

SF4936 - 1E - Tax Forfeited Lands Settlement Account Est.

Chief Author: **Grant Hauschild**
 Committee: **Finance**
 Date Completed: **4/17/2024 9:41:57 PM**
 Lead Agency: **Minn Management and Budget**
 Other Agencies:
 Attorney General Revenue Dept
 Supreme Court

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Minn Management and Budget						
General Fund	-	109,000	-	(6,907)	(6,907)	
Revenue Dept						
General Fund	-	-	6	-	-	-
State Total						
General Fund	-	109,000	6	(6,907)	(6,907)	
	Total	- 109,000	6	(6,907)	(6,907)	
	Biennial Total		109,006		(13,814)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Minn Management and Budget					
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	-	.03	-	-
	Total	-	-	.03	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/17/2024 9:41:57 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Minn Management and Budget						
General Fund		-	109,000	-	(6,907)	(6,907)
Revenue Dept						
General Fund		-	-	6	-	-
	Total	-	109,000	6	(6,907)	(6,907)
	Biennial Total			109,006		(13,814)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Minn Management and Budget						
General Fund		-	109,000	-	-	-
Revenue Dept						
General Fund		-	-	6	-	-
	Total	-	109,000	6	-	-
	Biennial Total			109,006		-
2 - Revenues, Transfers In*						
Minn Management and Budget						
General Fund		-	-	-	6,907	6,907
Revenue Dept						
General Fund		-	-	-	-	-
	Total	-	-	-	6,907	6,907
	Biennial Total			-		13,814

SF4936 - 1E - Tax Forfeited Lands Settlement Account Est.

Chief Author: **Grant Hauschild**
 Committee: **Finance**
 Date Completed: **4/17/2024 9:41:57 PM**
 Agency: **Minn Management and Budget**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	109,000	-	(6,907)	(6,907)	
Total	-	109,000	-	(6,907)	(6,907)	
Biennial Total			109,000			(13,814)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/17/2024 2:31:28 PM
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	109,000	-	(6,907)	(6,907)
Total	-	109,000	-	(6,907)	(6,907)
Biennial Total			109,000		(13,814)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	-	109,000	-	-	-
Total	-	109,000	-	-	-
Biennial Total			109,000		-
2 - Revenues, Transfers In*					
General Fund	-	-	-	6,907	6,907
Total	-	-	-	6,907	6,907
Biennial Total			-		13,814

Bill Description

Section 1: Provides definitions and requirements that identifies tax forfeited properties within Minnesota counties that participate in the Tax-forfeited land settlement and requires those counties to make a good-faith effort to sell all properties with the county retaining 25% of the proceeds and the remaining 75% percent remitted to the state for all sales on or before June 30, 2027. For sales after that date and before July 1, 2029, the counties would retain 15% of the proceeds with the state retaining 85%. Proceeds remitted to the state would be deposited into the general fund.

Subd. 4 appropriates \$109 million from the general fund to be paid to a claims administrator who would make payments to claimants under the terms of the settlement. Any portion of the appropriation remaining on June 30, 2026 would be returned to the state general fund.

Subd. 5 requires participating counties to report all sales to the commissioner of MMB beginning on December 31, 2024 and each December 31 thereafter, the commissioner of MMB is then required to compile the reported information and submit to the legislative committees with jurisdiction over finance, environment, and taxes.

Assumptions

Minnesota Management and Budget (MMB) assumes:

1. The settlement agreement will be finalized by all parties on June 1, 2024.
2. All Minnesota counties will participate in the settlement and make a good faith effort to sell all identified properties.
3. In the participating counties, there are at least 2,450 tax forfeited properties current within county inventories with an aggregate estimated market value in the year before forfeiture of \$71.732 million.
4. 100% of the settlement appropriation will be paid to claimants by the claims administrator.

Expenditure and/or Revenue Formula

To estimate the revenue to the state under the provisions of the bill, MMB surveyed Hennepin, Ramsey, St. Louis, and Itasca counties. The four surveyed counties hold 1,260 tax forfeited properties in their inventory with an aggregate estimated market value in the year before forfeiture of \$47.066 million. Of the statewide inventory of identified tax forfeited properties, the surveyed counties represent 51% of all properties with 66% of the estimated market value.

MMB developed survey questions to answer the following questions in order to create a statewide revenue estimate:

1. How much do you expect the identified properties to sell for?
2. How long do you expect the properties will take to sell?

Counties were provided with a data set containing identified properties within their border and asked to submit answers to the following questions:

1. For properties in the attached list with an estimated market value that is \$400,000 or greater, could you provide an estimate of when this property could reasonably be expected to sell and it's expected sale price?
2. For your county, please designate which, if any, properties are likely to be classified as conservation land or are not expected to sell for another reason.
3. For your county, please designate which, if any, properties that have already been offered at auction and failed to sell
 - a. Have these or other properties been re-appraised, if so what is the current appraised value?
4. For your county, please designate which, if any, properties have been identified as non-conforming property under MS 282.01 Subd. 7a.
5. Over the historical period 2010-22, please provide estimates for the following:
 - a. Of properties in tax forfeiture, what percentage of properties sold
 - i. In the first 2 years after forfeiture
 - ii. In the 3rd year after forfeiture
 - iii. In the 4th year or later after forfeiture
 - iv. Have not sold
 - b. For each of the time intervals above, what is the estimated ratio of Final sale price vs. Market value one year prior forfeiture?

6. Do you have other information and/or data that you believe would inform estimates under this bill?

All counties responded and the following summary information and estimates we're developed using county survey responses:

- a) Properties in inventory: 1,260
- b) Estimated Market Value Of Properties in Inventory: \$47.066 million
- c) Conservation or otherwise unsellable properties: 297
- d) Salable Properties Remaining: 963
- e) Pre-Forfeiture Estimated Market Value of Remaining Properties: \$28.656 million
- f) Avg. Pre-forfeiture Estimated Market Value of Remaining Properties: \$29,757
- g) Properties expected to sell based on historic average: 512
- h) Ratio of Sale Price to Pre-forfeiture Estimated Market Value Based on Historic Average: 73%
- i) Expected Average Sale Price of Remaining Properties: \$21,694

j) Expected proceeds from Salable properties in four surveyed counties: \$11.107 million

Assumptions for calculated proceeds of salable properties in four surveyed counties

1. Statewide property inventory dataset was collected by counties in settlement process
2. All properties expected to sell will sell by June 30, 2027 based on county responses of historic sales
3. Hennepin and Ramsey counties are expected to sell 100% of the remaining salable properties.
4. St. Louis and Itasca counties reported historical data suggesting only a portion of salable properties will sell by June 30, 2027
5. The expected average sale price of salable properties is based on historic ratios of pre-forfeiture market value to final sale price. Hennepin county reported estimated final sales prices for all properties in inventory.
6. Properties reported as conservation or likely conservation status are assumed to not sell
7. Due to disparate assumptions across the four counties of properties identified as non-conforming property under MS 282.01 Subd. 7a, that data was not used in estimates.

For the remaining identified properties statewide in the counties that were not sampled, MMB extrapolated the following estimates based on the survey responses from the four counties and the statewide property inventory:

- a) Properties in inventory: 1,190
- b) Estimated Market Value of Properties in Inventory: \$24.666 million
- c) Conservation or otherwise unsellable properties: 281
- d) Salable Properties Remaining: 910
- e) Pre-Forfeiture Estimated Market Value of Remaining Properties: \$18.862 million
- f) Avg. Pre-forfeiture Estimated Market Value of Remaining Properties: \$20,739
- g) Properties expected to sell based on historic average: 484
- h) Ratio of Sale Price to Pre-forfeiture Estimated Market Value surveyed county's Historic Average: 73%
- i) Expected Average Sale Price of Remaining Properties: \$15,119
- j) Expected proceeds from Salable properties in remaining counties statewide: \$7.311 million

The total proceeds for expected sales by June 30, 2027 are as follows:

- Hennepin, Ramsey, St. Louis, and Itasca: \$11.707 million
- Remaining counties statewide: \$7.311 million

Under the bill, 75% percent of the proceeds would be allocated to the state general fund:

- $\$11.107 \text{ million} + \$7.311 \text{ million} = \18.418 million
- $\$18.418 \text{ million} * 75\% = \13.814 million

It is assumed that half the sales will occur in state FY 2026 and half in FY 2027. The following revenue is expected under the bill:

- FY 2026: \$6.907 million
- FY 2027: \$6.907 million

Long-Term Fiscal Considerations

For any sales occurring between July 1, 2027 and June 30, 2029, 85% of the proceeds will be deposited in the state general fund. Based on survey data, this revenue is expected to be minimal because properties that are expected to generally sell within two years.

Counties reported in survey responses that there is both upside and downside risk with estimates for sales of property within the statewide inventory for the following reasons:

- Requiring payment in full may reduce the buyer pool and/or sale price
- Not included in the list are properties that may have been canceled repurchases or contract for deeds, these would be subject to the sale requirement but were not part of the initial data request
- The impact of such a high volume of sales over a short period of time could flood the market or it could attract new purchasers

Local Fiscal Impact

Under the bill, counties would receive 25% of the proceeds of any sale of identified properties through June 30, 2027 and 15% of proceeds between in July 1, 2027 and June 30, 2029. In FY 2026-27, this is estimated to be \$4.604 million across all counties.

References/Sources

Agency Contact: Ronika Rampadarat 651-201-8115

Agency Fiscal Note Coordinator Signature: Ronika Rampadarat

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SF4936 - 1E - Tax Forfeited Lands Settlement Account Est.

Chief Author: **Grant Hauschild**
 Committee: **Finance**
 Date Completed: **4/17/2024 9:41:57 PM**
 Agency: **Attorney General**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson **Date:** 4/17/2024 9:18:24 PM
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill resolves the class action lawsuits that are pending against counties and the Department of Revenue related to the government taking tax forfeited properties and keeping value above the tax debt.

Assumptions

It should require no work from the AGO, unless we are called upon to enforce the requirement that counties sell the majority of their inventory and turn proceeds over to the State.

Expenditure and/or Revenue Formula

n/a

Long-Term Fiscal Considerations

n/a

Local Fiscal Impact

n/a

References/Sources

n/a

Agency Contact: Laura Sayles

Agency Fiscal Note Coordinator Signature: Laura Capuana

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SF4936 - 1E - Tax Forfeited Lands Settlement Account Est.

Chief Author: **Grant Hauschild**
 Committee: **Finance**
 Date Completed: **4/17/2024 9:41:57 PM**
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	6	-	-	-
Total	-	-	6	-	-	-
Biennial Total			6			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	.03	-	-
Total	-	-	.03	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 4/17/2024 5:08:09 PM
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State Cost (Savings) Calculation Details

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*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	6	-	-	-
Total	-	-	6	-	-	-
Biennial Total			6			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	6	-	-	-
Total	-	-	6	-	-	-
Biennial Total			6			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The A-3 amendment to HF 4936 creates a Tax-Forfeited Lands Settlement Account.

Section 1 of the amendment creates the Tax-Forfeited Lands Settlement Account which will manage funds related to a settlement agreement reached on February 28, 2024 related to the state's retention of tax-forfeited lands, surplus proceeds from the sale of tax-forfeited lands, and mineral rights in those lands. Participating counties must agree to certain terms in order to participate in the fund, such as making a good faith effort to sell certain properties that forfeited between applicable start dates (dependent on the county) and December 31, 2023, and remitting a certain percentage of the proceeds from the sale into the account and keeping the remainder for any permissible use. Any properties not sold by June 30, 2029 will continue to be managed under the laws governing tax-forfeited lands until sold.

\$109 million in fiscal year 2024 is appropriated from the general fund to the commissioner of management and budget to make payments to the claims administrator under the terms of the settlement. The funds in the account are available until June 30, 2026, on which day the claims administrator will need to return any money that remains unspent. Non-participating counties will retain all risk of liability for claims related to properties forfeited before January 1, 2024, and the state will not be financially responsible. By December 31, 2024, and every December 31 after that, each participating county must report to the commissioner of management and budget information regarding parcels that forfeited and the commissioner must compile the information into a legislative report by February 1, 2025, and every February 1 after that until 2030.

This bill is effective the day following final enactment.

Assumptions

The Department of Revenue (Revenue) assumes the "claims administrator" referenced in the bill is a third party that the court will name as part of the lawsuit settlement agreement.

The Property Tax Division assumes it will update the Delinquent Tax and Tax Forfeiture Manual and the external webpage. The division assumes it will communicate the changes to stakeholders and answer questions regarding the new account. The division will need .03 FTE and all work would occur in FY25.

The Financial Management Division (FMD) assumes the Minnesota Department of Management and Budget (MMB) will manage or set up this account. If MMB requires FMD to set it up, this work will be incorporated into FMD's existing workload. The Department of Revenue (Revenue) assumes the "claims administrator" referenced in the bill is a third party that the court will name as part of the lawsuit settlement agreement.

FTE Impact

FTEs	FY 2024	FY 2025	FY 2026	FY 2027
Property Tax staff		.03		
MAPE		.02		
MMA		.01		
Managerial		<.01		
Total FTE Impact		.03		

Note: Totals may vary slightly due to rounding.

Expenditure and/or Revenue Formula

Administrative Impact

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Employee Compensation			5,693		
Total Administrative Costs (Savings)			5,693		

Note: This table uses whole numbers. Totals may vary slightly due to rounding.

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

Local governments will need to decide if they want to participate in the fund. They will also need to decide what properties fall within the timeframe laid out in the bill language. Local governments will need to provide the information under subdivision 5 to the commissioner of management and budget for inclusion in the annual legislative report.

References/Sources

Agency staff provided information for this fiscal note.

Agency Contact:

Agency Fiscal Note Coordinator Signature: Chelsea Magadance

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SF4936 - 1E - Tax Forfeited Lands Settlement Account Est.

Chief Author: **Grant Hauschild**
 Committee: **Finance**
 Date Completed: **4/17/2024 9:41:57 PM**
 Agency: **Supreme Court**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Karen McKey **Date:** 4/17/2024 3:27:46 PM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill provides for the establishment of a tax-forfeited lands settlement account. The tax-forfeited lands settlement account is established in the special revenue fund and is appropriated to the commissioner of management and budget.

Section 1 subd. 3 provides, “A county that is not a participating county retains all risk of liability for claims related to properties forfeited before January 1, 2024. The state of Minnesota is not financially responsible for claims related to those properties and may seek indemnification from counties that are not participating counties for any expenses or judgments related to those properties.”

Assumptions

It is assumed that the establishment and appropriation of tax-forfeited lands settlement accounts under this bill requires no court involvement.

It is assumed that section 1 subd. 3 could increase indemnification claims in District Court. The MN Judicial Branch currently receives indemnification claims in District Court. It is assumed that any potential increase in indemnification claims cannot be calculated with any certainty.

Expenditure and/or Revenue Formula

Because the Judicial Branch is not responsible for any costs associated with tax-forfeited lands settlement accounts, it is assumed the Judicial Branch would have no financial responsibility for any of the work or costs associated with the implementation of the procedures set forth under the bill, with the exception of indemnification claims.

Although the judicial branch cannot calculate or estimate any potential increase in indemnification claim filings with reasonable certainty, it is anticipated that this bill will have minimal impact on the Judicial Branch; any potential impact will be absorbed by the Judicial Branch.

Long-Term Fiscal Considerations

None.

Local Fiscal Impact

References/Sources

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