

NORTHERN COUNTIES LAND USE COORDINATING BOARD

PILT History and Proposed Changes



NCLUCB, a joint powers board, was created in 1993 to provide a local government perspective regarding regulation, implementation, and coordination of environmental and natural resource policies for our state and federal partners.

PILT (Payment In Lieu of Taxes) Chronology & Major Characteristics

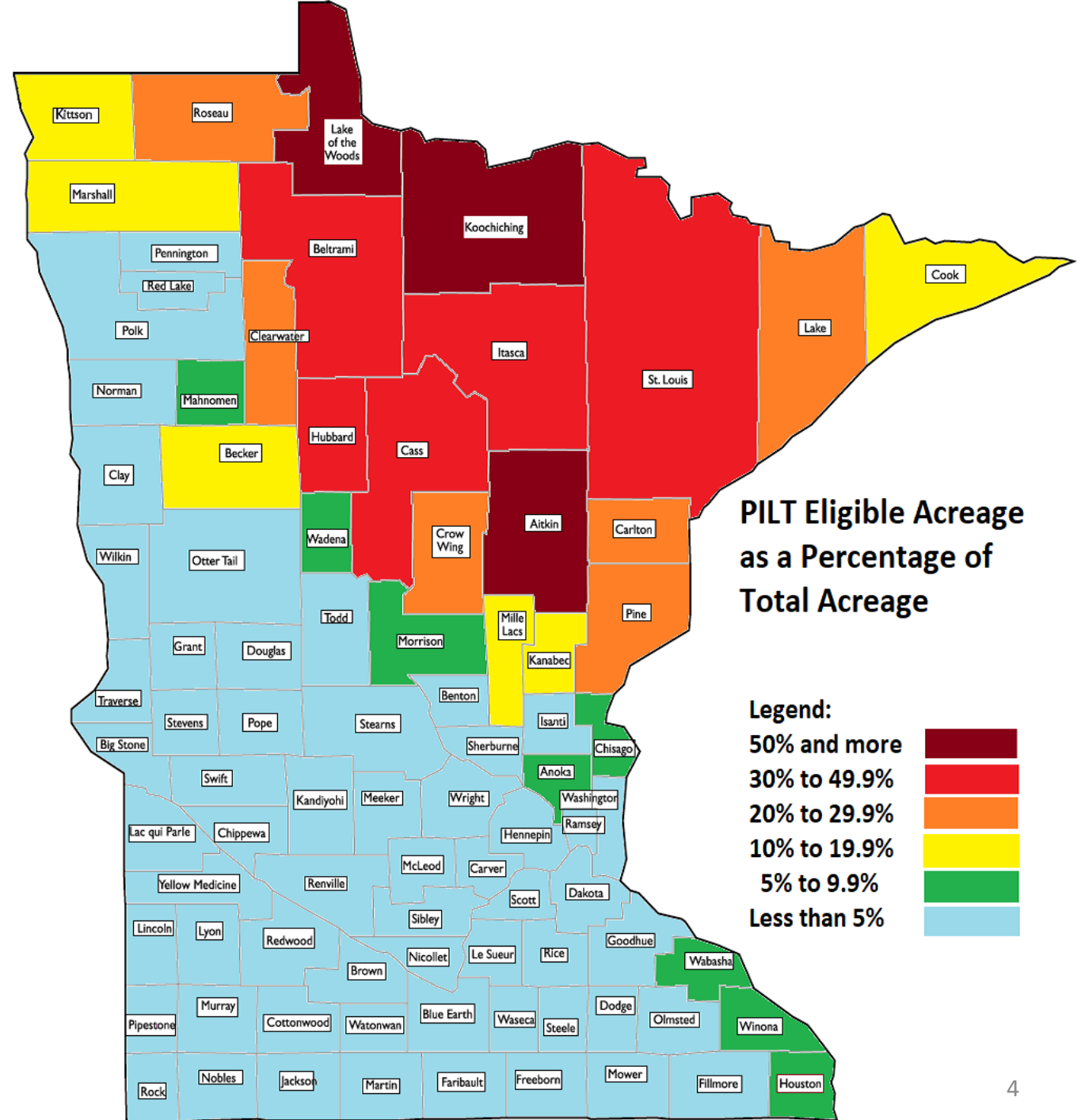
- Enacted in 1979 with First Payment Made in 1980
- Intended to Compensate for Direct and Indirect Costs Related to State-Owned, Natural Resources Land
- All 87 Counties Receive It with Some of Those Monies Shared with Townships and School Distracts
- Although a Significant Element of the State's Environmental Policy, Jurisdiction in the Legislature Has Been with the Tax Committees
 - Actual payment of the aid is made by the Department of Revenue based on certified information provided by the Department of Natural Resources

PILT Has Grown Substantially Since 1979 Inception

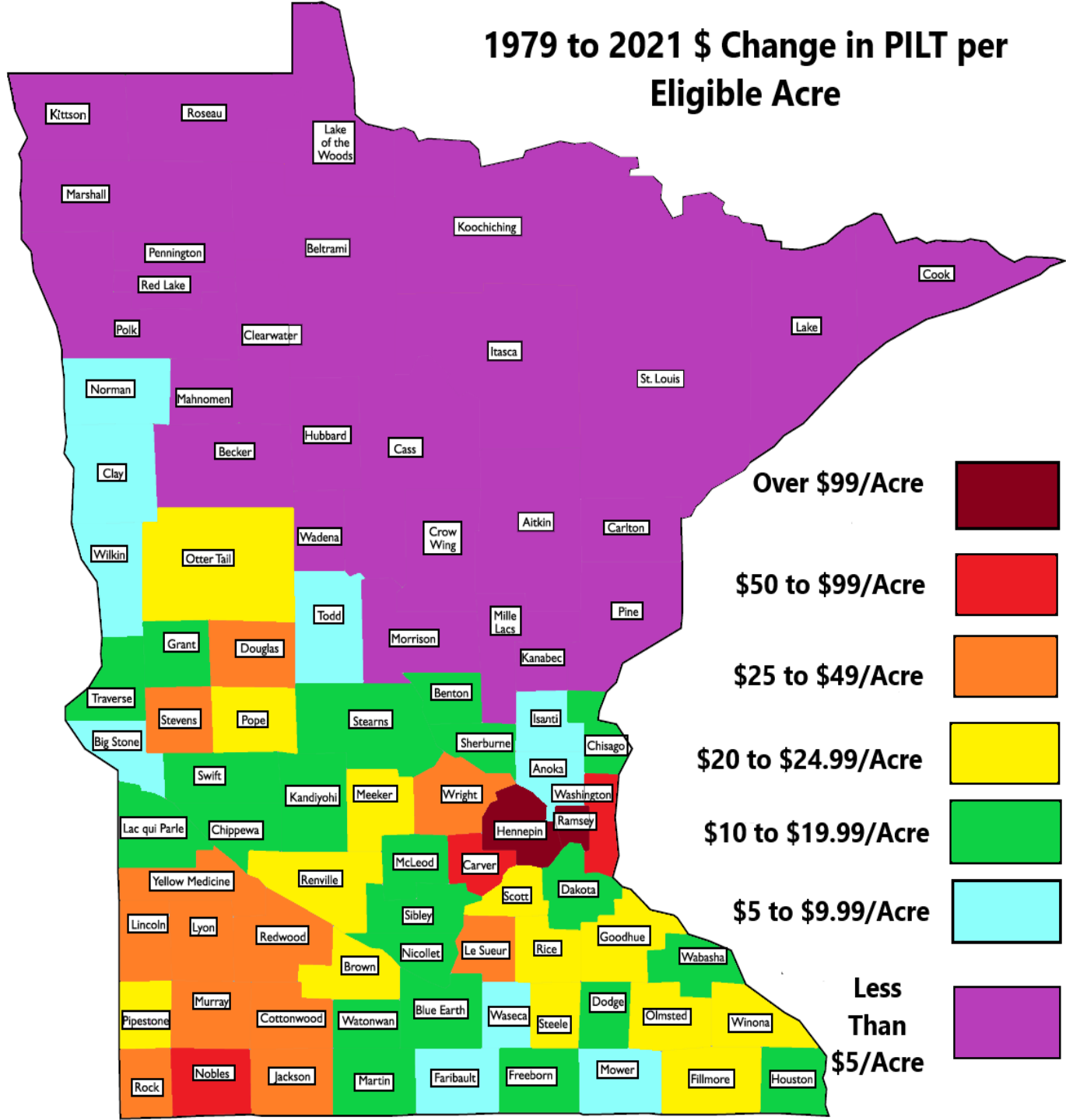
1980 Gross Payment (before deductions)	-\$ 5,512,449	
2021 Payment	-\$36,346,759	
Increase	-\$30,834,310	559%

But Its Distribution Among the Counties Has
Been Unequal – Not Aligned with the
Geographic Distribution of PILT-Eligible, State-
Owned Natural Resources Land

95% of PILT Lands Are in Northern Minnesota



Despite Concentration of PILT-Eligible Properties in Northern Counties, the Bulk of Increases over PILT's 41 Year History Have Gone to Southern Minnesota Counties



The Reason Why Is the Category of PILT Lands Within a County & the Valuation of One of Those Categories Affects the Amount of PILT a County Receives

- **Acquired Natural Resources Land (NRL)**—Land administered by DNR that was generally acquired by purchase, condemnation, or gift. Includes wildlife management land reported separately after 2012.
- **DNR-Administered Other Natural Resources Land** – Land, other than acquired natural resource land, owned by the state and administered by the DNR such as school trust land
- **County-Administered Other Natural Resources Land** – Generally tax-forfeited land, other than platted lots within a city

* Ranked from the highest to the lowest level of aid

PILT Reimbursement Rates

Category ***	1979	2020
Acquired Natural Resources Land**	\$3/Acre	\$5.133/Acre or ¾ of 1% of Appraised Value
County-Administered Other Natural Resources Land	\$.75/Acre	\$2/Acre
(DNR) Commissioner-Administered Other Natural Resources Land	\$.375/Acre	\$2/Acre

* Additional Minor Categories Added Since 1979

** Wildlife Management Land separated from Acquired Natural Resources Land in 2013. Payment rate remained the same.

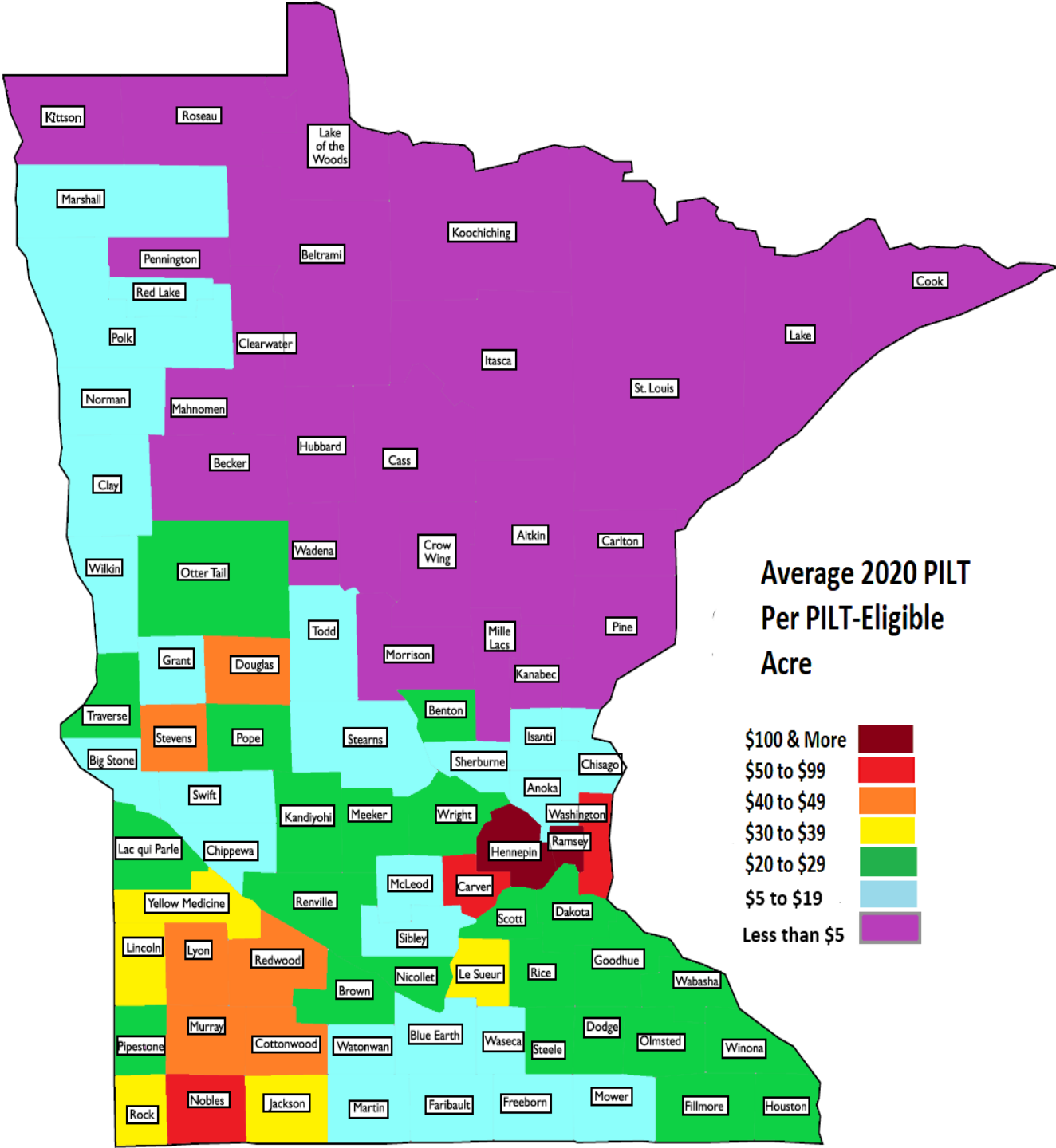
Acquired Natural Resources Land (NRL) Has Seen the Largest Increase in PILT

1980 to 2021 Change in PILT by Major Categories				
PILT Category	1980	2021	\$ Change	% Change
Acquired NRL*	\$1,653,972	\$21,233,219	\$19,579,247	1083.8%
County-Administered Other NRL	\$2,099,394	\$5,569,943	\$3,470,549	65.3%
DNR-Administered Other NRL	\$1,759,083	\$8,191,521	\$6,432,438	265.7%

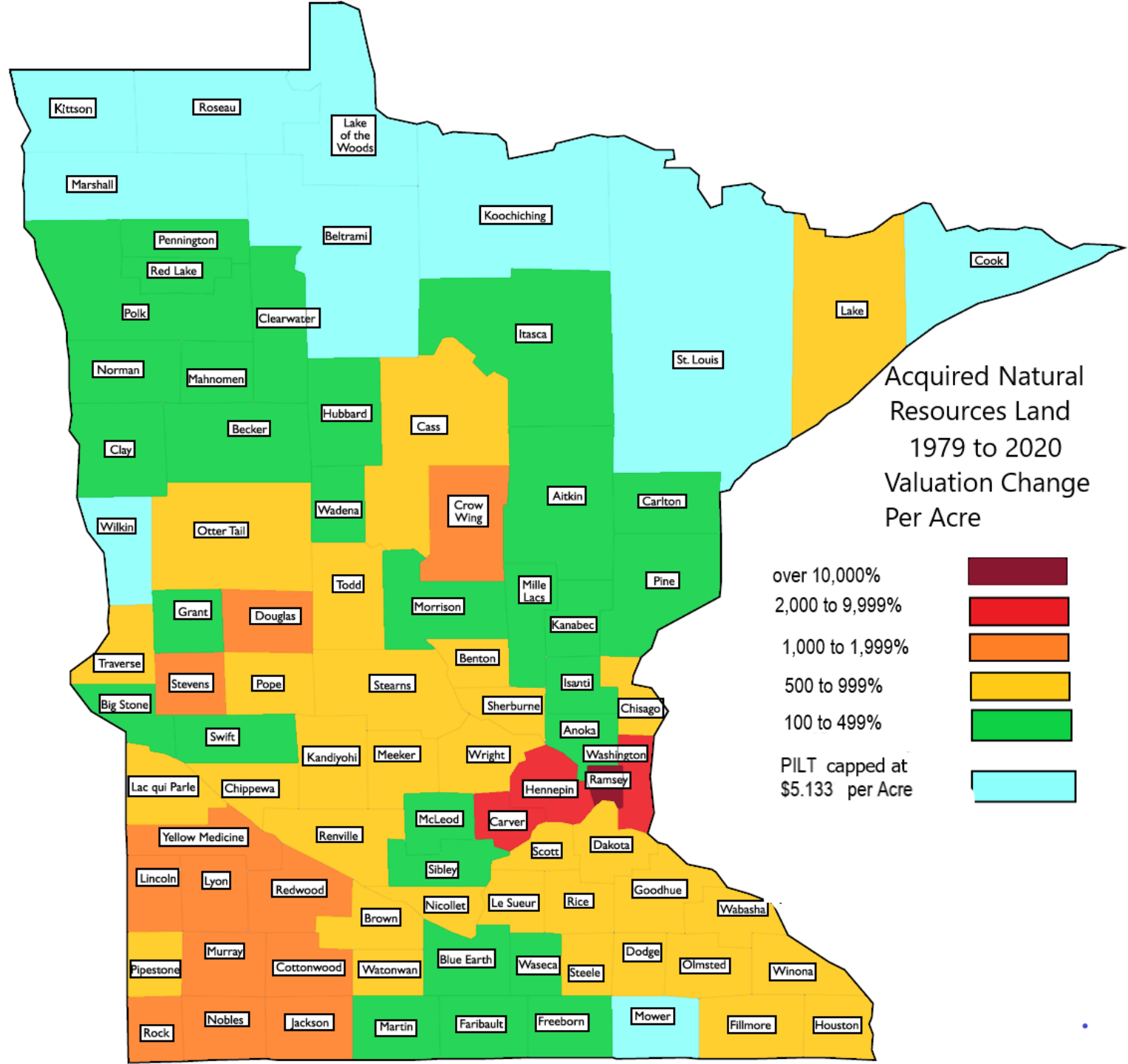
Because of Inequities within the PILT Formula, Some of the Statutory Purposes of PILT Are Not Being Met

- The purposes of sections [477A.11](#) to [477A.14](#) are:
- (1) to compensate local units of government for the loss of tax base from state ownership of land and the need to provide services for state land;
- **(2) to address the disproportionate impact of state land ownership on local units of government with a large proportion of state land; and**
- (3) to address the need to manage state lands held in trust for the local taxing districts.

The failure to meet the statutory purposes of PILT along with growing disparities in the amount of PILT received per eligible acre by county raises the fundamental question of the fairness of the existing distribution formula



3/4 of 1% of Appraised Value Payment Option Has Been the Driving Factor in PILT Increases & Where Those Increases Have Occurred



Has PILT Kept Pace with Inflation?

PILT Rates per Acre Adjusted for Inflation

	Laws 1979, Ch 303, Article 8		2020 Statutory Rate Per Acre	Average Per Acre PILT Based on $\frac{3}{4}$ of 1% of Appraised Value Option
	1979 Rates as Enacted	2020 Constant \$ or Indexed Rates		
Acquired Natural Resources Land	\$3.00	\$12.92	\$5.133	\$22.17
County Administered Other Natural Resources Land	\$0.75	\$3.23	\$2.00	NA
DNR Administered Other Natural Resources Land	\$0.375	\$1.62	\$2.00	NA

Property Tax Loss for Counties Due to PILT Land's Tax Exemption

10 Counties with Highest (Shortfall)	(Shortfall) of County Share of PILT Relative to Estimated County Tax on PILT-Eligible Acreage
St. Louis	(\$4,610,486)
Itasca	(\$2,283,012)
Aitkin	(\$1,695,570)
Cass	(\$1,359,627)
Carlton	(\$759,851)
Beltrami	(\$595,818)
Pine	(\$592,549)
Cook	(\$572,267)
Clearwater	(\$539,984)
Hubbard	(\$522,791)

Proposal for PILT Changes

1. Increase PILT Aid for County- and DNR-Administered Other Natural Resources Land by \$1/acre to Partially Catch Up with Inflation.
2. Provide New PILT Aid of \$.18/Acre for Counties Where PILT Land Is More than 25% of Total Acreage; \$.08/Acre Where PILT Land Is More than 10% of Total Acreage. Index #1 and #2 for Inflation Thereafter.
 - a) Note #2 would provide some compensation to the 10 northern counties that host 2.3 million acres - 92% - of the school trust lands that provide over \$40 million of annual funding to school districts throughout the state
3. Prevent Cuts in PILT Aid by Holding Counties Harmless from Valuation Reductions in Acquired Natural Resources Land
4. Authorize a Study of Valuing Lakeshore Within County- and DNR-Administered Other Natural Resources Land

Increases Under NCLUCB Proposal

