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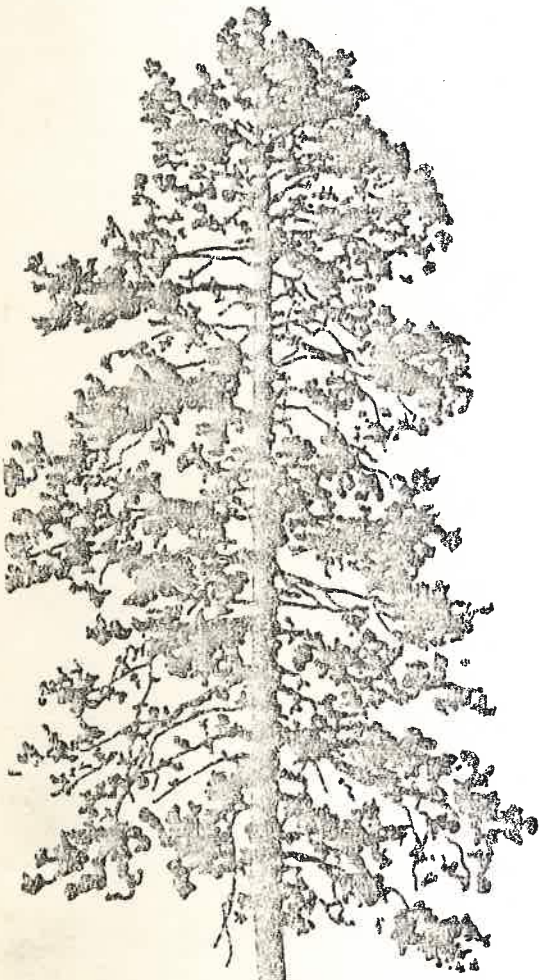
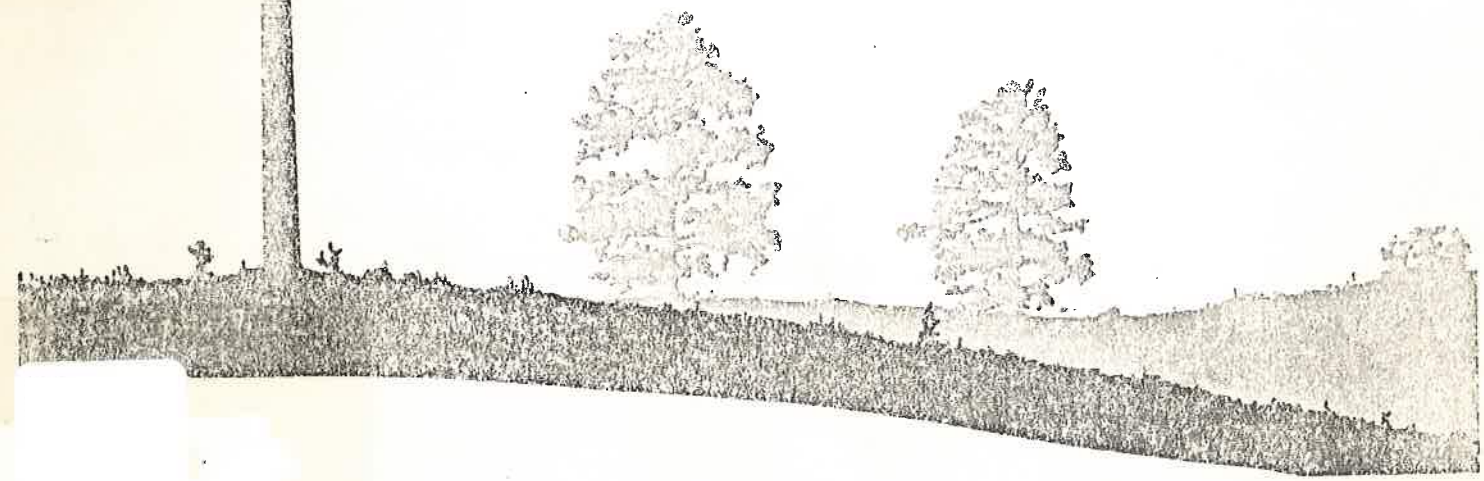


Summary of Conclusions and Recommendations

Minnesota Public Lands Impact Study

Legislative Commission on Minnesota Resources in cooperation with the Tax Study Commission and Barton-Aschman Associates, Inc.



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PREFACE

The purpose of the Minnesota Public Lands Impact Study undertaken by the Legislative Commission on Minnesota Resources (LCMR) in cooperation with the Tax Study Commission (TSC) and Barton-Aschman Associates, Inc. (BAA), can best be summarized by the legislative charge which states that "...the commission shall report to the 70th session of the legislature its findings and recommendations regarding payments in lieu of taxes on State and Federally owned lands..."

This report is a summary of Phases 1 and 2 of the Public Lands Impact Study. As stated in the work assignment, it also includes "recommendations on a statewide system of payments in lieu of taxes which address equity, fiscal impacts, and administrative considerations." Phase 1 research, which addressed the impacts of State and federal natural resource lands, began in September, 1976, and was completed in March, 1977. Phase 2 research, which addressed all other State lands except highway rights-of-way, began in May, 1977 and was completed in February, 1978.

The research and analysis of both phases was completed by Barton-Aschman Associates, Inc, under the daily direction of the LCMR and the TSC. Work tasks and study findings were continually reviewed, discussed and tested among the LCMR, TSC and BAA staff. Progress reports, proposed work programs, and preliminary findings were presented on a monthly basis to a joint subcommittee of the LCMR and TSC. All research was documented on an interim basis in both "working papers" and "progress reports." This documentation has been compiled in two notebooks and is available for review in the LCMR offices.

The research process also involved a review of relevant literature, contacts with numerous State, Federal, County, City, Township and field representatives and agencies. In addition, in-depth research on conditions in five pilot areas was conducted which included evaluation of eight State institutions, seventeen local units of government, and nine types of natural resource lands. A special effort was made to involve all potentially affected agencies, at least on a representative basis, in both phases of the Public Lands Impact Study.

It is believed that this interactive study process has been very valuable in developing a factual, detailed and responsive study of the impacts of State and Federal lands in Minnesota.

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CHAPTER 1
STUDY PURPOSE AND CONTENT

This report contains the summary of findings and recommendations of the Legislative Commission on Minnesota Resources in response to the legislative mandate which states that ". . . the Commission shall report to the 70th session of the Legislature its findings and recommendations regarding payments in lieu of taxes on State and Federally owned lands . . ." The recommendations contained herein apply only to State lands for which the Legislature has direct policy control. This evaluation began in September, 1976 and was completed in February, 1978. Representatives of the Legislative Commission on Minnesota Resources and the Tax Study Commission regularly and continuously monitored and evaluated the direction of the study and the concerns and questions to be addressed. The basic research was conducted by Barton-Aschman Associates in direct association with the staffs of LCMR and TSC. All of the work has been documented in a series of working papers located in the LCMR offices and two published reports to the Legislature entitled "Minnesota Public Lands Impact Study - Phase 1: Natural Resource Lands" and "Minnesota Public Lands Impact Study - Phase 2: Administrative and Institutional Property."

Tax-exempt lands can be grouped into two major categories: governmental and non-governmental. Governmental lands can be further subcategorized into:

1. Federal natural resource lands.
2. Other Federal lands.
3. State natural resource lands.
4. Other State lands.
5. Lands owned by counties, municipalities, and special governmental districts/ authorities.

This report provides information on the first four categories and concentrates findings and recommendations on State property. As a result, the cumulative impact of all tax-exempt properties on local units of government has not been evaluated. This separation, however, possesses merit in that the Federal and State governments are overlapping jurisdictions and to a large extent are viewed as absentee land owners. This absentee owner aspect is strengthened by the sovereignty of the higher levels of government which exempt them from local controls and laws. County and municipal tax-exempt properties, on the other hand, are under direct local control and management.

The public lands impact evaluation has been prompted principally by continuing policy issues raised before the Legislature. Local units of government, which are continually examining sources of revenue to meet increasing service demands and

costs, are regularly, individually and collectively, requesting payments from the State and Federal governments for public lands. These requests are based on two fundamental arguments:

1. That State and Federal lands require municipal services.

2. That State and Federal lands pay no property taxes, thereby not visibly contributing to the costs of local government operations.

The LCMR and TSC broadened the coverage of their evaluation from an examination of payments in lieu of taxes to a comprehensive assessment of the impacts of State and Federal public lands on local governmental units. In so doing, the evaluation moved away from a pre-disposed conclusion that payments should be made and, therefore, enabled a total and objective evaluation of the needs generated as result of State and Federal lands and the options available to meet those needs. This is a relatively unique approach to the issue of in lieu payments, and provides the first comprehensive overview of Minnesota's State lands, their service demands, and existing compensation for those lands. The principal purpose of the effort was not to collect data but to evaluate available data and existing conditions in a few selected pilot areas to assess impacts in those situations and thereby reach the above stated objectives.

This summary report covers the types, amount, and location of State and Federal lands in Minnesota; the impacts of those lands in terms of local services required and possible property taxes lost; compensating factors to local units of government including direct payments, indirect payments, and economic benefits; and the principles and options available to provide equitable compensation to local units of government. A number of indirectly related findings also emerged and are reported in this summary and the more detailed supporting documentation.

CHAPTER 2
STATE AND FEDERAL LANDS IN MINNESOTA

Several key issues were investigated during the Public Lands Impact Study related to the amount, distribution and management of State and Federal lands throughout Minnesota as well as to the central record keeping systems providing information about those lands. Some of the principal issues addressed included the following:

1. How much land is in State and Federal ownership?

2. What are the principal uses of these lands?

3. Which agencies manage these lands?

4. How are these lands distributed throughout the State?

5. Who is served by these State facilities?

6. What central records are available providing information on State and Federal lands?

The purpose of this chapter is to summarize the findings of this research. Available central records related to public lands will be discussed first, followed by a description of the existing State and federal lands in Minnesota.

CENTRAL RECORD SYSTEMS

One of the objectives of the Public Lands Impact Study was to determine the status of central records related to State and Federal lands in Minnesota and to gain some understanding of the basic purposes of these record systems. At present, there are no central land records which maintain information on all State and Federal lands. Only the county assessors have complete records on all lands in the State, but there is no prescribed data format for the manner in which assessors maintain information on each land parcel. In general, more comprehensive data is available centrally regarding natural resource lands than is available for institutional and administrative properties. This is partly due to the extensive number of State and Federal agencies involved in the management of non-natural resource lands. In addition, records related to the major State institutions (education, health care and corrections) are typically maintained by each individual institution.

All State and Federal agencies maintain records on lands under their individual management. Each agency has individual requirements with regard to its land

management needs and, therefore, land and property records vary from one agency to another. Different descriptives are used, data is often compiled differently, and interchangeability of the data from one departmental records system to another is often difficult. Yet, these departmental records systems clearly serve the functional needs of the individual departments relatively well.

The key difficulties associated with any central record system include the following:

1. The administration of a centralized record keeping system is difficult merely because of the volume of data included and the multiplicity of agencies which must provide data to the central system.

2. The needs or potential uses for a centralized records system are not widely recognized by potential users or agencies.

3. Retrieval of information, especially for individual departmental purposes, might be difficult from a centralized records system.

4. The multiplicity of sources providing information to a central records system will affect the ability to maintain accurate and timely information.

5. It is unlikely that a centralized record keeping system could be adapted adequately to provide for all individual agency land management needs.

Four central data sources which include information on the majority of State lands in Minnesota have been identified. These records systems are compared in Table 1 and include the following: (1) Minnesota Land Management Information System, (2) the combined Land Ownership System/Land Classification System (Department of Natural Resources), (3) the Land Documents file (Department of Finance), and (4) the SHELTER data base (Department of Administration). Some financial and State employment data is also available centrally.

DNR Land Classification/Land Ownership Systems. These two systems were merged during 1977 into a single land records system for State natural resource lands. The system is maintained by the Department of Natural Resources. Plans are currently underway to incorporate all other State lands into this records system.

Land Documents. The land records file maintained by the Land Documents Division of the Department of Finance is the repository of legal documents for all State agencies except the University of Minnesota. These records are used primarily for title searches and questions related to legal boundaries or ownership of a particular parcel. No summary reports or composite records are prepared or available through this data source. Information on trust lands and tax-forfeited lands is typically not available from this data source.

SHELTER. SHELTER is a new data base being prepared by the Department of Administration and the Energy Agency. Its principal uses are intended to be: (1) monitoring and management of energy consumption, and (2) space management.

TABLE 1
COMPARISON OF CENTRALIZED STATE LAND RECORD SYSTEMS[1]

Available Information	DNR Land Syste	MLMIS	Land Records File[3]	Shelter[4]
Location	County, township range, section	County, township, range, section; minor civil division; school district	County	City, street, county, zip, narrative
Identification	Forty or lot location and lot number	Forty or government lot	Internal file number; parcel, govt. lot, block, etc.	Building number and name, gross and net sq. ft.
Acreage Description	P,F,E,R[2] to 100th of acre	Forty-acre units	—	—
Ownership	County or State and acquisition method	Public ownership (LCS)	Department of agency involved	Department or agency; leasor
Acquisition	Funding authorization & method of acquisition	Method of acquisition (LCS)	—	—
Contract	Type of land sale contract, if any	—	Type of instrument (deed, exchange, warranty deed, lease, transfer of custodial control, etc.); executioner of instrument	Lease agreement data
Administration/ Management	Administering division of DNR; in or out of management unit	Management unit status (LCS)	Department or agency involved; purpose of involved	Department or agency involved; use, occupation data
Unit Identification Numbers Numbers	State forests, County forests, Federal forests forests, Federal forests, Game & Fish, State and county parks, Lakes and watersheds	--	—	Building number
Minerals	Extent of mineral ownership; mineral lease and potential	Mineral potential	—	—
Encumbrances	Permits, leases, easements, etc.	Copper-nickel leases	--	Lease data
Intensity of Management	Extensive or intensive	Highest recommended use (LCS)	—	—
Disposition	Conservation, custodial, sale, exchange	Recommended disposition (LCS)	—	Surplus and disposal data
County Zoning	According to local ordinances	Zoning classification	—	—
Accessibility	By road, water, not accessible, etc.	Accessibility to service centers; highway orientation; water orientation	—	—
Other Information	—	Soil landscape unit; soil associations, land use, forest cover, geomorphic region, bedrock geology	—	Floor descriptors, floor use descriptors, space disposition data including seasonal use, building construction data; energy consumption and cost data; work hours data

(1) Source: Individual managing agencies.
(2) P: part of the parcel is owned; F: fractional parcel, the parcel is not a forty and does not have a government lot number; E: acreage estimated for part of a forty; R: resurveyed parcel.
(3) Manual system (Land Documents, Department of Finance).
(4) Includes data on State structures only, no data on land holdings.

Other uses of the data base will also be possible with appropriate application programs. Data is currently available for all State agencies except the University of Minnesota system. A proposal has been submitted to expand SHELTER to include all State, Federal and local public buildings. This system includes only data on structures.

MLMIS. The Minnesota Land Management Information System includes general land ownership data for most land, both public and private, in Minnesota. The principal purpose of this system is to provide composite land information, in both tabular and mapped form, for statewide policy decisions. The smallest land unit utilized in this system is the 40-acre parcel. All State and federal agencies cannot be identified separately because of the extensive volume of data included in the system. At the present time, it appears that all State agencies have not yet been included in this system. However, the majority of State landholdings (primarily natural resource lands) have been included in the data base.

Statewide Accounting System. The Department of Finance is also responsible for statewide accounting for all state agencies except the University of Minnesota. As a result, the Department of Finance has extensive financial records. While this information is not easily accessible for summary information, a variety of information can be obtained if desired. For example, data is available on appropriations for payments in lieu of taxes, and, with proper authorization, summary State payroll data is also available from the Statewide Accounting System.

State Auditor Reports. The State Auditor's office maintains a file of all local financial reports and publishes annual summary reports of receipts and disbursements for all counties, townships and cities.

Abstracts of Assessments. Every six years the County assessors prepare a report on the valuation of tax-exempt properties within the county. These records include all lands except tax-forfeited properties. The County Assessors submit these reports to the Department of Revenue where they are utilized for various tax-related purposes including tax research and the preparation of statewide summary reports. State lands cannot be separated from this data in all cases because of the purposes. Each year County assessors also prepare a report regarding the taxable value, mill rates, and taxes levied on taxable properties within their jurisdictions tabulated by city, township and school district. Copies of these reports are submitted ot the Department of Revenue where they are used for tax research and the preparation of summary reports.

Employment Data. The Minnesota Department of Personnel maintains a computerized file of State civil service employment. This data presently does not include: (1) academic employees of the State University or Community College systems, (2) employees of the University of Minnesota system, (3) employees of the Legislature, or (4) employees of the Judicial system to include all employees except the University of Minnesota system.

STATE AND FEDERAL LANDS

An estimate of public landholdings in Minnesota by county was prepared based upon composite data readily available from the Minnesota Land Management Information System, the Department of Natural Resources and the State Investigative Research Division (see Table 2). These composite data indicate that approximately 25 percent (12.8 million acres) of the land area in Minnesota is in State and Federal ownership. The Federal government manages about 4 million acres of land or 8 percent of Minnesota's land area. The Minnesota Department of Natural Resources manages approximately 5 million acres of natural resource land (approximately 10 percent of the State's land area) and other State agencies administer about 281,000 acres of land (about 1 percent of the land area). The remaining 6 percent (3 million acres) is tax-forfeited land held in trust by the State for the taxing districts and managed by the counties. Ninety percent of the State and Federal acreage is located in only 17 of Minnesota's 87 counties. In 9 counties over 50 percent of the land area is in State or Federal ownership (see Figure 1).

State and Federal lands are used for a multitude of purposes. These functions may be generally categorized as follows:

- Natural resources and recreation
- Highway rights-of-way
- Educational institutions
- Health care institutions
- Corrections institutions
- Administrative offices and facilities
- Military properties
- Experimental and research areas
- Transportation-related areas and facilities

The designation of an administering agency, whether State or Federal, is typically based on the principal function of the facility or land. While there are some overlaps in secondary functional uses of facilities, State and Federal lands have been classified under the above categories primarily on the basis of administrative responsibility.

Federal Lands. Twenty-four Federal agencies are known to manage lands in Minnesota for a variety of purposes (see Table 3). Most of these lands are used for natural resource and recreation purposes. Only 6,000 acres of an estimated 4.3 million acres of Federal land is used for institutional and administrative purposes. The principal Federal land managers in Minnesota include the Forest Service, the Fish and Wildlife Service, the Bureau of Indian Affairs, the Bureau of Land Management, the National Park Service, and the Corps of Engineers.

State Natural Resource Lands. State natural resource lands include those lands managed by the Department of Natural Resources and tax-forfeited land, which is land held in trust by the State for the taxing districts but managed by the counties. State natural resource lands are usually identified in land records or related reports in one of three ways: (1) designated areas or management areas, (2) administrative or management categories, and (3) acquisition categories. Designated areas or

TABLE 2
ESTIMATED STATE AND FEDERALLY OWNED LANDS IN MINNESOTA BY COUNTY[1]

County	Total Land Area (Acres)	Public Lands Acres	Public Lands Percent	Federal Lands[2]	DNR Lands[3]	Other State Lands[4]	Tax-Forfeited Lands[5]
Aitken	1,164,502	631,800	54%	16,160	388,191	4,120	223,329
Anoka	273,735	20,435	7%	0	15,334	4,569	532
Becker	837,688	193,152	23%	62,040	54,639	2,331	74,142
Beltrami	1,608,518	1,110,105	69%	393,520	566,798	3,281	146,506
Benton	257,798	2,310	1%	0	1,135	1,175	0
Big Stone	316,501	38,800	12%	30,400	6,802	1,598	0
Blue Earth	477,158	4,560	1%	0	2,711	1,849	0
Brown	387,266	4,760	1%	0	3,365	1,395	0
Carlton	550,092	220,971	40%	9,160	75,385	8,768	127,658
Carver	226,810	2,730	1%	0	658	2,072	0
Cass	1,302,315	762,167	59%	314,000	183,896	4,271	260,000
Chippewa	370,269	13,126	4%	3,160	8,155	1,811	0
Chisago	269,369	11,866	4%	0	9,759	2,107	0
Clay	668,118	18,040	3%	7,800	6,591	3,649	0
Clearwater	640,689	291,440	45%	134,440	54,516	1,426	101,058
Cook	936,426	835,306	89%	694,600	132,725	1,481	6,500
Cottonwood	407,635	6,792	2%	720	4,753	1,319	0
Crow Wing	649,083	169,422	26%	24,280	29,164	2,094	113,884
Dakota	365,190	17,742	5%	2,480	3,495	11,767	0
Dodge	280,638	1,307	-	0	273	1,034	0
Douglas	401,477	36,203	9%	27,640	5,621	2,942	0
Faribault	454,723	4,888	1%	0	1,882	3,006	0
Fillmore	553,101	9,575	2%	0	7,110	2,465	0
Freeborn	449,241	5,042	1%	0	1,137	3,905	0
Goodhue	491,465	15,240	3%	6,800	5,426	3,014	0
Grant	348,226	19,588	6%	14,920	2,632	2,036	0
Hennepin	354,225	2,903	1%	0	766	2,137	0
Houston	364,079	29,884	8%	18,840	9,303	1,741	0
Hubbard	596,829	224,746	38%	160	84,628	2,120	137,838
Isanti	281,302	6,803	2%	0	3,603	3,200	0
Itasca	1,729,322	935,741	54%	318,920	319,223	5,598	292,000
Jackson	446,068	7,612	2%	1,960	2,930	2,722	0
Kanabec	337,535	37,281	11%	0	23,530	1,459	12,292
Kandiyohi	497,292	29,659	6%	21,480	4,694	3,284	201
Kittson	700,372	55,121	8%	0	53,288	1,833	0
Koochiching	1,989,188	1,469,509	74%	87,520	1,092,669	4,320	285,000
Lac Qui Parle	492,698	20,829	4%	5,600	13,538	1,691	0
Lake	1,367,808	1,152,369	84%	814,360	179,076	1,639	157,294
Lake of the Woods	833,821	603,134	72%	154,600	447,548	986	0
LeSueur	283,692	4,460	2%	0	2,904	1,556	0
Lincoln	334,365	6,057	2%	0	4,835	1,222	0
Lyon	453,072	11,231	2%	0	8,942	2,289	0
McLeod	311,488	3,356	1%	0	1,752	1,604	0
Mahnomen	360,983	108,162	30%	58,280	33,097	1,140	15,645
Marshall	1,142,622	179,128	16%	61,120	115,365	2,643	0
Martin	450,521	4,014	1%	0	1,443	2,571	0
Mecker	382,891	3,421	1%	0	1,331	2,090	0
Mille Lacs	365,472	74,744	20%	3,560	61,668	1,506	8,010
Morrison	719,593	60,423	8%	0	7,207	53,216	0
Mower	453,204	3,889	1%	0	1,335	2,554	0
Murray	444,657	8,790	2%	0	7,367	1,423	0
Nicollet	280,866	3,159	1%	0	819	2,340	0
Nobles	454,877	4,383	1%	0	1,382	3,001	0
Norman	558,689	7,577	1%	0	5,776	1,801	0
Olmsted	421,342	7,327	2%	0	2,889	4,438	0
Ottertail	1,267,003	60,354	5%	36,280	16,515	7,119	440
Pennington	391,606	5,833	1%	120	2,347	1,206	2,160
Pine	906,366	222,645	25%	960	173,203	4,207	44,275
Pipestone	296,887	2,880	1%	240	1,456	1,184	0
Polk	1,260,513	26,411	21%	7,560	13,494	5,357	0
Pope	426,102	37,954	9%	31,800	4,375	1,757	22
Ramsey	101,032	1,901	2%	0	245	1,656	0
Red Lake	274,619	2,543	1%	0	1,764	779	0
Redwood	557,474	7,388	1%	2,040	2,914	2,434	0
Renville	621,129	2,119	-	0	266	1,853	0
Rice	319,162	6,427	2%	0	2,451	3,976	0
Rock	307,716	3,114	1%	0	1,246	1,868	0
Roseau	1,073,344	357,261	33%	32,200	254,188	2,033	68,840
St. Louis	4,043,532	2,280,772	56%	817,400	548,875	7,827	906,670
Scott	225,900	4,469	2%	240	2,617	1,612	0
Sherburne	280,525	31,204	11%	22,960	5,235	3,009	0
Sibley	372,901	2,736	1%	0	1,180	1,556	0
Stearns	864,521	12,061	1%	4,280	2,537	5,244	0
Steele	273,455	3,853	1%	0	1,263	2,590	0
Stevens	355,335	13,857	4%	10,480	2,045	1,332	0
Swift	475,592	19,180	4%	11,000	6,319	1,861	0
Todd	604,286	11,636	2%	0	9,378	2,258	0
Traverse	363,462	16,733	5%	15,360	156	1,217	0
Wabasha	344,324	25,317	7%	13,800	9,969	1,548	0
Wadena	341,126	44,735	13%	0	23,952	703	20,080
Waseca	268,158	3,585	1%	0	1,681	1,904	0
Washington	254,868	8,648	3%	1,680	3,347	3,621	0
Watonwan	277,051	2,106	1%	0	942	1,164	0
Wilkin	476,389	8,258	2%	2,400	3,512	2,346	0
Winona	406,320	42,371	10%	10,720	28,147	3,504	0
Wright	424,387	7,246	2%	0	4,538	2,708	0
Yellow Medicine	481,686	8,129	-	1,520	4,611	1,998	0
TOTAL	51,033,677	12,796,731	25%	4,311,560	5,199,395	281,040	3,004,376

(1) Source: Senate Investigative Research Division.
(2) Source: 1973 data from MLMIS.
(3) Source: 1975 data from DNR Land Ownership File (Land Bureau).
(4) Source: Senate Investigative Research Division (includes aeronautics, administration, corrections, public welfare, university, college and some highway lands).
(5) Source: County Auditors contacted by Senate Investigative Research Division (most counties have at least a few scattered parcels of tax-forfeited land).

ESTIMATED PERCENT OF STATE AND FEDERAL LANDS BY COUNTY (Acreage)

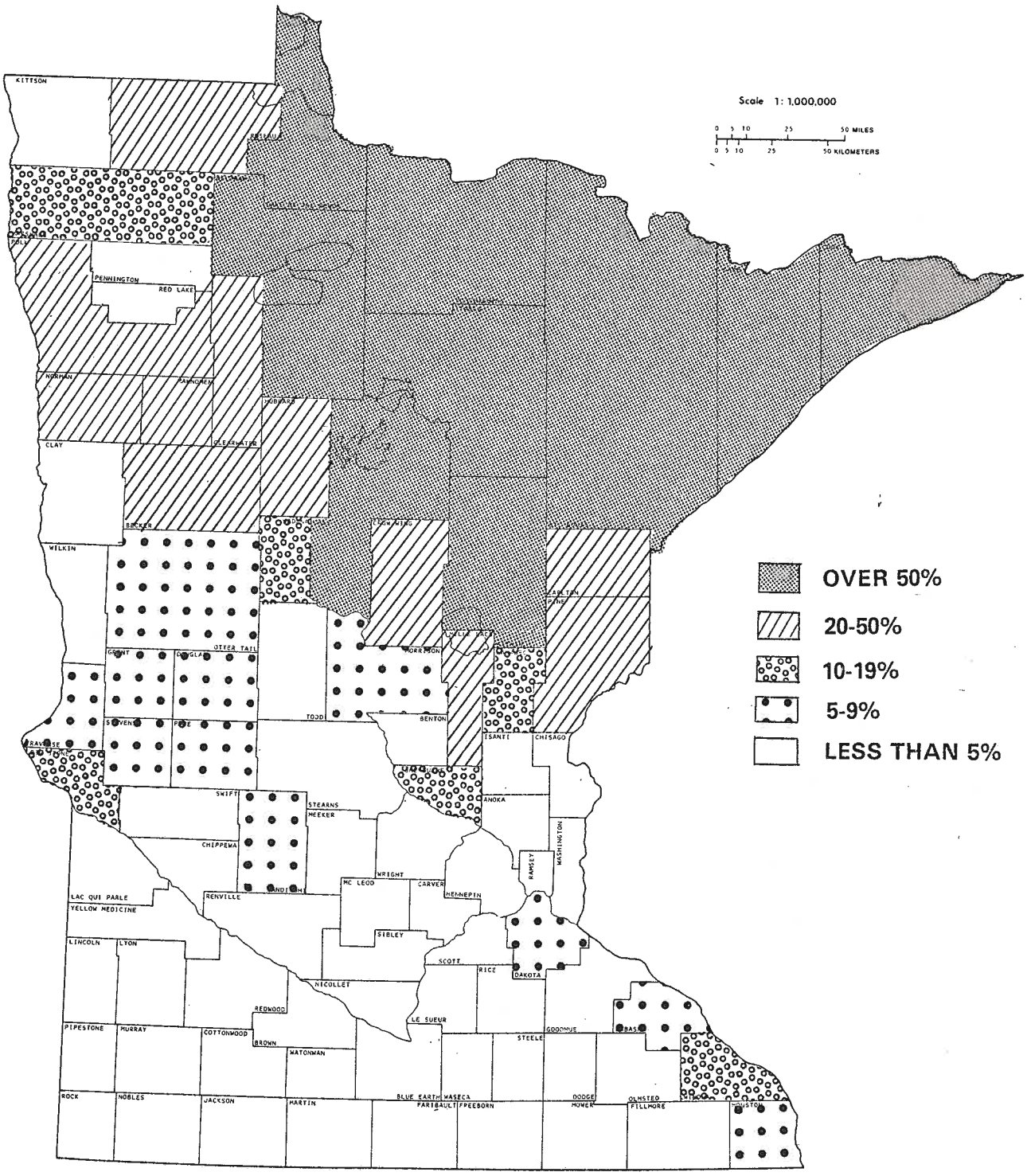

FIGURE 1

Minnesota Public Lands Impact Study — Phase 2

Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

TABLE 3
FEDERAL LANDS IN MINNESOTA (1)

Agency	Estimated Acres
Department of Agriculture	
- Agricultural Research Service	15
- Forest Service	2,808,975
Department of Commerce	
- Environmental Protection Agency	53
- General Services Administration	84
Department of Health, Education and Welfare	
- Health Services Administration	4
- Social Security Administration	2
Department of Interior	
- Fish and Wildlife Service	367,135
- Geological Survey	1
- Bureau of Mines	80
- Bureau of Reclamation	42
- Bureau of Indian Affairs	28,698 (1)
- Bureau of Land Management	43,556
- National Park Service	36,149
Department of Justice	
- Immigration and Naturalization Board	9
- Board of Prisons	560
National Science Foundation	1
U.S. Postal Service	47
Department of Transportation	
- Coast Guard	19
- Federal Aviation Administration	8
Department of Defense	
- Veterans Administration	860
- Air Force	1,651
- Army	2,515
- Navy	110
- Corps of Engineers	121,326
TOTAL	3,411,906

(1) Source: Bureau of Land Management, Public Lands Statistics, 1976.

(2) Apparently does not include all Indian lands; it is assumed only those directly under BIA control are included.

management areas refer to those land areas established by legislation (for example, State forests) as well as any other land area managed as a specific landholding (for example, State forests, State parks and wildlife management areas). These areas usually have common names (such as Savannah Portage State Park) which are familiar to most people. Not all natural resource lands are located within designated areas or management areas. Administrative or management categories refer to the division of DNR responsible for managing these lands. Central State natural resource land record systems are typically maintained on this basis. Acquisition categories generally refer to the means by which the land came into State ownership.

This may include direct acquisitions through purchase or gift, clear title acquisition through tax forfeiture, transfer from another governmental agency, trust grants from the Federal government for a specific purpose, or tax forfeited land for which the State holds only a tax title. A comparison of acquisition and management categories for State natural resource lands is illustrated in Table 4. The designation of "acquired lands" typically refers only to those lands obtained from a private owner through purchase or gift.

The distinction between "acquired" and "non-acquired" land is currently important because many existing payment mechanisms provide for payments only when land has been acquired through purchase or gift. Certain procedural items are also currently required in relation to "trust" lands which were given to the State by the federal government for a specific purpose very early in the State's history. The State constitution requires that revenues from these lands be placed in a trust fund and used for the originally prescribed purpose. These Constitutional requirements, as well as the required distinction between acquired and non-acquired lands has complicated and expanded the bookkeeping requirements related to natural resource lands.

Excluding those trust lands which came into State ownership very early in its history, a clear pattern of acquisition can be seen in the State's development of natural resource lands. Generally lands are acquired only where there are unique natural resources which should be preserved or protected or where State recreational facilities are considered desirable. The locational distribution of these recreational and environmental resources is essentially dictated by the topographic characteristics of the State. As such, the distribution of State natural resource lands does not relate to either regional or population distribution in the State. The distribution of State natural resource lands is illstrated in Figure 2. As can be seen in this figure, the vast majority of State natural resource landholdings are located in the northeastern and northcentral portions of the State. However, these lands are used by individuals from throughout the State and, in fact, by many tourists from outside the State.

Other State Lands. It is estimated that there are approximately 100,000 acres of State land in Minnesota used for purposes other than for natural resource lands or highway rights-of-way. While these "institutional and administrative lands" do not account for a very large percentage of the State's land ownership, they tend to be the most intensively developed lands and are usually located in urban areas. As such, these lands represent some of property owned by the State government. At

TABLE 4
COMPARISON OF ACREAGE IN MANAGEMENT/ADMINISTRATIVE CATEGORIES AND ACQUISITION CATEGORIES FOR DNR LANDS[1]

Management/ Administrative Categories	Acquisition Categories: School Trust Lands[6]	Swamp Trust Lands[6]	Other Trust Lands[6]	Volstead Lands[7]	Consolidated Conservation Lands[8]	Acquired Lands[9]	TOTAL
State Forests	519,916	1,082,827	13,885	17,785	899,775	469,265	3,003,453
Forestry Outside State Forests[2]	438,838	478,879	19,162	14,116	601,700	448	1,553,143
Game Lands	440	0	0	0	51,298	412,707	464,446
Fish Lands	0	0	0	0	0	25,928	25,928
Park Lands[3]	0	0	0	187	11,685	141,867	153,738
Waters, Soils & Minerals	5	0	0	0	0	2,068	2,073
Law Enforcement[4]	0	0	0	0	2	1,512	1,514
Other[5]	0	0	0	0	0	4,032	4,032
TOTAL	959,199	1,561,706	33,048	32,088	1,564,461	1,057,827	5,208,328

(1)Source: DNR Land Ownership system, 1976 (columns may not total exactly, due to rounding of numbers). Tax-forfeited lands are not included in this system.
(2)Managed by Forestry Division, but not within designated State Forests.
(3)Includes State Parks, trails and other recreation lands managed by the Division of Parks.
(4)All public access land, except six acres.
(5)Land not yet assigned to a management category.
(6)Granted to State by federal government for a specific purpose.
(7)Transferred or acquired directly from another government agency.
(8)Acquired from private owners through tax forfeiture.
(9)Acquired directly from private owners through purchase or gift.

DISTRIBUTION OF STATE NATURAL RESOURCE LANDS

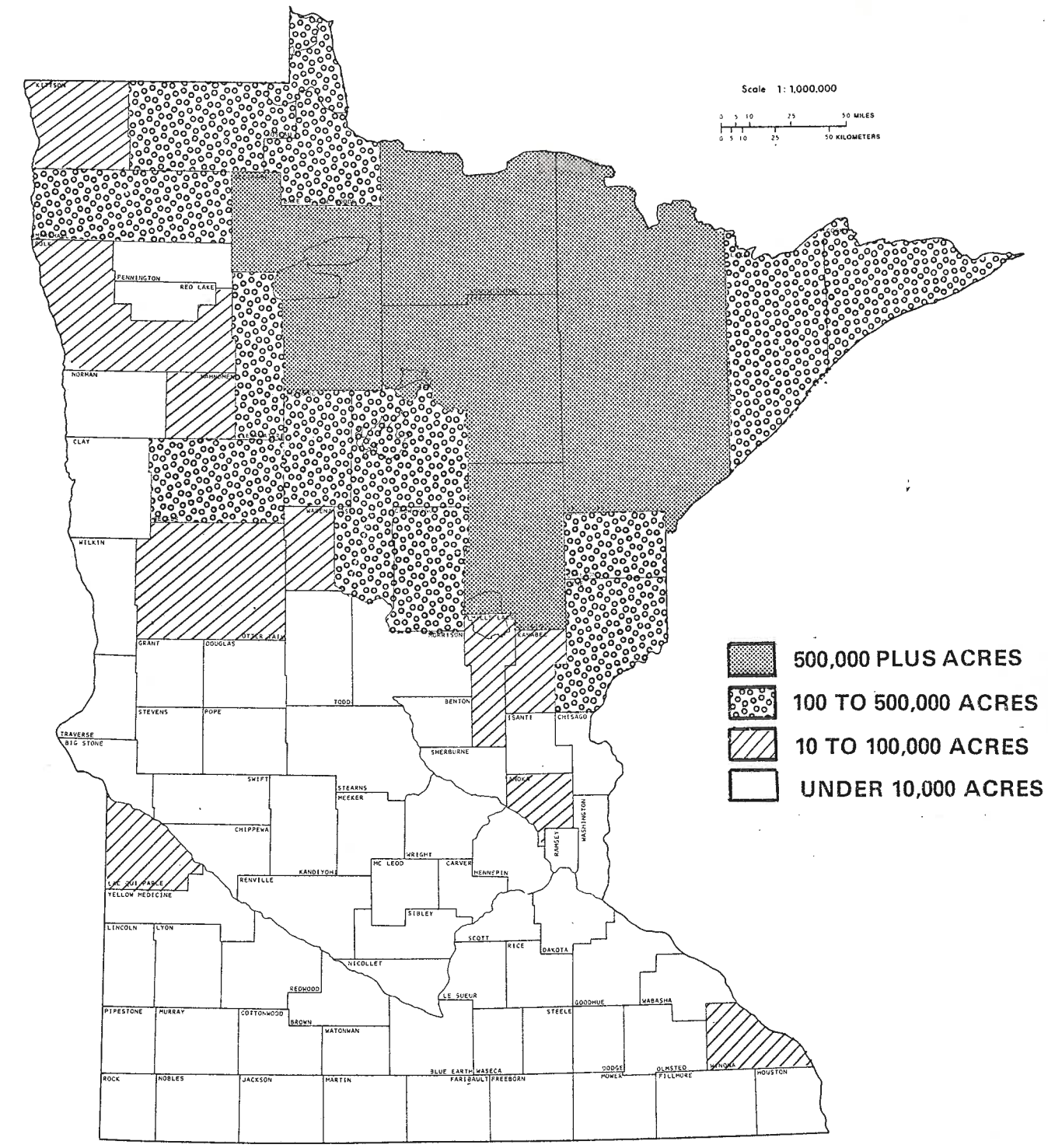

FIGURE 2

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least sixteen State departments and independent agencies reported having a clear responsibility for managing State-owned real properties in a survey conducted in June, 1977. These agencies include the following:

- Department of Administration
- Department of Agriculture
- Board for Community Colleges
- Department of Corrections
- Department of Education
- Department of Employment Services
- Iron Range Resources and Rehabilitation Board
- Department of Military Affairs
- Minnesota State Agrigultural Society (Minnesota State Fair),
- Minnesota Zoological Gardens
- Department of Natural Resources
- Department of Public Welfare
- State University Board
- Department of Transportation (Division of Right-of-Way, Division of Aeronautics)
- University of Minnesota
- Department of Veteran Affairs

The Higher Education Facilities Authority also holds title to properties located on 23 private college campuses as the guarantor of bonds. When these bonds are paid, title is transferred to the private college for a nominal sum.

The largest institutional and administrative landholdings of the State include educational institutions, health care facilities, corrections institutions, and administrative facilities. State military properties are principally small armories, although Camp Ripley in Morrison County has 53,000 acres of land. Transportation-related facilities are defined primarily as rest areas, gravel pits, and MnDOT excess and surplus properties. These properties are located throughout all areas of the State, and usually include very small landholdings. Experimental and research areas are typically part of an educational institution or a natural resource landholding.

The distribution of the major State institutional and administrative landholdings is shown in Figure 3. The key agencies responsible for managing these lands, their estimated acreage and principal uses is shown in Table 5. Most of the principal State institutional properties are distributed throughout the State, using the principles of both population distribution and geographic distribution. The principal exceptions are special purpose health care facilities (for example, nursing homes and security hospitals) and correction facilities which tend to be functionally specialized, and cannot be distributed on a regional basis throughout the State. Generally, the initial provision of institutional facilities has been related to a functional service need of the statewide population. For example, the distribution of educational institutions has been based on the State's objective of providing an equal opportunity for quality education to all residents of the State. Likewise, health care, corrections and administrative facilities have been located principally on the basis of providing equal services to all residents of the State. The principal service population areas of key State institutions is shown in Table 6.

DISTRIBUTION OF MAJOR STATE INSTITUTIONAL LANDS

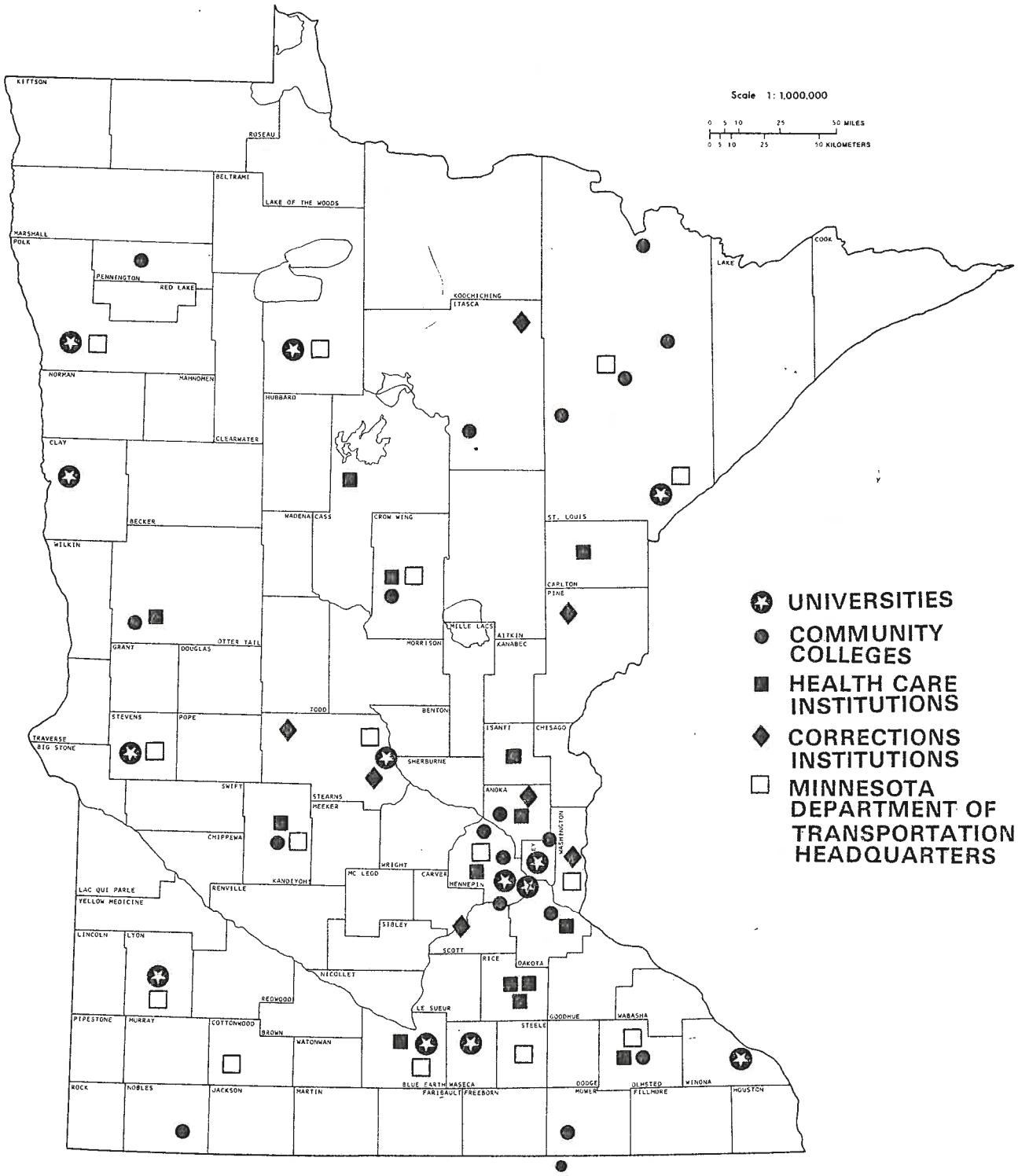

FIGURE 3

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TABLE 5
SUMMARY OF STATE INSTITUTIONAL AND ADMINISTRATIVE LANDS IN MINNESOTA[1]

Managing Agency	Estimated Acreage	Estimated Number of Sites	Principal Uses
Aeronautics, MnDOT	82	14	One airport (Pine Creek in Roseau County); nativational aids located in close proximity to airports.
Right-of-Way, MnDOT[1]	12,246[2]	185 building sites, 344 rest areas, 71+ gravel pits	MnDOT headquarters, truck stations, driver examination areas, storage areas, training centers, rest areas, gravel pits, excess property surplus property.
Military Affairs	52,840	78	Armories, maintenance facilities, vehicle storage and compound facilities, training facilities, air and army national guard installations (note: Camp Ripley in Morrison County accounts for 52,536 acres of land).
Public Welfare	3,577[3]	14[3]	State hospitals, State nursing homes, and State residential schools for the disabled.
Corrections	1,706	8[4]	State prisons, reformatories, correctional facilities, training schools and vocational facilities for delinquents and inmates.
Community College Board	1,353	18[5]	Community college campuses.
State University Board	1,724	7	State University campuses, experimental farming, recreation, student housing.
University of Minnesota	24,927[6]	51	University campuses, forestry and agricultural research and experimentation, environmental education, recreation, housing, educational support facilities, health care facilities.
Administration	45	4	Capitol complex, governor's ceremonial mansion, administrative buildings.
Other[7]	1,429	10	State fairgrounds, zoo, administrative buildings, veterans homes, agricultural and forestry research and experimentation.
TOTAL	99,929	804+	

(1) Does not include highway rights-of-way.

(2) Includes 1,770 acres of surplus property acquired by easements which limit sale to previous owner or public agency.

(3) Two sites (residential schools) transferred to Dept. of Education in July, 1977.

(4) Two sites are leased from the Dept. of Natural Resources.

(5) One site leased from the University of Minnesota.

(6) Does not include 5,751 acres of Salt Spring Lands or 42,114 acres of Trust Fund Lands.

(7) Agricultural Society, Dept. of Agriculture, Employment Services, IRRRB, Veterans Affairs, Zoological Garden.

TABLE 6
SERVICE POPULATION AREAS OF MAJOR STATE INSTITUTIONS

	Statewide	Regional	Sub-Regional
Universities	X	X	
Community Colleges			X
Health Care Facilities	X	X	
Corrections Institutions	X		
MnDOT Facilities		X	
State Capitol	X		

It should be noted that, while the primary administrative facilities indicated in Table 5 and Figure 3 are MnDOT facilities and the Capitol Complex, there are many State and administrative facilities throughout Minnesota. Most of these facilities, however, are located on properties leased by the State from private owners, or are located at other State institutions which have been included in the categories related to their principal function.

CHAPTER 3
THE IMPACTS OF STATE LANDS ON LOCAL GOVERNMENTAL UNITS

The evaluation of the impacts of State lands on local units of government was carried out on a "pilot area" investigation basis. Five general areas were selected, two for natural resource lands and three for other State lands, by the LCMR/TSC joint subcommittee for this purpose. These communities, and the State lands and facilities within them, were looked at in great detail. Local officials were contacted, and their opinions and perceptions solicited. Data related to costs of services, revenues, non-quantifiable impacts and community characteristics were collected.

Impact analysis was limited to five pilot areas for several reasons. The complexity of the task of evaluating local impacts dictated against evaluating all State lands or even a large number of communities. Concentrating on a few communities allowed a greater depth of analysis. It also allowed opportunities to investigate conditions and gather data at the local communities rather than rely solely on easily collectable central records and data. More than one pilot area was chosen in order to analyze the impacts of a variety of State land use types in a variety of community types. This also allowed some limited comparisons among community and among State land use types.

EVALUATION METHODOLOGY

Pilot Areas. The five pilot areas (two for natural resource land analysis and three for state administrative and institutional lands analysis) were chosen based on criteria which emphasized representing the full range of State land use types, communities with significant levels of State properties, contrasting geographic locations, and other criteria established by the LCMR/TSC joint subcommittee. The pilot areas chosen were Aitkin County and Winona County (natural resource lands) and Bemidji, St. Cloud and Willmar (institutional lands). Eight State institutions, seventeen local units of government, and nine types of natural resource lands were included in the pilot area evaluations.

The basic characteristics of the five pilot areas are summarized in Tables 7A and 7B; their locations are shown in Figure 4.

Methodology for Measuring Impacts. State facilities and the populations related to them (employees, students, patients, inmates, family members, and visitors) demand services, generate revenues, and generate economic benefits within the communities in which they are located. However, measuring the magnitude of those impacts is extremely difficult. No comprehensive methodologies exist for

TABLE 7A
SELECTED CASE STUDY AREAS

Characteristic	Case Study Areas		
	Bemidji	Willmar	St. Cloud
State Land Uses			
- School	x	x	x
- Hospital		x	
- Prison			x
- MnDOT	x	x	x
Service Population			
- Students	4,000	700	8,000
- Patients/Inmates		600	500
City Population	11,000	13,000	40,000

TABLE 7B
NATURAL RESOURCE LAND PILOT AREA CHARACTERISTICS

Type Characteristic	Aitkin County (Acres)	Winona County (Acres)
Federal Land[1]	15,320	10,200
U. S. Fish and Wildlife	14,280	3,520
U. S. Corps of Engineers	600	6,680
Bureau of Indian Affairs	440	0
State Land[2]	388,191	28,147
State Forests	255,710	6,024
Forestry outside State Forests	105,682	219
Game and Fish	16,767	20,458
Park Land	9,989	1,446
Law Enforcement	43	0
Tax-Forfeited Land	223,329[3]	--[4]
County Memorial Forests	116,000	0
County Parks	11,000	0
Other	96,329	--[4]
TOTAL NATURAL RESOURCE LAND	626,840	38,347
% of Total Land Area in Public Ownership	54%	10%
Population	11,403	44,409

(1) Source: MLMIS (see Table 1 in Chapter Two) -- does not include easements.
(2) Source: LOS (see Table 1 in Chapter One).
(3) Source: Aitkin County Land Commissioner (breakdown is approximate).
(4) Some tax-forfeited land exists, but acreage is unknown.

PILOT AREAS

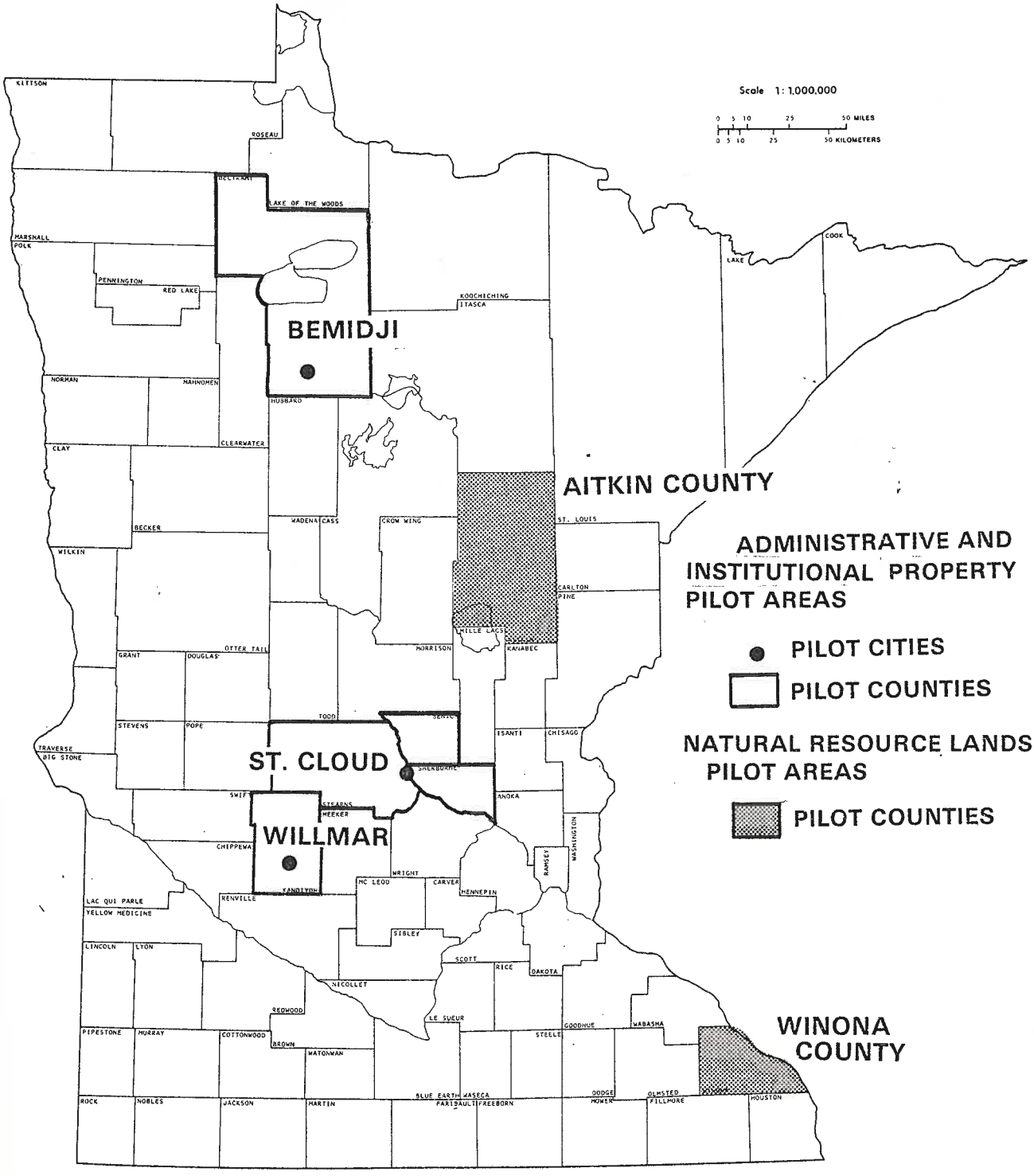

FIGURE 4

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carrying out such an analysis. As a result, a methodology had to be developed through an extremely iterative process. Hypotheses were developed, tested, revised, tested again, revised, etc., until the methodology appeared to reasonably reflect the actual conditions in the pilot areas. Many changes were required because the necessary data for testing an hypothesis were not available. This process is illustrated in Figure 5.

The result of this process was a series of models for estimating the dollar costs of each typical public service provided to state institutions and their related population by local communities. Models were also developed for each revenue source, and for estimating economic benefits. The models differentiate between primary impacts and secondary impacts for each type of service or revenue. Primary impacts are defined as those impacts which occur directly at the institution while secondary impacts are those that occur away from the institution as a result of the institution's population (employee family members, off-campus students when they are off-campus, etc.). The models rely on measurable levels of services (police calls, fire calls, etc.) for estimating primary costs and rely heavily on a per capita approach for establishing secondary costs. Per capita techniques are used for estimating most revenues. The specific measures used for each service and revenue category are shown in Tables 8A and 8B. For a more detailed explanation of this methodology, see the Phase 2 Admininstrative and Institutional Property Report.

Applicability to Natural Resource Lands. These rigorous impact analysis models were used in the evaluation of State institution and administrative facilities' impacts on local communities. They were not, however, used in the evaluation of natural resource land impacts. While this evaluation methodology could be applied to natural resource lands as well, it is unlikely that the data needed to carry out the analysis would be as readily available for these lands as for institutional properties. Service demand standards and demand factors related to size and use have not been developed for natural resource lands to the extent that they have been developed for more intensively used facilities. Natural resource lands are typically located in rural areas where service levels differ from municipal services, and data related to the factors which must be considered are less readily available. Perhaps most importantly, however, the major source of dollars to the local community, as well as the major source of service demands to natural resource land, is the visitor. There is very little visitor data available for many types of natural resource lands. If appropriate assumptions could be made related to visitor expenditures and visitor service demands, then an analysis similar to that carried out for institutional lands might be accomplished for natural resource lands.

Other Institutional Properties. It appears that there is relative consistency among institutions of the same type and functional use, employee to service population ratios, physical size, and employee occupations. These similarities suggest that findings with regard to relative level of service cost or revenue generation associated with one institutional type could be generally extrapolated to other facilities of the same functional type since both functional use and size of facility appear to have considerable influence on the extent of impacts generated by the institution. However, the costs of services and the amount of revenues generated by an institution also bear a direct relationship to the cost of services and revenues

PROCESS USED TO ASSESS IMPACTS IN PILOT AREAS

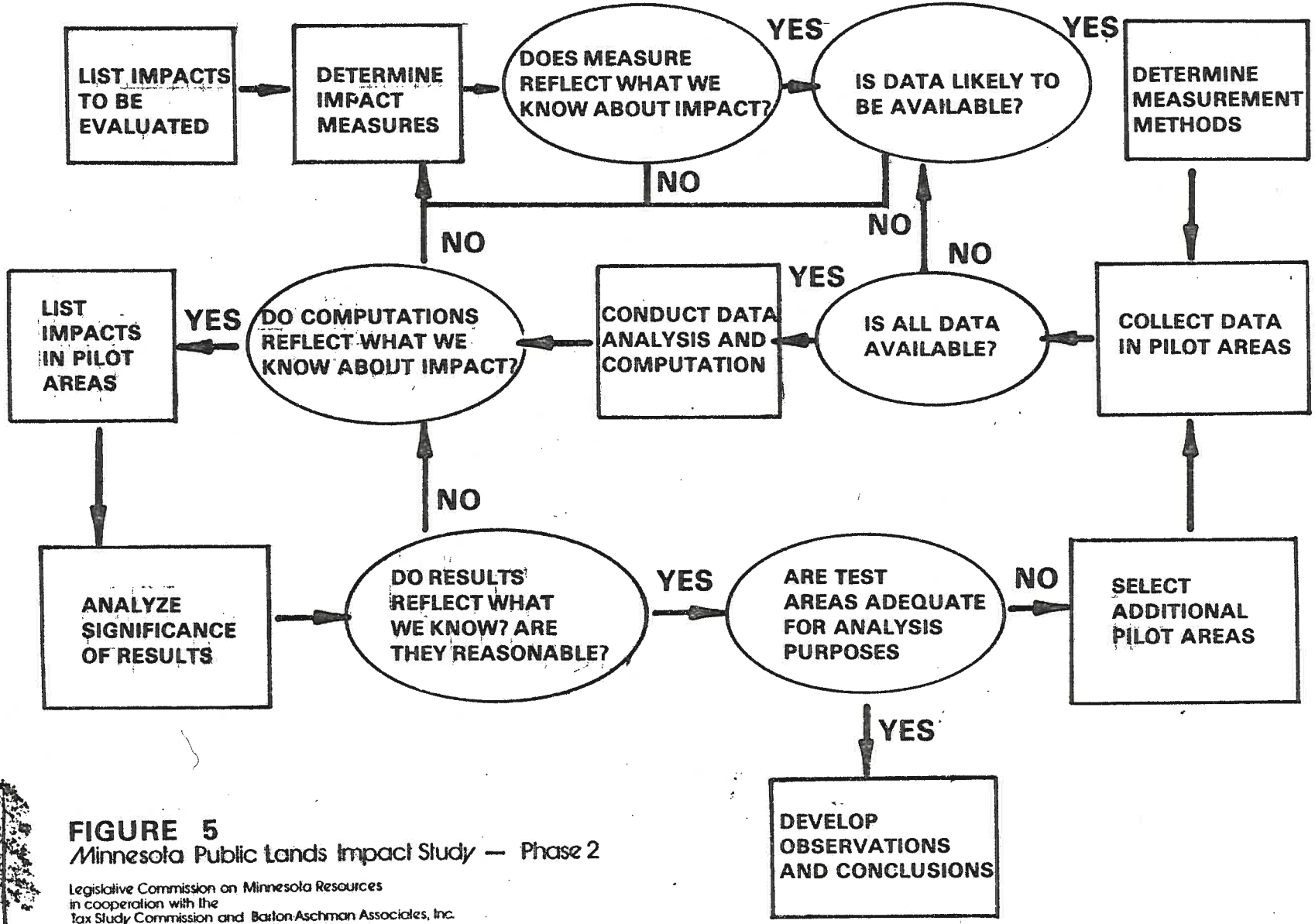

FIGURE 5
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TABLE 8A
REVENUE MEASURES

Type of Revenue	Measure
Local Aid	Per Capita
Highway Aid	Per Capita
Other State Aid	Per Capita
Federal Revenue Sharing	Per Capita
Other Federal Aid	Per Capita
County/Local Grants	Per Capita
Other Local Revenues	Per Capita
School Foundation Aid	Per Student
Other School Aid	Per Student
Federal School Aid	Per Student
Residential Property Taxes	Per Household(1)
Non-residential Property Taxes	Percent of Business Volume
Special assessments	Proportionate to property taxes(1)
Direct payments	Actual payments

(1) Plus actual payments by institution where appropriate (see models in Appendix A).

TABLE 8B
SUMMARY OF SERVICE MEASURES FOR ESTIMATING PRIMARY SERVICE COSTS

Service[1]	Measure
Police	Percent of Time
Fire	Percent of Time
Roads	Trips Generated
Transit	Trips Generated
Parking	Supply vs. Demand Generated
General Government	Proportionate to Above
Capital	Proportionate to Above
Sewer	Consumption Rates
Water	Consumption Rates
Refuse	Consumption Rates

(1) All other services (health, education, welfare, parks and recreation generated secondary costs only).

in the local community. As such, the actual dollars of business volume, revenues, and service costs generated by an institution will vary from one community to another in relationship to the fiscal condition and economic status of the local community. The applicability of the methodology will also be directly related to the availability and reliability of comparable data for the community and the institution being evaluated. Given adequate data, it is believed that the evaluation methodology can be applied to all institutions with relatively similar reliability although the dollar results will vary.

SERVICE DEMANDS

Using the methodology outlined previously, an effort was made to identify the public services provided, and to estimate the cost of providing those services to the State properties in the pilot areas. The nature of State institutions and their service demands made a more vigorous analysis of service costs possible than could be achieved for natural resource lands. Therefore, most of the explicit cost estimates are for State institutions only. The principal generator of public service demand, and thereby public cost, is people. For natural resource lands, since few people live or work on the land, the principal service demand generators are tourists or visitors. For State institutions and administrative facilities, the principal service demand generators are employees, students, patients, inmates, employee family members, and visitors.

The total service demand placed on local governmental units by State properties has been broken into two components: "primary" and "secondary" service costs. Primary service costs are defined as those costs which are generated directly at the State institution or landholding. Secondary costs are defined as those costs which are generated away from State property by people associated with it (such as employee family members, off-campus students, etc.). Services such as recreation, health, welfare, and education are secondary services only, while services such as police and fire have both primary and secondary components. The primary service demands of the pilot natural resource lands are identified in Table 9. Primary institutional service demands are identified in Table 10. Principal findings related to service demands are described below.

Police Services. Police services are provided both directly to the State facilities being evaluated and to individuals associated with those facilities. Police services are typically provided by the local city to the state institutions without compensation for those services. In some instances, special service fees have been negotiated between the institution and the police departments for services provided.

An increased demand for police services related to public natural resource land was also reported by some local officials. Law enforcement problems related to public lands are handled by State, federal and local officials. However, State and federal officials have limited arrest powers and must depend on the County Sheriff to handle most civil and criminal matters. In Aitkin County at least, police calls to public lands peak significantly during the summer months, apparently in direct relationship to increased tourist and recreation activities (see Figure 6).

TABLE 9
PRIMARY SERVICE DEMANDS OF PILOT NATURAL RESOURCE LANDS

Services Consumed	Service Required[1]		Services Provided by:			
	Yes	No	State	County	Township	School District
Police	X	-	X	X	-	-
Fire	X	-	X	-	X	-
Roads	X	-	X	X	X	-
Transit	-	X	-	-	-	-
Parking	X	-	X	-	-	-
Garbage Collection	X	-	X	-	-	-
Sewer	X	-	X	-	-	-
Water	X	-	X	-	-	-
Health	-	X	-	X	-	-
Education	-	X	-	-	-	X
Welfare	-	X	-	X	-	-
Parks	-	X	-	X	-	-
General Government	X	-	-	X	X	X

[1] All service categories are required by employees and other residents of each community. Some additional services may be provided to visitors as well.

TABLE 10
PRIMARY SERVICE DEMANDS OF PILOT INSTITUTIONS

Services Consumed	Service Required[2]		Service Provided By:			
	Yes	No	State	County	City	School District
Police	X	-	-	-	X	-
Fire	X	-	-	-	X	-
Roads	X	-	X	X	X	-
Transit	X	-	-	-	X	-
Parking	X	-	X	-	-	-
Garbage Collection	X	-	X	-	-	-
Sewer[1]	X	-	-	-	X	-
Water[1]	X	-	-	-	X	-
Health	-	X	-	X	X	-
Education	-	X	-	-	-	X
Welfare	-	X	-	X	-	-
Parks	-	X	-	X	X	-
General Government	X	-	-	X	X	X

[1] Service fees paid at same rates as other non-residential users.

[2] All service categories are required by employees and other residents of each community.

CALLS TO AITKIN COUNTY SHERIFF ON OR RELATED TO STATE AND FEDERAL NATURAL RESOURCE LANDS IN 1976

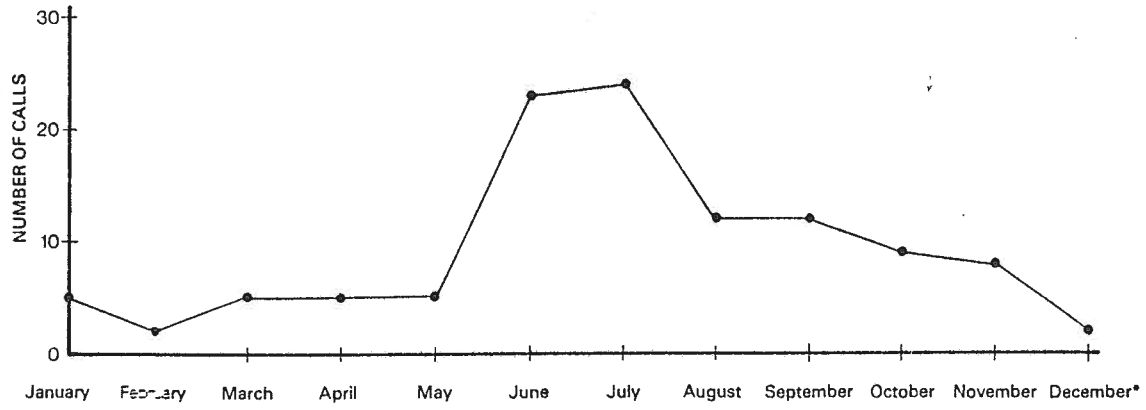

FIGURE 6

*only through December 12, 1976
Source: Aitkin County Sheriff

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The costs for institutional police services ranges from $600 for the Willmar MnDOT to $211,700 for St. Cloud State University (see Table 11). County police costs related to natural resource lands were estimated to be approximately $3,000 in Winona County and about $6,000 in Aitkin County.

Fire Services. Fire services are also provided directly to public lands as well as to their related populations. Fire services are typically provided by the local municipality without direct compensation from the state institution. As in the case of police services, negotiations for payment are sometimes made between the city and the institution. False alarms are a significant problem at both the Willmar State Hospital and the St. Cloud Reformatory. In some of the pilot communities there was an indication that there are increased demands for fire equipment, hydrants and water mains as a result of the need to provide fire services to large state institutions.

Most fire protection on State and federal natural resource lands is provided by the State or federal government with assistance from rural fire departments. By law (MSA 88) the Department of Natural Resources is responsible for wildfire protection and prevention in all "forested" areas of the State (defined as any county with at least 1,000 contiguous acres of tree cover). Almost all counties in the State meet this criterion. The law further directs that townships and municipalities "shall cooperate with and be under the general supervision and direction" of the DNR. The State typically makes some payment for local fire fighting assistance.

Costs associated with institutional fire services ranged from zero (all MnDOTs) to $2,000 for the Willmar State Hospital (see Table 11). Data was not available to determine what local costs were incurred in association with natural resource lands. DNR made direct payments of $4,556 to Winona County and $15,015 to Aitkin County in 1976 (a bad fire year) for assistance in wildlife protection.

Roads. Roads are provided by the state, the county, and the city with each constructing and maintaining its own system of highways. Since these facilities provide service to all individuals within the community and to all landholdings as well as visitors to the community, it is difficult to assign a percent of service attributable to one landholding. Institutional costs for these facilities were assigned on the basis of trips generated by the pilot institutions. None of the individuals contacted in any of the pilot communities indicated an increase in road construction or maintenance costs which was directly attributable to the institutions being investigated.

Road construction and maintenance was identified by both county and township officials in the pilot areas as one of the major expenses they have related to public natural resource land. The officials surveyed believe increased use on their roads requires higher design standards and more frequent maintenance. However, data are not available to determine what proportion of vehicular travel is directly related to natural resource holdings. Immediate access into or through public lands is frequently provided by County State-aid Highways (CSAH), county roads and/or township roads. Roads within the public natural recource landholdings are usually provided by the managing agencies but are sometimes township or county roads. There are also some evidence of increased traffic demand caused by recreationally used natural resource lands.

TABLE 11
COMPARISON OF PRIMARY MUNICIPAL SERVICE COSTS FOR PILOT STATE INSTITUTIONS

Pilot Institution	Police	Fire	Roads	Transit	General Government	Highway Capital	Other Capital	TOTAL OPERATING	Total
Willmar Comm. College	$ 10,700	$ 200	$ 7,500	-	$ 7,400	$ 7,800	$ 15,600	$ 25,800	$ 49,200
Bemidji State Univ.	18,300	800	69,700	-	25,300	121,500	67,100	114,100	302,700
St. Cloud State Univ.	211,700	1,700	120,600	$15,200	148,300	100,000	248,700	497,500	846,200
Willmar State Hospital	10,400	2,000	10,200	-	9,100	10,700	19,200	31,700	61,600
St. Cloud Reformatory	11,900	700	4,700	600	7,600	3,900	12,700	25,500	42,100
Willmar MnDOT	600	-	2,400	-	1,200	2,400	2,500	4,200	9,100
Bemidji MnDOT	-	-	4,300	-	1,200	8,700	3,200	5,500	17,400
St. Cloud MnDOT	1,100	-	1,900	200	1,400	1,600	2,300	4,600	8,500

Institutional road costs in the pilot cities ranged from $1,900 for the St. Cloud MnDOT to $120,600 for St. Cloud State University (see Table 11). While the actual costs incurred as a direct result of public natural resource lands cannot be calculated, it appears that both counties and townships have expenditures for road construction and maintenance which are related to public lands. Both pilot counties had higher than average road costs per capita.

Transit. Only one of the pilot communities investigated provided any significant amount of transit service. Since transit service is partially financed through passenger revenues, the direct cost for providing transit service to these facilities is not extensive, except perhaps for alrge colleges with low auto ownership amont students.

Parking. The existing supply of parking spaces exceeded the demand for parking services at all pilot institutions. As such, no direct costs were attributable to the provision of local parking services in any of the pilot areas. However, the need for parking facilities is perceived by some local officials as being a significant service cost, primarily related to large residential educational facilities. No local parking demand was identified in relation to the pilot natural resource lands.

Utilities. Both municipal sewer and municipal water were provided to all state institutions except the Willmar State Hospital which received only municipal sewer service and provided its own water supply. In all pilot communities (available data suggests for most other state institutions throughout the state), the state facilities typically pay for municipal utility services at the same rates as other non-residential users.

All federal and State natural resource agencies contacted indicated they either: (1) provided utilities themselves, or (2) paid a service charge to private utility companies or local communities.

Refuse Disposal. In two of the institutional pilot areas, municipal refuse disposal was available for residential properties. Public refuse disposal was not available for any non-residential properties in the pilot areas. As such, direct costs cannot be assumed for this service.

Counties bear the primary local responsibility for solid waste disposal in rural areas. However, the State and federal natural resource agencies contacted indicated that they provide their own sanitation services. It is possible that soee increase in cost for waste disposal may result due to increased landfill size requirements, or increased service demands in nearby areas and along access roads.

Health, Education, Welfare, Parks and Recreation. These services are not related directly to properties or land holdings within a community. They are provided to people living in the community and, as such, can only be considered secondary costs associated with people generated by the institution (for example, employees and students living within the community).

Special Capital Improvements. Occasionally a state will provide a special grant or payment related to a capital improvement directly associated with its service

needs. This does not always occur and is a discretionary action. No capital improvements clearly associated with State lands were identified in any of the pilot areas.

General Capital Improvements. A fairly large portion of each local budget is spent for capital improvements throughout the community for a variety of purposes. While these improvements cannot always be directly related to State lands, they can be assumed to be proportionate to the range of services provided directly to each landholding.

Variations in Level of Service Expenditures by Community. The cost of providing public services varies widely from community to community (see Figure 7), reflecting different qualities of service provided, cost of living factors and other intangible factors. These variances appear also in the costs attributed to State facilities. This fact should be kept in mind when comparing the cost of providing public service to public facilities among different political jurisdictions.

Primary Service Costs. Table 11 summarizes the primary service costs of the pilot institutions in the pilot area cities. Costs for specific services range from zero for fire services at some institutions to over $200,000 for police service at St. Cloud State University. Police and roads are the two most costly operating budget services provided to the State facilities. These services also appear to be the most costly services provided to State natural resource land, though relatively little hard data is readily available to support this conclusion. Total primary service costs for State institutions vary widely with variations relating primarily to size and type of State facility. No data is available for natural resource lands. The MnDOT headquarters have the lowest primary service cost while the State universities have the highest. Figure 8 shows primary city and county service costs per service population member (patient, inmate or student) for each pilot institution. Service cost per service population member for the cities varies from $70 per capita for the St. Cloud State Reformatory to $103 per capita for the Willmar State Hospital. County service costs per service population member vary from $19 per capita for St. Cloud State University to $94 per capita for the MnDOT District 8 Headquarters in Willmar. These figures reflect the variances in the cost of providing services from one community to the next. Per capita expenditures are highest in St. Cloud ($246) and lowest in Willmar ($149). These discrepancies in the relative cost of providing services from community to community make direct comparisons between per service population member costs of State facilities from different cities of counties deceptive. For example, primary service costs per service population for Willmar State Hospital amount to $103 per person while for St. Cloud State University they amount to $97 per person. While these numbers appear comparable, $97 represents only 40% of the overall St. Cloud per capita expenditures while $103 represents 70% of the overall Willmar per capita expenditures. When these variances are taken into account, the State Hospital has the highest primary service costs per service population member and the State Reformatory has the lowest. Primary county service costs per service population member, when adjusted for county variances, have a pattern similar to the city costs. The Willmar State Hospital and MnDOT Headquarters have the highest primary costs per service population member while the St. Cloud Reformatory has the lowest.

PER CAPITA SERVICE COSTS FOR INSTITUTIONAL PILOT COUNTIES AND CITIES

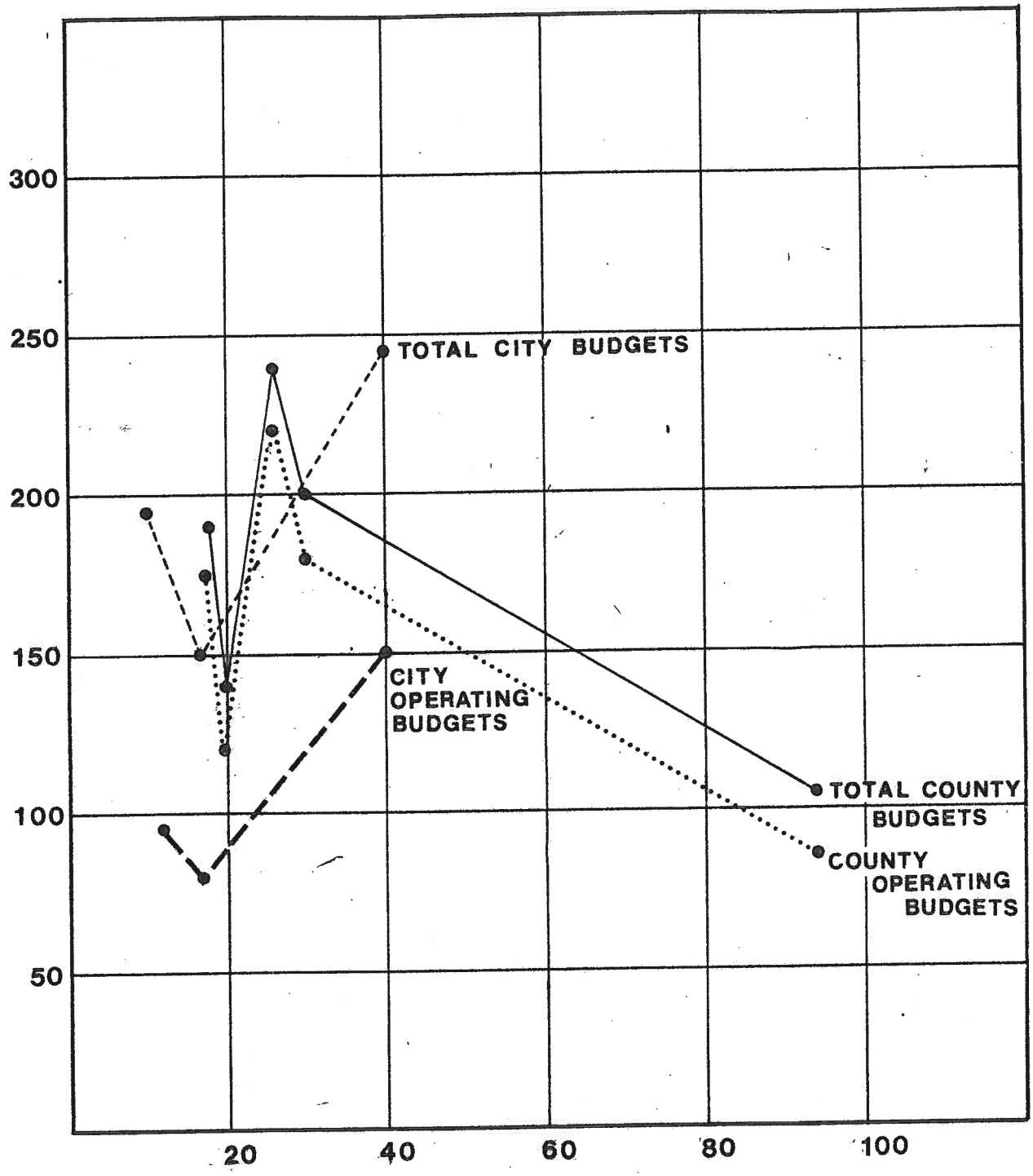

FIGURE 7

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PRIMARY INSTITUTIONAL SERVICE COSTS PER SERVICE POPULATION

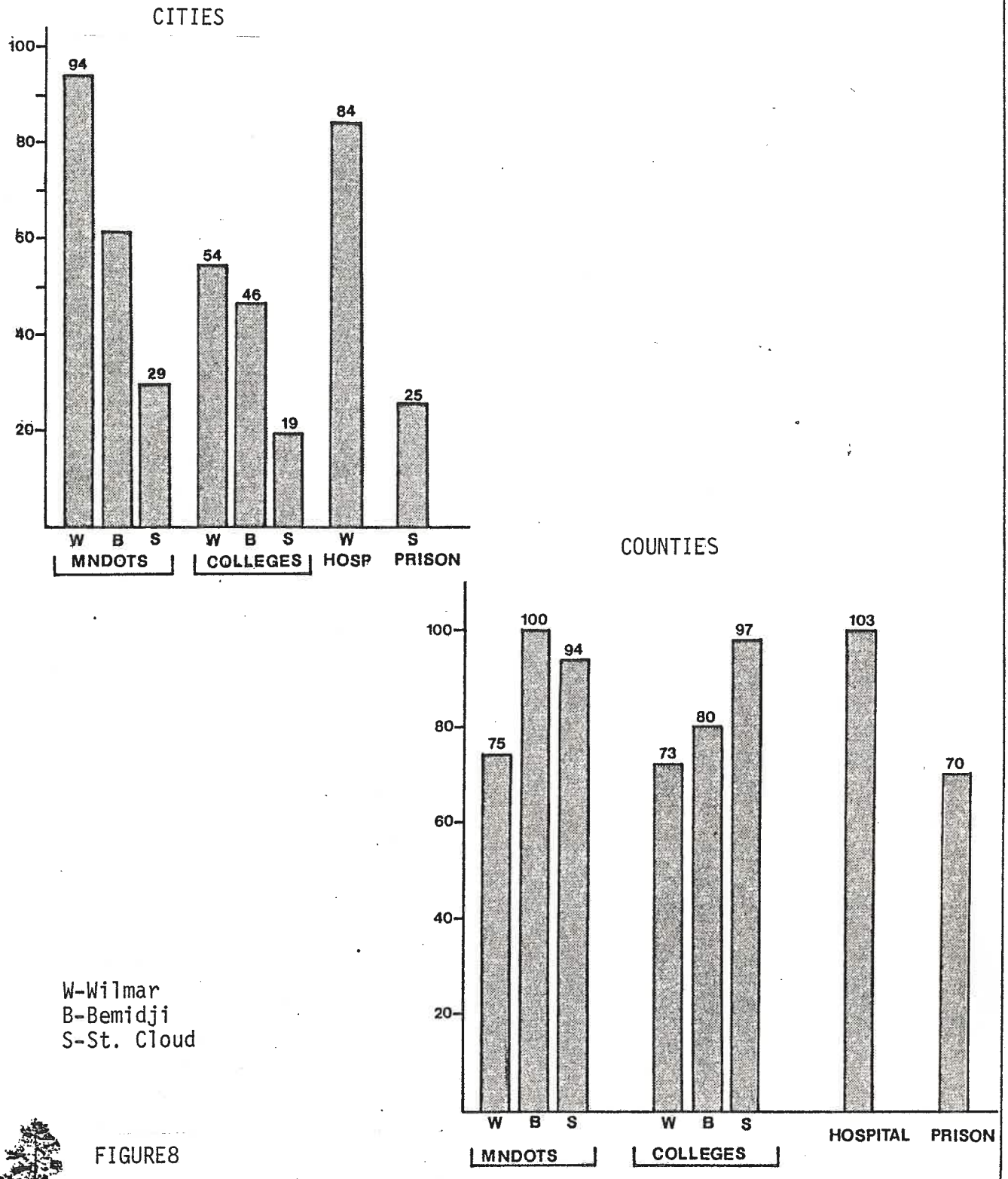

FIGURE8

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However, on the basis of total dollars, St. Cloud State University has the highest primary municipal cost (over $800,000) and the St. Cloud MnDOT has the lowest cost (over $8,000). Estimated total primary municipal costs for each pilot institution are shown in Table 11.

Estimates of service costs could not be made for natural resource lands due to lack of adequate data. However, it is clear that some services are provided directly to these lands as well as indirectly to people using these lands.

Total Primary and Secondary Service Costs. The total cost of providing public services to State lands and facilities include both primary and secondary service costs. Secondary service costs related to State facilties tend to be greater than primary costs since they involve many more services provided to a much larger number of people. The total primary and secondary service costs generated by State institutions in the pilot cities, counties, and school districts are summarized in Tables 12, 13 and 14. Total service costs to the cities and counties range widely from relatively small total service costs for the three MnDOT facilities to relatively high total service costs for the two State universities. The school districts present a somewhat different picture. Total service costs created by the State universities and community college are relatively lower in the school districts, reflecting the relatively small number of school age children generated by a college or university. Willmar State Hospital has the largest school district cost at $365,000.

Total city service costs per service population member are more than double the primary per service population member costs. (see Figure 9). Costs range from $150 per person at Willmar Community College to $500 per person at St. Cloud MnDOT. When variances in level of per capita expenditure between communities are allowed for, the State Hospital in Willmar and the three MnDOT offices exhibit the highest cost per service population member. The colleges have the lowest total service cost per service population member. However, on the basis of total dollar costs, the residential State universities have the highest service costs and the MnDOTs have the lowest costs.

A similar analysis of secondary costs could not be completed for natural resource lands due to the lack of data. It can be assumed, however, that secondary service costs will be generated only by employee families (a relatively small number) and visitors (probably highest for recreational lands).

Significance of Service Demands. The significance of the service costs created by State administrative facilities and institutions on local communities can be gauged by the portion of local expenditure budgets which is due to State facilities. Figure 10 illustrates the percentage of pilot area city, county, and school district budgets which are generated by State facilities.

As might be expected, the impact which the pilot institution has on the local jurisdiction is primarily a product of the size of the State facility's population in comparison with the local community's population. The two large State universities have a major impact on the cities in which they are located, primarily as a result of the large number of students they represent. MnDOT facilities are relatively small

TABLE 12
TOTAL SERVICE COSTS GENERATED BY STATE INSTITUTIONS IN PILOT CITIES

Pilot Institution	Willmar ($1000s)	Bemidji ($1000s)	St. Cloud ($1000s)
Willmar Community College	$174	-	-
Bemidji State University	-	$1,065	-
St. Cloud State University	-	-	$1,130
Willmar State Hospital	290	-	-
St. Cloud Reformatory	-	-	124
Willmar MnDOT	23	-	-
Bemidji MnDOT	-	67	-
St. Cloud MnDOT	-	-	34

TABLE 13
TOTAL SERVICE COSTS GENERATED BY STATE INSTITUTIONS IN PILOT COUNTIES

Pilot Institution	Kandiyohi ($1000s)	Bemidji ($1000s)	Stearns ($1000s)	Sherburne ($1000s)	Benton ($1000s)	St. Cloud Counties Combined ($1000s)
Willmar Community College	$176	-	-	-	-	-
Bemidji State University	-	$1,065	-	-	-	-
St. Cloud State University	-	-	$1,021	$65	$44	$1,130
Willmar State Hospital	290	-	-	-	-	-
St. Cloud Reformatory	-	-	57	38	29	124
Willmar MnDOT	53	-	-	-	-	-
Bemidji MnDOT	-	88	-	-	-	-
St. Cloud MnDOT	-	-	16	14	4	34

TABLE 14
TOTAL SERVICE COSTS GENERATED BY STATE INSTITUTIONS IN SCHOOL DISTRICTS

Pilot Institution	#345 ($1000s)	#347 ($1000s)	#31 ($1000s)	#742 ($1000s)	#47 ($1000s)	Total School District Impacts ($1000s)
Willmar Community College	$ 9	$ 35	-	-	-	$ 44
Bemidji State University	-	-	$206	-	-	206
St. Cloud State University	-	-	-	$340	$18	358
Willmar State Hospital	98	267	-	-	-	365
St. Cloud Reformatory	-	-	-	108	19	127
Willmar MnDOT	11	49	-	-	-	60
Bemidji MnDOT	-	-	71	-	-	71
St. Cloud MnDOT	-	-	-	28	5	33

TOTAL CITY SERVICE COSTS PER INSTITIONAL SERVICE POPULATION MEMBER

W-Wilmar

B-Bemidji

S-St. Cloud

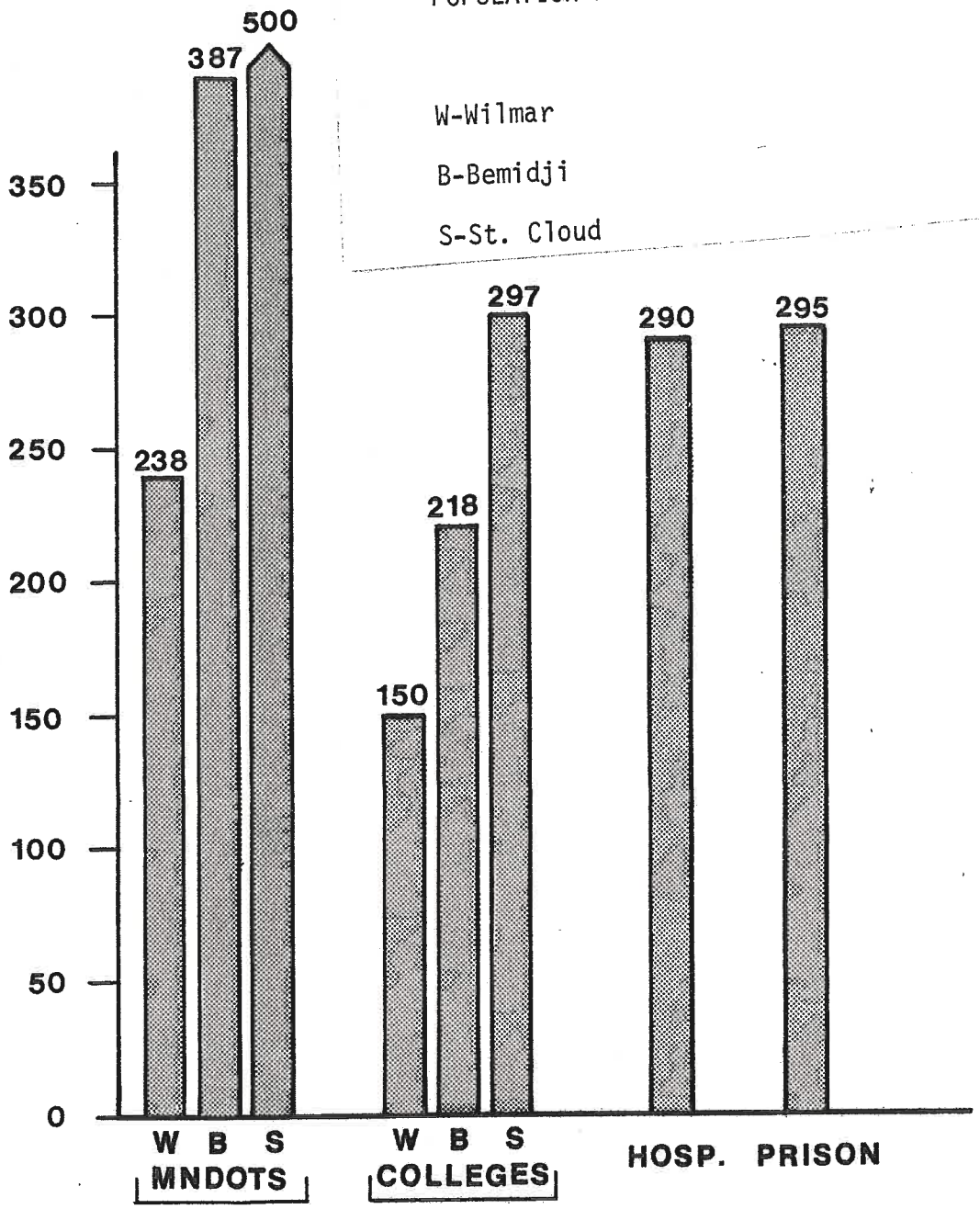
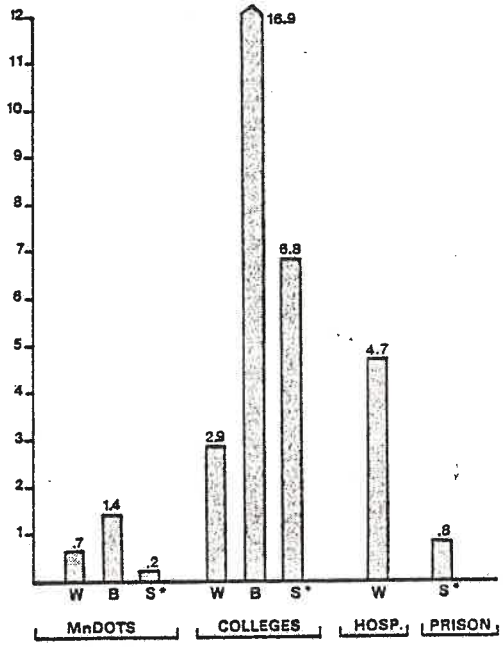


FIGURE 9

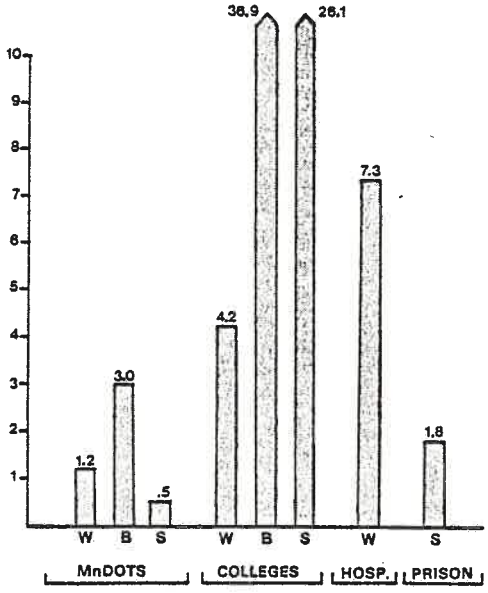
INSTITUTIONAL SERVICE COST IMPACTS ON PILOT AREA BUDGETS

W-Wilmar
B-Bemidji
S-St.Cloud

COUNTIES



CITIES



SCHOOL DISTRICTS

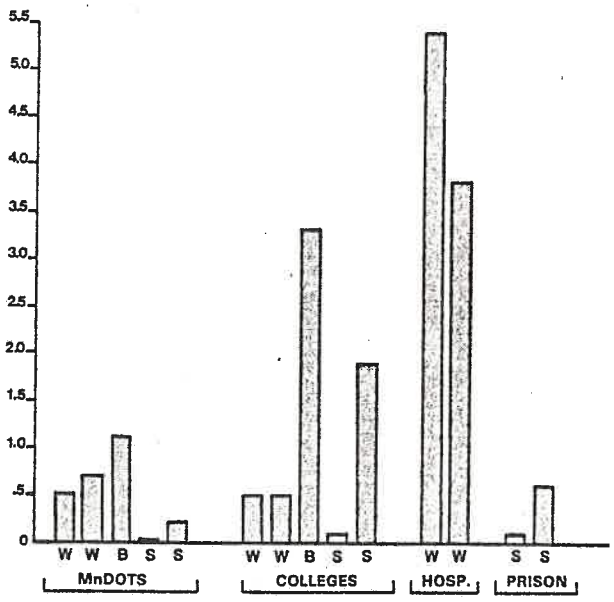


Figure 10

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at the other end of the scale and make only small impacts on the cities in which they are located. The pattern seen among the pilot cities holds true for the counties and school districts as well, although the impacts become less significant in the pilot counties and still less significant in the pilot school districts. The diminished impacts of State facilities on county governments and school districts reflects primarily the higher total level of expenditure undertaken by these jurisdictions. The low number of school age children generated by universities and colleges further diminishes their impact on school districts.

The significance of impacts due to natural resource land is much more difficult to establish than that of State facilities considering the paucity of hard data. Service demands related to natural resource land are very difficult to gauge since the service demand generators are primarily transients (tourists, recreators). It may be assumed, however, that the significance of service cost will be a product of the area's population and the number of visitors using the natural resource lands. High use recreation facilities such as State parks typically have much higher visitor volumes, and therefore higher service demands, than other less popular types of natural resource lands.

HYPOTHETICAL PROPERTY TAX GENERATION

Among the impacts created by State owned lands and facilities on local units of government are their impacts on local property tax base. Tax-exempt State properties not only do not pay property taxes themselves, but also occupy land which might otherwise be privately owned and thereby tax producing property. Analysis of the effects of State lands and facilities on local property taxes is limited by a number of factors.

1. The unique one-of-a-kind building types of State facilities make estimating property values a difficult task. State facilities often have only limited alternative uses and are not easily marketable.

2. Even though local assessors are required by law to estimate the market value of State properties every six years, the tax-exempt status of these lands provides little incentive to evaluate State properties as accurately as private property. The estimated market value for State properties arrived at by local assessors has been subject to a great deal of skepticism.

3. Many of the existing State lands have never been in private ownership. It is not known if many of these lands would have any significant value on the private market.

4. Any estimates of the property value of State properties assuming they were privately owned are purely hypothetical. For most state properties, it is not clear what their use would be if they were privately owned.

5. Estimates of potential property taxes gained are gross estimates at best since the extent to which the tax-exempt status of the State facility affects total revenues cannot be accurately estimated. In many cases, aid revenues would decrease if the property tax or taxable value of the community increased.

Possible Tax Revenue. Hypothetical property taxes have been estimated for each of the pilot areas by making assumptions regarding the market value, the taxable ratio and the mill rate which would be applied to these properties. The results of two such hypothetical cases, one using a taxable ratio fo 10% and one using a taxable ratio of 40/43% for institutional properties and 20/33-1/3% for natural resource properties, are shown in Table 15. The dollars of taxes potentially generated varies widely depending on the property valuation of each State property and local mill rates. St. Cloud State University, the pilot institution which has the highest property value, would generate the most taxes. Property tax revenue potentially generated for the local county and school district by St. Cloud State University would be well over twice as much revenue as would be generated by State natural resource land in Aitkin County, despite the fact that over 50% of Aitkin County land is under State ownership and the St. Cloud State University occupies only a small land area of Stearns County. This illustrates the low property values of undeveloped or minimally developed natural resource lands compared to the intensely developed State institutions.

TABLE 15
TAXES WHICH MIGHT BE GENERATED IF STATE FACILITIES WERE PRIVATE, TAXABLE PROPERTY

Pilot Institutions	City Tax Revenues[1]		County Tax Revenues[1]		School District Tax Revenues[1]		Rural Tax Revenues[1,2]	
	10% ($1000s)	40/43% ($1000s)	10% ($1000s)	40/43% ($1000s)	10% ($1000s)	40/43% ($1000s)	10% ($1000s)	20/33% ($1000s)
Willmar Comm. College	$ 9	$37	$11	$47	$20	$ 85		
Bemidji State Univ.	84	351	108	452	159	642		
St. Cloud State Univ.	196	824	107	450	413	1,741		
Willmar State Hospital	28	118	36	151	66	273		
St. Cloud Reformatory	100	420	85	339	211	887		
Willmar MnDOT	1	5	2	7	3	12		
Bemidji MnDOT	2	11	3	14	4	19		
St. Cloud MnDOT	4	17	2	9	8	36		
Aitkin County NR Lands							$331	$835
Winona County NR Lands							14	44

[1] This analysis does not take into account reduced State and federal aids resluting from an increased local tax base.
[2] This category includes both county and school district revenues.

Significance of Property Taxes to Local Revenues. The significance of potential property taxes generated by State properties for local communities is limited by the lessening role property taxes are playing in local communities. Property taxes typically account for a relatively low portion of the total local revenues of Minnesota communities. The percent of revenues which are property taxes in each of the pilot governmental units is shown in Figure 11. Property taxes are less than half of local revenues in all cases, ranging from 20 to 29 percent in the cities, from 18 to 36 percent in the counties, and from 29 to 41 percent in the school districts.

Significance of Potential Tax Revenue to Local Communities. The significance of potential property tax revenue gains to local communities as a result of making State properties taxable can be seen in impacts on both added revenue and local mill rates. Potential increased property tax revenue represents an opportunity for increased public services in the community or decreased tax bills, both potentially beneficial to local community residents.

Figure 12 illustrates the potential increase in total local revenue which would occur if the taxes listed on Table 15 were added to pilot area local government revenues. The largest potential impacts would be on pilot area cities except St. Cloud Reformatory which would impact the county most. The impacts of potential increases in property taxes is modified by the size of the community related to the size of the institution.

The overall potential impacts of State properties generating property taxes would make only slight increases in total local revenues unless quite large tax ratios were applied to their market value. Even with large tax ratios only relatively small communities with large State facilities would experience significant total revenue increases.

The effects on aid formulae caused by adding presently tax-exempt properties to the local tax base is not readily decipherable. It is conceivable that limited property tax revenue increases could be negated by decreases in local aid.

Potential Effect on Local Mill Rates. The potential effects on local mill rates is illustrated in Table 16 and Figure 13. These effects would occur if the increased local revenue was used entirely to decrease local mill rates rather than improve local services. The pattern of impacts is very similar to the pattern for increases in city revenues. Cities would experience the largest mill rate decreases, and the extent of impact would depend on the size of the State facility compared to the local jurisdiction. The magnitude of impact, however, is much greater on mill rates than on total local revenues since local property taxes represent only a portion of total revenue. The effect is to concentrate the revenue impacts on only 15 to 40% of the community's revenue sources. Those communities which depend least on property taxes as a source of revenue would experience the most dramatic mill rate decreases. The largest potential mill rate decrease among the pilot areas occurred in Bemidji. While Bemidji's total local revenue potentially could increase by 15% if State properties were taxable. If these funds were used to decrease the city's mill rate, it could decrease 44%.

PROPERTY TAX AS A PERCENT OF TOTAL LOCAL REVENUE FOR PILOT AREAS

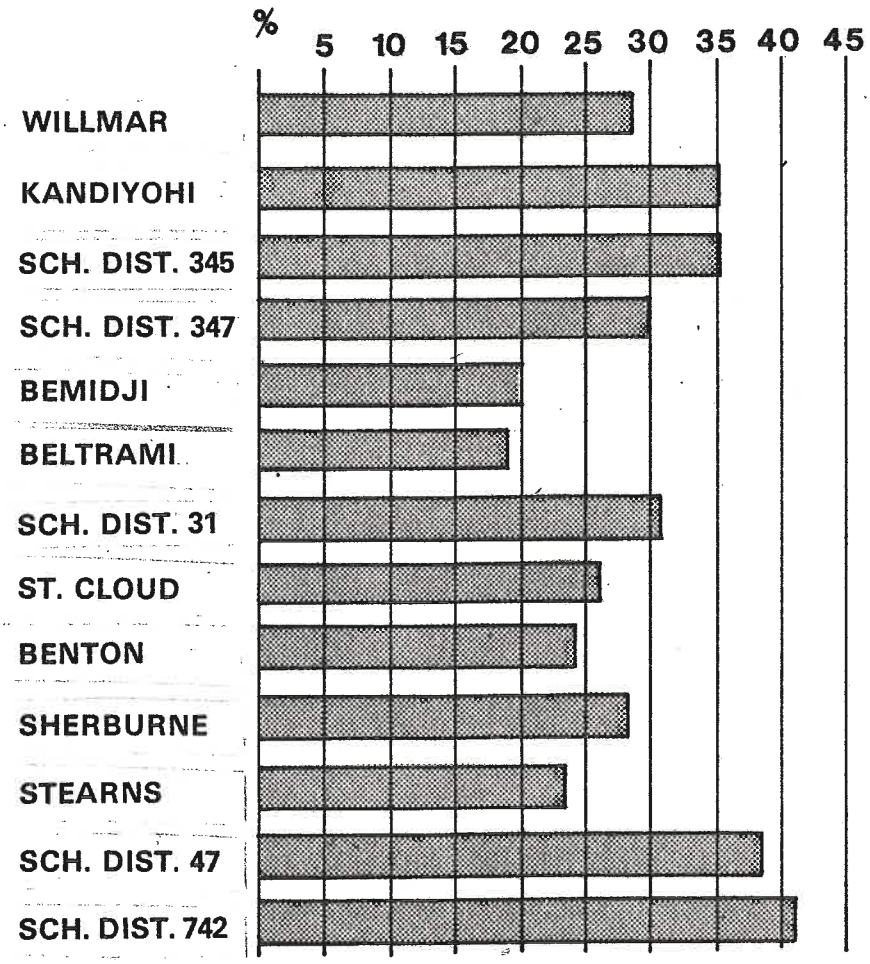
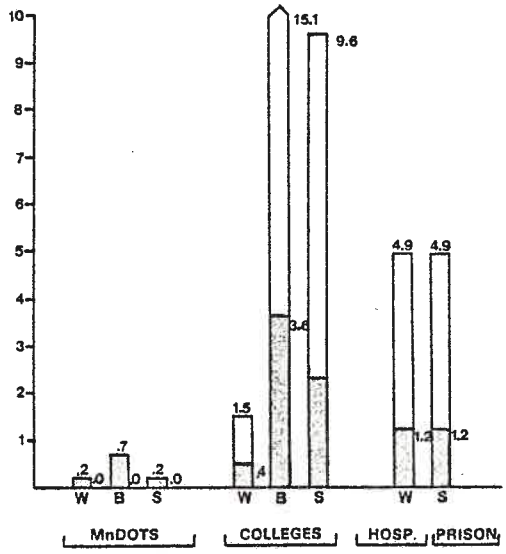


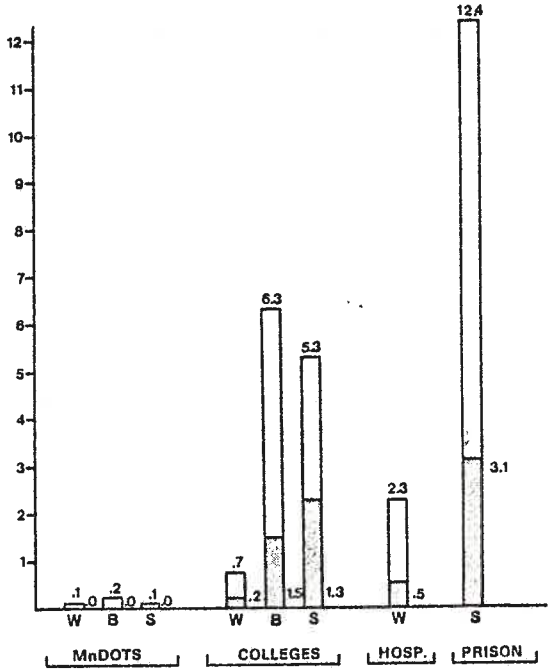
FIGURE 11

POTENTIAL PERCENT INCREASE IN LOCAL REVENUES FOR INSTITUTIONAL PILOT AREAS

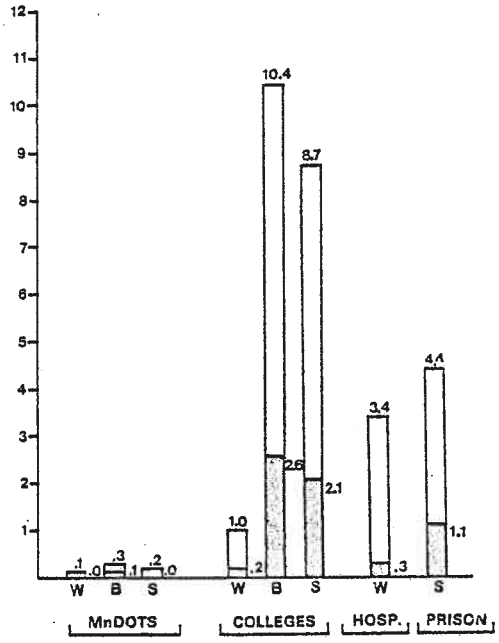
CITY REVENUES



COUNTY REVENUES



SCHOOL DISTRICT REVENUES



W-Wilmar
B-Bemidji
S-St. Cloud

FIGURE 12

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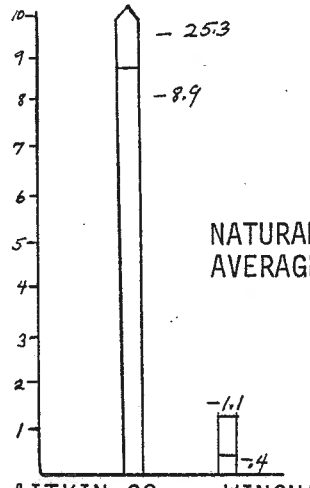
TABLE 16
POTENTIAL CHANGES IN MILL RATES

Pilot Institution or Natural Resource Lands	City Mill Rates			County Mill Rates			School District Mill Rates			Average Rural Mill Rates		
	Existing	10%	40/43%	Existing	10%	40/43%	Existing	10%	40/43%	Existing	10%	20/33%
Willmar Community College	23.69	23.40	22.51	30.37	30.23	29.77	54.84	54.39	52.95			
Bemidji State University	33.08	27.95	18.70	42.66	39.36	31.59	60.53	56.03	45.31			
St. Cloud State University	31.20	29.12	22.98	16.88	16.37	14.91	65.95	62.80	54.96			
Willmar State Hospital	23.69	22.76	20.26	30.37	29.91	28.53	54.84	53.37	49.20			
St. Cloud State Reformatory	31.20	30.10	25.80	26.70	25.12	21.10	65.95	64.31	59.55			
Willmar MnDOT	23.69	23.65	23.52	30.37	30.35	30.29	54.84	54.78	54.57			
Bemidji MnDOT	33.08	32.90	32.33	42.66	42.55	42.21	60.53	60.38	59.92			
St. Cloud MnDOT	31.20	31.15	31.01	16.88	16.87	16.83	65.95	65.88	65.66			
Aitkin County Nat. Res. Lands										98.36	89.60	73.52
Winona County Nat. Res. Lands										87.48	87.16	86.52

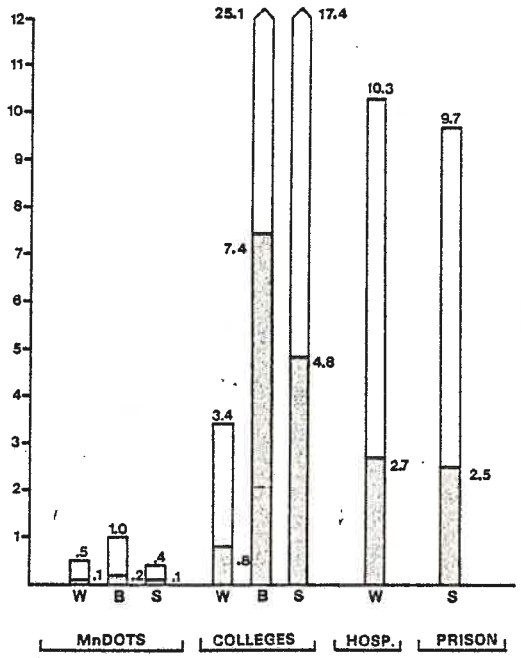
POTENTIAL PERCENT DECREASE IN MILL RATES FOR PILOT AREAS



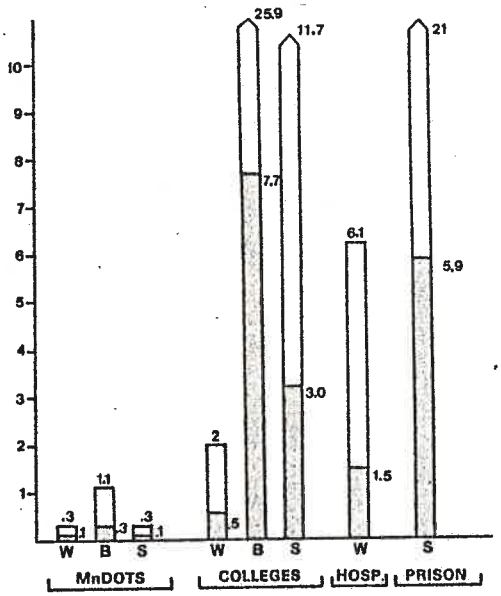
NATURAL RESOURCE LANDS
AVERAGE RURAL MILL RATES

NATURAL RESOURCE LANDS

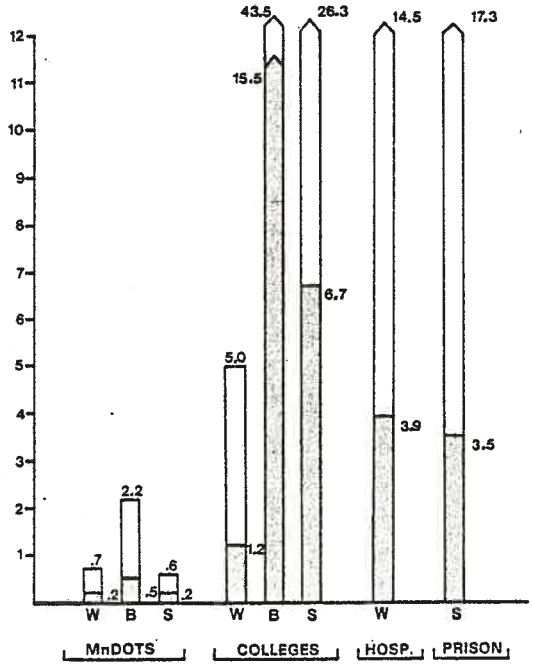
INSTITUTIONS
COUNTY MILL RATES



INSTITUTION
CITY MILL RATES



INSTITUTION
SCHOOL DISTRICT MILL RATES



W-Willmar
B-Bemidge
S-St. Cloud

FIGURE 13

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EXISTING COMPENSATION

There are a number of ways in which local communities are currently compensated for the service demands and related costs associated with public lands in their jurisdiction, including direct payments, omcreases in local revenue (both intergovernmental aid and property taxes), and general economic benefits to the community. Some general conclusions can be drawn from the research regarding the existing compensation provided for State land and properties as indicated below.

1. The legislation authorizing compensation for services has been developed over a long period of time. The effect has been a patchwork of direct and indirect State payments and aids which tend to be both confusing and unrecognizably tied to public lands in the eyes of individual taxpayers and local public officials. Many individuals contacted during thePublic Lands Impact Study were unaware of the majority of State aids related to public lands which are currently available.

2. Most existing direct State payments related to public lands are based on the concept of shared revenues. These payments relate primarily to agricultural and other land lease revenues. In addition, these payments are typically limited to those lands which have been acquired directly from a private landowner through purchase or gift, are tied to specific land uses or designated landholdings. As a result, these direct payments are not uniform from one locality to another; they are inconsistent from one year to the next; and payments are not provided for all types of public lands.

3. State legislation does provide for the payment of special assessments for capital improvements directly benefiting public lands. However, the payment of this assessment is discretionary and, as a result, payments and policies are not uniform from one agency, landholding or locality to another.

4. Most general revenues provided by the State or Federal government to local communities have a specific purpose related to a particular governmental function. For example, school aid is designed to provide an equal opportunity for quality education to all residents of the State. Since the general principal of providing equal services to all individuals tends to be an underlying principle in the development of aid revenue formulae, most such formulae have "equalizer" clauses which take into account factors such as population size, tax capabilities (mill rate, tax effort, taxable value), and relative income levels. While these equalizer clauses are not directly related to the tax-exempt status of properties, they reflect tax exemption to the extent that the public landholding affects any of the factors upon which the amount of aid is determined.

5. There are a number of circumstances where the State provides its own services or contracts with the local community on a fee paid basis for the provision of services to the public property.

6. In a number of cases (this is particularly true for higher education facilities)

the State institution provides for a considerable amount of services and facilities which are available for use by all residents in the local community.

7. A number of special grants are made on an agency discretionary basis for major capital improvements which occur as the result of State landholdings. Examples are State aid which is available for roads providing access to State parks and individual circumstances where special grants have been provided.

8. State landholdings have a positive effect on the local economy which is directly related to the expenditures of the State in the local jurisdiction, and the population increases attributable to the institution through its service population, employees, and visitors. The significance of these impacts is directly related to the amount of activity generated by the landholding and the size of the economic base of the community. While many of these impacts are not readily quantifiable, local communities may benefit from State lands through: (a) increased employment, (b) increased business volume, (c) increased recreational and other service opportunities, (d) State and Federal land management, (e) preserved amenities and unique resources, (f) improved image of the community and general quality of life, and (g) increased property values.

Direct Compensation. Seventeen Minnesota statutes have been identified as authorizing payments related to public lands (see Table 17). These payments may be generally categorized as follows: (1) long-range payments which are based on shared revenues; (2) short-range payments related to the acquisition of new State property from private landowners through purchase or gift; (3) the taxation of State properties through special assessments or for residences on State land used by State employees; (4) conditions under which leasees of State properties are subject to local taxation; and (5) the allocation of revenues from tax forfeited land. Eight of the 17 authorized payments are based on the concept of shared revenues. These payments do not have a specific time period associated with them, and typically involve the return of between 30 and 80 percent of revenues generated by the land to the local taxing districts (see Table 17). Long-range shared revenue payments are made related to game and fish lands, consolidated conservation lands, State forest lands, mineral royalties on tax forfeited lands, and other specific types of land leases. Short-range payments associated with the acquisition of land for Voyageurs National Park and St. Croix Wild River State Park have been authorized by recent legislation. These payments are based on previous taxes and are made on a declining basis over a specified period of years. All State agencies are required to pay real estate taxes for residences on State land used by State employees. State agencies are also required to pay assessments for county drainage systems, and are permitted to pay special assessments for other improvements to State lands. All revenues generated from tax forfeited lands go to the local taxing districts.

A total of at least $1.7 million was made by the State to local governments in 1975 for these authorized payments (see Table 18). It is likely that some payments were not included in this tabulation. Specifically, special assessment data was incomplete for the University of Minnesota, and all State agencies periodically make voluntary payments for services through contractual agreements or purchase

TABLE 17
CURRENT STATE PAYMENTS TO LOCAL GOVERNMENTS IN MINNESOTA FOR PUBLIC LANDS

Name of Fund and Statute	Agency Administering Fund	Eligible Land	Basis for Payment	Allocation Formula
DIRECT LONG-RANGE PAYMENTS (SHARED REVENUES)				
(MSA 84A.51) Consolidated Conservation Areas Fund	DNR Land Bureau	Conservation Areas	50% of gross revenues, plus up to $1,000 for administrative assistance	To counties; redistribution as follows: 30% to county development fund 40% to school district capital outlay fund from which derived 20% to county revenue fund 10% to township road and bridge fund from which derived
(MSA 89.036) State Forest Fund	DNR Forestry Division	Acquired land in State forests	50% of gross revenues	To counties; redistributed as if payments were taxes on the land
(MSA 90.50) Decorative Tree Harvesting	DNR Forestry Division	DNR lands not included in above authorizations	Total amount of rental for lands leased to harvest stagnant swamp trees for Christmas trees and other decorative purposes	To counties; redistributed in proportion to mill rates
(MSA 93.283 and 93.335) Mineral Royalties on Tax-Forfeited Land	DNR Mineral Division	Tax-forfeited land managed by counties	80% of gross royalties	To counties; redistributed 3/9 to county, 2/9 to municipalities, 4/9 to school districts
(MSA 97.49 subd.3) Game and Fish Fund	DNR Land Bureau	Acquired land in game refuges and hunting grounds	35% of gross receipts (permits and leases) or 50¢/acre, whichever is greater	To counties; redistributed as if payments were taxes on the land to towns and school districts wherein land lies
(MSA 97.49 subd. 7) Wild Goose Management Areas	DNR Land Bureau	Wild Goose Management areas over 1,000 acres	Equivalent to taxes on land assessed on same basis as adjacent lands	To counties; redistributed as if payments were taxes on the land (monies under subd. 7 used as a credit against amount payable under subd. 3)
(MSA 161.23 subd. 3) Rental Fees	Department of Transportation	Excess highway property or real estate acquired for trunk highways but not presently needed	30% of lease (rental) fees paid to county	Distributed by county in same manner as real estate taxes
(MSA 272.68) Rental Fees	All State Agencies	All acquired lands leased to the previous owner or leased after effective date of legislation (except those acquired by Dept. of Transportation)	30% of rental received	To County Treasurer to be distributed in the same manner as property taxes
DIRECT SHORT-RANGE PAYMENTS (ACQUISITION)				
(MSA 848.07) Voyageurs National Park	Department of Finance	New acquisitions for Voyageurs National Park	For newly-acquired land: 80% of last tax in 1st year, 60% in 2nd year, 40% in 34d year, 20% in 4th year	To counties; redistributed to various taxing districts in same proportions as levy of taxing districts to total levy on property in last year of taxes
(Chapter 567, Section 7, 1973 Laws) Wild River State Park	Department of Finance	New acquisitions for St. Croix Wild River State Park	When privately-owned land acquired for Wild River State Park, State pays 90% of last tax payment in 1st year, 80% in 2nd, 70% in 3rd, 60% in 4th, 50% in 5th, 40% in 6th, 30% in 7th, 20% in 8th, 10% in 9th	To counties; redistributed to various taxing districts in same proportion as levy of taxing districts to total levy on property in last year of taxes
TAXATION OF STATE PROPERTY				
(MSA 106.381) Ditch Assessments	All State Agencies	All improved property	Assessments for county drainage systems ("ditch bonds")	Payment to county from county road and bridge fund for county and CSAH roads, from trunk highway fund for trunk highways, from appropriated funds for other State agencies
(MSA 272.011) Residential Real Estate Taxes	All State Agencies	Residences on State land used by State employees	Real estate taxes to counties based on assessed value of structure and small area of contiguous land	To counties; redistributed as other real estate taxes

TABLE 17 (continued)
CURRENT STATE PAYMENTS TO LOCAL GOVERNMENTS IN MINNESOTA FOR PUBLIC LANDS

Name of Fund and Statute	Agency Administering Fund	Eligible Land	Basis for Payment	Allocation Formula
TAXATION OF STATE PROPERTY (continued)				
(MSA 435.19 subd. 2) Special Assessments	All State Agencies	Improvements to any State lands	Payment at discretion of State agency	To local government making improvement
LEASEE PAYMENTS				
(MSA 272.01 subd. 2) Leases for Businesses Conducted for Profit	Counties	Property leased for certain businesses conducted for profit	Leasee may be taxed as if he were the owner	From the leasee to the State or to the political subdivisions that assess the taxes
(MSA 273.19) Leases over Three Years	Counties	Properties leased for three or more years not covered by MSA 272.01 subd. 2	Leasee may be taxed as if he were the owner	From the leasee to the taxing districts
REVENUES FROM TAX-FORFEITED LAND				
(MSA 282.02) Revenues from Tax-Forfeited Land	Counties	Tax-forfeited land managed by the counties	All revenues	To counties; redistributed as follows: - Payment for public improvements by municipalities - Special assessments - Bond issues - Remaining county may use: (a) 30% for timber development and (b) 20% for parks and recreation. Remainder of total if (a) and (b) not used: 40% to counties, 20% to municipalities, 40% to school districts

(1) Source: Barton-Aschman Associates compilation from information provided by various divisions of DNR, Department of Finance, and legislative key word search.

TABLE 18
ESTIMATED DIRECT STATE PAYMENTS TO COUNTIES FOR PUBLIC LANDS IN FISCAL YEAR 1975

	County Total	Consolidated Conservation Fund[1] (84A.51)	State Forest Fund[1] (89.036)	Game and Fish Fund[1] (97.49)	Mineral Royalties On Tax-Forfeited Lands (93.283, 93.335)	Short-term Payments[2]	Assessments[3] (106.381, 435.19)	Shared Lease Fees[3] (161.23, 272.68)	Real Estate Taxes[3] (272.011)
Aitkin	36,029	33,582	9	996	-	-	-	432	1,010
Anoka	6,939	-	-	6,939	-	-	-	-	-
Becker	17,637	-	14,026	1,681	-	-	-	-	1,930
Beltrami	37,661	33,993	1,565	392	26	-	-	216	1,469
Benton	495	-	-	495	-	-	-	-	-
Big Stone	1,430	-	-	1,430	-	-	-	-	-
Blue Earth	1,261	-	-	335	-	-	216	517	193
Brown	4,608	-	-	1,289	-	-	3,319	-	-
Carlton	15,180	-	3,602	20	-	-	-	-	11,558
Carver	132	-	-	132	-	-	-	-	-
Cass	4,651	-	4,063	588	-	-	-	-	-
Chippewa	41,324	-	-	10,278	-	-	31,046	-	-
Chisago	4,823	-	-	3,857	-	-	-	-	966
Clay	4,984	-	2	2,282	-	-	2,700	-	-
Clearwater	4,643	-	2,168	658	-	-	-	-	1,817
Cook	21	-	21	-	-	-	-	-	-
Cottonwood	3,837	-	-	3,069	-	-	-	456	312
Crow Wing	351	-	14	337	-	-	-	-	-
Dakota	26,257	-	-	784	-	-	-	-	25,473
Dodge	40	-	-	40	-	-	-	-	-
Douglas	1,891	-	-	1,891	-	-	-	-	-
Faribault	3,525	-	-	999	-	-	2,526	-	-
Fillmore	8,436	-	8,436	-	-	-	-	-	-
Freeborn	6,548	-	-	112	-	-	5,311	-	1,125
Goodhue	1,584	-	1,407	177	-	-	-	-	-
Grant	1,187	-	-	1,187	-	-	-	-	-
Hennepin	216,038	-	-	25	-	-	8,221	170,592	37,200
Houston	1,360	-	1,360	-	-	-	-	-	-
Hubbard	7,966	-	7,813	153	-	-	-	-	-
Isanti	697	-	-	697	-	-	-	-	-
Itasca	152,986	-	3,630	-	140,633	-	-	-	8,723
Jackson	3,179	-	-	2,685	-	-	423	71	-
Kanabec	2,039	-	516	1,523	-	-	-	-	-
Kandiyohi	8,362	-	-	1,332	-	-	3,404	2,900	736
Kittson	6,332	-	-	6,332	-	-	-	-	-

TABLE 18 (continued)
ESTIMATED DIRECT STATE PAYMENTS TO COUNTIES FOR PUBLIC LANDS IN FISCAL YEAR 1975

	County Total	Consolidated Conservation Fund[1] (84A.51)	State Forest Fund[1] (89.036)	Game and Fish Fund[1] (97.49)	Mineral Royalties On Tax-Forfeited Lands (93.283, 93.335)	Short-term Payments[2]	Assessments[3] (106.381, 435.19)	Shared Lease Fees[3] (161.23, 272.68)	Real Estate Taxes[3] (272.011)
Koochiching	57,024	47,326	9,698	-	-	-	-	-	-
Lac Qui Parle	3,406	-	-	3,406	-	-	-	-	-
Lake	2,256	-	97	-	756	-	-	-	1,403
Lake of the Woods	57,839	53,080	1,858	260	-	-	-	-	2,641
LeSueur	6,145	-	-	1,015	-	-	4,380	-	750
Lincoln	2,389	-	-	2,389	-	-	-	-	-
Lyon	18,808	-	-	3,843	-	-	14,602	-	363
Mahnomen	4,189	7	2,153	2,029	-	-	-	-	-
Marshall	12,744	2,664	-	10,080	-	-	-	-	-
Martin	8,391	-	-	758	-	-	7,633	-	-
McLeod	1,230	-	-	854	-	-	376	-	-
Meeker	1,033	-	-	608	-	-	425	-	-
Mille Lacs	7,158	-	882	3,855	-	-	-	-	2,421
Morrison	1,752	-	-	1,496	-	-	-	-	256
Mower	275	-	-	275	-	-	-	-	-
Murray	7,695	-	-	3,000	-	-	4,695	-	-
Nicollet	976	-	-	76	-	-	-	160	740
Nobles	667	-	-	667	-	-	-	-	-
Norman	5,244	-	-	2,470	-	-	2,774	-	-
Olmsted	1,074	-	22	964	-	-	-	88	-
Otter Tail	6,470	-	-	3,314	-	-	-	-	3,156
Pennington	874	-	-	874	-	-	-	-	-
Pine	6,966	-	5,052	21	-	-	-	-	1,893
Pipestone	639	-	-	639	-	-	-	-	-
Polk	6,346	-	-	5,256	-	-	-	239	851
Pope	2,197	-	-	1,216	-	-	-	-	981
Ramsey	11,547	-	-	-	-	-	62	4,219	7,266
Red Lake	391	-	-	391	-	-	-	-	-
Redwood	1,805	-	-	1,450	-	-	146	-	209
Renville	1,472	-	-	88	-	-	1,384	-	-
Rice	5,312	-	-	224	-	-	-	-	5,088
Rock	-	-	-	-	-	-	-	-	-
Roseau	52,163	48,011	334	3,818	-	-	-	-	-
St. Louis	708,354	-	13,802	8	653,103	1,410	34,022	1,162	4,847
Scott	415	-	-	243	-	-	-	-	172

TABLE 18 (continued)
ESTIMATED DIRECT STATE PAYMENTS TO COUNTIES FOR PUBLIC LANDS IN FISCAL YEAR 1975

	County Total	Consolidated Conservation Fund[1] (84A.51)	State Forest Fund[1] (89.036)	Game and Fish Fund[1] (97.49)	Mineral Royalties On Tax-Forfeited Lands (93.283, 93.335)	Short-term Payments[2]	Assessments[3] (106.381, 435.19)	Shared Lease Fees[3] (161.23, 272.68)	Real Estate Taxes[3] (272.011)
Sherburne	106	-	-	106	-	-	-	-	-
Sibley	3,716	-	2,226	275	-	-	420	795	-
Stearns	759	-	4	755	-	-	-	-	-
Steele	817	-	-	389	-	-	-	-	428
Stevens	2,971	-	-	1,007	-	-	129	150	1,685
Swift	2,061	-	-	2,061	-	-	-	-	-
Todd	1,896	-	-	1,896	-	-	-	-	-
Traverse	55	-	-	55	-	-	-	-	-
Wabasha	12,129	-	9,840	2,289	-	-	-	-	-
Wadena	3,398	-	3,110	288	-	-	-	-	-
Waseca	3,650	-	-	827	-	-	450	-	2,373
Washington	2,242	-	-	21	-	-	-	2,221	-
Watonwan	1,407	-	-	453	-	-	-	954	-
Wilkin	2,060	-	588	1,472	-	-	-	-	-
Winona	13,358	-	1,496	10,149	-	-	-	-	1,713
Wright	1,760	-	-	1,488	-	-	272	-	-
Yellow Medicine	1,854	-	-	1,810	-	-	44	-	-
TOTAL	1,762,568	218,664	99,764	138,643	794,519	1,410	129,072	185,163	142,270

(1) Source: Department of Natural Resources, Land Bureau and Fiscal Sections.

(2) Acquisitions for Voyageurs National Park and St. Croix Wild River State Park.

(3) Source: Department of Finance and University of Minnesota.

agreements that are not reflected in this tabulation. The majority of payments made by the State (approximately $1.2 million) are made in relationship to natural resource lands by the Department of Natural Resources. Nearly all counties in the State received payments under one or more of these statutes during fiscal year 1975 (see Table 18).

Aitkin County received a total of $36,000 in payments and Winona County received $13,000. Payments in both counties were primarily for natural resource lands. The remaining pilot counties also received payments related to natural resource lands. The only direct payments made related to the pilot institutions was a residential real estate tax payment made by the Willmar State hospital totaling $735.

Indirect State Aids. There are several State and Federal aids which are related only indirectly to public lands, but may serve to provide some compensation offsetting the service demands of public landholdings. The principal State and Federal aids which fall into this category are identified in Table 19. While the specific amount of aid associated with a particular landholding cannot be readily determined because a number of factors influence the amount of aid received by a local community, it may be generally concluded that categorical State or Federal aids which are based on an equalization or need formula indirectly reflect the exampt status of an institution and are directly increased by the population generated by the facility. The equalizer factor which appears to be most directly related to public lands for each principal aid is identified in Table 19.

The intergovernmental aids generated by State institutional populations in the pilot areas are estimated in Table 20. A similar calculation was not made for natural resource lands, but it may be assumed that they would be substantially less because employment is typically low for these lands and visitors generate these revenues only at their place of residence.

Special Fees and Special Grants. Service fees are paid by the State for local services provided to State lands in some instances. Occasionally, special grants have also been given to local communities for an improvement required by or significantly impacted by a State facility or landholding. Examples of these special aids or service fees include the following:

1. In all known cases, full fees were paid by the State for public utilities unless the State facility provided the utility itself. Examples are water, sewer, electricity and refuse collection. Institutional facilities typically pay fees at industrial user rates. Natural resource lands are typically sewed by the State agency or by private industry.

2. Several State institutions negotiate payments for police, fire, parking, road maintenance, etc. Both fees and contractual agreements vary considerably from one locality to another. In some cases, services may be exchanged or provided cooperatively. In other cases, a direct fee may be paid.

3. The State Park Road Account, established by MSA 162.06, subdivision 5, is used to reimburse counties for construction costs associated with County State-aid Highways that provide access to the headquarters or principal

TABLE 19
STATE AND FEDERAL AIDS RELATED INDIRECTLY TO PUBLIC LANDS

Source of Aid	Principal Purpose of Aid	Basic Formula	Equalizer Factor Related to Public Lands
State Aids			
School Foundation Aid	Equal quality of education for all State residents	Aid per pupil unit minus 30 mills x taxable value of district	Population and taxable value of school district
Local Aid	Revenue sharing of State general revenues	Population x mill rate x sales ratio	Population and mill rate
County Highway Aid	Construct and maintain county state-aid highway system	Equal division + CSAH mileage + vehicle registrations + needs factor	Population and needs factor
Municipal Highway Aid	Construct and maintain municipal state-aid highway system	Needs or population	Population or needs
Federal Aids			
Federal Revenue Sharing	Revenue sharing of general federal revenues	Population x tax effort x income factor	Population, tax effort, income
Title IV and Excess Property Programs	Upgrade rural fire fighting capability	State discretion	Effect on equipment needs

TABLE 20
INTERGOVERNMENTAL AID GENERATED BY STATE INSTITUTIONS IN PILOT AREAS

Pilot Institution	Local Aid ($1000s)		Highway Aid ($1000s)		Foundation School Aid ($1000s)	Federal Revenue Sharing ($1000s)		TOTAL STATE AID ($1000s)		
	Municipal	County	Municipal	County		Municipal	County	Municipal	County	School Districts
Willmar Comm. College	$ 14	$ 22	$ 8	$ 24	$ 16	$ 4	$ 15	$ 24	$ 84	$ 33
Bemidji State Univ.	221	78	114	140	93	77	58	341	888	132
St. Cloud State Univ.	575	137	175	131	144	217	123	865	554	226
Willmar State Hospital	68	49	25	52	135	14	31	100	186	263
St. Cloud Reformatory	64	31	20	32	51	24	17	96	120	79
Willmar MnDOT	4	6	2	7	22	1	4	7	23	45
Bemidji MnDOT	14	6	7	10	32	5	4	21	66	46
St. Cloud MnDOT	8	5	5	5	13	3	3	15	20	20

parking lot of a State park.

4. The Federal government has at least three programs which provide compensation for specific services. The Public Land Fund provides assistance in the construction of roads near large Federal landholdings. The Bureau of Indian Affairs also provides funding for selected road construction in areas with large amounts of Indian lands. The Federal Impact Payment Program provides compensation for the education of children of Federal employees living on Federal land.

5. In a few cases, a special grant or payment has been made by the State for specific improvements benefiting a State landholding or institution. One example of this type of special grant is assistance provided by the Department of Corrections to the City of Bayport to upgrade a sewage treatment plant, which was necessitated in part by the existence of Stillwater Prison in the City of Bayport.

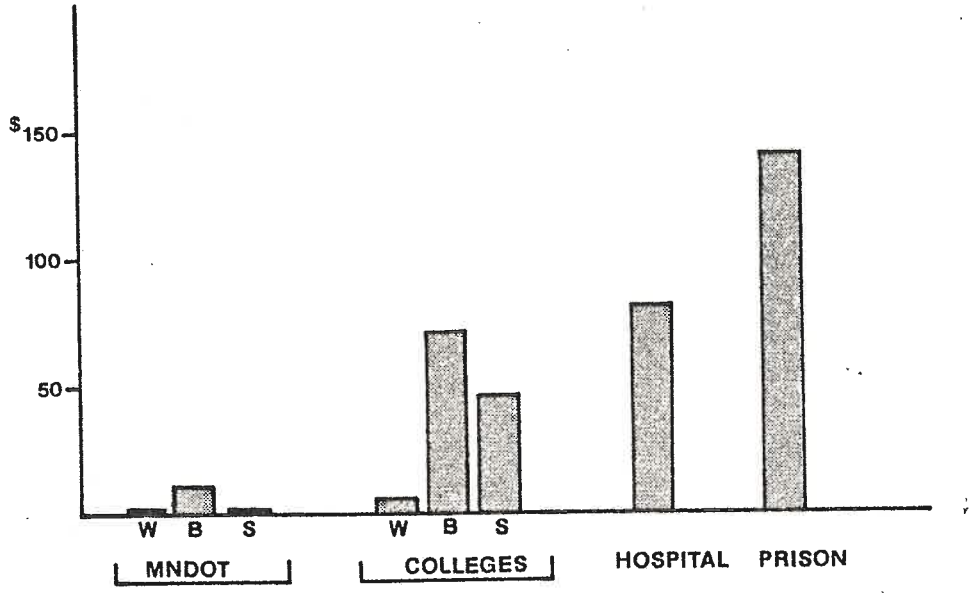
Since these fees and special grants are essentially discretionary on the part of various State agencies and vary considerably from one landholding and one community to another, no statewide tabulation of these payments was possible.

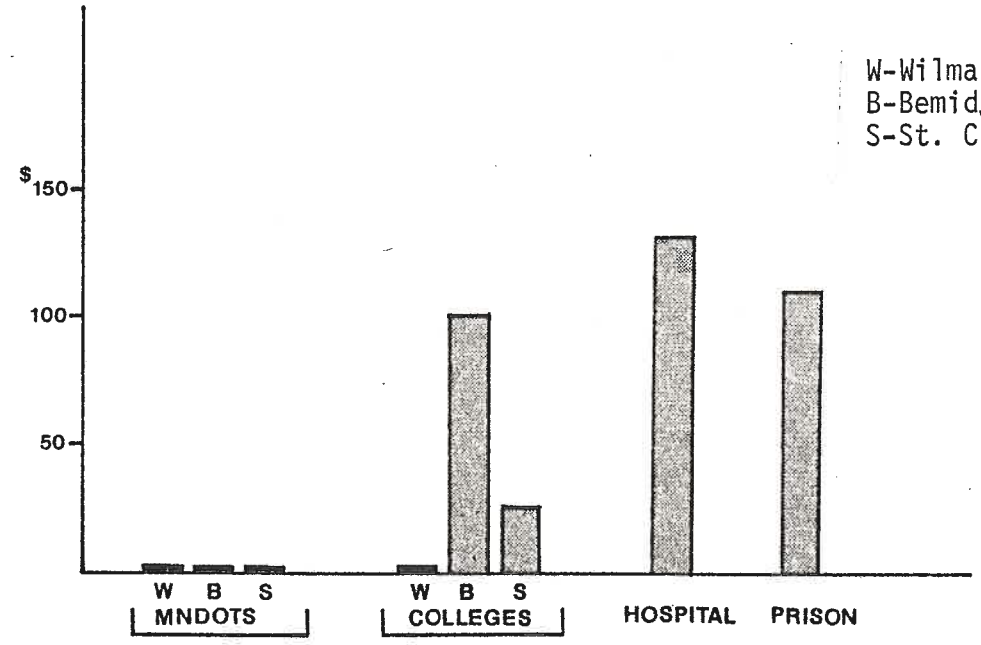
Total Revenues. Revenues generated by State landholdings were categorized as "primary" revenues generated directly by the landholding and "secondary" revenues generated indirectly by the facility's employees, service population, and visitors. The only primary revenues generated by natural resource lands in the pilot areas are those direct payments, service charges, etc., described above. Pilot institutions generated these types of payments, too, but residential institutions also generate intergovernmental aids as a direct result of individuals living at the institution. Variations in primary revenues for institutoins are shown in Figure 14. This figure clearly illustrates the effect of patients, inmates and on-campus students in generating primary revenues.

Revenues are also generated by individuals living outside the institution through: (1) intergovernmental aids, (2) residential property taxes, and (3) non-residential property taxes generated by consumer activity. Total primary and secondary revenues could not be calculated for natural resource lands due to lack of data. Total estimated revenues for the pilot institutions is shown in Tables 22, 23 and 24 for cities, counties and school districts. Total revenues generated are directly related to the size of the institution population.

Economic Benefits. It is clear that local communities generally benefit from the existence of any non-residential land development in the community because these facilities spend money, employ individuals, and attract visitors. Tis is also true of State landholdings. The basic theory underlying this conclusion is that the economy is essentially a cyclical process which recycles a single dollar many times, generating new income, new jobs, and new business volume with each cycle. While the actual economic effect of each dollar spent will vary from one community to another depending on many factors creating that particular economic environment, it may generally be said that these landholdings will improve the local economy. This effect of land development on local economy is illustrated in Figure 15.

PRIMARY REVENUES GENERATED BY PILOT INSTITUTIONS





W-Wilmar
B-Bemidji
S-St. Cloud

FIGURE 14

Minnesota Public Lands Impact Study — Phase 2

Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

TABLE 22
TOTAL REVENUES GENERATED BY STATE FACILITIES IN PILOT CITIES

Pilot Institution	Willmar ($1000s)	Bemidji ($1000s)	St. Cloud ($1000s)
Willmar Community College	$ 66	-	-
Bemidji State University	-	$789	-
St. Cloud State University	-	-	$1,907
Willmar State Hospital	157	-	-
St. Cloud Reformatory	-	-	195
Willmar MnDOT	19	-	-
Bemidji MnDOT	-	55	-
St. Cloud MnDOT	-	-	30

TABLE 23
TOTAL REVENUES GENERATED BY STATE FACILITIES IN PILOT COUNTIES

Pilot Institution	Kandiyohi ($1000s)	Beltrami ($1000s)	Stearns ($1000s)	Sherburne ($1000s)	Benton ($1000s)
Willmar Community College	$162	-	-	-	-
Bemidji State University	-	$1,211	-	-	-
St. Cloud State Univ.	-	-	$846	$61	$48
Willmar State Hospital	312	-	-	-	-
St. Cloud Reformatory	-	-	48	86	24
Willmar MnDOT	43	-	-	-	-
Bemidji MnDOT	-	93	-	-	-
St. Cloud MnDOT	-	-	12	10	5

TABLE 24
TOTAL REVENUES GENERATED BY STATE FACILITIES IN PILOT SCHOOL DISTRICTS

Pilot Institution	#345 ($1000s)	#347 ($1000s)	#31 ($1000s)	#742 ($1000s)	#47 ($1000s)
Willmar Community College	$16	$ 88	-	-	-
Bemidji State University	-	-	$454	-	-
St. Cloud State Univ.	-	-	-	$969	$45
Willmar State Hospital	69	298	-	-	-
St. Cloud Reformatory	-	-	-	136	19
Willmar MnDOT	9	57	-	-	-
Bemidji MnDOT	-	-	78	-	-
St. Cloud MnDOT	-	-	-	35	4

MULTIPLIER EFFECT OF LAND DEVELOPMENT ON LOCAL ECONOMY

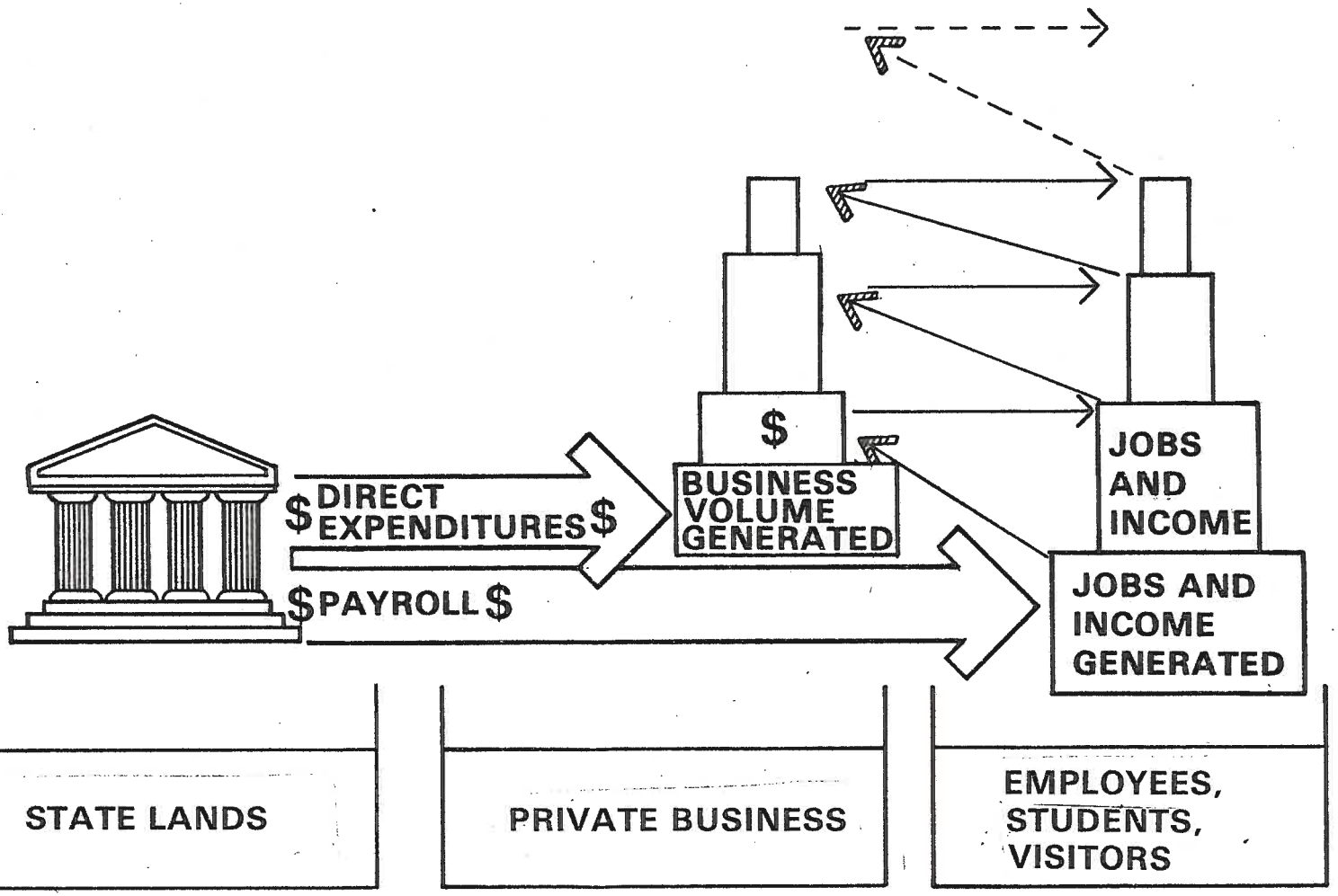


FIGURE 15

Minnesota Public Lands Impact Study — Phase 2

Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

Quantifiable economic impacts include the number of jobs generated, the personal income generated, and the local business volume generated. Since specific data was available on expenditures and people associated with the pilot institutions, these factors were quantified for institutional properties. Adequate data was not available on local expenditures or total visitor use of pilot natural resource lands. As a result, the same quantification could not occur for natural resource lands. By investigating tourist travel expenditures, however, it appears that a general relationship exists between the level of tourist travel expenditures and: (1) the location of recreation areas (especially water oriented recreation and hunting), and (2) major commercial and population centers in the State. While an exact correlation cannot be drawn between the number of acres of public land and the level of tourist travel expenditures, and while there is some indication that these expenditures may not be fully reflected in the local tax base, it is clear that public natural resource lands attract tourists from significant differences and, therefore, aid in the economic development of nearby communities. There also appears to be a direct correlation between the amount of natural resource land and local reliance on government as a source of employment. The extent to which these lands increase private industry in the areas where they are located, is the extent to which they will increase total employment in these areas.

Specific estimates of the jobs and business volume generated by each institution were made for each of the pilot areas (see Table 25). While there does not appear to be a major variation in total business volume generated in relationship to the functional uses of various State institutions, the factors which most significantly influence total business volume do vary. Direct expenditures by the State institution appear to be the key factor for the pilot MnDOT facilities and the Willmar State Hospital. Employee and student expenditures appear to be the key factors influencing the business volume for the pilot colleges and the St. Cloud Reformatory. However, the institutional function clearly affects the direct employment of the institution. Hospitals appear to employ the most people in relationship to their service populations with an employee to service population ratio of approximately one to one. Colleges typically employ the least people in relation to their service population, with an employee ratio of one employee to ten students. However, colleges generate the most secondary employment due to their large student populations.

The types of employees at State institutions may also influence the general income level of the local community. State institutions in the pilot areas appear to employ a higher percentage of professionals, technicians and clerical workers than other employers in the three pilot cities. It also appears that the prison has the highest net payroll for the employees among the pilot institutions.

Community Services. The community services provided by State landholdings to the local community are also important forms of compensation offsetting the service demands of State facilities. The principal services provided by natural resource properties appear to be the provision of recreational facilities, the preservation of amenities and natural resources, the improvement of land management in the area (for example, through erosion control), and technical assistance related to forestry management and other natural resource functions.

TABLE 25
ESTIMATED ECONOMIC IMPACTS OF STATE INSTITUTIONS IN PILOT CITIES

Pilot Institution	Total Estimated Jobs Generated[1]	Total Estimated Business Volume Generated (millions)[2]
Willmar Community College	150-220	$2.0-3.4
Bemidji State University	940-1,200	12.2-19.0
St. Cloud State University	2,100-3,120	28.2-49.9
Willmar State Hospital	760-800	3.7-4.4
St. Cloud Reformatory	480-510	3.0-3.6
Willmar MnDOT	140-150	0.5-0.7
Bemidji MnDOT	230-250	1.4-1.7
St. Cloud MnDOT	130-140	0.7-0.9

(1) Includes employent at the institution.

(2) Includes direct expenditures by the institution.

Based on data collected in the pilot areas, prisons, Hospitals and MnDOT facilities apparently do not provide very many community services other than maintenance contract agreements and some facility and land leasing. State educational facilities, however, provide a wide range of community services, as shown in Table 26. These services are related primarily to the educational function of the institutions.

The convenience and availability of these facilities and services is a clear benefit to local residents. However, given available data, it is impossible to measure the exact dollar value which can be attributed to these benefits.

Other Impacts. The general effects of a State landholding on the community's image, its quality of life, and its overall economy cannot always be readily quantified. However, it appears that natural resource lands and educational facilities are typically perceived as improving both the image and the quality of life in nearby communities. Hospitals and prisons appear to have a perceived negative impact on both community image and quality of life. MnDOT administrative facilities appear to be perceived as having a neutral impact.

It has also been suggested that some public properties may increase the value of adjoining properties, at least in urban areas. This appears to be especially the case with park lands and some other types of developed natural resource lands. In Minneapolis, for example, the Elwell Law (MSA 430.02) has been used to assess contiguous property owners for the cost of park improvements. This law clearly lends support to the arguments that local property owners accrue some benefits from these lands. On the other hand, the same property owners may argue that they must deal with increased noise, loitering, vandalism, traffic and trespassing caused by the users of park lands.

While these intangible impacts cannot be quantified in terms of their dollar value, they do have some impact both negative and positive on the general balance between the costs and benefits associated with public landholdings.

Relative Impacts on Local Communities. The relative impacts of service demands and compensating factors may be viewed in at least two ways: (1) from a cost-revenue point of view which takes into consideration only the governmetnal service costs and governmental revenues associated with the respective lands, or (2) taking into consideration the other compensating factors described above related to impacts on the local economy, the general availability of State services in the community, and other intangible impacts on the local area. General "balance sheets" of service demands and offsetting compensations are provided in Tables 27 and 28, for natural resource lands and institutional landholdings, respectively.

It appears that the relative significance of various impacts and the relative importance of service costs as they relate to compensating factors are influenced by a number of items. Specifically, these include the following: (1) the function of the institution, (2) the population size of the institution (both the service population and employees of the institution, (3) the size of the community and the size of the community's budget (both expenditures and revenues), (4) the quality of local services and the level of local services provided, (5) the general location of the

TABLE 26
COMMUNITY SERVICES PROVIDED BY STATE FACILITIES IN PILOT AREAS[1]

Service	Institution				Service Fees
	School	Hospital	Prison	MnDOT	
Land Leases	X	-	X	-	Yes
Space Leases	X	-	X	-	Yes
Tours	-	-	X	-	No
Lectures	X	-	-	-	No
Art gallery, Art Exhibits	X	-	-	-	No
Museum	X	-	-	-	No
Planetarium	X	-	-	-	No
Bookstore	X	-	-	-	Yes
Public Radio	X	-	-	-	No
Libraries	X	-	-	-	No
Theatre, Concerts, etc.	X	-	-	-	Yes
Computer Time Sharing	X	-	-	-	Yes
Athletic Events	X	-	-	-	Yes
Meeting Rooms	X	-	-	-	Sometimes
Road Maintenance	-	-	-	X	Yes
Church Programs	X	-	-	-	No
Use of Athletic Facilities	X	-	-	-	Sometimes
Special Educational and Cultural Programs	X	-	-	-	No
Catering Service	X	-	-	-	Yes
Voting Polls	X	-	-	-	No
Adult Education	X	-	-	-	Yes
Seminars, Conferences	X	-	-	-	Yes
Equipment Rental	X	-	-	-	Sometimes

[1] As reported by pilot institution officials.

TABLE 27
SERVICE DEMANDS AND OFFSETTING COMPENSATION RELATED TO STATE NATURAL RESOURCE LANDS

Service Demand	Direct/Indirect Offsetting Compensation
Road construction and maintenance	- Internal roads provided directly by State agencies. - Limited special aid available for CSAH roads near State parks. - Aid formulae based on needs assessment.
Law enforcement	- Some direct service contracts. - Conservation Officer's services may reduce Sheriff's duties.
Fire protection	- Direct reimbursement through fire protection services and service contracts.
Solid waste disposal	- State and federal agencies provide own services or pay service charges.
Utilities	- Service charges and special assessments. - State and federal agencies sometimes provide own services.
Education	- More foundation State aid to areas with low taxable land values. - Residences on State land subject to property tax.
Land management	- State and federal agencies provide own services. - Technical assistance provided to local governments and private landowners. - All land proceeds from tax-forfeited land go to local governments.
Secondary general services related to increased non-resident population	- Increased private property values as a result of tourist economy and preserved amenity. - Increased government employment opportunity. - Increased general employment opportunity. - Increased local revenues from tourism industry. - Increased recreational opportunities.

TABLE 28
SERVICE DEMANDS AND OFFSETTING COMPENSATION RELATED TO STATE INSTITUTIONAL PROPERTIES

Service Demand	Direct/Indirect Offsetting Compensation
Police	Some negotiated service contracts or fees; UM campuses provide partial campus police services.
Fire	Some negotiated service contracts or fees.
Roads	Internal roads provided by State agencies, some special assessments, State aid based on need.
Transit	UM provides some internal transit.
Parking	State agencies typically provide adequate supply.
Utilities (sewer, water, refuse disposal)	Provided by State agency of paid for at standard non-residential user rates; some special assessments.
Health, education, welfare, parks and recreation	State and federal aid revenues are increased by added popuation and equalizer clauses.
Secondary general services related to increased population	Community services provided by institutions; increased business volume in local economy; increased jobs; increased property taxes through increased population and increased business volume; increased aids due to increased population; possible improved image, property values, etc.; sometimes special grants and aids provided.

community in the State, and (6) the exempt status of State land.

From strictly a cost-revenue point of view, it can be effectively argued that a person associated with a tax-exempt State facility generates essentially the same service demands as an individual associated with any portion of the private industry. However, the employee of the State institution (or any other person associated with that facility) cannot generate the same degree of revenues as an individual associated with private industry. This concept is illustrated in Figure 16. The employee or other individual associated with the State facility can generate service demands and revenues both as a resident of the community and as a consumer; however, that individual cannot generate tax dollars as a result of the place where he works or is primarily occupied. This principle affects primarily the generation of non-residential property taxes in the local community. It is partially offset by increases in intergovernmental aids and property taxes attributable to institution population.

The percent differences between costs and revenues associated with each pilot institutoin are shown in Figure 17. Deficits of up to 25% of costs occur for all institutoins except the St. Cloud Reformatory in the cities. the REformatory showed a surplus as well in both the county and the school districts. All facilities except the Willmar State Hospital showed a surplus in the school districts. It should be noted that local budgets varied from one community to another in both expenditures and revenues. These variations will also be reflected in the costs and revenues generated by State faacilities.

The significance of the costs and revenues associated with the State facilities will be directly related to the size of the city in which it is located and the size of the city's budget. On the basis of percent of local expenditures represented by institutional cost revenue differences, the net cost or net surplus associated with each institution is relatively insignificant. The net deficits in the pilot cities represent less than 4 percent of the city's expenditures (see Figure 18). Only the colleges had a net deficit of over 1 percent of city budgets. The net deficits or surpluses in the counties were all less than 1 percent. The net deficits or surpluses in school districts were less than 1 percent except for the colleges which had surpluses of between 1 and 3 percent of school district budgets. This is due primarily to the additional property taxes generated by the student population which, while generating property taxes, does not generate many pupil units in the local public schools.

The relative significance of the economic impacts of institutions in the local communities is also clearly related to the size of the community. Combined State institution employment generated between 10 and 15 percent of the pilot city labor force in the four communities (see Figure 19). Combined secondary employement generated accounted for between 22 adn 35 percent of the local labor force. Primary institutional expenditures do not account for a significant percentage of local business volume in the three pilot areas. Secondary business volume, however, is significant for both State universities (8 percent in St. Cloud and 20 percent in Bemidji). The significance of institutional business volume is illustrated in Figure 20. As indicated above, the relative significance of all impacts, whether negative or positive, appears to be directly related to the size of the institution and

TYPICAL INDIVIDUALS ACTIVITIES, SERVICE DEMANDS, & REVENUES

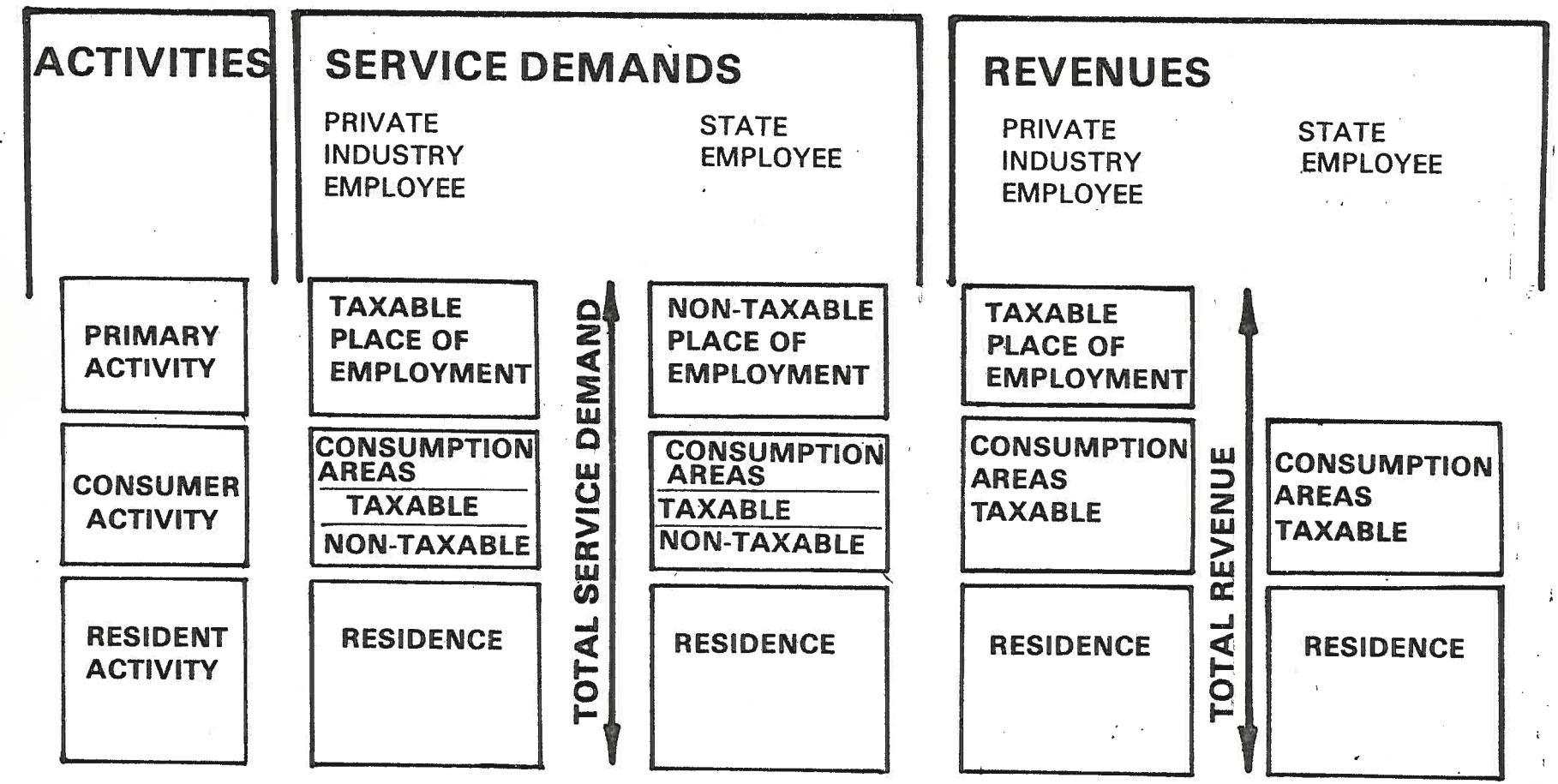
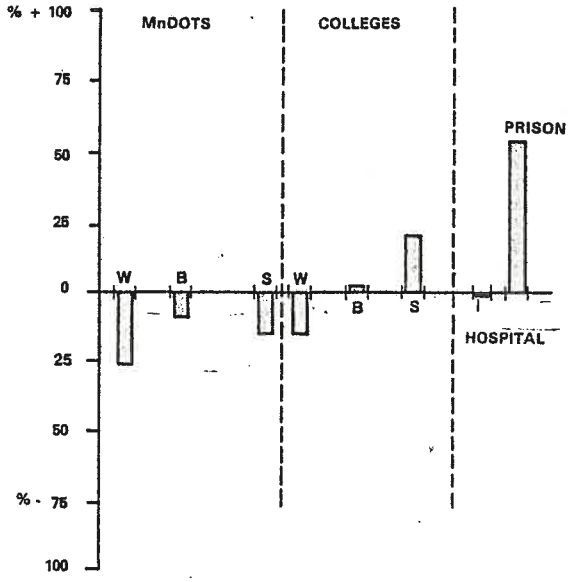


FIGURE 16
Minnesota Public Lands Impact Study — Phase 2

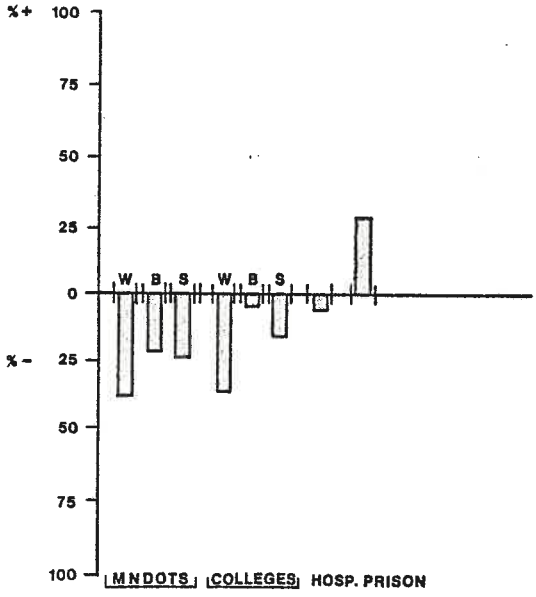
Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

NET DIFFERENCES BETWEEN INSTITUTION REVENUES AND COSTS

COUNTIES



CITIES



SCHOOL DISTRICTS

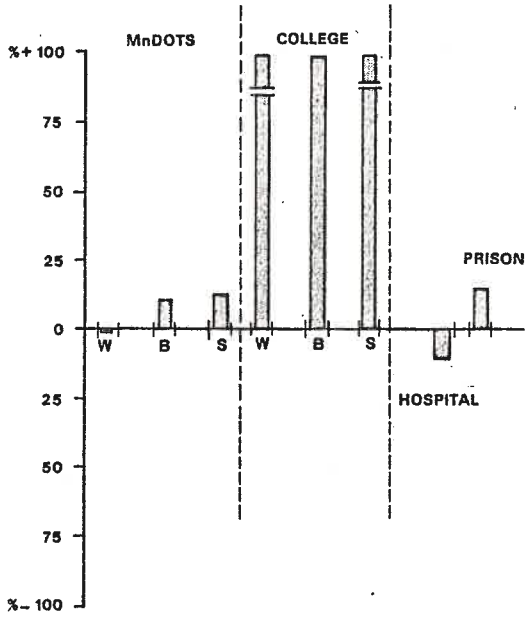


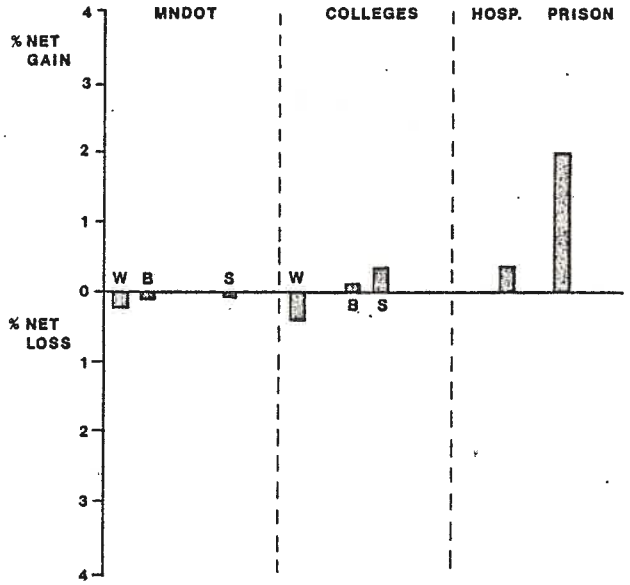
FIGURE 17

Minnesota Public Lands Impact Study — Phase 2

Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

PERCENT OF LOCAL BUDGETS REPRESENTED BY INSTITUTION REVENUE — COST DIFFERENCE

COUNTIES



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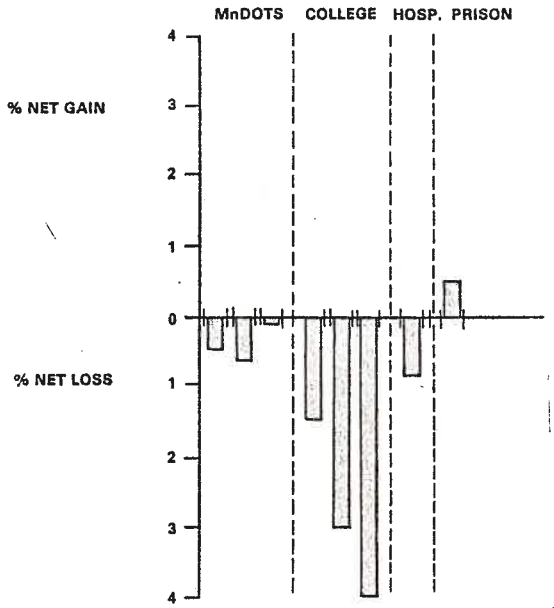

SCHOOL DISTRICTS

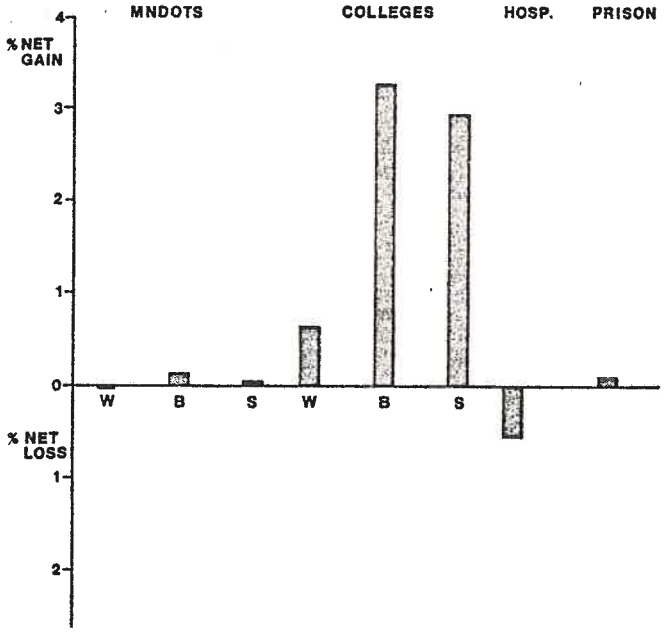

FIGURE 18

Minnesota Public Lands Impact Study — Phase 2

Legislative Commission on Minnesota Resources
in cooperation with the
Tax Study Commission and Barton-Aschman Associates, Inc.

PERCENT OF CITY JOBS GENERATED BYSTATE INSTITUTIONS

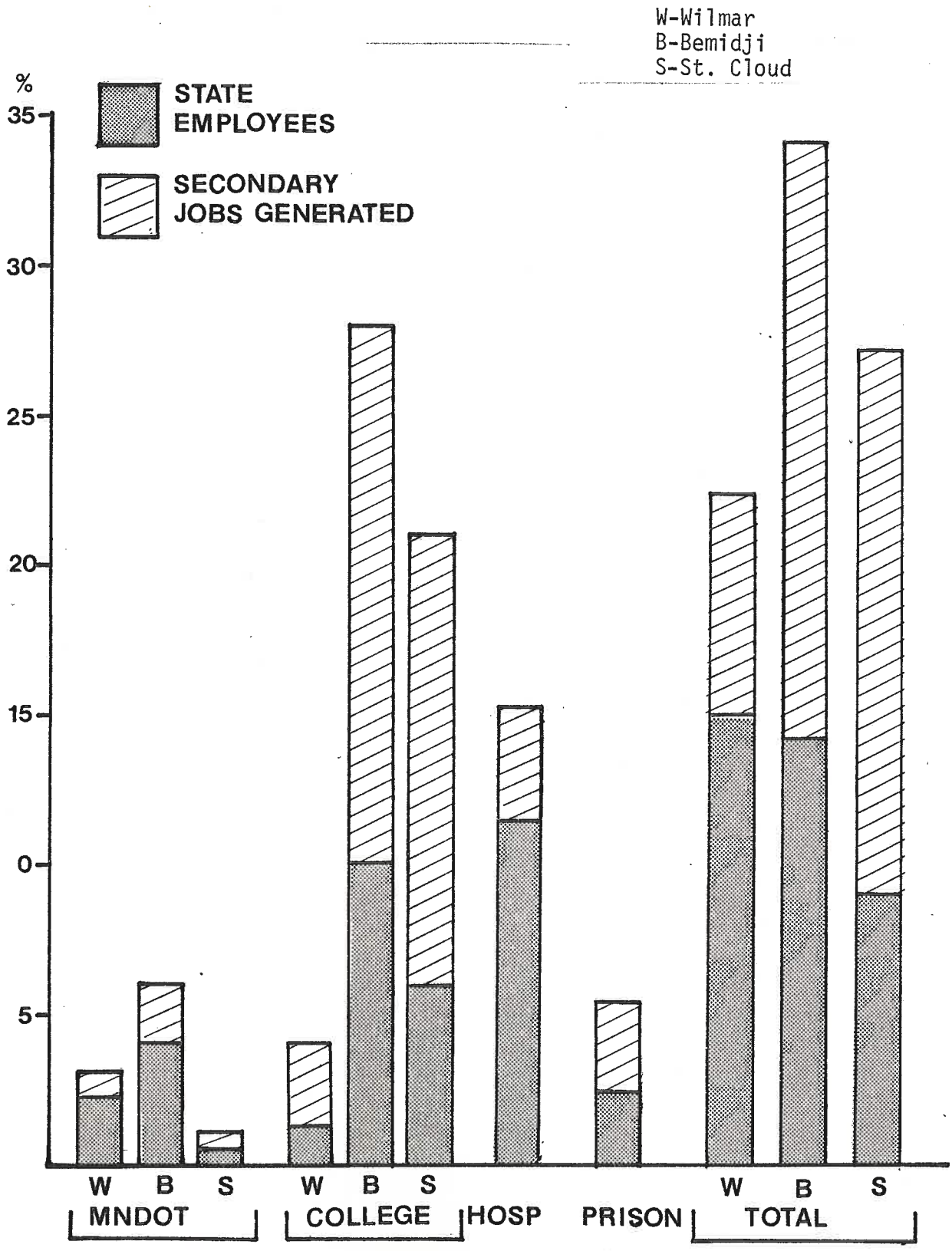

FIGURE 19

PERCENT OF CITY BUSINESS VOLUME GENERATED BY STATE INSTITUTIONS

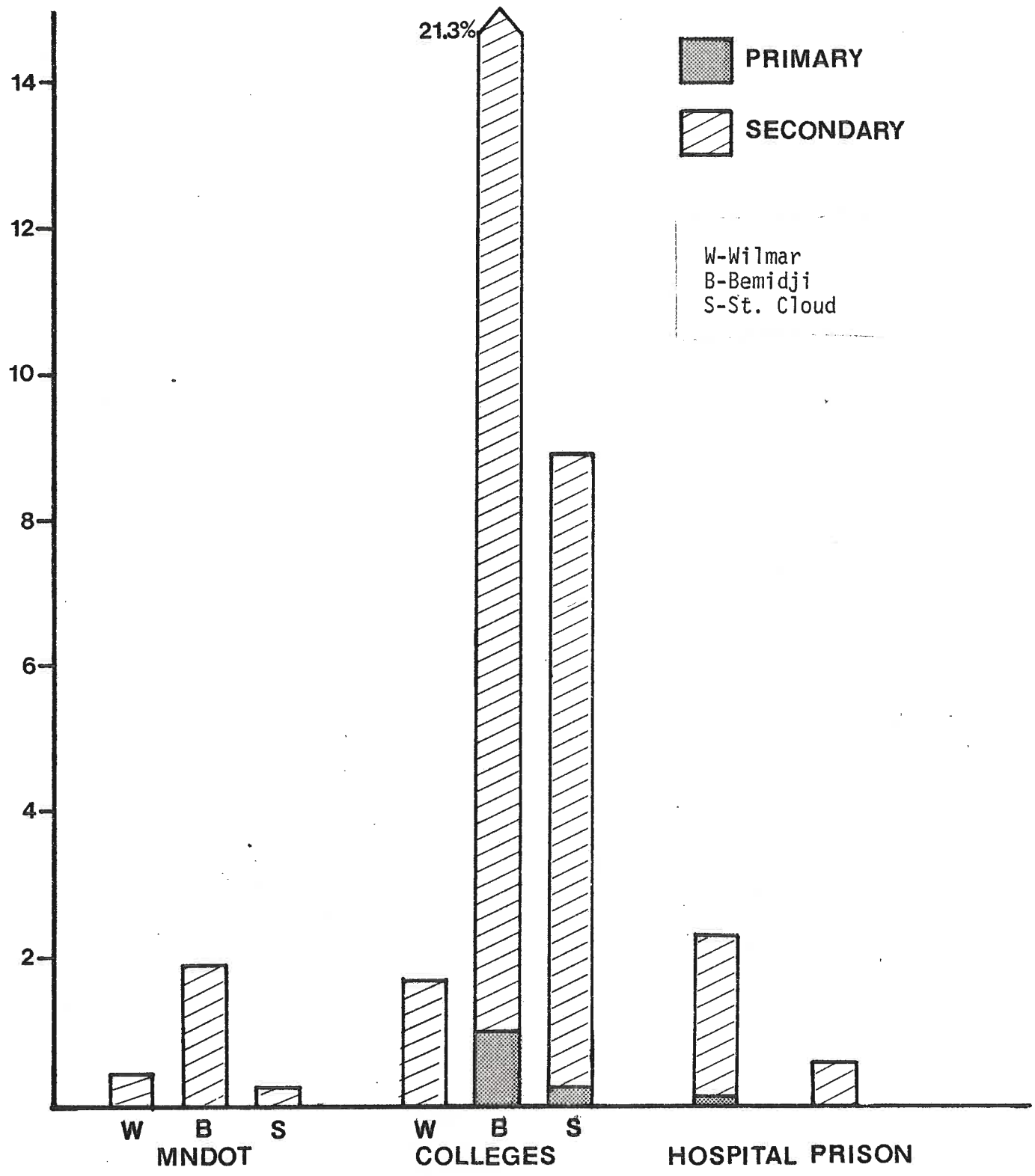

FIGURE 20

the size of the host community. To a lesser degree, the institutional function and the local economic base are also influential.

Variations Between Natural Resource and Institutional Lands. The impacts of natural resource lands could not be quantified as completely as those for institutional lands due to a lack of necessary data, particularly for visitors, and a lack of service demand factors. However, without carrying out a detailed analysis for natural resource lands, some hypotheses can be made about the variations which would be likely to occur if the methodology were applied natural resource lands. Some hypotheses which appear reasonable, given currently available data, include the following:

1. On an annual daily user basis, a visitor is likely to spend more dollars than a resident of a community. As such, it may be assumed that a natural resource land visitor population would generate a greater business volume in the local community than the same number of individuals residing in the community.

2. The level of service provided in rural areas is typically significantly lower than the level of service provided in urban areas. Therefore, it could be assumed that the level of service and the cost of service to natural resource lands would be significantly lower than the cost of services to an institutional facility located within an urban area.

3. Since visitors do not reside in the community, they are not counted as part of the population of the community. Therefore, visitors do not generate per capita State and Federal aids as do residents of the community. Likewise, the only property taxes which are generated by visitors are those that are generated indirectly through the increased business volume created by the visitor. It may be assumed, therefore, that a visitor will generate significantly fewer governmental revenues to the local community than a person residing in the community.

4. It can be assumed that the community would have to be capable of providing services for its peak population even though that capacity is used only during a small portion of the year. It may be assumed, therefore, that the incremental effects on service demands for visitors would tend to be higher than the incremental effects of service demands for an institutional person.

5. While a visitor is likely to generate a much larger business volume than a resident of a community, it is likely that there will be a larger net deficit between service costs and governmental revenues generated by visitors than a resident. This is due primarily to the need to provide services at a peak population significantly higher than the year-round residential population of a community in comparison to serving a population which does not generate the same intergovernmental revenues and property taxes as residents of a community.

6. Finally, the size of natural resource land holdings is usually much larger than the size of an institutional land holding. It is possible, therefore, that these lands will have a greater impact on the overall taxable value and the necessary

mill rates of a local community. The size of these land holdings is somewhat offset by the value of the institutional properties owned by the State.

CHAPTER 4
CONCLUSIONS AND RECOMMENDATIONS

Compensation for State land impacts must be viewed in its broadest context which ranges from direct compensation (such as cash payments) to indirect compensation (such as provision of services to the community). The data compiled and the evaluation performed during this study provide a valuable basis by which to guide development of public policy. However, these data cannot automatically provide a direct answer. They must be tempered by overriding political and philosophical considerations which include such important factors as the views of local officials, taxpayers, and voters of the State; and the values of individual legislators. It must be recognized that differing value systems will weight the various impacts evaluated in a different manner. As a result, it is important to examine some of the pros and cons associated with the State providing compensation, in whatever form, to local units of government as a result of State property holdings.

KEY DISCUSSION POINTS

Some Arguments Against Compensation. The following points are often made in opposition to the concept of State compensation for the impacts of public lands.

1. State lands provide for a higher Statewide public purpose which does not show up directly in any evaluation of service cost.

2. State functions are essentially non-profit in nature. Compensation might reduce or effect the level of service which can be provided by the State.

3. One unit of government taxing another deviates from constitutional principles.

4. State uses and facilities provide local economic stimulii.

5. In many cases, State facilities provide intangible benefits to localities including a stronger image and an improved quality of life.

6. State facilities in many cases provide convenience and availability of extra services to the localities in which such facilities are located. In the case of natural resource lands, the uses of these lands are immediately available to local residents. In the case of institutional uses such as community colleges, a large number of services are provided conveniently for residents of the jurisdiction.

7. Public lands, particularly natural resource lands, may contribute to enhancing private property values.

Some Arguments in Support of Compensation. The following points are frequently used to support State compensation for public lands.

1. The State is already providing compensation through payments, services, and aid formulae.

2. Local units of government perceive that State lands require services which result in costs and at the same time do not directly provide property tax revenues.

3. Property taxes are calculated on the basis of value not on the basis of economic impact.

4. The State must be considered in most cases as an absentee owner.

5. The Statewide purposes served by State lands in many cases make it difficult for local units of government to directly see the benefits which accrue and readily embrace the public purpose intended.

6. State lands are not distributed evenly through the State.

7. The State, as a broader taxing authority, facilitates generation of revenue which could support and strengthen equity.

CONCLUSION

Without question there are a number of persuasive considerations supporting both the discontinuation of compensation and the expansion of compensation. However, the research conducted during the Public Lands Impact Study has identified a number of overriding factors which deserve special consideration. It is the study's conclusion, therefore, that the State Legislature should, at a minimum, affirm the existing State policy to provide compensation (whether directly in the form of cash or indirectly in the form services) to local units of government as long as the property tax continues to be a local source of revenue. Additionally, a number of other recommendations are made later in this chapter addressing problems associated with the existing system of compensation for State lands and related issues of public land impacts. The principal reasons for this conclusion and subsequent recommendations include at least the following factors:

1. Local officials, taxpayers, and voters regard the State as a big land owner, those lands and facilities require local services at some cost to localities, and the State pays no property taxes in support of these services.

2. The distribution of State properties and facilities is not uniform; therefore, inequities do occur in providing for State public purposes. Some lands, like natural resource lands, cannot be relocated or distributed more uniformly around the State.

3. The service population areas of State lands and facilities are much broader than the local taxing jurisdiction.

4. State and federal governments have clearly taken a step to make payments or provide aids which reduce the burden of tax-exempt properties on local taxpayers.

5. While the State provides many forms of compensation for public land impacts though direct payments, indirect aids, and economic benefits; local officials and taxpayers are typically unaware of most of these efforts. Voters are clearly unaware of the State's existing policy of compehsation.

6. The existing compensation system has developed over a long period of time in response to specific needs. As a result, there are inconsistencies and inequities inherent in the existing system.

PRINCIPLES FOR PROVIDING COMPENSATION

There are a number of ways of providing compensation which are described in the following section of this chapter. More importantly, there are several principles or criteria for providing compensation or selecting payment alternatives which should be considered. This section summaries the most important evaluation criteria.

1. Reinforce desirability/accessibility of State functions. The State as a sovereign unit of government can unilaterally carry out its functions and purposes. At the same time, it must be an accepted participant in any community. Compensation should reinforce the State's role as an active and positive participant in local communities and regions.

2. Visibility. The present system of direct and indirect compensation is a patchwork system which results in little recognition of the State's role in compensating for services received or in providing aids or services to the communities or counties. Any compensation system should be highly visible to clearly identify the State's role in compensating for public lands.

3. Relationship to local needs. Any compensation system should respond to the variants in the significance of the impact of public land on local taxing jurisdictions.

4. Relationship to service demands. Certain properties and facilities generate more service demands than others. Given accurate and reliable data, any compensation system should respond to the variants of the State lands and facilities in demanding locally provided services.

5. Ease of administration. A State system of compensation could be designed to reflect all the nuances and differences occurring as a result of a wide variety of local considerations, property records, and categories of State lands. Such a system, however, would require an extensive record keeping and evaluation system which could result in extraordinary administrative costs. A simple system not only minimizes the amount of data required, and consequently the

areas of debate, but also recognizes the individual variances in the data and attempts to provide the most clear and easily decipherable system to affected parties.

6. Availability of data. Again, the number of factors at work in any community could result in a detailed economic evaluation which might not significantly affect the effectiveness and precision of the output. Data required should be that which is readily available or can easily be made available, is reliable, is timely, is simple in content, is related to the basis for compensation, and is under the direct control of State, enhancing its reliability and veracity.

7. The degree of equity. Any State compensation system should balance the inequity of the distribution of State lands and facilities.

8. Adaptability. Compensation ideally should have the ability to adapt to changing conditions and to respond to the particular impacts resulting from new acquisitions or changes in State land ownership policies. Providing compensation under a number of different purpose aid formulae reduces the ability to adapt to changing requirements.

9. Predictability. Any compensation schedule should be reasonably well stated to permit State and local decision makers to develop adequate budgets and service contracts to support such activities.

10. Costs. This principle recognizes the necessity to be able to generate the revenues directly or indirectly by which to provide compensation. The amount of compensation, in whatever form, should also relate again to the needs and costs associated with the particular properties.

COMPENSATION OPTIONS

Compensation can be direct (for example, cash payments) or indirect (for example, services to localities). The options discussed below are not necessarily discrete in nature. In many cases, they apply differently to different classes of land and to different taxing jurisdictions.

1. No nothing. Although a possible course of action, this option would ignore the basic efforts of the research completed by the LCMR and TSC.

2. Eliminate direct compensation. Existing direct compensation is largely in the form of cash payments based on shared revenues. Payments on the basis of shared revenues bear little or no relationship to service needs or revenue impacts. Furthermore, since the State does not have a positive program of generating revenues, the amount generated is highly discretionary and fluctuates significantly. The existing compensation pattern is also diffused and not extremely visible to localities. The adoption of this policy would result in excess of $1 million savings to the State.

3. Affirm existing direct and indirect payments. The existing payments and aid formulae do, in fact, produce some relief for local taxing jurisdictions. This

research has identified the amount and extent of the present compensation and, given the balancing effects of public purpose with the needs of the locality, the existing system could be viewed as in harmony with State policy. Affirmation of the existing system of compensation would desirably involve administrative adjustments and publicity to provide a higher visibility and recognition of the existing system of compensation. This option would recognize the need for an established legislative policy with respect to State public lands.

4. Eliminate the local property tax. Much of the issue of the impact of public lands on local jurisdictions is caused by the fact that these lands do not pay property taxes in support of local services. Although property taxes are declining as a percentage of total revenues for municipalities, they still constitute an important revenue source which is visible and touches virtually all local taxpayers, further adding to the irritant of State tax-exempt lands.

5. Make direct cash compensation to localities based on the value of State property. The necessary data for this approach is not available comprehensively for all State properties. Value could be established as that prior to acquisition or complete appraisals could be conducted to establish current value for all State lands. Tax ratios could be established which reflect different State land uses or a fixed tax ratio could be used for all State lands.

6. Direct cash compensation based on a flat rate per unit such as per acre, per square foot or per State employee. The per unit method of payment would be consistent with recently adopted Federal legislation. Such a system would be relatively easy to administer since it would be based on readily available data. If not varied by land classification, it may not reflect significance of the ownership in the various taxing jurisdictions.

7. Direct cash compensation based on service charges for services rendered on an as-used basis. This system would provide a great deal of fluctuation and uncertainty for both State and local budget makers. It would tie compensation directly to services received. Present local accounting systems do not permit easy implementation of this option.

8. Have the State provide directly for all of its own services. This approach would eliminate the need for local services and would, therefore, reduce the burden on local units of government. However, many services, particularly those that are indirect such as education, are difficult to allocate. Further, the potential for inefficiencies exist where duplicatory standby services are required which could best be consolidated among local jurisdictions.

9. Provide direct cash compensation on a retainer contract basis for services. This approach would require the local government to establish the basis for determining the costs of services provided to the State. Such an accounting would then be subject to negotiation to establish a contractual arrangement between the State and the local unit. The contractual arrangement would provide for certainty in budget planning for both the State and local unit.

Budgets would reflect local costs of service, and this system would place the initiative with local taxing jurisdictions.

10. Provide direct or indirect compensation on the basis of a cost-revenue formula. This option would bear direct relationship to the total cost/revenue impacts of State properties. Present data and accounting systems do not permit ease of implementation of this option. It would also be subject to extensive negotiation on the content of models which would be employed in the calculation of aids.

11. Dispose of all but essential State properties. A large part of the concern over State public lands is generated by the fact that they do not produce property tax revenue. A cohesive State policy for land acquisition and disposition which wouldconsolidate State landholdings (forests, for example), and eliminate scattered holdings would be evidence that the remaining State properties were being held fully and positively for a public purpose.

12. Modify existing aid formulae to directly reflect tax-exemption. Three major existing aid formulae for schools, highways, and general aid reflect, to some extent, the impacts of tax-exempt properties. However, these aid formulae were developed primarily to establish equity in the quality transportation, education, and local government services. These formulae might be modified to explicitly include the impact of tax-exempt properties as a factor in determining aids.

13. Increase and publicize community services. A number of State properties and facilities provide convenient services or opportunities to resident populations. In the case of natural resource lands, outdoor recreational opportunities are enhanced and immediately available. In the case of institutions of higher education, a number of services are provided to the community. Expansion and publicity of these services would serve in part as compensation for State owned properties.

14. Establish service charge for all services provided to local units of government. Assuming that direct cash compensation would continue to be provided to local units of government, this option would generate additional revenues by applying services charges to those users of State services.

RECOMMENDATIONS

The recommendations to the Legislature contained in this report are founded on the evaluation of the impacts of State and federal lands on local units of government and an assessment of the options available to mitigate those impacts. The recommendations are based on the conclusions previously reported and represent an amalgamation of the most appropriate options previously described. They attempt to specifically reflect the service demands of State lands and their uneven distribution in the State as well as their overall economic impacts.

1. The Legislature should establish policies for financial participation by the State in capital improvements which benefit State properties. The policy

should embrace the following elements:

a. A policy implementing permissive legislation to participate in the financing by special assessment of all capital improvements which directly benefit State properties. While legislation exists to permit discretionary special assessments, the payment practice among State institutions and properties varies widely. Participating financially in all capital improvements, to the extent that those improvements benefit State properties, would help gain acceptance of the State's role in the community.

b. A State policy to participate financially in special assessments for capital improvements of areawide, direct benefit. Benefits and costs would be determined on a case by case basis. This relates to special assessments for improvements which benefit a broader area such as a sewage treatment facility or a storm sewer, but which are directly affected by the State facility.

c. A policy to participate in public capital improvements which are supported by revenues from general levies against local property such as park improvements or school construction. Participation should be limited to some fixed rate or ratio.

d. An arbitration/mediation procedure to provide a visible mechanism for determining benefit as may be defined by the locality or the State.

2. The State Legislature should require all State agencies who are owners or managers of property to prepare a comprehensive acquisition/disposition/leasing policy including implementation mechansims which support the public purposes to be achieved. Present practices and policies vary widely. Limited incentives exist for consolidating properties, disposing of properties, or leasing of properties. Accounting practices should support acquisition, disposition, and leasing policies. Such policies should consider the following elements:

a. Disposal of all non-essential State properties.

b. Consolidation of landholdings in accordance with acquisition/management plans to eliminate the current patchwork of ownership.

c. Leasing of all facilities which can be provided privately except those which provide a unique service such as a hospital or maintenance facility; require unique design such as the State Capitol; have unique security requirements; require unique identification; or cannot be provided by the private sector.

4. The State Legislature should continue the practice of providing emergency aid in services, training, equipment, and payments when needed. This policy should reinforce the State's public purpose and should be geared toward those events which are major in effect and must be acted upon to protect the public interest. A major example is forest fire assistance.

4. The State should provide its own services directly where those service requirements are above and beyond normal local service requirements.

5. The State Legislature should adopt a comprehensive system of direct cash payments on a per acre basis for natural resource lands to replace the existing patchwork system of payments. This approach is recommended over the existing system because it (a) is highly visible, (b) is easy to administer, (c) permits localities to better manage budgets, and (d) encompasses all landholdings, not just those that product revenues. The uneven distribution of natural resource properties within the State supports payments which provide equity for the areas with significant acreage and activities occurring within their jurisdictions. While it would be desirable to relate payments to activity level (since this is the primary determinant of service demand) rather than acreage, this may not be possible because of the vast and dispersed holdings in the natural resource lands category, and because definitive data on activity is not readily available. Therefore, it is recommended that a foundation aid be established on the basis of a flat per acre amount. This flat per acre rate should be increased for:

   a. A usage and service demand differential for those properties which are known to attract a significant number of users. This multiplier should be developed from consistent and reliable data. One source is State park user days. Another source would be to provide a check-off on hunting and fishing licenses which indicates the county where the principal activity is to occur. These user indicators could then be calibrated through a periodic sample of actual activity occurrences with the amount of compensation increasing as activity levels increase.

   b. A significance differential related to the percentage of the jurisdiction's land which is in State ownership. This should not be keyed toward total public ownership since the State should not be involved in subsidizing decisions of other units of government in the establishment of tax-exempt properties.

   c. A cost of service differential related to variations in local costs to provide services. These increased payment factors should be used to apportion a set legislative appropriation to avoid local manipulation of the factors to increase payment. This total appropriation might be based on total revenues generated by all State natural resource lands.

6. The State Legislature should make direct cash payments for tax-forfeited lands in relationship to the management of these lands. Payments should be made for those properties which are to be dedicated for perpetual public use. Payments should also be provided where the county is undertaking a bonafide effort to dispose of existing tax-forfeited properties. State agencies should be required to increase payments where they are withholding tax-forfeit property from sale but are not actively pursuing State acquisition of clear title. The county should be assessed a payment penalty when its land records do not conform to those agreed to between the State and the county.

7. The State Legislature should establish a compensation system for all non-natural resource except highway lands based on direct cash payments to counties and municipalities. School districts are omitted because they receive a surplus in cost/revenue analysis, provide secondary services, and are generally residentially oriented, receiving revenues from service population residences. The basis for calculating payments should relate directly to activity level. The payment formula should be geared toward allocating a set appropriation and be based on institutional population which includes direct employment and service population (inmates, patients, students). Paymentsshould be adjusted for the following:

   a. Primary services factor. Generally the base formula should reflect the impact on the community in terms of the primary service demands of the institution itself.

   b. Significance factor. A community modifier should be established to increase payments based on significance. This modifier would be based on the percentage of total institutional population as a percentage of the population of the taxing district.

   c. Cost of services factor.

8. The State Legislature should make direct, highly visible, publicized, and predictable payments to the affected local taxing jurisdictions. In this manner, the State's participation as a contributing member to the taxing jurisdiction can be fortified. Special checks, letters of transmittal, press releases and other related information should be developed to reinforce the State's participation. A single payment should be made to each impacted taxing district. The State might also consider personal delivery of payments along with appropriate news releases to reinforce the State's role in contributing to local revenues.

9. The State Legislature should establish a policy which provides for short term payments for all new State acquisitions of private property to reduce the initial impact of removing these lands from local tax rolls. These payments should be for a defined period with higher payments initially declining and phasing out over a specified period of time. Such payments should be based on the taxes paid in the year prior to acquisition.

10. The State should continue to pay real estate taxes for residentially used properties.

11. The State Legislature should establish a hold harmless clause. This provision should determine a base year and fix the amount received that year as a minimum amount that the local government will initially receive if the formula produces a lesser amount than currently being received. The new payments would be gradually implemented based on the new system and schedule. The impact of this shift should not be substantial since current payments widely vary from year to year and jurisdiction to jurisdiction.

12. The State Legislature should establish a maximum per service budget dollar payment limit to avoid windfall proceeds beyond needs.

13. The State Legislature should eliminate the distinction between land acquired by purchase and other "non-acquired" property.

14. The State Legislature should discontinue payments based on the practice of shared revenues. Payments should be based on an assured formula basis. This new system would provide some incentive for the State to dispose of unnecessary land. Likewise, the accounting system should be revised to support acquisition/disposition/leasing policies.

15. The State Legislature should not use property value as a determination for payments. Property values and related payments have a limited relationship to need, limited data presently exists, appraisal practices are highly variable by jurisdiction and are not readily subject to State control and audit, a tremendous initial cost would be required for the State to appraise all properties, and any payment based on value does not bring into balance cost and revenue considerations.

16. The State Legislature should consider the development of a statement to local taxing jurisdictions summarizing, where aid formulae permit, the indirect aid received as a result of State tax-exempt properties.

17. The State Legislature should require the governor to establish a consolidated State property land use management policy and a means for arbitrating interagency disputes.

18. The State Legislature should require the Department of Administration to establish a common format for all property records relating to geographical coding and key identifying data to be used by all State agencies and county assessors to facilitate record compatibility and enable the centralization of certain records. The purpose of this recommendation is not to establish a State centralized property record keeping system. Each individual agency and property manager will continue to have special requirements and data needs. However, the current fragmented record keeping system prohibits a consolidated statewide evaluation of properties. Procedural requirements should also include update procedures and requirements.

19. The State Legislature should initiate actions to simplify the classifications of natural resource lands, including sponsoring constitutional amendments as necessary.

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