LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 6504
BILL NUMBER: SB 237

DATE PREPARED: Dec 13, 1999
BILL AMENDED:

SUBJECT: Payment in lieu of property taxes.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of Natural Resources (DNR) to make a semiannual payment in lieu of property taxes (PILOT) for land owned or leased by the DNR, except for land used as a state park. The legislative body of a county and the board of directors of a conservancy district are allowed to collect a PILOT. For purposes of calculating a PILOT, the land is considered to have an assessed value of $165 per acre. This bill makes an appropriation for a PILOT from the State General Fund.

Effective Date: January 1, 2000 (retroactive).

Explanation of State Expenditures: According to the State Land Office, state agencies have reported owning approximately 343,166 acres. Of this total, the DNR manages approximately 320,000 acres. (The majority of the remaining acres, or 23,166 acres, are owned by state universities.) Of the total number of acres managed by the DNR, approximately 176,000 acres, or 55%, are dedicated to state parks. The proposal would require payment on the remaining 144,000 acres, 76% of which, or 110,000 acres, are fish and wildlife areas used primarily by hunters and anglers.

Applying the AV rate of $165 per acre to the eligible 144,000 acres would result in an AV of $23,760,000. The PILOT would first be due for property taxes payable after December 31, 2000, or for property tax year 2001. The estimated 2001 statewide average net property tax rate is estimated at $8.9947 per $100 AV, and the year 2002 average net rate is estimated at $5.4558 per $100 AV. (The drop in the tax rate for 2002 is attributable to the general reassessment.)

Using the estimated tax rates, the state's liability is estimated at $2,137,140 in calendar year 2001 ($23,760,000 divided by $100 and multiplied by $8.9947) and $1,296,298 in calendar year 2002 ($23,760,000 divided by $100 and multiplied by $5.4558). **State fiscal year impacts are estimated at $1,068,570 in 2001 (or ½ of the first calendar year) and $1,716,719 in 2002 (or ½ the first calendar year plus ½ of the second calendar year).** The actual state expenditure will depend on the actual tax rates in the taxing districts where the DNR land is located.

The bill establishes the PILOT Transfer Fund. An annual transfer from the State General Fund to the PILOT Transfer Fund would be made in the amount necessary to fund the PILOT. The bill also makes an appropriation from the PILOT Transfer Fund for the PILOT distribution. Expenses for administering the fund are to be paid from money in the fund.

The State Board of Tax Commissioners, the Department of Natural Resources, and the Auditor of State will experience additional administrative expenses if the proposal becomes law. The Tax Board is required to prescribe forms on which the Auditor of State will convey information regarding the state-owned land to township assessors. The DNR is to make semi-annual payments to counties and conservancy districts. The specific impact of these provisions is indeterminable.

Explanation of State Revenues: The State Treasurer is to invest money in the PILOT Transfer Fund not needed to meet the obligations of the fund in the same manner as other public money may be invested.

Explanation of Local Expenditures: Revenue collections by counties and/or conservancy districts will not be affected. The tax liabilities of local taxpayers could decrease if the PILOT is significant enough to affect the tax rate.

As a point of information, studies suggest that 39 states have some type of program to compensate local units for state-owned property. (The properties considered included all types of state property and were not limited to property managed by a natural resources agency.) No state reimburses all local governments for 100% of the property taxes that would be due on all state property. Costs for state compensation programs ranged from $26,000 in Nevada to $59 million in New York. Of the 39 states that do provide some form of compensation to local units for the presence of state land, 24 make payments for “wildlands,” or lands that would fall under the oversight of a state agency comparable to Indiana’s DNR. Indiana compensates school districts for expenses incurred for educating a student who is a dependent of a state employee who resides on state-owned property. The state-owned property involves primarily DNR property. The General Assembly appropriated $230,000 in 1998 and $230,000 in 1999 to compensate local school districts for educating dependents of state employees.

Explanation of Local Revenues: See Local Expenditures.

State Agencies Affected: Department of Natural Resources, Auditor of State, Treasurer of State, and the State Board of Tax Commissioners.

Local Agencies Affected: Counties, Townships, and Conservancy Districts.

Information Sources: Jim Lewis, State Land Office (232-3335); Local Government Database; DNR (233-6904); Department of Education; Sylvia Adams, State Programs for Compensating Local Governments for State-owned Property (Albany, NY, New York State Board of Equalization and Assessment) January 1990, pp.6-7; Thomas G. Griffen, Compensating Local Governments for Loss of Tax Base Due to State Ownership of Land (New York State Office of Real Property Services) September 1996; Christina Fong and Jeff Kuenze, Reimbursing Municipalities for the Presence of State-Owned Properties (University of Massachusetts at Amherst, Office of Institutional Research) March 1994, p.8.