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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **1474**

03/05/2015 Authored by Davids

The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to public finance; providing longer terms for equipment certificates for
1.3 certain ice arena equipment; increasing limits for owned housing; changing
1.4 voting requirements for street construction; modifying credit enhancement for
1.5 school district refunding bonds; amending Minnesota Statutes 2014, sections
1.6 126C.40, subdivision 1; 126C.55, subdivision 1; 366.095, subdivision 1;
1.7 383B.117, subdivision 2; 410.32; 412.301; 446A.086, subdivision 2, by adding a
1.8 subdivision; 469.034, subdivision 2; 469.101, subdivision 1; 475.58, subdivision
1.9 3b; 475.60, subdivision 2.

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

1.11 Section 1. Minnesota Statutes 2014, section 126C.40, subdivision 1, is amended to read:

1.12 Subdivision 1. **To lease building or land.** (a) When an independent or a special
1.13 school district or a group of independent or special school districts finds it economically
1.14 advantageous to rent or lease a building or land for any instructional purposes or for school
1.15 storage or furniture repair, and it determines that the operating capital revenue authorized
1.16 under section 126C.10, subdivision 13, is insufficient for this purpose, it may ~~apply to seek~~
1.17 permission from the commissioner for permission to make an additional capital expenditure
1.18 levy for this purpose. ~~An application for permission to levy under this subdivision must~~
1.19 ~~contain financial justification for the proposed levy, the terms and conditions of the~~
1.20 ~~proposed lease, and a description of the space to be leased and its proposed use.~~

1.21 (b) In granting permission to levy under this subdivision, the commissioner may
1.22 consider the financial justification for the proposed levy, the terms and conditions of
1.23 the proposed lease, and a description of the space to be leased and its proposed use.
1.24 However, the criteria for approval of applications granting permission to levy under this
1.25 subdivision must include: the reasonableness of the price, the appropriateness of the
1.26 space to the proposed activity, the feasibility of transporting pupils to the leased building

or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$212 times the adjusted pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

(1) the school district has been experiencing pupil enrollment growth in the preceding five years;

(2) the purpose of the increased levy is in the long-term public interest;

(3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$65 times the adjusted pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012 to 2023, a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease agreement to finance improvements to a building and land for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e). The total levy authority under this paragraph shall not exceed \$632,000.

(j) Notwithstanding paragraph (a), a district may levy under this subdivision for the purpose of leasing administrative space if the district can demonstrate to the satisfaction of the commissioner that the lease cost for the administrative space is no greater than the lease cost for instructional space that the district would otherwise lease. The commissioner must deny this levy authority unless the district passes a resolution stating its intent to lease instructional space under this section if the commissioner does not grant authority under this paragraph. The resolution must also certify that the lease cost for administrative space under this paragraph is no greater than the lease cost for the district's proposed instructional lease.

Sec. 2. Minnesota Statutes 2014, section 126C.55, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For the purposes of this section, the term "debt obligation" means:

- (1) a certificate of indebtedness issued under section 126C.52;
- (2) a certificate of participation issued under section 126C.40, subdivision 6; ~~or~~
- (3) a general obligation bond; or
- (4) an obligation refunding a debt obligation described in clauses (1) to (3) that has previously been eligible for state payment of principal and interest under this section.

Sec. 3. Minnesota Statutes 2014, section 366.095, subdivision 1, is amended to read:

Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates of indebtedness within the debt limits for a town purpose otherwise authorized by law.

4.1 The certificates shall be payable in not more than ten years and be issued on the terms and
4.2 in the manner as the board may determine, provided that notes issued for projects that
4.3 eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2),
4.4 shall be payable in not more than 20 years. If the amount of the certificates to be issued
4.5 exceeds 0.25 percent of the estimated market value of the town, they shall not be issued
4.6 for at least ten days after publication in a newspaper of general circulation in the town of
4.7 the board's resolution determining to issue them. If within that time, a petition asking for
4.8 an election on the proposition signed by voters equal to ten percent of the number of voters
4.9 at the last regular town election is filed with the clerk, the certificates shall not be issued
4.10 until their issuance has been approved by a majority of the votes cast on the question at
4.11 a regular or special election. A tax levy shall be made to pay the principal and interest
4.12 on the certificates as in the case of bonds.

4.13 Sec. 4. Minnesota Statutes 2014, section 383B.117, subdivision 2, is amended to read:

4.14 Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and
4.15 without public referendum, issue capital notes within existing debt limits for the purpose
4.16 of purchasing ambulance and other medical equipment, road construction or maintenance
4.17 equipment, public safety equipment and other capital equipment having an expected
4.18 useful life at least equal to the term of the notes issued. The notes shall be payable
4.19 in not more than ten years and shall be issued on terms and in a manner as the board
4.20 determines, provided that notes issued for projects that eliminate R-22, as such projects
4.21 are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more
4.22 than 20 years. The total principal amount of the notes issued for any fiscal year shall not
4.23 exceed one percent of the total annual budget for that year and shall be issued solely for
4.24 the purchases authorized in this subdivision. A tax levy shall be made for the payment
4.25 of the principal and interest on such notes as in the case of bonds. For purposes of this
4.26 subdivision, "equipment" includes computer hardware and software, whether bundled with
4.27 machinery or equipment or unbundled. For purposes of this subdivision, the term "medical
4.28 equipment" includes computer hardware and software and other intellectual property for
4.29 use in medical diagnosis, medical procedures, research, record keeping, billing, and other
4.30 hospital applications, together with application development services and training related
4.31 to the use of the computer hardware and software and other intellectual property, all
4.32 without regard to their useful life. For purposes of determining the amount of capital notes
4.33 which the county may issue in any year, the budget of the county and Hennepin Healthcare
4.34 System, Inc. shall be combined and the notes issuable under this subdivision shall be in
4.35 addition to obligations issuable under section 373.01, subdivision 3.

Sec. 5. Minnesota Statutes 2014, section 410.32, is amended to read:

410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.

(a) Notwithstanding any contrary provision of other law or charter, a home rule charter city may, by resolution and without public referendum, issue capital notes subject to the city debt limit to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware and software.

(c) The equipment or software must have an expected useful life at least as long as the term of the notes.

(d) The notes shall be payable in not more than ten years and be issued on terms and in the manner the city determines, provided that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years. The total principal amount of the capital notes issued in a fiscal year shall not exceed 0.03 percent of the estimated market value of taxable property in the city for that year.

(e) A tax levy shall be made for the payment of the principal and interest on the notes, in accordance with section 475.61, as in the case of bonds.

(f) Notes issued under this section shall require an affirmative vote of two-thirds of the governing body of the city.

(g) Notwithstanding a contrary provision of other law or charter, a home rule charter city may also issue capital notes subject to its debt limit in the manner and subject to the limitations applicable to statutory cities pursuant to section 412.301.

Sec. 6. Minnesota Statutes 2014, section 412.301, is amended to read:

412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.

(a) The council may issue certificates of indebtedness or capital notes subject to the city debt limits to purchase capital equipment.

(b) For purposes of this section, "capital equipment" means:

(1) public safety equipment, ambulance and other medical equipment, road construction and maintenance equipment, and other capital equipment; and

(2) computer hardware and software, whether bundled with machinery or equipment or unbundled, together with application development services and training related to the use of the computer hardware or software.

(c) The equipment or software must have an expected useful life at least as long as the terms of the certificates or notes.

(d) Such certificates or notes shall be payable in not more than ten years and shall be issued on such terms and in such manner as the council may determine, provided, however, that notes issued for projects that eliminate R-22, as such projects are defined in section 240A.09, paragraph (b), clause (2), shall be payable in not more than 20 years.

(e) If the amount of the certificates or notes to be issued to finance any such purchase exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall not be issued for at least ten days after publication in the official newspaper of a council resolution determining to issue them; and if before the end of that time, a petition asking for an election on the proposition signed by voters equal to ten percent of the number of voters at the last regular municipal election is filed with the clerk, such certificates or notes shall not be issued until the proposition of their issuance has been approved by a majority of the votes cast on the question at a regular or special election.

(f) A tax levy shall be made for the payment of the principal and interest on such certificates or notes, in accordance with section 475.61, as in the case of bonds.

Sec. 7. Minnesota Statutes 2014, section 446A.086, subdivision 2, is amended to read:

Subd. 2. **Application.** (a) This section provides a state guarantee of the payment of principal and interest on debt obligations if:

(1) the obligations are issued for new projects and are not issued for the purposes of refunding previous obligations, except as provided in subdivision 13;

(2) application to the Public Facilities Authority is made before issuance; and

(3) the obligations are covered by an agreement meeting the requirements of subdivision 3.

(b) Applications to be covered by the provisions of this section must be made in a form and contain the information prescribed by the authority. Applications are subject to either a fee of \$500 for each bond issue requested by a county or governmental unit or the applicable fees under section 446A.087.

(c) Application fees paid under this section must be deposited in a separate credit enhancement bond guarantee account in the special revenue fund. Money in the credit enhancement bond guarantee account is appropriated to the authority for purposes of administering this section.

(d) Neither the authority nor the commissioner is required to promulgate administrative rules under this section and the procedures and requirements established by the authority or commissioner under this section are not subject to chapter 14.

Sec. 8. Minnesota Statutes 2014, section 446A.086, is amended by adding a subdivision to read:

Subd. 13. **Refunding state-guaranteed debt obligations.** This section provides a state guarantee of the payment of principal and interest on obligations issued for the purpose of refunding a debt obligation guaranteed by the state under this section. The application requirements of subdivision 2 do not apply to such refunding obligations so long as the obligations are covered by an agreement meeting the requirements of subdivision 3.

Sec. 9. Minnesota Statutes 2014, section 469.034, subdivision 2, is amended to read:

Subd. 2. General obligation revenue bonds. (a) An authority may pledge the general obligation of the general jurisdiction governmental unit as additional security for bonds payable from income or revenues of the project or the authority. The authority must find that the pledged revenues will equal or exceed 110 percent of the principal and interest due on the bonds for each year. The proceeds of the bonds must be used for a qualified housing development project or projects. The obligations must be issued and sold in the manner and following the procedures provided by chapter 475, except the obligations are not subject to approval by the electors, and the maturities may extend to not more than 35 years for obligations sold to finance housing for the elderly and 40 years for other obligations issued under this subdivision. The authority is the municipality for purposes of chapter 475.

(b) The principal amount of the issue must be approved by the governing body of the general jurisdiction governmental unit whose general obligation is pledged. Public hearings must be held on issuance of the obligations by both the authority and the general jurisdiction governmental unit. The hearings must be held at least 15 days, but not more than 120 days, before the sale of the obligations.

(c) The maximum amount of general obligation bonds that may be issued and outstanding under this section equals the greater of (1) one-half of one percent of the estimated market value of the general jurisdiction governmental unit whose general obligation is pledged, or (2) ~~\$3,000,000~~ \$5,000,000. In the case of county or multicounty general obligation bonds, the outstanding general obligation bonds of all cities in the county or counties issued under this subdivision must be added in calculating the limit under clause (1).

(d) "General jurisdiction governmental unit" means the city in which the housing development project is located. In the case of a county or multicounty authority, the county or counties may act as the general jurisdiction governmental unit. In the case of a multicounty authority, the pledge of the general obligation is a pledge of a tax on the taxable property in each of the counties.

(e) "Qualified housing development project" means a housing development project providing housing either for the elderly or for individuals and families with incomes not greater than 80 percent of the median family income as estimated by the United States Department of Housing and Urban Development for the standard metropolitan statistical area or the nonmetropolitan county in which the project is located. The project must be owned for the term of the bonds either by the authority or by a limited partnership or other entity in which the authority or another entity under the sole control of the authority is the sole general partner and the partnership or other entity must receive (1) an allocation from the Department of Management and Budget or an entitlement issuer of tax-exempt bonding authority for the project and a preliminary determination by the Minnesota Housing Finance Agency or the applicable suballocator of tax credits that the project will qualify for four percent low-income housing tax credits or (2) a reservation of nine percent low-income housing tax credits from the Minnesota Housing Finance Agency or a suballocator of tax credits for the project. A qualified housing development project may admit nonelderly individuals and families with higher incomes if:

(1) three years have passed since initial occupancy;

(2) the authority finds the project is experiencing unanticipated vacancies resulting in insufficient revenues, because of changes in population or other unforeseen circumstances that occurred after the initial finding of adequate revenues; and

(3) the authority finds a tax levy or payment from general assets of the general jurisdiction governmental unit will be necessary to pay debt service on the bonds if higher income individuals or families are not admitted.

(f) The authority may issue bonds to refund bonds issued under this subdivision in accordance with section 475.67. The finding of the adequacy of pledged revenues required by paragraph (a) and the public hearing required by paragraph (b) shall not apply to the issuance of refunding bonds. This paragraph applies to refunding bonds issued on and after July 1, 1992.

Sec. 10. Minnesota Statutes 2014, section 469.101, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** An economic development authority may create and define the boundaries of economic development districts at any place or places within

the city, except that the district boundaries must be contiguous, and may use the powers granted in sections 469.090 to 469.108 to carry out its purposes. First the authority must hold a public hearing on the matter. At least ten days before the hearing, the authority shall publish notice of the hearing in a daily newspaper of general circulation in the city. Also, the authority shall find that an economic development district is proper and desirable to establish and develop within the city.

Sec. 11. Minnesota Statutes 2014, section 475.58, subdivision 3b, is amended to read:

Subd. 3b. **Street reconstruction and bituminous overlays.** (a) A municipality may, without regard to the election requirement under subdivision 1, issue and sell obligations for street reconstruction or bituminous overlays, if the following conditions are met:

(1) the streets are reconstructed or overlaid under a street reconstruction or overlay plan that describes the street reconstruction or overlay to be financed, the estimated costs, and any planned reconstruction or overlay of other streets in the municipality over the next five years, and the plan and issuance of the obligations has been approved by a vote of ~~all~~ a majority of the members of the governing body present at the meeting following a public hearing for which notice has been published in the official newspaper at least ten days but not more than 28 days prior to the hearing; and

(2) if a petition requesting a vote on the issuance is signed by voters equal to five percent of the votes cast in the last municipal general election and is filed with the municipal clerk within 30 days of the public hearing, the municipality may issue the bonds only after obtaining the approval of a majority of the voters voting on the question of the issuance of the obligations. If the municipality elects not to submit the question to the voters, the municipality shall not propose the issuance of bonds under this section for the same purpose and in the same amount for a period of 365 days from the date of receipt of the petition. If the question of issuing the bonds is submitted and not approved by the voters, the provisions of section 475.58, subdivision 1a, shall apply.

(b) Obligations issued under this subdivision are subject to the debt limit of the municipality and are not excluded from net debt under section 475.51, subdivision 4.

(c) For purposes of this subdivision, street reconstruction and bituminous overlays includes utility replacement and relocation and other activities incidental to the street reconstruction, turn lanes and other improvements having a substantial public safety function, realignments, other modifications to intersect with state and county roads, and the local share of state and county road projects. For purposes of this subdivision, "street reconstruction" includes expenditures for street reconstruction that have been incurred by a municipality before approval of a street reconstruction plan, if such expenditures

10.1 are included in a street reconstruction plan approved on or before the date of the public
10.2 hearing under paragraph (a), clause (1), regarding issuance of bonds for such expenditures.

10.3 (d) Except in the case of turn lanes, safety improvements, realignments, intersection
10.4 modifications, and the local share of state and county road projects, street reconstruction
10.5 and bituminous overlays does not include the portion of project cost allocable to widening
10.6 a street or adding curbs and gutters where none previously existed.

10.7 Sec. 12. Minnesota Statutes 2014, section 475.60, subdivision 2, is amended to read:

10.8 Subd. 2. **Requirements waived.** The requirements as to public sale shall not
10.9 apply to:

10.10 (1) obligations issued under the provisions of a home rule charter or of a law
10.11 specifically authorizing a different method of sale, or authorizing them to be issued in such
10.12 manner or on such terms and conditions as the governing body may determine;

10.13 (2) obligations sold by an issuer in an amount not exceeding the total sum of
10.14 \$1,200,000 in any 12-month period;

10.15 (3) obligations issued by a governing body other than a school board in anticipation
10.16 of the collection of taxes or other revenues appropriated for expenditure in a single year, if
10.17 sold in accordance with the most favorable of two or more proposals solicited privately;

10.18 (4) obligations sold to any board, department, or agency of the United States of
10.19 America or of the state of Minnesota, in accordance with rules or regulations promulgated
10.20 by such board, department, or agency;

10.21 (5) obligations issued to fund pension and retirement fund liabilities under section
10.22 475.52, subdivision 6, obligations issued with tender options under section 475.54,
10.23 subdivision 5a, crossover refunding obligations referred to in section 475.67, subdivision
10.24 13, and any issue of obligations comprised in whole or in part of obligations bearing
10.25 interest at a rate or rates which vary periodically referred to in section 475.56;

10.26 (6) obligations to be issued for a purpose, in a manner, and upon terms and
10.27 conditions authorized by law, if the governing body of the municipality, on the advice of
10.28 bond counsel or special tax counsel, determines that interest on the obligations cannot be
10.29 represented to be excluded from gross income for purposes of federal income taxation;

10.30 (7) obligations issued in the form of an installment purchase contract, lease purchase
10.31 agreement, or other similar agreement;

10.32 (8) obligations sold under a bond reinvestment program; and

10.33 (9) if the municipality has retained an independent ~~financial~~ municipal advisor,
10.34 obligations which the governing body determines shall be sold by private negotiation.