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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **586**

01/26/2017 Authored by Drazkowski and Metsa  
The bill was read for the first time and referred to the Committee on Environment and Natural Resources Policy and Finance  
02/13/2017 Adoption of Report: Amended and re-referred to the Committee on Legacy Funding Finance

1.1 A bill for an act  
1.2 relating to state lands; establishing funds to make annual payments for certain  
1.3 state-purchased land using dedicated revenues; modifying payment in lieu of taxes  
1.4 requirements; appropriating money; amending Minnesota Statutes 2016, sections  
1.5 97A.056, subdivision 1a, by adding subdivisions; 116P.02, subdivision 1, by adding  
1.6 subdivisions; 477A.10; 477A.11, by adding subdivisions; proposing coding for  
1.7 new law in Minnesota Statutes, chapters 11A; 116P; 477A.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. **11A.237** ACCOUNT FOR COUNTY JOINT TRUST FUND PAYMENTS.

1.10 Subdivision 1. Establishment. The State Board of Investment, when requested by a  
1.11 county as required under sections 97A.056, subdivision 1b, and 116P.045, subdivision 2,  
1.12 shall invest the funds deposited by the commissioner of revenue, acting as an agent on the  
1.13 board's behalf, under section 97A.056, subdivision 1b, or 116P.045, subdivision 2, in a  
1.14 special account for that purpose in the combined investment funds established in section  
1.15 11A.14, subject to the policy and procedures of the State Board of Investment. Use of the  
1.16 funds is restricted to payments to the commissioner of revenue, acting as an agent on behalf  
1.17 of the counties, for distributions to counties under sections 97A.056, subdivision 1b, and  
1.18 116P.045, subdivision 2.

1.19 Subd. 2. Account maintenance and investment. The commissioner of revenue may  
1.20 deposit money into the account on behalf of the counties and may withdraw money from  
1.21 the account to make distributions to the counties under sections 97A.056, subdivision 1b,  
1.22 and 116P.045, subdivision 2, only. The commissioner of revenue shall make one payment  
1.23 under each section each year for all counties eligible for a payment in that year. The  
1.24 commissioner shall make one withdrawal annually at a time negotiated with the executive  
1.25 director of the State Board of Investment, but no later than November 15, to cover

2.1 distributions to counties under section 477A.30, up to the limit allowed under that section.  
2.2 The transactions must be in the manner required by the executive director of the State Board  
2.3 of Investment. Investment earnings must be credited to the account.

2.4 **EFFECTIVE DATE.** This section is effective January 1, 2018.

2.5 Sec. 2. Minnesota Statutes 2016, section 97A.056, subdivision 1a, is amended to read:

2.6 Subd. 1a. **Definitions.** ~~For the purpose of~~ (a) The definitions in this subdivision apply  
2.7 to this section and appropriations from the outdoor heritage fund;

2.8 (b) "Land acquisition costs" means acquisition coordination costs, costs of engineering  
2.9 services, appraisal fees, attorney fees, taxes, assessments required at the time of purchase,  
2.10 onetime trust fund payments under subdivision 1b, and recording fees.

2.11 (c) "Land-related property taxes" means property taxes collected on behalf of local  
2.12 governments providing land-related services.

2.13 (d) "Local governments providing land-related services" means counties, townships,  
2.14 home rule charter and statutory cities, watershed districts under chapter 103D, sanitary  
2.15 districts under sections 442A.01 to 442A.29, and regional sanitary sewer districts under  
2.16 sections 115.61 to 115.67.

2.17 (e) "Recipient" means the entity responsible for deliverables financed by the outdoor  
2.18 heritage fund.

2.19 (f) "Total payment for the land" means the total price paid for the land including land  
2.20 acquisition costs, but excluding any in-kind services provided by nongovernmental entities  
2.21 at no cost to the state.

2.22 **EFFECTIVE DATE.** This section is effective July 1, 2017.

2.23 Sec. 3. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to  
2.24 read:

2.25 Subd. 1b. **Outdoor heritage trust fund payment account; trust fund payments.** (a)  
2.26 An outdoor heritage trust fund account is created in the special revenue fund. The State  
2.27 Board of Investment must ensure the account is invested under section 11A.24. The  
2.28 commissioner of management and budget must credit to the account all money appropriated  
2.29 to the account and all money earned by the account. The principal of the account and any  
2.30 unexpended earnings must be invested and reinvested by the State Board of Investment.

3.1 Nothing in this section limits the source of contributions to the account. Money in the  
3.2 account must be used only for the purposes of this subdivision.

3.3 (b) State land acquired in fee simple in whole or in part with money appropriated from  
3.4 the outdoor heritage fund is eligible for a onetime trust fund payment as provided under  
3.5 this subdivision. The percentage of the total acres acquired in any purchase that is eligible  
3.6 for a trust fund payment under this subdivision is equal to the percentage of the total payment  
3.7 for the land funded from outdoor heritage fund revenues. If the percentage of the total  
3.8 payment for the land from the outdoor heritage fund is ten percent or less, the parcel is  
3.9 ineligible for a payment under this subdivision; if the percentage is 90 percent or more, the  
3.10 entire parcel is eligible for the payment under this subdivision. The commissioner of natural  
3.11 resources must certify to the commissioner of revenue and the county in which land eligible  
3.12 for a payment under this section is purchased the total number of acres purchased, the total  
3.13 payment for the land, and the amount of outdoor heritage fund revenues used for the purchase.  
3.14 The trust fund payment is equal to 30 times the land-related property taxes assessed on the  
3.15 eligible portion of the land in the year prior to the year in which the land is acquired. If the  
3.16 land was acquired from a private party that was exempt from paying property taxes, the  
3.17 payments must be based on 30 times the property taxes assessed on comparable land in the  
3.18 year prior to the year in which the land is acquired. By September 1 each year, the county  
3.19 in which the land is acquired must provide the commissioner of revenue with information  
3.20 necessary in a form determined by the commissioner of revenue to make this determination  
3.21 for all lands acquired for the 12-month period ending on June 30 of that year. The  
3.22 commissioner of revenue must make a trust fund payment on behalf of each county on the  
3.23 same date as the first payment under section 273.1384, subdivision 4, each year for all land  
3.24 acquired in that county in the 12-month period ending on June 30 of that year to the State  
3.25 Board of Investment as required under this paragraph. The money so deposited is money  
3.26 paid to the counties and may only be withdrawn for the purposes allowed under section  
3.27 477A.30. The commissioner of revenue must inform each county by October 15 each year  
3.28 of the amount deposited on the county's behalf with the State Board of Investment under  
3.29 this subdivision.

3.30 (c) The amount necessary to make the payments required under this subdivision is  
3.31 annually appropriated from the outdoor heritage trust fund payment account to the  
3.32 commissioner of revenue.

3.33 (d) To receive a trust fund payment under this subdivision, a county board must enter  
3.34 into an agreement with the State Board of Investment to allow the commissioner of revenue

4.1 to make deposits and withdrawals on behalf of the county into and out of the county joint  
4.2 trust fund account under section 11A.237.

4.3 (e) The portion of land receiving a trust fund payment under this subdivision is not  
4.4 eligible for payments under sections 477A.11 to 477A.14, but is eligible for distribution of  
4.5 withdrawals from the county joint trust fund account under section 477A.30.

4.6 (f) If the land for which a payment under this subdivision is made is subsequently sold  
4.7 to another entity and is no longer available for the use for which it was purchased, the  
4.8 original amount of the payment for that land under paragraph (b) must be withdrawn by the  
4.9 commissioner of revenue from the account established under section 11A.237 and returned  
4.10 to the outdoor heritage fund. If only a portion of the land is sold and no longer available for  
4.11 the use for which it was purchased, the amount of the original trust fund payment returned  
4.12 is reduced proportionately based on the portion of the original purchase that is sold. The  
4.13 holder of the land must inform the commissioner of revenue and the county in which the  
4.14 land is sold of the sale and provide them with any information necessary to calculate the  
4.15 required withdrawal from the account. The withdrawal is made along with withdrawals  
4.16 under section 477A.30 in the calendar year after the year in which the land is sold.

4.17 **EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to land acquired  
4.18 with money appropriated on or after that date.

4.19 Sec. 4. Minnesota Statutes 2016, section 97A.056, is amended by adding a subdivision to  
4.20 read:

4.21 Subd. 15a. **State acquisition of land; restrictions.** The state may not use money from  
4.22 the outdoor heritage fund to acquire in fee simple in whole or in part any land subject to  
4.23 property taxes or any land owned by a nonprofit organization that was subject to property  
4.24 taxes before the land's acquisition by the nonprofit organization if (1) subdivision 1b is void,  
4.25 or (2) sufficient funds to cover the onetime trust fund payment required under subdivision  
4.26 1b have not been appropriated or are not available.

4.27 **EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to land acquired  
4.28 with money appropriated on or after that date.

4.29 Sec. 5. Minnesota Statutes 2016, section 116P.02, subdivision 1, is amended to read:

4.30 Subdivision 1. **Applicability.** The definitions in this section apply to this chapter, except  
4.31 that the definition in subdivision 6 does not apply to section 116P.045.

4.32 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.1 Sec. 6. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to  
5.2 read:

5.3 Subd. 4a. **Land acquisition costs.** "Land acquisition costs" means acquisition  
5.4 coordination costs, costs of engineering services, appraisal fees, attorney fees, taxes,  
5.5 assessments required at the time of purchase, payments under section 116P.045, and recording  
5.6 fees.

5.7 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.8 Sec. 7. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to  
5.9 read:

5.10 Subd. 4b. **Land-related property taxes.** "Land-related property taxes" means property  
5.11 taxes collected on behalf of local governments providing land-related services.

5.12 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.13 Sec. 8. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to  
5.14 read:

5.15 Subd. 4c. **Local governments providing land-related services.** "Local governments  
5.16 providing land-related services" means counties, townships, home rule charter and statutory  
5.17 cities, watershed districts under chapter 103D, sanitary districts under sections 442A.01 to  
5.18 442A.29, and regional sanitary sewer districts under sections 115.61 to 115.67.

5.19 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.20 Sec. 9. Minnesota Statutes 2016, section 116P.02, is amended by adding a subdivision to  
5.21 read:

5.22 Subd. 4d. **Total payment for the land.** "Total payment for the land" means the total  
5.23 price paid for the land including land acquisition costs, but excluding any in-kind services  
5.24 provided by nongovernmental entities at no cost to the state.

5.25 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.26 Sec. 10. **[116P.045] ENVIRONMENT AND NATURAL RESOURCES TRUST FUND**  
5.27 **PAYMENT ACCOUNT.**

5.28 Subdivision 1. **Account created.** An environment and natural resources trust fund  
5.29 payment account is created in the special revenue fund. The State Board of Investment must  
5.30 ensure the account is invested under section 11A.24. The commissioner of management

6.1 and budget must credit to the account all money appropriated to the account and all money  
6.2 earned by the account. The principal of the account and any unexpended earnings must be  
6.3 invested and reinvested by the State Board of Investment. Nothing in this section limits the  
6.4 source of contributions to the account. Money in the account must be used only for the  
6.5 purposes of this section.

6.6 Subd. 2. **Trust fund payment; appropriation.** (a) State land acquired in fee simple in  
6.7 whole or in part with money appropriated from the environment and natural resources trust  
6.8 fund is eligible for a onetime trust fund payment as provided under this subdivision. The  
6.9 percentage of the total acres acquired in any purchase that is eligible for a trust fund payment  
6.10 under this section is equal to the percentage of the total payment for the land funded from  
6.11 environment and natural resources trust fund revenues. If the percentage of the total payment  
6.12 for the land from the environment and natural resources trust fund is ten percent or less, the  
6.13 parcel is ineligible for a payment under this section; if the percentage is 90 percent or more,  
6.14 the entire parcel is eligible for the payment under this section. The commissioner of natural  
6.15 resources must certify to the commissioner of revenue and the county in which land eligible  
6.16 for a payment under this section is purchased the total number of acres purchased, the total  
6.17 payment for the land, and the amount of environmental and natural resources trust fund  
6.18 revenues used for the purchase. The trust fund payment is equal to 30 times the land-related  
6.19 property taxes assessed on the eligible portion of the land in the year prior to the year in  
6.20 which the land is acquired. If the land was acquired from a private party that was exempt  
6.21 from paying property taxes, the payments must be based on 30 times the property taxes  
6.22 assessed on comparable land in the year prior to the year in which the land is acquired. By  
6.23 September 1 each year, the county in which the land is acquired must provide the  
6.24 commissioner of revenue with information necessary in a form determined by the  
6.25 commissioner of revenue to make this determination for all lands acquired for the 12-month  
6.26 period ending on June 30 of that year. The commissioner of revenue must make a trust fund  
6.27 payment on behalf of each county on the same date as the first payment under section  
6.28 273.1384, subdivision 4, each year for all land acquired in that county in the 12-month  
6.29 period ending on June 30 of that year to the State Board of Investment as required under  
6.30 this section. The money so deposited is money paid to the counties and may only be  
6.31 withdrawn for the purposes allowed under section 477A.30. The commissioner of revenue  
6.32 must inform each county by October 15 each year of the amount deposited on the county's  
6.33 behalf with the State Board of Investment under this subdivision.

7.1 (b) The amount necessary to make the payments required under this subdivision is  
7.2 annually appropriated from the environment and natural resources trust fund payment  
7.3 account to the commissioner of revenue.

7.4 (c) If the land for which a payment under this subdivision is made is subsequently sold  
7.5 to another entity and is no longer available for the use for which it was purchased, the  
7.6 original amount of the payment for that land under paragraph (a) must be withdrawn by the  
7.7 commissioner of revenue from the account established under section 11A.237 and returned  
7.8 to the environment and natural resources trust fund. If only a portion of the land is sold and  
7.9 no longer available for the use for which it was purchased, the amount of the original trust  
7.10 fund payment returned is reduced proportionately based on the portion of the original  
7.11 purchase that is sold. The holder of the land must inform the commissioner of revenue and  
7.12 the county in which the land is sold of the sale and provide them with any information  
7.13 necessary to calculate the required withdrawal from the account. The withdrawal is made  
7.14 along with withdrawals under section 477A.30 in the calendar year after the year in which  
7.15 the land is sold.

7.16 Subd. 3. **County requirements.** To receive a trust fund payment under this section, a  
7.17 county board must enter into an agreement with the State Board of Investment to allow the  
7.18 commissioner of revenue to make deposits and withdrawals on behalf of the county into  
7.19 and out of the county joint trust fund account under section 11A.237.

7.20 Subd. 4. **Ineligible for other payments.** Land receiving a trust fund payment under this  
7.21 section is not eligible for payments under sections 477A.11 to 477A.14, but is eligible for  
7.22 distribution of withdrawals from the county joint trust fund account under section 477A.30.

7.23 Subd. 5. **State acquisition of land; restrictions.** The state may not use money from the  
7.24 environment and natural resources trust fund to acquire in fee simple in whole or in part  
7.25 any land subject to property taxes or any land owned by a nonprofit organization that was  
7.26 subject to property taxes before the land's acquisition by the nonprofit organization if (1)  
7.27 subdivision 2 is void, or (2) sufficient funds to cover the onetime trust fund payment required  
7.28 under subdivision 2 have not been appropriated or are not available.

7.29 **EFFECTIVE DATE.** This section is effective July 1, 2017, and applies to land acquired  
7.30 with money appropriated on or after that date.

7.31 Sec. 11. Minnesota Statutes 2016, section 477A.10, is amended to read:

7.32 **477A.10 NATURAL RESOURCES LAND PAYMENTS IN LIEU; PURPOSE.**

7.33 The purposes of sections 477A.11 to 477A.14 are:

8.1 (1) to compensate local units of government for the loss of tax base from state ownership  
8.2 of land, except land acquired on or after July 1, 2017, receiving trust fund payments from  
8.3 the outdoor heritage trust fund payment account or the environment and natural resources  
8.4 trust fund payment account, and the need to provide services for state land;

8.5 (2) to address the disproportionate impact of state land ownership on local units of  
8.6 government with a large proportion of state land; and

8.7 (3) to address the need to manage state lands held in trust for the local taxing districts.

8.8 **EFFECTIVE DATE.** This section is effective the day following final enactment.

8.9 Sec. 12. Minnesota Statutes 2016, section 477A.11, is amended by adding a subdivision  
8.10 to read:

8.11 **Subd. 9. Environment and natural resources trust fund lands.** Notwithstanding any  
8.12 other provision of law to the contrary, parcels or portions of parcels of land purchased on  
8.13 or after July 1, 2017, and eligible for a trust fund payment under section 116P.045 are not  
8.14 included in the definitions of the lands described in subdivisions 3 to 7 and are excluded  
8.15 from payments under sections 477A.11 to 477A.14.

8.16 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2018.

8.17 Sec. 13. Minnesota Statutes 2016, section 477A.11, is amended by adding a subdivision  
8.18 to read:

8.19 **Subd. 10. Outdoor heritage lands.** Notwithstanding any other provision of law to the  
8.20 contrary, parcels or portions of parcels of land purchased on or after July 1, 2017, and  
8.21 eligible for a trust fund payment under section 97A.056, subdivision 1b, are not included  
8.22 in the definitions of the lands described in subdivisions 3 to 7 and are excluded from  
8.23 payments under sections 477A.11 to 477A.14.

8.24 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2018.

8.25 Sec. 14. **[477A.30] ANNUAL COUNTY JOINT TRUST FUND WITHDRAWALS**  
8.26 **AND DISTRIBUTION FOR ENVIRONMENT AND NATURAL RESOURCES**  
8.27 **TRUST FUND LANDS AND OUTDOOR HERITAGE LANDS.**

8.28 **Subdivision 1. Commissioner of revenue; withdrawals and payments.** No later than  
8.29 November 15 each year, the commissioner of revenue shall make a withdrawal on behalf  
8.30 of all eligible counties from the county joint trust fund account established under section  
8.31 11A.237 equal to the lesser of (1) the total amount of necessary withdrawals certified by



9.1 the counties under subdivision 2 for the year, or (2) 5-1/2 percent of the amount in that  
9.2 account as of September 1 of that year as determined by the executive director of the State  
9.3 Board of Investment. The commissioner shall distribute the certified withdrawal amounts  
9.4 to each county by November 31. If the amount of the withdrawal is less than the total  
9.5 certified withdrawal amounts under subdivision 2, the commissioner shall reduce the  
9.6 distribution to each county proportionately.

9.7 Subd. 2. **Certification of needed withdrawal; distribution of funds.** (a) Beginning in  
9.8 calendar year 2018, by September 1 each year, a county for whom a trust fund payment has  
9.9 been made on its behalf under section 97A.056, subdivision 1b, or 116P.045, subdivision  
9.10 2, shall calculate and certify to the commissioner of revenue the amount of trust fund  
9.11 withdrawals needed under this section. The amount of the withdrawal for each parcel of  
9.12 land for which a county received a trust fund payment under either provision is as follows:

9.13 (1) for the year in which a trust fund payment is made to a county for a parcel of land,  
9.14 the withdrawal for that parcel is equal to:

9.15 (i) the remaining taxes owed to the local governments providing land-related services  
9.16 for taxes spread that year for a parcel acquired between January 1 and June 30; or

9.17 (ii) the amount of taxes paid to the local governments providing land-related services  
9.18 on the parcel in the previous year if the parcel was acquired before January 1 of the current  
9.19 year. The county must distribute the amount by December 15 to all local governments  
9.20 providing land-related services based on the location of the parcel and the local governments'  
9.21 share of the total tax; and

9.22 (2) for all subsequent years, the withdrawal for a parcel is equal to the taxes that would  
9.23 be owed based on the appraised value of the land and the taxes assessed by local governments  
9.24 providing land-related services on comparable, privately owned adjacent land. For purposes  
9.25 of this subdivision, "appraised value" is determined in the manner described in section  
9.26 477A.12, subdivision 3. The county treasurer must allocate the withdrawn funds among the  
9.27 local governments providing land-related services on the same basis as if the funds were  
9.28 taxes on the land received in that year. The county treasurer must pay the allocation to all  
9.29 eligible local governments by December 15 of the year in which the withdrawal is made.  
9.30 The county's share of the payment must be deposited in the county general fund.

9.31 (b) If the distribution to a county under subdivision 1 is less than its total withdrawal  
9.32 amounts certified under this subdivision, all distributions under paragraph (a) are reduced  
9.33 proportionately.

10.1 (c) The local governments receiving a payment under this section must use the money  
10.2 to fund land-related services. For purposes of this paragraph, "land-related services" means  
10.3 services used to restore, enhance, and protect the land and its fish and wildlife habitat and  
10.4 provide any other public services benefiting the land and users of the land, including access  
10.5 and services to the public accessing and using the land and direct and indirect capital and  
10.6 operating costs for (1) roads, bridges, and trails; (2) public safety and emergency response  
10.7 services; (3) environmental, recreational, and resource development and management; and  
10.8 (4) similar costs.

10.9 (d) For purposes of this subdivision, "local governments providing land-related services"  
10.10 has the meaning given in section 116P.02, subdivision 4c.

10.11 **EFFECTIVE DATE.** This section is effective January 1, 2018, and applies to land  
10.12 acquired with money appropriated on or after July 1, 2017.