

HOUSE RESEARCH

Bill Summary

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Authors: Finseth and others

Subject: Changes the State PILT payments made on natural resource land

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Overview

H.F. 573 moves the Land Utilization Project (LUP) lands from the category of "other" natural resource land, into the "acquired" category, for purposes of calculating state payment in-lieu of tax (PILT) payments for this land. It also changes the base for the inflation adjustment for all three type of natural resource in-lieu payment categories from a 1994 base year period to a 1980 base year period. Effective for payments made in 2002 and thereafter.

These changes are similar to changes made to the PILT program during the 2000 legislative session. The PILT program was established in 1979 and required the state to make the following payments to local governments for natural resource lands:

- \$3.00/acre for acquired natural resource land;
- \$0.75/acre for county administered natural resource land; and
- \$0.375/acre for all other natural resource land.

These payments amounts had not changed since the program's inception.

During the 2000 session, the legislature passed two bills modifying the PILT program. One bill reclassified some of the consolidated conservation lands (Con-Con lands) from the "other" category to the "acquired" category. The other change was to increase all the per acre PILT payments by going back and indexing them for inflation using a base of 1994. The base year for the adjustment was picked for fiscal reasons. The effect was to increase the payments in 2001 to:

- \$3.56/acre for acquired natural resource land;

- \$0.89 /acre for county administered natural resource land; and
- \$0.45/acre for all other natural resource land.

The payments will continue to be adjusted each year for future inflation.

Section

- 1 **Acquired natural resource land.** Reclassifies Land Utilization Project (LUP) lands from the "other" natural resource land category to the "acquired" natural resource land category. Most of the LUP lands are lands that the State of Minnesota leases from the Federal government under 10 year renewable leases; the remaining acres the state holds title. They are used for natural resource purposes, wildlife lands, etc.
There are a total of 102,876 acres of LUP land. They are located in the counties of Beltrami, Koochiching, Lake of the Woods, and Roseau. The cost to the state of this reclassification is \$270,000. Effective for Payments made in 2002 and thereafter.
- 2 **Other natural resources land.** Strikes the language in this section concerning the LUP lands since they have been reclassified in section 1. Effective for payments made in 2002 and thereafter.
- 3 **Inflation adjustment.** Provides that beginning with payments made in 2002, the payments in all three of the payment categories will be indexed using the first quarter of 1980 instead of the first quarter of 1994 as their base period. This change from a 1994 index to a 1980 index will increase PILT payments by about \$7 million annually (\$11.8 million to \$18.9 million in 2002). Effective for payments made in 2002 and thereafter.
Also strikes obsolete language relating to inflation adjustments if the reclassification of the Con-Con lands had not occurred in 2000.