Answers to Two Questions Raised in Meeting #1

**Do any states have a PILOT program specifically targeting their capital cities to compensate for services to state government property?**

We checked with colleagues in about 20 states and none had an ongoing PILOT program or were aware of one in another state. The only capital city PILOT-like effort we found is in New York where Albany is compensated specifically for new state building construction/acquisition. Payments are to be equal to 1% of the sum of the actual acquisition cost of the land and the improvements thereon but may not exceed $15 million.

While tax exempt government property appears to be a common concern shared among capital cities, the usual political pushback is that tax revenue and economic activity associated with being a capital city exceeds the cost of any locally provided services. Perhaps as an alternative compensation approach, several colleagues noted that their capital city municipal franchise fees well exceed a cost recovery basis.

**Does the state's local government aid formula acknowledge exempt property?**

Only indirectly. City "need" is expressed on a per capita basis and for a city of St. Paul's size the per capita need is a function of a formula which includes three factors: 1) the age of housing stock, 2) jobs per capita in the city (to capture municipal overburden), and 3) population density (rewards density below 150 persons /square mile)

A city's unmet need = ("Formula need" x population) – (city net tax capacity x average city tax rate)

Net tax capacity is determined by multiplying the property's taxable market value by the relevant class rate or rates. Class rates are set by statute, vary by property type, and are uniform statewide. A taxing jurisdiction's taxable net tax capacity is the total net tax capacity of all properties within the jurisdiction, excluding property located in a tax increment financing district.

Exempt property reduces a city's net tax capacity "helping" a city's claim to aid. But it is not a factor considered in determining formula need.