

File Number: H.F. 586
Version: As introduced

Date: February 3, 2017

Authors: Drazkowski

Subject: Establishing a trust fund to pay local governments for lands purchased using dedicated revenues

Analyst: Pat Dalton

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

Beginning with land purchased on or after July 1, 2017, with funds from the environment and natural resources trust fund and the outdoor heritage fund, the bill requires onetime payments to be made to counties equal to 30 times the property taxes assessed by “local governments providing land related services.” These funds are invested by the commissioner of revenue acting as an agent on behalf of the counties in an account with the State Board of Investment (SBI).

This account is used to compensate local governments that provide land related services (counties, cities, towns, watersheds, and sanitary districts) for lost property taxes in perpetuity. Schools districts and other special taxing districts will not receive payments under this bill. The local governments must use the payments to provide land related services as defined in section 14.

The onetime trust fund payment is prorated to a portion of the parcel equal to the portion of the land acquisition costs paid from the fund. The portion of the land purchased that receives the onetime payment would not be eligible for general fund payments in lieu of taxes (PILT). The remaining portion of the purchased land remains eligible for regular PILT payments. If any land receiving a onetime payment under this program is sold, the amount of the onetime payment deposited in the county trust fund is returned to the outdoor heritage fund or environment and natural resources trust fund.

Section

1 Account for county joint trust fund payments.

Subd. 1. Establishment. Establishes a special account in the combined investment funds with the SBI for management of the onetime payments required under this bill on lands purchased with funds from the environment and natural resources trust fund and the outdoor heritage fund.

Subd. 2. Account maintenance and investment. Directs the commissioner of revenue to act on behalf of counties in making deposits to and withdrawals from this account. The commissioner will make one deposit annually for payments to all counties under sections 3 and 10 and one withdrawal annually to cover distributions under section 14.

Effective July 1, 2017.

2 Definitions. Defines the following terms for purposes of section 97A.056, which governs the outdoor heritage fund and the Lessard-Sams Outdoor Heritage Council:

- “land acquisition costs” include various costs, including the new onetime payments required under section 3 of the bill;
- “local governments providing land related services” means counties, towns, cities, and watershed districts, sanitary districts, and regional sanitary sewer districts;
- “land related property taxes” means the property taxes imposed by the local governments listed above; it excludes property taxes imposed by school districts and other special taxing districts; and
- “total price for the land” means the price including acquisition costs but excluding any in-kind services provided by nongovernmental entities.

3 Outdoor heritage trust fund account; trust fund payments. Paragraph (a) establishes an outdoor heritage trust fund account to be invested by the SBI.

Paragraph (b) states that land acquired with money from the outdoor heritage fund is eligible for a onetime payment. If money from the fund only makes up a percentage of the total land payment, then only the same percentage of the land acreage is eligible for the onetime payment. If the percentage of the purchase price coming from the outdoor heritage fund is less than 10 percent, then the purchase is ineligible for a onetime payment under this section; if the payment is 90 percent or more, the entire parcel is eligible for the payment. The onetime payment is equal to 30 times the “land related property taxes” assessed in the year prior to the year the land was acquired. Provides an alternative valuation method if the land was previously privately owned and tax-exempt. Requires counties to submit information necessary for determining the payments to the commissioner of revenue by September 1 of each year. Requires the commissioner of revenue to inform the counties of their payment under this section by October 15 of each year.

Paragraph (c) appropriates the amount necessary to make the payments to the counties from the new outdoor heritage trust fund account to the commissioner of revenue.

Paragraphs (d) requires a county board, in order to receive a payment under this section, to enter into an agreement with the SBI to allow the commissioner to act as their agent

regarding depositing and withdrawing money on behalf of the county from the trust fund account established in section 1.

Paragraph (e) states that lands (or a portion of a purchase) receiving a trust fund payment under this section are not eligible for general fund PILT payments.

Paragraph (f) provides that if land for which a payment is made under this section is later sold, an amount equal to the original onetime payment associated with that land is withdrawn from the county joint trust fund account and returned to the outdoor heritage fund.

Effective July 1, 2017, and applies to all land acquired with money appropriated on or after that date.

- 4 State acquisition of land; restrictions.** Prohibits the state from using money from the outdoor heritage fund to acquire land if the provision for the onetime county trust fund payment is found unconstitutional, or if sufficient money is not appropriated from the fund to make the onetime payment.

Effective July 1, 2017, and applies to all land acquired with money appropriated on or after that date.

- 5 Applicability.** States that the definition of “trust fund” applicable to chapter 116P, which deals with the environment and natural resources trust fund, does not apply to the onetime payment provision established in this bill.

- 6 Land acquisition costs.** Defines “land acquisition costs” for purposes of chapter 116P to include various costs, including the new onetime payments required under the next section of the bill.

- 7 Land related property taxes.** Defines “land related property taxes” for purposes of chapter 116P as the property taxes imposed by the local governments listed in section 8; it excludes property taxes imposed by school districts and other special taxing districts.

- 8 Local governments providing land related services.** Defines “local governments providing land related services” for purposes of chapter 116P as counties, towns, cities, and watershed districts, sanitary districts, and regional sanitary sewer districts.

- 9 Total payment for the land.** Defines “total payment for the land” as excluding in-kind services provided at no cost to the state.

- 10 Environment and natural resources trust fund payment account.**

Subd. 1. Account created. Establishes an environment and natural resources trust fund payment account to be invested by the SBI.

Subd. 2. Trust fund payment; appropriation. Paragraph (a) states that land acquired with money from the environment and natural resources trust fund is eligible for a onetime payment. If money from the fund only makes up a percentage of the total land payment, then only the same percentage of the land acreage is eligible for the onetime payment. If the percentage of the purchase price coming from the environment and natural resources trust fund is less than 10 percent, then the purchase is ineligible for a onetime payment under this section; if the payment is 90 percent or more, the entire parcel is eligible for the payment. The onetime payment is equal to 30 times the “land related property taxes” assessed in the year prior to the year the land

was acquired. Provides an alternative valuation method if the land was previously privately owned and tax-exempt. Requires counties to submit information necessary for determining the payments to the commissioner of revenue by September 1 of each year. Requires the commissioner of revenue to inform the counties of their payment under this section by October 15 of each year.

Paragraph (b) appropriates the amount necessary to make the payments to the counties from the new environment and natural resources trust fund payment account to the commissioner of revenue.

Paragraph (c) provides that if land for which a payment is made under this section is later sold, an amount equal to the original onetime payment associated with that land is withdrawn from the county joint trust fund account and returned to the environment and natural resources trust fund.

Subd. 3. County requirements. Requires a county board, in order to receive a payment under this section, to enter into an agreement with the SBI to allow the commissioner to act as their agent regarding depositing and withdrawing money on behalf of the county from the trust fund account established in section 1.

Subd. 4. Ineligible for other payments. States that lands receiving a trust fund payment under this section are not eligible for PILT payments.

Subd. 5. State acquisition of land; restrictions. Prohibits the state from using money from the environment and natural resources trust fund to acquire land if the provision for the onetime county trust fund payment is found unconstitutional, or if sufficient money is not appropriated from the fund to make the onetime payment.

Effective July 1, 2017, and applies to all land acquired with money appropriated on or after that date.

- 11 **Natural resources land payments in lieu; purpose.** Excludes lands purchased with money from the outdoor heritage fund and environment and natural resources trust fund on or after July 1, 2017, from the purpose statement for the existing PILT program.
- 12 **Environment and natural resources trust fund lands.** Excludes lands (or portions of land) purchased with money appropriated from the environment and natural resources trust fund after July 1, 2017, from the definitions of natural resources land used for purposes of PILT.
- 13 **Outdoor heritage lands.** Excludes lands (or portions of land) purchased with money appropriated from the outdoor heritage fund after July 1, 2017, from the definitions of natural resources land used for purposes of PILT.
- 14 **Annual county joint trust fund withdrawals and distribution for environment and natural resources and outdoor heritage lands.**

Subd. 1. Commissioner of revenue, withdrawals and payments. Provides that the commissioner will make one withdrawal each year from the county joint trust fund established under section 1, on behalf of all eligible counties. The amount withdrawn is set to the lesser of: (1) the total withdrawal amount the counties certified under subdivision 2; or (2) 5.5 percent of the amount in the fund. Requires that distributions

to counties be proportionately decreased if the total withdrawal is less than the total withdrawal amounts certified under subdivision 2.

Subd. 2. Certification of needed withdrawal, distribution of funds. The withdrawal amount for each eligible parcel is as follows:

- In the first year of receiving a state payment, the county will withdraw the amount needed to make all local governments providing land related services whole in terms of tax collections—either by paying their share of the remaining taxes owed on the property for that year, or, if the property was already off the tax rolls, paying their share of the amount of tax paid in the previous year.
- In subsequent years the county will withdraw an amount equal to the tax imposed on comparable, adjacent, privately owned land by the local governments providing land related services.

The money is distributed to each taxing jurisdiction based on its share of the total tax rate due to taxes imposed by local governments providing land related services in the area for all eligible parcels in that jurisdiction. If funds are insufficient to make all payments, all payments are reduced proportionately.

The local governments are required to use the amounts paid under this section to fund land related services such as costs of: (1) roads, bridges, and trails; (2) public safety and emergency response services; (3) environmental, recreational, and resource development and management; and (4) other similar costs.

Effective January 1, 2018, and applies to all land acquired with money appropriated on or after July 1, 2017.