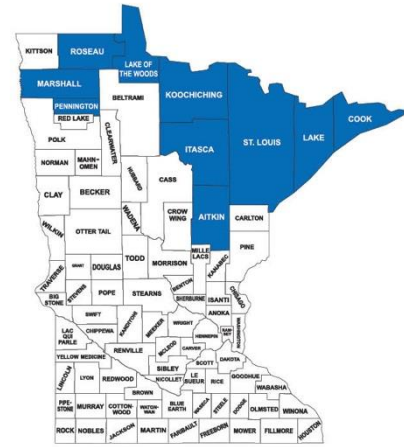


# NORTHERN COUNTIES LAND USE COORDINATING BOARD



## INTRODUCTION

This report presents the findings of a study authorized by the Northern Counties Land Use Coordinating Board (NCLUCB). NCLUCB was created in 1983 as a joint-powers board to provide a local government perspective on the regulation, implementation, and coordination of environmental and natural resource policies with state and federal partners. It consists of the counties of Aitkin, Cook, Itasca, Koochiching, Lake, Lake of the Woods, Marshall, Pennington, Roseau and St. Louis. NCLUCB member counties encompass: **20%** of the state's land area; **45%** of the state's surface waters; **46%** of the state's wetlands; **65%** of the state's forest lands; **70%** of the state's public lands and; **5% of the state's aggregate net tax capacity**. We are a region rich in natural resources subject to the realities of a rural economy. Payment in Lieu of Taxes (PILT) is critical to the fiscal stability of our NCLUCB counties. This study examines the several contradictions between the legislative intent expressed in state statute and the distribution of PILT funds state-wide.

NCLUCB contracted with Keith Carlson to conduct this study. Mr. Carlson is a former fiscal analyst for the Minnesota Senate Tax Committee where he worked for twenty-one years on income, sales, taconite production and property tax issues as well as state aids and other property tax relief issues including PILT related legislation. He also served on the 2011-12 PILT Report Commissioners' Advisory Committee as a Subject Matter Expert.

NCLUCB county commissioners are concerned by the growing geographic disparity between public land ownership and PILT payments. For example, **just six counties** – Aitkin, Beltrami, Itasca, Koochiching, Lake of the Woods and St. Louis - **contain 62% of all the PILT acres** in Minnesota but yet **receive only 39% of the total PILT payments**. This disparity widens every six years as new land values are assessed and used for the relevant PILT calculations.

This report provides an analysis of whether a county's PILT equals, exceeds or underpays relative to what the county property taxes would be on the tax-exempt PILT land. The analysis documents that there is a shortfall in PILT payments for a significant number of counties.

The 2012 legislature recognized many of these issues by establishing three principles of legislative intent to guide future PILT distributions codified in Minn. Stat. § 477A.10. Particularly relevant to this report is section 2 of the statute: **“to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land.”** This report illustrates the discrepancy between policy aspirations and reality.

Thank you for your time and consideration.

Respectfully,

Northern County Land Use Coordinating Board

**Aitkin County:**

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Brian Napstad

**Cook County:**

Robert Svaleson

**Itasca County:**

Terry Snyder

Ben DeNucci

**Koochiching County:**

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