

**PUBLIC FINANCE**  
**Soil and water conservation districts**  
**funding authorization**

April 01, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Cost/Savings</b>		X

Department of Revenue  
 Analysis of S.F. 1443 (Ruud) / H.F. 1284 (Persell) as introduced

	<b>Fund Impact</b>			
	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
	(000's)			
Property Tax Refund Interactions	\$0	(\$940)	(\$940)	(\$1,150)
Income Tax Interactions	\$0	(\$740)	(\$740)	(\$900)
General Fund	\$0	(\$1,680)	(\$1,680)	(\$2,050)

Assumed effective date August 1.

**EXPLANATION OF THE BILL**

The bill would add soil and water conservation districts to the list of special taxing districts.

Soil and water conservation districts would be required to create an operations fund. Operation fund revenue can be collected through the following:

- A levy not to exceed .0048% of the districts taxable market value (TMV) or \$1,000,000, whichever is less
- Funds transferred from the county
- Service charges

Soil and water conservation districts would have the option of creating a management fund. Management fund revenue can be collected through the following:

- Service charges
- Funds transferred from county, state, or federal governments

**REVENUE ANALYSIS DETAIL**

- There are 88 soil and water conservation districts in Minnesota, with at least one district in each of the 87 counties except for Hennepin and Ramsey Counties. Three of the larger counties have two districts: Otter Tail, Polk, and St. Louis.
- Under current law, counties levy on behalf of soil and water conservation districts. The bill would allow soil and water conservation districts to have their own levy authority as special taxing districts. According to the Minnesota Board of Water and Soil Resource (BWSR), it is assumed that soil and water conservation districts would increase property tax levies above current levels in order to fund identified gaps in services and make up for aid expiring in 2019.
- According to BWSR, it is assumed that counties would generally reduce contributions to local soil and water conservation districts over time provided that the districts would now have their

own levy authority.

- It is estimated that the net change in local property tax levies over the forecast period would be an increase of \$19.5 million in FY2021, \$19.5 million in FY2022, and \$23.7 million in FY2023.
  - Higher property tax levies will result in higher homeowner property tax refunds, increasing costs to the state general fund beginning FY 2021.
  - Higher property tax levies will result in higher income tax deductions, decreasing revenues to the state general fund beginning in FY 2021.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Increase	Soil and water districts may have more predictable funding with new levy authority.
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
[www.revenue.state.mn.us/research\\_stats/  
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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