of the tax revenues paid to the local units of government from the MILIF and the guaranteed payments made to the local governments by the Flambeau Mining Company and how the communities used these funds.

6.1 NET PROCEEDS TAX

The Flambeau Mining Company, like all businesses in Wisconsin, must comply with federal, state, and local taxes. In addition to Property Tax, State Franchise Tax, and Federal Income Tax, metalliferous mining companies in Wisconsin are subject to a Net Proceeds Tax. The NPT, under Wisconsin Statutes 70.37 and 70.375 on the mining of metalliferous minerals, was established to provide compensation to the state and municipalities for the extraction of valuable, irreplaceable minerals and to compensate the state, counties, municipalities, and Native American communities for costs associated with the mining of these minerals.

The Net Proceeds Tax is in lieu of local property taxes on the value of the ore body and is calculated by first determining the net proceeds as revenues generated from the mine minus amounts reflecting the cost of bringing the ore to a finished state, an allowance for the recovery of invested capital, and expenses for environmental and reclamation purposes. A progressive series of tax rates from 3 to 15 percent is applied to the net proceeds, or profits, of the mining operation. The tax brackets are indexed to the Gross National Product deflator. Mining companies are required to file a Net Proceeds Tax return and submit payment by June 15 each year the mine is in operation. The tax paid is based on net proceeds from the prior calendar year (13:1).

6.2 THE MINING INVESTMENT AND LOCAL IMPACT FUND

The Mining Investment and Local Impact Fund was created to receive tax collections from the mining Net Proceeds Tax under Wisconsin Statute 70.395. It is administered by a State appointed board and is comprised of 11 members. The Governor appoints nine members to staggered four-year terms. The Secretary of Commerce and the Secretary of Revenue, or their designees, are *ex officio* members of the board. Of the nine appointed members, three are public members, two are county officials, two are municipal officials, one is a school board member and one is a Native American. The Board has the authority to monitor the use of the payments to ensure proper management and meets every two years.

From Net Proceeds Tax collections, the Mining Investment and Local Impact Fund receives the greater of the following:

- 60 percent of the total amount of NPT collections; or
- The amount necessary to make full first dollar payments.

If the total NPT collection is less than either of the above amounts, the total tax collections is transferred to the MILIF. If the NPT collection is large enough for money to be available after the distributions to the MILIF are made as above, then the remainder of the proceeds would be deposited to the Badger Fund (general fund).

The Badger Fund collects up to 40 percent of NPT and/or excess balance in the MILIF over \$20 million. Interest on the Badger Fund can be disbursed to local units of government for capital costs of recreational facilities and educational aids.

Mandatory Payments Made from the MILIF

Proceeds held by MILIF must then be transferred to each city, county, town, village, and Native American community containing at least 15 percent of the ore body. Funds received by the local

units of government from the Net Proceeds Tax are restricted in their uses. Wisconsin Statutes 70.395 and 70.396 restrict the use of these funds to “mining-related purposes.” There are three types of mandatory payments from the MILIF made to the local governments. Each of the payments is calculated by taking the payment amount specified under the statutes and indexing it to the Gross National Product deflator. The three types of payments are as follows:

1. Construction Period Payments

- One-time payments using construction fees paid to the State by the mining company. These payments are made at the onset of mine construction and are used to defray costs of protective services, road improvements, and other expenses related to mining construction (Construction payments are credited against the mining company’s NPT liability in subsequent years).
- Payable to each local unit of government, the Town of Grant, City of Ladysmith, and Rusk County, in the amount of \$100,000, indexed for inflation to 1982.
- Payments are made within 30 days after construction begins to the local units of government.

2. First Dollar Payments

- Annual payments from the NPT.
- Payment is made to the local governments on the first Monday in January following a June payment of NPT paid by the mining company (e.g., payments made in January 1996 would be on profits made by the mining company in 1994).
- Payable to each local unit of government in the amount of \$100,000, indexed for inflation to 1982.

3. Additional Payments to the County

- Annual payment to Rusk County after full first dollar payments have been made.
- Payment is made to the County on the first Monday in January following a June payment of NPT paid by the mining company.
- Payable to the County in an amount equal to the lesser of \$250,000, indexed for inflation to 1982, or 20 percent of the total NPT collections for the previous year.
- Payment amount is subject to the availability of funds. If there is not enough money in the MILIF after full first dollar payments are made, the County receives the balance of the NPT and there will be a supplemental additional payment made to the County by Flambeau under the Local Agreement.

Payments Made from the MILIF to Project Reserve Funds

For each Wisconsin mine site, a project reserve fund collects the lesser of 10 percent of NPT collections or the amount of money available in the MILIF after mandatory payments have been made. The monies in this fund can be disbursed to local communities in future years when mining tax revenues are insufficient to make the mandatory payments from the MILIF, for costs associated with the cessation of mining operations, and for reclamation expenses (13:5).

Discretionary Payments Made from the MILIF

Discretionary payments are designed to address mining impacts in a regional, comprehensive manner whenever they occur. These payments are in the form of grants and are only available in years when there are dollars remaining in the MILIF after mandatory payments and payments to the project reserve fund have been made, or when funds have been made available to the MILIF Board for this purpose via legislative appropriation.

Local governments may submit grant applications to the MILIF Board for funds to alleviate mining costs whenever there are funds for discretionary grants available. Grant monies are awarded for the acceptable mining-related expenditures listed under Wisconsin Statute 70.395. Some of these mining-related activities include protective services, such as police and fire services, associated with the mine; highways repaired or constructed due to the mine; studies and projects for local development; monitoring the effects of the mining operation on the environment; and establishing area-wide community plans for minimizing the negative impacts associated with mining. Local impact committees may apply for funds to cover operational expenses (13).

Total Net Proceeds Tax Paid by Flambeau Mining Company

During the life of the mine, the Flambeau Mining Company paid over \$14 million in Net Proceeds Tax to the State of Wisconsin. According to the Wisconsin Department of Revenue, approximately \$8.6 million of the NPT collected went into the MILIF and \$5.5 million went into the Badger Fund. Of the \$8.6 million that went to the MILIF, roughly \$8.4 million came back to the local units of government in the form of construction year payments, first dollar payments, additional payments to the County, and discretionary grants. Another \$200,000 was transferred from the MILIF to the Wisconsin Department of Commerce and given out in grants to help in the conversion of the Flambeau Mine buildings. All of the approximately \$5.5 million that went to the Badger Fund from the NPT was eventually put into the State's general fund and used for state government purposes. Per the Wisconsin Department of Revenue, no monies were collected in the Project Reserve Fund (18).

6.3 LOCAL AGREEMENT GUARANTEED PAYMENTS

As a condition of the Local Agreement between Flambeau Mining Company and Rusk County, the City of Ladysmith, and Town of Grant, supplemental First Dollar Payments and Supplemental Additional Payments to Rusk County were required to be paid by Flambeau under certain circumstances. In years when MILIF payments fell short of the statutory level, then Flambeau Mining Company was required to supplement the payments. The Local Agreement guaranteed a total of \$2.5 million to the three local units of government, however, much more than that was eventually received by the County and the municipalities.

1. Supplemental First Dollar Payments

- Payable in any year in which the First Dollar Payments from the MILIF are less than the \$100,000, indexed for inflation to 1982.
- Payable to each local unit of government in the amount of \$100,000 indexed and also indexed to the production of ore using 300,000 tons per annum as the basis. The \$100,000 indexed is multiplied by a ratio whose numerator is the number of tons of ore mined in the year and whose denominator is 300,000 tons, and then reduced by the actual First Dollar Payment made from the MILIF to the municipality or the county.

\$100,000, indexed, times (number of tons of ore mined in year/300,000) minus the actual First Dollar Payment from MILIF

- Flambeau guaranteed a total of \$1,500,000 indexed in First Dollar Payments. If by the end of the mining operations, the First Dollar Payments are less than this amount, Flambeau will pay the difference to all three local units of government.

2. Supplemental Additional Payments to Rusk County

- Payable in any year that the additional payment to Rusk County from the MILIF is less than \$250,000, indexed for inflation to 1982, beginning with the first full year of operation and continuing for at least the first four years or until the last full year of mining operations.
- Payable to Rusk County in the amount of \$250,000 multiplied by a percentage determined by the price of copper for the year in years which the price of copper falls below \$.85, this sum multiplied by a ratio whose numerator is the number of tons of ore mined in the year and whose denominator is 300,000 tons, then reduced by the actual payment the county receives from the MILIF, and then adjusted for inflation.

$$\$250,000 \text{ times } \% \text{ determined by copper price times (number of tons of ore mined/300,000) minus actual Additional Payment from MILIF (the total is further adjusted for inflation)}$$

- The combined amount paid from the MILIF and Flambeau is not to exceed \$250,000, indexed, in any year.

6.4 NET PROCEEDS TAX RECEIPTS AND GUARANTEED PAYMENTS RECEIVED BY LOCAL UNITS OF GOVERNMENT

As a result of the Flambeau Mine operations, the local units of government in Rusk County received monetary compensation through Net Proceeds Tax funds and Local Agreement “guaranteed payments.” Table 6.1 gives a summary of mining Net Proceeds Tax payments from the state MILIF and supplemental payments from Flambeau Mining Company received by the County and municipalities. In the table, for every type of payment listed, the origin of that payment is also given.

As stated in Section 1, the amounts in Table 6.1 are approximate because, in some years, records from the communities did not agree with records from the Department of Revenue. In addition,

Kennecott Minerals Company was not able to provide any information on the supplemental payments made to the local units of government due to a change in accounting systems after 1997.

Table 6.1 Mining Tax Revenues	
Rusk County	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
County Additional Pymts. - State	\$933,000
Supplemental Payments - Flambeau	\$1,865,000
Total	\$3,506,000
City of Ladysmith	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
Supplemental Payments - Flambeau	\$413,000
Total	\$1,121,000
Town of Grant	
Construction Payment - State	\$100,000
First Dollar Payments - State	\$608,000
Supplemental Payments - Flambeau	\$413,000
Total	\$1,121,000
GRAND TOTAL	\$5,748,000

Sources: WI Dept. of Revenue, Rusk Co. Auditor, C. of Ladysmith

Use of first dollar payments and additional payments to the County are restricted by Wisconsin Statutes 70.395 and 70.396 to “mining-related purposes.” Statute 70.375 defines “mining-related purposes” to mean activities which are directly in response to construction, operation, cessation, or curtailment of operation, or closure of a metalliferous mine site. It also includes activities which anticipate the economic and social consequences of the cessation of mining. Further definitions of approved mining-related expenditures are listed under statute 70.395. In addition to mining-related purposes, county first dollar payments (not county additional payments) can be used for the following two items: 1) a maximum of \$25,000 annually can be distributed to

municipalities in the county where the mine is located, and 2) up to 10 percent may be placed in a county mining investment fund for investment by the State Investment Board, or they may be placed in a financial institution located in the State.

In addition to the tax receipts and pursuant to the Local Agreement, Rusk County, the City of Ladysmith, and Town of Grant received “direct guaranteed payments” from Flambeau Mining Company. These supplemental payments are over and above the Net Proceeds Tax receipts and unlike the Net Proceeds Tax receipts, these payments are not restricted in their use. As indicated in Table 6.1, the supplemental payments amounted to roughly \$2.7 million.

In addition to the tax revenues shown in Table 6.1, the local units of government applied for and received discretionary grants from the MILIF for some of the projects listed in the following Uses of Funds section. Between 1995 and 1998, the Discretionary Payments Program paid out nearly \$5.7 million in grants to the local units of government. Table 6.2 gives the specifics of how much each local unit of government received from this program, either as a group or separately.

Table 6.2 Discretionary Grants	
Recipients	Amount
C. Ladysmith & Rusk Co.	\$4,430,430
C. Ladysmith, T. Grant, & Rusk Co.	\$750,000
C. Ladysmith & LCIDC	\$380,000
C. of Ladysmith	\$24,000
Rusk County	\$100,000
Total	\$5,684,430

Source: Wisconsin Department of Revenue

In 1997 the Wisconsin Department of Commerce received \$200,000 from the Mining Investment and Local Impact Fund to fund a program called the Mining Economic Development Grant and Loan Program. The monies were dispersed in two increments of \$100,000 each in 1999 and 2000 to help with the Flambeau Mine buildings conversion projects. More detail is included in the following Uses of Funds section.

In total, the local units of government, City of Ladysmith, Town of Grant, and Rusk County, received over \$11 million, either directly or indirectly, from the Flambeau Mining Company. From the Net Proceeds Tax paid into the State to the MILIF by Flambeau Mining Company came approximately \$8.4 million. Another roughly \$2.7 million came directly from Flambeau Mining Company to the local units of government in the form of direct, or supplemental payments.

6.5 USES OF FUNDS

The Net Proceeds Tax on mining brought an unprecedented level of funding to the local units of government for economic development. The partnerships formed during the development and execution of the Local Agreement with Flambeau Mining were strengthened in the process of planning and then undertaking projects in the County to prevent the “boom and bust” cycles that can accompany a brief mining project. Their goal was to produce long term jobs and sustainable

economic development by investing mine tax revenue to construct or renovate buildings for sale or lease to businesses (14).

Due to the local units of government having made financial commitments on their interpretation of the Net Proceeds Tax payment being made earlier than specified, they were experiencing some hardship and cash flow problems. Therefore, they requested that Kennecott advance them funds in an amount equal to the estimated guaranteed payment (with the further request that in making such calculation, Kennecott assumes that the amount paid to the local units of government by MILIF in January of the following year will be zero). Kennecott was willing to honor their requests and made advance payments in 1994, 1995, 1996, and 1997.

Use of Construction Year Payment by Rusk County

Construction year payments were made to Rusk County, the City of Ladysmith and Town of Grant in 1991 as a result of Wisconsin Statute 70.395. Rusk County used the funds to cover its expenses associated with the construction of the Flambeau Mine and to address the long term economic impacts of the mine on the County. These expenses included the renovation of a vacant industrial building, which would be leased to growing companies that would provide jobs in the future, and the preparation of an economic development plan that would identify mining-related concerns and provide a framework for long-term future economic development.

Use of First Dollar Payments, Supplemental Payments, and Discretionary Payment Program Grants

Continuing the partnerships formed during the negotiations of the Local Agreement, the local communities used this short-term boost of funds to invest in many different projects that they hoped would lead to a prosperous economic future for their residents. The City of Ladysmith and Rusk County were partners in several of these projects and the Town in one of them. Following is a list and description of those major projects that were undertaken in Rusk County that were partially or wholly funded from mine related sources (15):

Glen Flora Satellite Building – This 1996, \$300,000 project was funded entirely by mining first dollar and supplemental payments to Rusk County. The Glen Flora building is leased to a computer recycling and salvage firm called 5R Processors. At the time they moved into Rusk County and the Glen Flora building, they had 10 employees and needed to expand. In 1998, an expansion project totaling \$220,000 was undertaken. Half of the money for the expansion came from first dollar and supplemental tax payments and the other half from the County revolving loan fund. Currently, the company employs 45 people.



Figure 6.1 Glen Flora Building: 5R Processors

Fritz Avenue Manufacturing Plant Reuse – The total cost of the project was \$900,000, which included \$450,000 from an Economic Development Administration (EDA) grant to the City of Ladysmith and Rusk County and \$450,000 from mining first dollar and supplemental payments paid to the City and County. This project took a City eyesore and turned it into an attractive, modern building. Two of the three tenant spaces are leased by a textbook printer and a sign printer. On average, about 15 people are employed between the two firms.

Weyerhaeuser Satellite Building – Funding for the \$300,000 project came entirely from mining first dollar and supplemental payments to Rusk County. The building was initially leased by a medical supply firm and employed three people.

Ladysmith/Rusk County Enterprise Center – Funding for this \$1,400,000 project built in 1997 in the Ladysmith Industrial Park came from an \$840,000 EDA grant to Rusk County and the City of Ladysmith and \$560,000 of mining first dollar payments and supplemental mining tax payments to the City and the County. Currently, four of the six offices and all seven manufacturing spaces are occupied and employ about 20 people. The production spaces were specifically designed to appeal to start up and woodworking businesses.

Rusk County Airport Runway Extension Project – In 1998, the runway at the Rusk County Airport was lengthened to accommodate corporate jets at a cost of \$3,000,000. The project was funded with a \$2,400,000 Wisconsin Department of Transportation, Bureau of Aeronautics, grant to Rusk County and \$600,000 from mining first dollar and supplemental tax payments to the County.

Rusk County Airport Terminal Project – Completed in 1999, improvements to the airport included a new terminal, maintenance and hangar building, and paved access road. Funds for the \$525,680 project came from a \$473,100 grant from the mining Discretionary Payments Program to Rusk County and the City of Ladysmith and \$52,580 from mining first dollar and supplemental tax payments to Rusk County.

ADF Building Project – After a new building was completed early in 1998, Acrylic Design Fabricators, Inc. (ADF) relocated to the site. Since then, another company has also located in the building. This \$1,050,000 project was funded from a \$585,900 mining Discretionary Payments Program grant to the City of Ladysmith and Rusk County and from \$400,000 of mining first dollar and supplemental tax payments, and other City and County funds of \$64,100. Employees in the building number around 40.



Figure 6.2 ADF Building

Rusk County Forest Industry Business Park – Located next to the ADF Building, this project involved initial development of about 110 acres of industrial sites and a 20,000 sq. ft. warehouse. Funding for this \$1,250,000 project came from a \$750,000 EDA grant to the City of Ladysmith and Rusk County, a \$479,430 mining Discretionary Payments Program grant, and \$53,270 mining first dollar and supplemental tax payments to the City and the County. Approximately 70 jobs expect to be created.

Westlake Enterprises Relocation Project – Funding for the \$275,000 project came from \$125,000 in mining first dollar and supplemental tax payments to Rusk County and \$150,000 in lease revenue to the City of Ladysmith earned from the Meadowbrook Multi Tenant Industrial Center. In conjunction with the Westlake project, the Meadowbrook Center underwent a renovation and had 6,000 sq. ft of space added. The completion of the project in 1997 enabled further expansion of this service oriented operation staffed largely by developmentally disabled workers. The average number of jobs is 45.

Meadowbrook Center Addition – Completion of the 23,100 sq. ft. addition to Ladysmith’s Meadowbrook Center occurred in 2000. The \$880,000 cost of the addition was paid for by a \$380,000 Discretionary Payments Program grant and \$500,000 borrowed on behalf of the City by the local development corporation. Rockwell Automation pre-leased the building and invested at least \$1,250,000 in new fixtures and equipment to outfit the space. Fifty new jobs were created.

Conwed Designscape Relocation Project and Weather Shield Expansion Project – Although these two projects are separate projects, one is an outgrowth of the other. The two projects together is probably the most significant and successful economic development project undertaken in the area in the last 50 years and demonstrates the power of planning and perseverance by the local units of government.

Envisioned some 12-15 years prior, it began in early 1996 when the City of Ladysmith and Rusk County struck a deal with long-time furniture manufacturer, Conwed Designscape, to purchase its non-expandable 50-year old plant and to finance a new facility. The business was planning to move to southeast Wisconsin, where it had other operations. In order to deter the firm from moving, the City and the County did some creative thinking and planning. Conwed was moved into an up-to-date facility with room to grow in the Ladysmith Industrial Park. Conwed’s old plant then provided a growth opportunity for one of its equally crowded neighbors in Ladysmith’s older Worden Ave Industrial Area.

A mining Discretionary Payments Program grant of \$2,872,000 to the City of Ladysmith and Rusk County provided the entire project funding. Conwed financed an additional \$750,000 in new equipment from other sources including a Community Development Block Grant program loan of \$150,000 (since repaid) and loans from the City and County revolving loan funds. Because of this expansion project, 100 jobs remained in the area and 25 more jobs were created.

The second part of this project was undertaken in 1997 and based on the sale of the former Conwed building to Weather Shield by the City and the County. To facilitate this project, the City of Ladysmith used Tax Increment Financing revenues to relocate utilities and a Wisconsin

Department of Transportation TEA grant to construct a new access road. Weather Shield financed several million dollars in related equipment purchases and installations and building upgrades, which included 150,000 square feet of new space connecting the former Conwed building to Weather Shield's plant. This project created an additional 200 jobs for the area.

Norse Building Systems Project – This 1997 project cost \$2,200,000 and was funded by a \$750,000 mining Discretionary Payments Program grant to Rusk County, the City of Ladysmith and Town of Grant; \$300,000 mining first dollar payments to Rusk County and the Town of Grant; \$300,000 from the sale of a Ladysmith building to the local development corporation; and \$550,000 from the sale of the old Conwed plant to Weather Shield Manufacturing. The 67,750 square feet addition to the original 20,000 sq. ft. building increased usable square footage to nearly 90,000 square feet. Norse builds manufactured homes and closed wall panels and employees about 70 people.

Rusk County Visitor's Center & Rail Museum – The previous visitor's center was undersized and not a handicap accessible facility. The \$200,000 project was funded from a combination of sources: a State budget set aside; mining first dollar and supplemental payments to Rusk County; borrowing by the City of Ladysmith; with the balance from the sale of the previous building. In 1998, a new building was constructed as a replica of a vintage railroad depot alongside a rail equipment display.

Flambeau Mine Buildings Conversion Projects – In 1997, the LCIDC and Flambeau Mining Company developed a lease agreement for the reuse of the Flambeau Mine facilities. The lease is on a long-term basis for nominal consideration. During 1998, Flambeau Mining requested a modification of its reclamation plan to keep the administration building, water treatment facility, rail spur and adjacent 32 acres as an industrial outlot (1:33).

The LCIDC used a \$100,000 grant from the Department of Commerce's Mining Program, along with \$370,000 in borrowed funds to convert some of the former Flambeau facilities into a new Department of Natural Resources area service center. Completion of the interior work on the former mine administration building occurred with occupation by the DNR in the fall of 1999.

The DNR main administration offices were formerly housed in an old log-sided home dating back to 1930 and located on an old ranger station site. It was undersized and overcrowded, had steep steps, and was not handicap accessible. The building housed 12 people, so moving to the mine administration building with its 21 offices and state of the art laboratory was an ideal solution for the DNR. The City bought the old ranger station site from the DNR and has since located a new well and water tower at the location. It seems the site has the best source of water found in 30 years.

In the spring of 2000, the conversion of the west 2,880 sq. ft. of the former mine state-of-the-art water treatment plant into a DNR maintenance garage was completed. In the fall of 2000, the construction of a third building, a 7,320 sq. ft. DNR vehicle storage garage, was completed. The City financed the construction of the building and loaned it to LCIDC for \$318,000. The DNR subleases the buildings from LCIDC. Six full time jobs were created.

In the spring of 2000, using a \$100,000 grant from the Department of Commerce Mining Program along with \$25,000 in city funds, the City of Ladysmith converted the east 4,320 sq. ft. of the former mine water treatment facility into a garage and headquarters for Xcel Energy's (then Northern States Power (NSP)) local line maintenance operations. NSP was located in a former auto dealership building in a prime commercial area. Since their operation could be located anywhere, it made sense to have them move into other facilities.

Flambeau's original mine permit called for the administration building and the water treatment facility to be removed. The 1.25 mile rail spur off the Canadian National main line was also to be removed. This conversion project was successful in retaining both of these community assets.

Neilsen Ford Project – From the conversion of the mine's former water treatment plant into a line maintenance operations facility for Xcel Energy, a spinoff project resulted. Nielsen Ford was interested in the acquisition of the former NSP facility, which was a prime commercial site. NSP sold the real estate directly to Nielsen, who converted the facility into a Ford dealership. The \$1,815,000 project included \$80,000 in loans from the city, county, and regional revolving loan funds. Bank financing of \$1,100,000, along with \$300,000 of owner's equity covered working

capital needs and inventory. Twelve jobs were created. Although the Neilsen business closed in the fall of 2001, the building has been purchased and remodeled for use as a physical therapy rehabilitation clinic, so it remains in commercial use.

Additional Uses of First Dollar Payments, Supplemental Payments, and Discretionary Payment Program Grants by Town of Grant

According to Mr. Henry Golat, a member of the Town of Grant Board of Supervisors, the Town has a large balance remaining from the payments made to the Town in the form of mining first dollar and supplemental payments from the State and Flambeau Mining Company. The Board made the decision to keep a large balance in case the local water becomes contaminated some time in the future due to past mining operations. The Town would be responsible for providing good water to its residents and would need the money in the event the water would become contaminated (17). As previously noted, Flambeau must retain an \$11.7 million bond until the issuance of the Certificate of Completion. At that time, the bond can be reduced to \$2.3 million, which it must maintain for an additional 20 years.

A portion of the funds, the interest earned each year, is used to bring down the local town tax levy. With recent low interest rates, the annual amount has been quite small.

Spinoff Projects

Although the aforementioned projects can be traced directly to the use of mining related sources, many more projects cannot. They were undertaken as a result of a stronger local economy. Furthermore, in the 1990's, the national economy was also strong enough to support the level of activity. Local officials contend that the infusion of mining funds and the other funds they leveraged probably had a great deal to do with jump starting the local economy. Some of the spinoff activities include the following (15:10):

- 36 new apartments were built in 2000
- A \$6 million grocery store opened
- Two new convenience stores and a bank opened
- A new General Motors dealership opened

Public Funds and Private Investments Leveraged

As indicated in the descriptions of the projects, funding came from many public and private sources. Besides Net Proceeds Tax payments (first dollar and supplemental tax payments and discretionary grants) of more than \$8 million, nearly \$10 million came from other public sources. The EDA gave grants to three projects in the Rusk County area totaling over \$2 million. In addition to the public investments, privately funded investments equal to another approximately \$10 million were made in conjunction with the tax payments or grants for these projects. Total public and private investments made in the local economy for sustainable economic development was nearly \$28 million (15:12).

Job Creation

The mining related funds and the public and private investment leveraged by those funds created or retained many jobs in the local area. Although some of those jobs have since been lost in the

recent recession, the impact to the communities was great, and will continue to be felt. More than 500 jobs are still in existence in the area and provide economic stability to residents (15:13).

Project Income

In addition to job creation, the facilities created by the projects using tax payments, discretionary grants, or mine buildings have generated, or may generate considerable one time or annual income, for re-use in other economic development efforts. The money received in lease payments is put into a Mining Reuse Fund for new economic projects, mainly buildings. It is estimated that at the end of 2004, there will be a balance of approximately \$729,500. Eventually, as the amount builds up, a revolving loan fund may be established (19). Table 6.3 shows the estimated amount of income these facilities bring to the local units of government.

Table 6.3 Project Income				
Facility	Amount	One Time	Annual	Comments
Glen Flora Bldg.	\$300,000	x		If sold outright
Weyerhaeuser Bldg,	\$300,000	x		If sold outright
Fritz Ave Plant	\$38,000		x	Lease
Enterprise Center	\$42,000		x	Lease (1)
New Conwed Bldg.	\$160,000		x	20 year pymt.
Old Conwed Bldg.	\$500,000	x		(2)
Forest Industry Park	\$30,000		x	Warehouse (3)
Norse Building	\$150,000		x	
ADF Bldg.	\$54,500		x	20 year pymt.
Westlake Enterprises	\$15,000		x	To repay loan
Meadowbrook Addition	\$57,750		x	To repay loan
Mine Bldg. Conversion	\$50,000		x	To repay loan
Totals	\$1,697,250	\$1,100,000	\$597,250	

Footnotes: (1) Recycled into staffing and related costs.

Footnotes: (2) Recycled back into Conwed/Weather Shield project.

Footnotes: (3) Includes warehouse lease revenue, but not income from sale of sites.

Source: Al Christianson, Mining Assisted Project Summary

New Tax Base

With the construction of new buildings or expansions to existing facilities in the City and the County comes an increase in the tax base for those units of government. Table 6.4 indicates the amount of new tax base based on *estimated* equalized values.

Table 6.4 New Tax Base	
Facility	Amount
Norse Building	\$2,250,000
Conwed Building	\$2,250,000
Weather Shield Expansion	\$2,006,500
Total	\$6,506,500

Source: Al Christianson, Mining Assisted Project Summary

It is estimated that the total tax generated from the businesses identified in Table 6.4 is approximately \$170,000 annually. This new tax revenue provides for greater distribution of the total tax payments by all property owners in the community due to overall increased valuations.

The majority of new and expanded tax base has occurred in the City of Ladysmith. This is primarily due to the opportunities available to expand existing facilities and businesses and the fact that municipal infrastructure is in place. The Town of Grant participated in one development project at the county level. However, development opportunities within the Town’s business park located along State Highway 27 will provide future opportunities to expand the local tax base.

Table 6.5 New Public Building Space Added	
Project or Facility	New Sq. Ft.
Rusk County Visitor Center	2,300
Rusk County Airport Terminal Project	4,930
Rusk County Community Library	18,000
Flambeau Mine Buildings Conversion (DNR)	7,320
Total	32,550

Source: Al Christianson, Mining Assisted Project Summary

Most of the projects that were funded in part or wholly from mining related sources added new manufacturing or business space or public building space. A total of approximately 443,450 sq. ft of manufacturing or business space was added as well as roughly 32,550 sq. ft of public building space. Table 6.5 and

Table 6.6 lists in detail the project or facility and the amount of square footage added for each.

Table 6.6 New Manufacturing or Business Space Added		
Project or Facility	New Sq. Ft.	Conversion Only
Glen Flora Satellite Building	22,000	
Weyerhaeuser Satellite Building	12,000	
Fritz Avenue Manufacturing Plant reuse		x
Rusk County Enterprise Center	28,400	
Conwed Relocation Project	88,000	
Weather Shield Expansion Project	150,000	
Rusk County Forest Industry Park	20,000	
ADF Building	26,200	
Norse Building Systems Project	67,750	
Westlake Enterprises Relocation	6,000	
Flambeau Mine Buildings Conversion (Xcel)		x
Neilsen Ford		x
Meadowbrook Center Addition	23,100	
Total	443,450	

Source: Al Christianson, Mining Assisted Project Summary

Beginning with construction year payments in 1991 and continuing well into the future, the economic benefits of the Flambeau Mine tax payments and other mining related sources to the local communities and its residents continue to be felt in a better quality of life. The economy of Rusk County has benefited in ways that has made it stronger than it was in pre-mining days. Long term and sustainable economic development was the goal of both the Flambeau Mining Company and the local units of government. Cooperation and planning made it happen in Rusk County.

Partnerships

An additional benefit that came out of the Flambeau Mine project that one cannot put a price on is the partnerships that were formed or strengthened in the process of developing the projects listed in this section. The City of Ladysmith, Rusk County, and Town of Grant had been involved in negotiating and executing not only the first “Local Agreement” on mining as permitted by Wisconsin Statutes, but the first and, thus far, only such agreement developed and executed jointly by several units of local government. Furthermore, the partnerships extended beyond the local units of government to include a regional planning commission, a power utility, and various federal and state granting agencies (15:15-16).