



Iron Range Resources and Rehabilitation Board

Update to 2016 Evaluation Report

February 2018

Problems Identified

- **Inadequate Oversight.** The Iron Range Resources and Rehabilitation Board (IRRRB) had inadequate oversight of its loans and grants. It did not consistently document whether loans or grants met their objectives, as state law requires. For example, with the exception of forgivable loans, the agency did not require companies to report on jobs created, and it relied solely on companies' self-reported data. IRRRB did not have reliable records of numbers of jobs created or maintained, and its loan database was outdated and inaccurate.
- **Operating Losses and Lack of Performance Targets.** The IRRRB operated a public resort called Giants Ridge Recreation Area, which had large and growing operating losses for the nine fiscal years between 2006 and 2014. The agency had not established sufficient targets to judge how well Giants Ridge met its goals.
- **Vulnerability to Constitutional Challenge.** Unlike other executive branch agencies, state statutes gave power over the IRRRB to a group of legislators who were the agency's board members. As an example, the law required the board to approve all expenditures proposed by the IRRRB commissioner. Laws on IRRRB's governance structure created vulnerability to a constitutional challenge based on the state constitution's clause on separation of powers among the three branches of government. An additional vulnerability was based on the constitutional prohibition against legislators holding "another office."

Changes Implemented

- **Redesigned Business Practices.** IRRRB revised its loan guidelines to reflect the purposes, including job creation, of its business financing. It procured a comprehensive loan-management data system and implemented new software for managing grants. The agency also updated its grants policy manual and has new grant compliance oversight. In addition, it took steps to improve Giants Ridge management and better monitor its performance.
- **Amended Law.** The 2017 Legislature passed a law that modifies, but does not fully change, IRRRB's governance structure. The board of legislators is now ostensibly advisory to the commissioner. However, in two significant instances, the law still requires board approval before the commissioner can act, including approval of the agency budget before the commissioner can spend money. The law requires the newly named Department of Iron Range Resources and Rehabilitation to take additional steps, such as setting a strategic plan and using specific statutory criteria to review grant and loan applications.

Action Needed

- **Monitor Department Results.** The department has undertaken several actions to improve its practices. The Legislature should continue to monitor how well the changes improve the department's oversight of loans and grants and its management of Giants Ridge.