

HF586 - 2E - "State-Purchased Land Annual Pmt Funds Est."

Chief Author: **Steve Drzakowski**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 Lead Agency: **Natural Resources Dept**
 Other Agencies:
 Investment Board Minn Management and Budget
 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	FY2017	FY2018	FY2019	FY2020	FY2021
Investment Board	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-	-
Natural Resources Dept						
General Fund	-	-	-	(67)	(134)	
Water Recreation	-	10	-	-	-	-
Snowmobile	-	6	-	-	-	-
Forest Mgmt. Investment	-	22	-	-	-	-
Game And Fish (Operations)	-	22	-	-	-	-
Revenue Dept						
General Fund	-	-	-	-	-	-
Environment and Natural Resource	-	-	700	700	700	
Outdoor Heritage Fund	-	-	2,200	2,200	2,200	
State Total						
Restrict Misc. Special Revenue	-	-	-	-	-	-
General Fund	-	-	-	(67)	(134)	
Water Recreation	-	10	-	-	-	-
Snowmobile	-	6	-	-	-	-
Forest Mgmt. Investment	-	22	-	-	-	-
Game And Fish (Operations)	-	22	-	-	-	-
Environment and Natural Resource	-	-	700	700	700	
Outdoor Heritage Fund	-	-	2,200	2,200	2,200	
Total	-	60	2,900	2,833	2,766	
Biennial Total			2,960		5,599	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Investment Board	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Natural Resources Dept					
General Fund	-	-	-	-	-
Water Recreation	-	-	-	-	-
Snowmobile	-	-	-	-	-
Forest Mgmt. Investment	-	-	-	-	-
Game And Fish (Operations)	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	-	-
Environment and Natural Resource	-	-	-	-	-
Outdoor Heritage Fund	-	-	-	-	-
Total	-	-	-	-	-

Lead Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Ashley Reisenauer

Date: 03/14/2017

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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	FY2017	FY2018	FY2019	FY2020	FY2021
Investment Board	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	-
Natural Resources Dept					
General Fund	-	-	-	(67)	(134)
Water Recreation	-	10	-	-	-
Snowmobile	-	6	-	-	-
Forest Mgmt. Investment	-	22	-	-	-
Game And Fish (Operations)	-	22	-	-	-
Revenue Dept					
General Fund	-	-	-	-	-
Environment and Natural Resource	-	-	700	700	700
Outdoor Heritage Fund	-	-	2,200	2,200	2,200
Total	-	60	2,900	2,833	2,766
Biennial Total			2,960		5,599
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Investment Board	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	1
Natural Resources Dept					
General Fund					
Expenditures	-	-	-	-	-
Transfers Out	-	-	-	(67)	(134)
Water Recreation	-	10	-	-	-
Snowmobile	-	6	-	-	-
Forest Mgmt. Investment	-	22	-	-	-
Game And Fish (Operations)	-	22	-	-	-
Revenue Dept					
General Fund	-	-	-	(67)	(134)
Environment and Natural Resource	-	-	700	700	700
Outdoor Heritage Fund	-	-	2,200	2,200	2,200
Total	-	60	2,900	2,766	2,633
Biennial Total			2,960		5,399
2 - Revenues, Transfers In*					
Investment Board	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	-	1
Natural Resources Dept					
General Fund	-	-	-	-	-
Water Recreation	-	-	-	-	-
Snowmobile	-	-	-	-	-
Forest Mgmt. Investment	-	-	-	-	-
Game And Fish (Operations)	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	(67)	(134)

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Environment and Natural Resource	-	-	-	-	-
Outdoor Heritage Fund	-	-	-	-	-
Total	-	-	-	(67)	(133)
Biennial Total			-		(200)

HF586 - 2E - "State-Purchased Land Annual Pmt Funds Est."

Chief Author: **Steve Drazkowski**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 Agency: **Natural Resources 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) Dollars in Thousands	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	(67)	(134)
Water Recreation	-	10	-	-	-
Snowmobile	-	6	-	-	-
Forest Mgmt. Investment	-	22	-	-	-
Game And Fish (Operations)	-	22	-	-	-
Total	-	60	-	(67)	(134)
Biennial Total			60		(201)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Water Recreation	-	-	-	-	-
Snowmobile	-	-	-	-	-
Forest Mgmt. Investment	-	-	-	-	-
Game And Fish (Operations)	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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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		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	(67)	(134)
Water Recreation	-	10	-	-	-	-
Snowmobile	-	6	-	-	-	-
Forest Mgmt. Investment	-	22	-	-	-	-
Game And Fish (Operations)	-	22	-	-	-	-
Total	-	60	-	-	(67)	(134)
	Biennial Total		60			(201)
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	(67)	(134)
Water Recreation	-	10	-	-	-	-
Snowmobile	-	6	-	-	-	-
Forest Mgmt. Investment	-	22	-	-	-	-
Game And Fish (Operations)	-	22	-	-	-	-
Total	-	60	-	-	(67)	(134)
	Biennial Total		60			(201)
2 - Revenues, Transfers In*						
General Fund						
Water Recreation	-	-	-	-	-	-
Snowmobile	-	-	-	-	-	-
Forest Mgmt. Investment	-	-	-	-	-	-
Game And Fish (Operations)	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

This bill creates a separate system of payments in lieu of taxes that would apply only to lands that the state acquires on or after July 1, 2017 with Outdoor Heritage Fund (OHF) or Environment and Natural Resources Trust Fund (ENRTF) appropriations. The bill would remove those lands or portions of those lands from the current PILT system set forth in MS 477A.10 through 477A.14.

- Section 1 establishes an account for county joint trust fund payments.
 - Subd. 1 authorizes the State Board of Investment (SBI) to invest funds that are deposited into the account by the commissioner of revenue on behalf of counties in a special account in the combined investment funds and restricts use of the funds to payments to the commissioner of revenue for distribution to counties.
 - Subd. 2 authorizes the commissioner of revenue to deposit money into the account on behalf of the counties and to withdraw money from the account to make distributions to the counties.
 - The effective date for section 1 is January 1, 2018.
- Section 2, amends MS 97A.056, subd. 1a to add definitions of “land acquisition costs,” “land-related property taxes,” “local governments providing land-related services,” “recipient” and “total payment for the land.”
 - The effective date for section 2 is July 1, 2017.
- Section 3 amends MS 97A.056, by adding subdivision 1b:
 - (a) Creates an outdoor heritage trust fund account in the special revenue fund and requires the State Board of

Investment to invest the account principal and unexpended earnings.

- (b) Provides that state land acquired in fee simple in whole or in part with money appropriated from the OHF is eligible for a onetime trust fund payment. The percentage of the acres in any purchase that is eligible for a trust fund payment is equal to the percentage of the "total payment for the land" funded from OHF revenues. If the percentage is 10% or less, the parcel is ineligible for the onetime payment. If the percentage is 90% or more, the entire parcel is eligible. The payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, payments are based on 30 times the property tax on comparable land. By Sept. 1 of each year, a county where land that the state purchased with OHF money is located must provide the commissioner of revenue information necessary to determine the trust fund payment for all eligible lands acquired in the 12-month period ending on June 30 of that year. The commissioner is required to make a payment for each eligible county to the SBI and must inform each county by October 15 each year of the amount deposited on the county's behalf.

- (c) Creates an open appropriation to the commissioner of revenue from the outdoor heritage trust fund account to make payments required under subdivision 1b.

- (d) To be eligible to receive a trust fund payment, a county board is required to enter into an agreement with the SBI to allow the commissioner of revenue to make deposits and withdrawals from the trust fund.

- (e) Provides that the portion of land receiving a trust fund payment under subdivision 1b is not eligible for payments in lieu of taxes under sections 477A.11-477A.14.

- (f) Provides for withdrawal from the account and repayment to the OHF of the original amount if land for which a payment is made under subdivision 1b is sold to another entity and is no longer available for the use for which it is purchased.

- Section 3 is effective July 1, 2017 and applies to land acquired with funds appropriated on or after that date.

- Section 4 requires the annual Lessard-Sams Outdoor Heritage Council recommendations to include amounts adequate to make the required transfers to the outdoor heritage trust fund payment account under MS 97A.056, subd. 1b. This section is effective July 1, 2017.

- Section 5 amends MS 97A.056 to add a subdivision that prohibits the state from using OHF money to acquire land in fee simple that was subject to property tax or, if owned by a nonprofit organization, was subject to property tax prior to the nonprofit organization's acquisition of the land if subdivision 1b is void (i.e. found unconstitutional) or sufficient funds to cover the onetime trust fund payment required under subdivision 1b are not appropriated or available.

- Sections 6 through 10 amend the definitions in MS 116P.02 and add definitions of "land acquisition costs," "land-related property taxes," "local governments providing land-related services," "recipient" and "total payment for the land." The effective date for these sections is July 1, 2017.

- Section 11 adds a new section, 116P.045, to Minn. Ch. 116P:

- Subd. 1 creates an environment and natural resources trust fund (ENRFT) payment account in the special revenue fund and requires the State Board of Investment to invest the account principal and unexpended earnings.

- Subd. 2 (a) provides that state land acquired in fee simple whole or in part with money appropriated from the ENRFT is eligible for a onetime trust fund payment. The percentage of the acres in any purchase that is eligible for a trust fund payment is equal to the percentage of the "total payment for the land" funded from ENRFT revenues. If the percentage is 10% or less, the parcel is ineligible for the onetime payment. If the percentage is 90% or more, the entire parcel is eligible. The payment is equal to 30 times the land-related property taxes assessed on the eligible portion of the land in the year prior to the year in which the land is acquired. If the land was acquired from a private party that was exempt from paying property taxes, payments are based on 30 times the property tax on comparable land. By Sept. 1 of each year, a county where land that the state purchased with ENRFT money is located must provide the commissioner of revenue information necessary to determine the trust fund payment for all eligible lands acquired in the 12-month period ending on June 30 of that year. The commissioner is required to make a payment for each eligible county to the SBI and must inform each county by October 15 each year of the amount deposited on the county's behalf.

- (b) Creates an open appropriation to the commissioner of revenue from the ENRFT payment account to make payments required under subdivision 2.

- (c) Provides for withdrawal from the account and repayment to the ENRFT of the original amount if land for which a payment is made under subdivision 1b is sold to another entity and is no longer available for the use for which it is purchased.

- Subd. 3. To be eligible to receive a trust fund payment, a county board is required to enter into an agreement with the SBI to allow the commissioner of revenue to make deposits and withdrawals from the trust fund.

- Subd. 4 provides that the portion of land receiving a trust fund payment under subdivision 1b is not eligible for payments in lieu of taxes under sections 477A.11-477A.14.

- Subd. 5 prohibits the state from using ENRFT money to acquire land in fee simple that was subject to property tax or, if owned by a nonprofit organization, was subject to property tax prior to the nonprofit organization's acquisition of the land if subdivision 1b is void (i.e. found unconstitutional) or sufficient funds to cover the onetime trust fund payment required under subdivision 1b are not appropriated or available.

- Section 11 is effective July 1, 2017 and applies to land acquired with funds appropriated on or after that date.

- Section 12 amends MS 116P.08 to authorize payments to the environment and natural resources trust fund payment account from the ENRFT. Section 12 is effective July 1, 2017.

- Section 13 requires the council (Legislative Citizen Commission on Minnesota Resources) to recommend an

appropriation of money from the ENRTF adequate to make the required transfers to the natural resources trust fund payment account.

- Sections 14 through 16 amend MS 477A.10 and 11 to exclude lands receiving trust fund payments from the defined purposes of PILT and to provide that parcels or portions of parcels of land that are eligible for payments from the OHF trust fund or ENRTF payment accounts are excluded from PILT payments under sections 477A.11 to 477A.14. These sections are effective beginning with aids payable in 2018.
- Section 17 adds a new section, 477A.30, to Minn. Stat. ch. 477A:
 - Subd. 1 requires the commissioner of revenue to make an annual withdrawal from the county joint trust for distribution to the counties. The amount to be withdrawn is the lesser of the total withdrawals certified by the county for the year or 5 1/2% of the amount in the account as of September 1 of that year.
 - Subd. 2(a)-(b) requires counties that had trust fund payments made on their behalf to annually certify to the commissioner of revenue the amount of trust fund withdrawals needed, and describes how the withdrawal amounts are to be determined. The certifications begin in 2018 and each year thereafter.
 - Subd. 2(c) restricts the use of funds from the accounts to “land-related services,” defined as “services used to restore, enhance, and protect the land and its fish and wildlife habitat and provide any other public services benefitting the land and users of the land, including access and services to the public accessing and using the land and direct and indirect capital and operating costs for (1) roads, bridges, and trails; (2) public safety and emergency response services; (3) environmental, recreational, and resource development and management; and (4) similar costs.”
 - Section 17 is effective January 1, 2018, and applies to land acquired with money appropriated on or after July 1, 2017.

Assumptions

It is assumed that the provisions of the bill apply only to land that the state directly purchases using money from the Outdoor Heritage Fund (OHF) and Environment and Natural Resources Trust Fund (ENRTF), and not to land that nonprofit organizations buy with money from those funds and later donate to the state.

Cost estimates are based on data from DNR’s purchases of land in fee title from FY14-FY16. The specific purchases used to estimate fiscal impacts from this bill are ones in which the DNR used OHF or ENRTF funding for either the land, the land acquisition costs or both. Based on the FY14-FY16 data, it is assumed that the DNR will acquire 7,000 acres annually that will be eligible for one-time trust fund payments under the bill. Of these, 77% will be from OHF acquisitions and 23% will be from ENRTF acquisitions.

Sections 3 and 10 of the bill provide that sources of contributions to the outdoor heritage trust fund account and the environment and natural resources trust fund payment account created by the bill are not limited. For purposes of this fiscal note it is assumed that all one-time trust payments for land acquired with OHF money will be made from appropriations from the OHF and that all one-time trust fund payments for land acquired with ENRTF money will be made from appropriations from the ENRTF.

Assumed tax values were based on appraised values of DNR acquisitions from FY14-FY16. The appraised values were reduced by 10% to account for land purchased that would be only partially eligible for the one-time trust fund payments under the bill:

- The 3-yr average value of eligible land is assumed to be \$8,900,000.
- The 30-year average tax per acre is assumed to be \$410.

Based on the 30-year average tax of \$410, the total annual trust fund payments are estimated to be \$2.9 million annually.

Impacts to Outdoor Heritage Fund: The total trust fund payment to the OHF account is assumed to be \$2.2 million (77% of \$2.9 million). These impacts are shown in the Department of Revenue’s section of the fiscal note.

Impacts to Environment and Natural Resources Trust Fund: The total trust fund payment to the OHF account is assumed to be \$0.7 million (23% of \$2.2 million). These impacts are shown in the Department of Revenue’s section of the fiscal note.

Impacts to General Fund: The bill will have impacts to the general fund, as lands acquired with at least 10% funding from the OHF or ENRTF on or after July 1, 2017, will either not be eligible for payments in lieu of taxes under MS 477A.11-.14 or will only be eligible for a partial PILT payment. Payments in lieu of taxes are funded with an open appropriation from the

general fund. The total PILT payment made in 2016 was \$31,531,902.

PILT payments to counties for wildlife management land and acquired natural resources land are generally $\frac{3}{4}$ of 1% of appraised value. The projected savings to the general fund are based on the \$8,900,000 3-year average value of land eligible for one-time trust fund payments referenced above. The annual savings to the general fund are estimated to be \$67,000. These savings would be cumulative.

The first year of savings to the general fund would be FY20, as the payment that fiscal year will be for lands owned by the state as of June 30, 2018.

Technology: If this bill becomes law, the DNR's land records system, which is used to calculate PILT, will need to be reprogrammed to exclude from the PILT calculation lands that are not eligible for PILT and to calculate partial PILT payments where only a portion of the land is eligible for PILT.

The cost estimate for the reprogramming is \$60,000. This estimate was used in Minnesota Management and Budget's 2016 legislative report, Alternatives to Payment in-Lieu of Tax Payments, A Report to the Minnesota Legislature, Laws of 2015, 1st Special Session, Chapter 2, Article 1, Section 10, January 15, 2016.

Payment for the reprogramming would be through a land records system enhancement contract with the system developer, a service level agreement with MNIT or a combination thereof. It is assumed that four separate funds, Water Recreation, Snowmobile, Forest Management Investment and Game and Fish Operations, would be used for the contract or SLA.

FTE's and Additional Impacts: There are no expected impacts to DNR FTE's from the bill. There will be some costs to the DNR to report information about acquisition funding sources to the counties. Those costs are estimated to be less than \$1,000 per year and would be absorbed by the agency.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

This bill will have fiscal impacts beyond FY21.

Local Fiscal Impact

This bill will have fiscal impacts on local units of government.

For some state land acquisitions, PILT is more than the property tax would have been had the land remained in private ownership. For other acquisitions, PILT is less than the property tax would have been had the land remained in private ownership. The DNR does not collect data that would enable a comparison of PILT vs. property tax for state land acquisition.

Counties will incur costs entering into agreements with the State Board of Investment, tracking the parcels that are eligible for payments and distributions, making the required annual certifications to the commissioner of revenue and making the annual distributions of payments to counties, townships, home rule charter and statutory cities, watershed districts, sanitary districts and regional sanitary sewer districts.

References/Sources

Minnesota Management and Budget, Alternatives to Payment in-Lieu of Tax Payments, A Report to the Minnesota Legislature, Laws of 2015, 1st Special Session, Chapter 2, Article 1, Section 10, January 15, 2016

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Agency Fiscal Note Coordinator Signature: Lisa Bell

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HF586 - 2E - "State-Purchased Land Annual Pmt Funds Est."

Chief Author: **Steve Drazkowski**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 Agency: **Investment Board**

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	FY2017	FY2018	FY2019	FY2020	FY2021
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Restrict Misc. Special Revenue	-	-	-	-		1
Total	-	-	-	-		1
Biennial Total			-			1
2 - Revenues, Transfers In*						
Restrict Misc. Special Revenue	-	-	-	-		1
Total	-	-	-	-		1
Biennial Total			-			1

Bill Description

The bill establishes an outdoor heritage trust fund payment account and a natural resources trust fund payment account to provide payments to compensate eligible counties for land-related taxes on portions of land acquired by the state. The amount of payment is generally equal to 30 times the land-related property tax assessed the year prior to the year in which the land is acquired. Each eligible county may enter into an agreement with the State Board of Investment to invest the payments. The SBI will maintain one account for funds invested by all participating counties. The Commissioner of Revenue will act as the agent for the counties and SBI in administering and transferring the assets. The Commissioner will make one deposit into the account and one withdrawal from the account each year on behalf of all participating counties. Participating counties must certify to the Commissioner of Revenue the amount of land-related taxes that would be owed each year based on the appraised value of the land and the taxes assessed for adjacent private land. The amount withdrawn each year from the joint account is the lesser of the total amount certified by participating counties or 5.5% of the balance of the joint account. Withdrawals must be used for land-related services.

Assumptions

The SBI is making the following assumptions for purposes of the following calculations:

- The SBI will establish a single account from which one deposit and one withdrawal are taken each year;
- MN Department of Revenue will certify the deposits and withdrawals once per year;
- The SBI will manage assets through the SBI's non-retirement pools, through which the SBI currently manages other state trust account assets;
- The SBI administrative fee is .0075% of the assets under management, which is similar to the fee charged for other state trust accounts;
- The estimated deposit to be managed by the MN SBI is \$2.9 million per year (\$2.9 million is estimated by DNR).

Expenditure and/or Revenue Formula

Ongoing expenses will include monitoring the account, producing reports, making investments, and transferring funds. These costs, along with other allocable expenses, are accounted for in the expense allocation explained in the Local Fiscal Impact section.

Long-Term Fiscal Considerations

The ongoing costs discussed above will continue as long as the account remains active with the SBI.

Local Fiscal Impact

The SBI fees are based on the assets under management for the fund. See Minn. Stat. § 11A.07, subd. 5 (2016). Based on an account value of \$2.9 million (FY19), the administrative fee would be \$218.00 based upon SBI's current administrative fee rate of .0075%. The fee is billed directly against the account on a quarterly basis. The estimated account value for FY20 would be \$5.8 million, FY21 would be \$8.7 million and the SBI administrative fee would be \$435.00 and \$652.00 respectively. The estimated values are from the DNR at \$2.9 million per year.

References/Sources

Minn. Stat. § 11A.07, subd. 5

2016 SBI Annual Report (describing how the SBI manages various funds)

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HF586 - 2E - "State-Purchased Land Annual Pmt Funds Est."

Chief Author: **Steve Drazkowski**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2017	FY2018	FY2019	FY2020	FY2021
Total	-	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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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		FY2017	FY2018	FY2019	FY2020	FY2021
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill relates to state lands by establishing funds to make annual payments for certain state-purchased land using dedicated revenues, modifies payment in lieu of taxes requirements, and appropriates money.

Assumptions

This bill requires the commissioner of Minnesota Management and Budget to credit all money appropriated, and any earnings on those funds to a new account created in the special revenue fund. This requirement is part of our regular activity, and there is no additional fiscal impact to MMB as a result of the bill.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Ruth McGlynn

Phone: 651 259-3787

Date: 3/6/2017 11:42:59 AM

Email: ruth.mcglynn@state.mn.us

HF586 - 2E - "State-Purchased Land Annual Pmt Funds Est."

Chief Author: **Steve Drazkowski**
 Committee: **State Government Finance**
 Date Completed: **03/14/2017**
 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	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-	-
Environment and Natural Resource	-	-	700	700	700	700
Outdoor Heritage Fund	-	-	2,200	2,200	2,200	2,200
Total	-	-	2,900	2,900	2,900	2,900
Biennial Total			2,900			5,800

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
Environment and Natural Resource	-	-	-	-	-
Outdoor Heritage Fund	-	-	-	-	-
Total	-	-	-	-	-

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Susan Earle Date: 3/13/2017 6:15:42 PM
 Phone: 651 201-8035 Email: susan.earle@state.mn.us

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		FY2017	FY2018	FY2019	FY2020	FY2021
General Fund		-	-	-	-	-
Environment and Natural Resource		-	-	700	700	700
Outdoor Heritage Fund		-	-	2,200	2,200	2,200
	Total	-	-	2,900	2,900	2,900
	Biennial Total			2,900		5,800
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund		-	-	-	(67)	(134)
Environment and Natural Resource		-	-	700	700	700
Outdoor Heritage Fund		-	-	2,200	2,200	2,200
	Total	-	-	2,900	2,833	2,766
	Biennial Total			2,900		5,599
2 - Revenues, Transfers In*						
General Fund		-	-	-	(67)	(134)
Environment and Natural Resource		-	-	-	-	-
Outdoor Heritage Fund		-	-	-	-	-
	Total	-	-	-	(67)	(134)
	Biennial Total			-		(201)

Bill Description

The bill establishes an outdoor heritage trust fund payment account and an environment and natural resources trust fund account to provide for a one-time payment to counties to compensate for the loss of tax base when land is purchased for the state through the outdoor heritage fund or the environment and natural resources fund. This payment would be equal to 30 times the property taxes assessed in the year prior to the purchase; land purchases that qualify for this payment would not be eligible for the annual payment in lieu of taxes (PILT) program established in Minnesota Statutes, chapter 477A. The funds for the payment would come from the outdoor heritage fund or the environment and natural resources fund instead of the general fund, which funds PILT.

Assumptions

DOR will create a PDF form for the counties to submit to DOR. We will update existing webpages, or create a new webpage for this program where the form will be available. DOR will verify the county costs, and will make payments to them based on the information received.

DOR will create/update forms, instructions, schedules, fact sheets, web content and outreach materials to reflect the changes in this bill.

DOR will update employee instructional and training materials, and internal documentation.

The costs associated with this bill are negligible.

Expenditure and/or Revenue Formula

The 5.5% is the maximum percentage of the fund's balance that could be withdrawn for payments in any year. The designers of this proposal did some analysis to determine what maximum percentage could be withdrawn from the trust fund in any year while still protecting the principal balance of the trust fund over the long term to ensure payments could be made to counties. In a year where anticipated payments exceed the 5.5% maximum withdrawal limit, all payments would be reduced proportionately to reach the

limited total payment.

Fund Transfers (000's)	FY17	FY18	FY19	FY20	FY21
Outdoor Heritage Fund Sources					
Balance From Prior Year	0	0	0	2,126	4,179
Transfer Into Trust Fund	0	0	2,200	2,200	2,200
Outdoor Heritage Fund Uses					
Assumed Payment	0	0	(74)	(147)	(221)
Balance Remaining OHF	0	0	2,126	4,179	6,158
Environment & Natural Resources Trust Fund Sources					
Balance From Prior Year	0	0	0	678	1,334
Transfer Into Trust Fund	0	0	700	700	700
Environment & Natural Resources Trust Fund Uses					
Assumed Payment	0	0	(22)	(44)	(66)
Balance Remaining ENRTF	0	0	678	1,334	1,968

The estimated annual payments into the trust fund are based on the assumption of acquiring 7,000 acres of qualifying land annually, 77% attributable to OHF and 23% to the ENRTF. The annual payment into the funds is assumed to be \$410 per acre, which represents the 30-year property tax amount for the average value of qualifying land acquired and the estimated average tax per acre for these lands by region.

	FY17	FY18	FY19	FY20	FY21
Annual Qualifying Acreage					
All Acres	0	0	7,000	7,000	7,000
OHF Acres	0	0	5,390	5,390	5,390
ENRTF Acres	0	0	1,610	1,610	1,610
30-Year Payment Per Acre into Trust Fund \$410					
Payments into Trust Funds			(000's)		
All Acres	0	0	2,900	2,900	2,900
OHF Acres	0	0	2,200	2,200	2,200
ENRTF Acres	0	0	700	700	700
Cumulative Acreage					
All Acres	0	0	7,000	14,000	21,000
OHF Acres	0	0	5,390	10,780	16,170
ENRTF Acres	0	0	1,610	3,220	4,830

Annual Payment Per Acre from Trust Fund \$13.67 ($\$410 \div 30$ years)					
Payments from Trust Fund			(000's)		
All Acres	0	0	96	191	287
OHF Acres	0	0	74	147	221
ENRTF Acres	0	0	22	44	66

Long-Term Fiscal Considerations

The long-term administrative impact to DOR is minimal.

Local Fiscal Impact

Counties will receive a payment from the fund established by this bill.

References/Sources

Agency Contact: Ron Empting 651-556-4042

Agency Fiscal Note Coordinator Signature: Lisa Knops

Phone: 651 556-6754

Date: 3/10/2017 9:47:30 AM

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