

A bill for an act

relating to state finance; modifying certain statutory provisions relating to aircraft facilities; modifying aircraft facilities state financing to allow flexibility in obtaining a new lessee for the facility; amending Minnesota Statutes 2006, sections 116R.01, subdivision 6; 116R.02, subdivisions 1, 2, 4, 5; 116R.03; 116R.05, subdivision 2; 116R.11, subdivision 1; 116R.12, by adding a subdivision; 272.01, subdivision 2; 290.06, subdivision 24; 297A.71, subdivision 10; 360.013, subdivision 39; 360.032, subdivision 1; 360.038, subdivision 4; repealing Minnesota Statutes 2006, sections 116R.02, subdivisions 3, 6, 7, 9; 116R.16.

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

Section 1. Minnesota Statutes 2006, section 116R.01, subdivision 6, is amended to read:

Subd. 6. **Project.** "Project" means the facilities or any property described in section 116R.02, subdivision 5 or 6, as applicable.

Sec. 2. Minnesota Statutes 2006, section 116R.02, subdivision 1, is amended to read:

Subdivision 1. **Sale authorization.** The commissioner of finance, upon the request of the governor, may issue and sell revenue bonds as provided under sections 116R.01 to ~~116R.16~~ 116R.15 in one or more series or issues for the purposes provided in this section in the aggregate principal amount of up to \$350,000,000, except for refunding bonds. Proceeds of the bonds and investment income on the proceeds are appropriated in the amounts and for the purposes specified in subdivisions 2; and 5, ~~and 6~~ and section 116R.04.

Sec. 3. Minnesota Statutes 2006, section 116R.02, subdivision 2, is amended to read:

Subd. 2. **Loan, lease, and revenue agreements.** (a) The commissioner may loan the proceeds of the bonds, make other loans or enter into lease agreements or other revenue agreements for the ~~projects~~ project described in ~~subdivisions 5 and 6~~ subdivision

5. The commissioner may provide for servicing of the loans and agreements, the times they are payable and the amounts of payments, the amount of the loans and agreements, their security, and other terms, conditions, and provisions necessary or convenient in connection with them and may enter into all necessary contracts and security instruments in connection with them. The commissioner shall seek to obtain the best available terms and security for the loans or agreements. The terms and security must be reasonably determined by the commissioner to be adequate and of the kind and degree which would be required by an investment banking or other financial institution. The facilities described in ~~subdivisions 5 and 6~~ subdivision 5 must be pledged as collateral for the loans made and bonds issued under sections 116R.01 to ~~116R.16~~ 116R.15.

(b) To reduce the risk that state general funds will be needed to pay debt service on the state guaranteed bonds, the commissioner must require that the financing arrangements include a coverage test satisfactory to the commissioner so that the sum of the value of the assets and other security pledged to the payment of bonds or the rent due under any lease of the project and taken into account by the commissioner is no less than 125 percent of the difference between the outstanding state guaranteed bonds, and any cash collateral held in a debt service reserve account and pledged to the payment of principal and interest for the state guaranteed bonds and no other bonds. Assets and other security that may be taken into account include (1) net unencumbered value of the project and any collateral or third party guaranty, including a letter of credit, pledged or otherwise furnished by a user of the project or by a benefited airline company as security for the payment of rent, (2) bond proceeds, including earnings thereon, and (3) prepayments of rent, after making such adjustments the commissioner determines to be appropriate to take into account any outstanding bonds secured by a lien on the project or rent that is prior to the lien securing the state guaranteed bonds, but excluding any cash collateral deducted from the outstanding state guaranteed bonds in applying the coverage test. The commissioner may adopt the method of valuing the assets and other security as the commissioner determines to be appropriate, including valuation of the project at its original cost less depreciation.

Sec. 4. Minnesota Statutes 2006, section 116R.02, subdivision 4, is amended to read:

Subd. 4. **Security.** (a) If so provided in the commissioner's order or any indenture authorizing the applicable series of bonds, up to \$125,000,000 principal amount of bonds for the facility described in subdivision 5, ~~up to \$50,000,000 principal amount of bonds for the facility described in subdivision 6,~~ and any bonds issued to refund these bonds may be secured by either of the following methods:

(1) upon the occurrence of any deficiency in a debt service reserve fund for a series of bonds as provided in section 116R.13, subdivision 3, the commissioner shall issue and sell deficiency bonds in a principal amount not to exceed ~~(i) \$125,000,000 for facilities described in subdivision 5 and (ii) \$50,000,000 for the facilities described in subdivision 6~~; or

(2) the bonds may be directly secured by a pledge of the full faith, credit, and taxing power of the state and issued as general obligation revenue bonds of the state in accordance with the Minnesota Constitution, article XI, sections 4 to 7. In no event may the security provided by this paragraph extend in whole or part to any series of bonds other than the initial series of bonds so secured and any series of bonds issued to refund these bonds.

Deficiency bonds and bonds issued under clause (2) must be issued in accordance with and subject to sections 16A.641, 16A.66, 16A.672, and 16A.675, except for section 16A.641, subdivision 5, except as otherwise provided in Laws 1991, chapter 350, article 1, and except that the bonds may be sold at public or private sale at a price or prices determined by the commissioner as provided in section 116R.13, subdivision 3.

(b) The commissioner may request St. Louis County to pay or secure payment of principal and interest due on up to \$12,600,000 principal amount of revenue bonds for the facility described in subdivision 5 ~~and principal and interest due on up to \$15,000,000 principal amount of revenue bonds for the facility described in subdivision 6~~. At the request of the commissioner, St. Louis County shall, by resolution of its county board, unconditionally and irrevocably pledge as a general obligation, its full faith, credit, and taxing power to pay or secure payment of principal and interest due on the principal amount or amounts requested by the commissioner. The general obligation and pledge of St. Louis County are not subject to and shall not be taken into account for purposes of any debt limitation. A levy of taxes for the St. Louis County general obligation is not subject to and shall not be taken into account for purposes of any levy limitations. The general obligation and the bonds secured by the general obligation may be issued without an election. Except for sections 475.61 and 475.64, chapter 475 does not apply to the general obligation or to the bonds secured by the general obligation.

(c) The commissioner may request the city of Duluth to pay or secure payment of principal and interest due on up to \$47,600,000 principal amount of revenue bonds for the facility described in subdivision 5. At the request of the commissioner, the city of Duluth shall pledge specified revenues of the city, as provided in Laws 1991, chapter 350, article 1, section 24, to pay principal and interest due on the principal amount requested by the commissioner.

(d) Bonds and deficiency bonds issued under sections 116R.01 to ~~116R.16~~ 116R.15 and any indenture entered into in connection with the issuance of the bonds are not subject to section 16B.06.

Sec. 5. Minnesota Statutes 2006, section 116R.02, subdivision 5, is amended to read:

Subd. 5. **Use of proceeds; aircraft maintenance facility.** The proceeds of the bonds issued in a principal amount not to exceed \$250,000,000 may be used to finance the costs related to the planning, construction, improvement, or equipping of a heavy maintenance facility for aircraft and facilities subordinate and related to the facility to be located at the Duluth International Airport and any costs of issuance, reserves, credit enhancement, or an initial period of interest payments related to the bonds or the facility. The bond proceeds are appropriated to the commissioner for the purposes specified in this subdivision. ~~The facility may be owned by the Metropolitan Airports Commission and leased for the benefit of one or more airline companies for use as a heavy maintenance base.~~ With the approval of the commissioner, the owner of the facility may place a mortgage or security interest lien on the facility or any interest in or part of the facility. The mortgage is exempt from the mortgage registry tax imposed under chapter 287. In the event of a default under the loan, lease agreement, or other revenue agreement, the facility, or any part of the facility, may be leased or sold to another person for any lawful purpose, subject to the approval of the commissioner. The approval of the commissioner is not required if the bond trustee has taken control of the facility as a result of a default.

The ownership of the facility by the owner may create no liability of the owner for payment of the debt service on the bonds if so determined by the commissioner. The owner may require as a condition of entering into the lease of the facility that the lessee or other party pay all costs, expenses, or any other obligations of ownership of the facility.

No revenues derived from the lease of the project may be used other than for a purpose related to the project, including its operation, administration, maintenance, improvement, or financing.

Sec. 6. Minnesota Statutes 2006, section 116R.03, is amended to read:

116R.03 GENERAL POWERS.

For the purpose of exercising the specific powers authorized under sections 116R.01 to ~~116R.16~~ 116R.15 and effectuating the other purposes of sections 116R.01 to ~~116R.16~~, 116R.15, the commissioner may:

(1) acquire, hold, pledge, assign, lease, or dispose of real or personal property or any interest in property, including a mortgage or security interest in a facility described in section 116R.02, subdivision 5 ~~or 6~~;

(2) enter into agreements, contracts, or other transactions with any federal or state agency, any person and any domestic or foreign partnership, corporation, association, or organization, including contracts or agreements for administration and implementation of all or part of sections 116R.01 to ~~116R.16~~ 116R.15;

(3) acquire real property, or an interest therein, by purchase or foreclosure, where the acquisition is necessary or appropriate;

(4) enter into agreements with lenders, borrowers, or the issuers of securities for the purpose of regulating the development and management of any facility financed in whole or in part by the proceeds of bonds or loans;

(5) enter into agreements with other appropriate federal, state, or local governmental units; ~~and~~

(6) contract with, use, or employ any federal, state, regional, or local public or private agency or organization, legal counsel, financial advisors, investment bankers or others, upon terms the commissioner considers necessary or desirable, to assist in the exercise of any of the powers authorized under sections 116R.01 to ~~116R.16~~ 116R.15 and to carry out the objectives of sections 116R.01 to ~~116R.16~~ 116R.15 and may pay for the services from bond proceeds or otherwise available department money; and

(7) in the event of a default under the loan, lease agreement, or other revenue agreement, the facility, or any part of the facility, may be leased or sold to another person for any lawful purpose, subject to the approval of the commissioner. The approval of the commissioner is not required if the bond trustee has taken control of the facility as a result of a default.

Sec. 7. Minnesota Statutes 2006, section 116R.05, subdivision 2, is amended to read:

Subd. 2. **Sources of payment.** Except as otherwise provided for bonds issued under section 116R.02, subdivision 4, paragraph (a), the bonds and interest payable thereon are payable solely from the following sources and are irrevocably appropriated for that purpose, but only to the extent provided in the order or indenture authorizing or securing the bonds:

(1) revenues of any nature derived from the ownership, lease, operation, sale, foreclosure, or refinancing of a project described in section 116R.02, subdivision 5 ~~or 6~~;

(2) repayments of any loans made under sections 116R.01 to ~~116R.16~~ 116R.15;

(3) proceeds of any bonds or deficiency bonds;

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(4) amounts in any account or accounts authorized by section 116R.11 or 116R.12;

(5) amounts paid by St. Louis County under its obligations referred to in section 116R.02, subdivision 4, and amounts paid under Laws 1991, chapter 350, article 1, section 24 or 25, for the payment of bonds or interest thereon;

(6) amounts payable under any insurance policy, guaranty, letter of credit, or other instrument securing the bonds;

(7) any other revenues which the commissioner may pledge but excluding state appropriations unless the appropriation was specifically designated for that purpose; and

(8) investment income on any of the sources specified in clauses (1) to (7).

Sec. 8. Minnesota Statutes 2006, section 116R.11, subdivision 1, is amended to read:

Subdivision 1. **Funds.** The commissioner or any trustee appointed by the commissioner under sections 116R.01 to ~~116R.16~~ 116R.15 shall establish and maintain an aircraft facilities fund for ~~each of the projects~~ the project described in section 116R.02, ~~subdivisions 5 and 6~~ subdivision 5. Except for amounts required by the commissioner to be deposited in a debt service account, proceeds of each issue of bonds authorized under section 116R.02, subdivision 1, must be deposited in a separate account, debt service reserve, or other account designated by the commissioner. Money in the account is appropriated to the commissioner. The commissioner or the owner of ~~each~~ the project described in section 116R.02, ~~subdivisions 5 and 6~~ subdivision 5, may withdraw proceeds of bonds for application to the appropriated purposes in the manner provided by order of the commissioner or in any indenture authorized by order of the commissioner. The commissioner may establish whatever accounts might be necessary to carry out sections 116R.01 to ~~116R.16~~ 116R.15. All deposits into and disbursements from accounts for the purposes and from the sources of revenue authorized by sections 116R.01 to ~~116R.16~~ 116R.15 and provided in an order of the commissioner or an indenture or other agreement authorized by the commissioner are appropriated for that purpose.

Sec. 9. Minnesota Statutes 2006, section 116R.12, is amended by adding a subdivision to read:

Subd. 4. **Approval.** The approval of the commissioner is not required if the bond trustee has taken control of the facility as a result of a default.

Sec. 10. Minnesota Statutes 2006, section 272.01, subdivision 2, is amended to read:

Subd. 2. **Exempt property used by private entity for profit.** (a) When any real or personal property which is exempt from ad valorem taxes, and taxes in lieu thereof, is

leased, loaned, or otherwise made available and used by a private individual, association, or corporation in connection with a business conducted for profit, there shall be imposed a tax, for the privilege of so using or possessing such real or personal property, in the same amount and to the same extent as though the lessee or user was the owner of such property.

(b) The tax imposed by this subdivision shall not apply to:

(1) property leased or used as a concession in or relative to the use in whole or part of a public park, market, fairgrounds, port authority, economic development authority established under chapter 469, municipal auditorium, municipal parking facility, municipal museum, or municipal stadium;

(2) property of an airport owned by a city, town, county, or group thereof which is:

(i) leased to or used by any person or entity including a fixed base operator; and

(ii) used as a hangar for the storage or repair of aircraft or to provide aviation goods, services, or facilities to the airport or general public;

the exception from taxation provided in this clause does not apply to:

(i) property located at an airport owned or operated by the Metropolitan Airports Commission or by a city of over 50,000 population according to the most recent federal census or such a city's airport authority; or

(ii) hangars leased by a private individual, association, or corporation in connection with a business conducted for profit other than an aviation-related business; ~~or~~

~~(iii) facilities leased by a private individual, association, or corporation in connection with a business for profit, that consists of a major jet engine repair facility financed, in whole or part, with the proceeds of state bonds and located in a tax increment financing district;~~

(3) property constituting or used as a public pedestrian ramp or concourse in connection with a public airport;

(4) property constituting or used as a passenger check-in area or ticket sale counter, boarding area, or luggage claim area in connection with a public airport but not the airports owned or operated by the Metropolitan Airports Commission or cities of over 50,000 population or an airport authority therein. Real estate owned by a municipality in connection with the operation of a public airport and leased or used for agricultural purposes is not exempt;

(5) property leased, loaned, or otherwise made available to a private individual, corporation, or association under a cooperative farming agreement made pursuant to section 97A.135; or

(6) property leased, loaned, or otherwise made available to a private individual, corporation, or association under section 272.68, subdivision 4.

(c) Taxes imposed by this subdivision are payable as in the case of personal property taxes and shall be assessed to the lessees or users of real or personal property in the same manner as taxes assessed to owners of real or personal property, except that such taxes shall not become a lien against the property. When due, the taxes shall constitute a debt due from the lessee or user to the state, township, city, county, and school district for which the taxes were assessed and shall be collected in the same manner as personal property taxes. If property subject to the tax imposed by this subdivision is leased or used jointly by two or more persons, each lessee or user shall be jointly and severally liable for payment of the tax.

(d) The tax on real property of the state or any of its political subdivisions that is leased by a private individual, association, or corporation and becomes taxable under this subdivision or other provision of law must be assessed and collected as a personal property assessment. The taxes do not become a lien against the real property.

Sec. 11. Minnesota Statutes 2006, section 290.06, subdivision 24, is amended to read:

Subd. 24. **Credit for job creation.** (a) A corporation that leases and operates a heavy maintenance base for aircraft that is owned by the state of Minnesota or one of its political subdivisions, ~~or an engine repair facility described in section 116R.02, subdivision 6, or both,~~ may take a credit against the tax due under this chapter.

(b) For the first taxable year when the facility has been in operation for at least three consecutive months, the credit is equal to \$5,000 multiplied by the number of persons employed by the corporation on a full-time basis at the facility on the last day of the taxable year, not to exceed the number of persons employed by the corporation on a full-time basis at the facility on the date 90 days before the last day of the taxable year. For each of the succeeding four taxable years, the credit is equal to \$5,000 multiplied by the number of persons employed by the corporation on a full-time basis at the facility on the last day of the taxable year, not to exceed the number of persons employed by the corporation on a full-time basis at the facility on the date 90 days before the last day of the taxable year.

(c) For the first taxable year in which the credit is allowed for the facility, the credit must not exceed 80 percent of the wages paid to or incurred for persons employed by the taxpayer at the facility during the taxable year. For the succeeding four taxable years, the credit must not exceed 20 percent of the wages paid to or incurred for persons employed by the taxpayer at the facility during the taxable year. For purposes of this section, "wages" has the meaning given under section 3121(b) of the Internal Revenue Code, except the limitation to the contribution and benefit base does not apply.

(d) If the credit provided under this subdivision exceeds the tax liability of the corporation for the taxable year, the excess amount of the credit may be carried over to each of the 20 taxable years succeeding the taxable year. The entire amount of the credit must be carried to the earliest taxable year to which the amount may be carried. The unused portion of the credit must be carried to the following taxable year. No credit may be carried to a taxable year more than 20 years after the taxable year in which the credit was earned.

(e) If an unused portion of the credit remains at the end of the carryover period under paragraph (d), the commissioner shall refund the unused portion to the taxpayer. The provisions of this paragraph do not apply if the corporation that earned the credit under this subdivision or a successor in interest to the corporation filed for bankruptcy protection.

Sec. 12. Minnesota Statutes 2006, section 297A.71, subdivision 10, is amended to read:

Subd. 10. **Aircraft heavy maintenance facility.** Materials, equipment, and supplies used or consumed in constructing a heavy maintenance facility for aircraft that is to be owned by the state of Minnesota or one of its political subdivisions and leased by an airline company, ~~or an aircraft engine repair facility described in section 116R.02, subdivision 6,~~ are ~~is~~ exempt. Except for equipment owned or leased by a contractor, all machinery, equipment, and tools necessary to the construction and equipping of that facility in order to provide those services are also exempt.

Sec. 13. Minnesota Statutes 2006, section 360.013, subdivision 39, is amended to read:

Subd. 39. **Airport.** "Airport" means any area of land or water, except a restricted landing area, which is designed for the landing and takeoff of aircraft, whether or not facilities are provided for the shelter, surfacing, or repair of aircraft, or for receiving or discharging passengers or cargo, and all appurtenant areas used or suitable for airport buildings or other airport facilities, ~~including facilities described in section 116R.02, subdivision 6,~~ and all appurtenant rights-of-way, whether heretofore or hereafter established. The operation and maintenance of airports is an essential public service.

Sec. 14. Minnesota Statutes 2006, section 360.032, subdivision 1, is amended to read:

Subdivision 1. **Acquisition.** Every municipality is hereby authorized, through its governing body, to acquire property, real or personal, for the purpose of establishing, constructing, and enlarging airports and other air navigation facilities and to acquire, establish, construct, enlarge, improve, maintain, equip, operate, and regulate such airports and other air navigation facilities and structures and other property incidental to their

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operation, either within or without the territorial limits of such municipality and within or without this state; to make, prior to any such acquisition, investigations, surveys, and plans; to construct, install, and maintain airport facilities for the servicing ~~and repair of aircraft and facilities authorized under section 116R.02, subdivision 6,~~ and for the comfort and accommodation of air travelers; and to purchase and sell equipment and supplies as an incident to the operation of its airport properties. It may not acquire, or take over any airport or other air navigation facility owned or controlled by any other municipality of the state without the consent of such municipality. It may use for airport purposes any available property that is now or may at any time hereafter be owned or controlled by it. Such air navigation facilities as are established on airports shall be supplementary to and coordinated in design and operation with those established and operated by the federal and state governments. It may assist other municipalities in the construction of approach roads leading to any airport or restricted landing area owned or controlled by it. ~~In financing the facilities authorized under section 116R.02, subdivision 6, it may borrow from the state or otherwise arrange for financing of the facilities and for that purpose may exercise any powers vested in a municipality under sections 469.152 to 469.165.~~

Sec. 15. Minnesota Statutes 2006, section 360.038, subdivision 4, is amended to read:

Subd. 4. **Leased property.** To lease for a term not exceeding 30 years such airports; ~~or other air navigation facilities or facilities authorized under section 116R.02, subdivision 6;~~ or real property acquired or set apart for airport purposes, to private parties, any municipal or state government or the national government, or any department of either thereof, for operation; to lease or assign for a term not exceeding 99 years to private parties, any municipal or state government, or the national government, or any department of either thereof, for operation or use consistent with the purposes of sections 360.011 to 360.076, space, area, improvements, or equipment on such airports; notwithstanding any other provisions in this subdivision, to lease ground area for a term not exceeding 99 years to private persons for the construction of structures which in its opinion are essential and necessary to serve aircraft, persons, and things engaged in or incidental to aeronautics, including but not limited to shops, hangars, offices, restaurants, hotels, motels, factories, storage space, and any and all other structures necessary or essential to and consistent with the purposes of sections 360.011 to 360.076, to sell any part of such airports, other air navigation facilities, or real property to any municipal or state government, or to the United States or any department or instrumentality thereof, for aeronautical purposes incidental thereto, and to confer the privileges of concessions of supplying upon its

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11.1 airports goods, commodities, things, services, and facilities; provided that in each case in
11.2 so doing the public is not deprived of its rightful, equal, and uniform use thereof.

11.3 Sec. 16. **REVISOR'S INSTRUCTION.**

11.4 The revisor of statutes shall change "116R.01 to 116R.16" to "116R.01 to 116R.15"
11.5 wherever it appears in Minnesota Statutes.

11.6 Sec. 17. **REPEALER.**

11.7 Minnesota Statutes 2006, sections 116R.02, subdivisions 3, 6, 7, and 9; and 116R.16,
11.8 are repealed.