

**PILT Report, Commissioner’s Advisory Group  
Synopsis of analysis and recommendations thus far  
Draft, 5/21/2012**

**The purpose of the payment system and the criteria for payments**

Analysis/Recommendations thus far	Level of agreement
<b>For acquired natural resources land, PILT compensates for the loss of tax base and, <i>in some cases</i>, for the local expenses of managing land</b>	Moderate to high
PILT thereby reduces local resistance to natural resources land acquisition	Related to above
In a small number of counties with high proportions of public land, PILT pays for the county to have a land manager	Related to above
PILT was intended to address the disproportionate impact of public land ownership on some counties – mostly in Northern Minnesota	Historical research and recollection (see newspaper articles)
PILT compensates local government for restrictions placed on land use (e.g. ATV use)	Low – differing perspectives
Benefits to counties of public land ownership offset some of the burdens	Low – differing perspectives

## The rate of payments for specific classes of natural resource lands

Analysis/Recommendations thus far	Level of agreement
<b>We do not need this many rates</b>	High
The rates were not rationally or analytically set – they are an artifact of history and political lobbying – the “¾ of 1%” was based on the Federal rate	High?
Tying compensation to land value comes the closest to matching PILT’s purpose (hence the “in lieu of taxes” in the name)	Moderate
However, the ad valorem basis has created windfalls in metro and suburban areas with relatively small proportions of public land – contrary to the original legislative intent	Related to the above, but lower level of agreement
However, the ad valorem basis has created unpredictable increases in costs and pressure on the state general fund every five years (when re-evaluations happen)	High – and backed up by data (graphs)
Increases in valuations are unlikely for the next round, given the current real estate market	Low
The ad valorem basis creates a disincentive for the DNR to purchase land in the metro area and an incentive to purchase land in greater Minnesota	Low – not certain that PILT is a major factor in these decisions
If ad valorem continues as the basis for compensation, the state should have the right to contest assessed values	Untested – stated at one meeting but discussion moved to another topic
Land values change based on the use and management of the land	Factual?
If you don’t adjust the percentage (from ¾ of 1%), it would be extremely expensive to switch all land to ad valorem based compensation. Much of the increase would be due to shoreline values.	1994 analysis
A flat rate (or a menu of flat rates) would reduce unpredictability and prevent unintended windfalls in high-value areas, but would also be a departure from the original <i>in lieu of taxation</i> purpose	Not sure
Any flat rate (or menu of flat rates) should be adjusted for inflation	High?
<b>Whether ad valorem or flat</b> , rates set for specific classes of lands should take into account the following considerations: (1) The reason the state acquired the land (2) The discretion that the county has to sell the land (3) Where the revenue generated from the lands goes (to the county, to the state) – and the net to all tax districts (4) The character of the land (wetland, etc.) a. Note that the public value of the land may differ from the private (market) value	High – “a good start”

## The adequacy of current funding for payments and the impact of additional land acquisition on the funding

Analysis/Recommendations thus far	Level of agreement
The group does not want to comment on overall “adequacy.” There is no extra GF money to put towards PILT, so we see it as a distribution matter.	Moderate – need to check-in
Increased land acquisition is not the primary driver of PILT payment increases – increased land valuation is the primary driver	Conclusion from data – do we need to agree on this?
The <i>perception</i> appears to be that payment increases are driven by land acquisition – whether DNR or LSOHC	High
Recent decisions in various jurisdictions to bar acquisition or to establish “no net gain” are not a signal that PILT is inadequate – they tend to increase when PILT is threatened with reduction or elimination, and also can be in response to other dynamics (such as economic development needs, disagreement with land management)	High

## Alternative methods of reimbursing local units of governments for state natural resource lands

Not yet discussed

## The formula for distribution of the payments to local units of government

Analysis/Recommendations thus far	Level of agreement
The formula should not include school districts in the distribution (except for the Vermillion/Soudan distribution)	Not sure – need to test

### Other:

- Consider PILT for easements if Blandin succeeds in reducing their valuation. (Case not likely to be decided this calendar year)
- LUP lands are Federal Lands and should be subject to Federal PILT rather than state PILT