CHAPTER 475A
MUNICIPAL DEBT SERVICE AID

475A.01 CITATION.

Sections 475A.01 to 475A.06 shall be known and may be cited as the Municipal Debt Service Aid Law.

History: *1971 c 856 s 1; Ex1971 c 46 s 1*

475A.02 DEFINITIONS.

Subdivision 1. **Terms.** Except as provided in this section the terms contained in sections 475A.01 to 475A.06 shall have the meanings given them by section 475.51.

Subd. 2. **Municipality.** "Municipality" means any city, town, county, school district or any political subdivision of the state which has the authority to issue general obligations.

Subd. 3. **Guaranteed bond.** "Guaranteed bond" means a general obligation bond of a municipality including a statement approved by the commissioner of management and budget as provided in section 475A.03.

History: *1971 c 856 s 2; Ex1971 c 46 s 2; 1973 c 123 art 5 s 7; 1973 c 492 s 14; 2009 c 101 art 2 s 109*

475A.03 GUARANTEED BONDS; APPLICATION.

Subdivision 1. **Statement of security; 1971-1984 bonds.** The governing body of any municipality, upon compliance with the terms of sections 475A.01 to 475A.06 and approval of the commissioner of management and budget may, after July 1, 1971 and before May 1, 1984, include in general obligation bonds of the municipality issued for the purpose of providing funds to acquire or to better public lands and buildings and other public improvements of a capital nature, or bonds issued to refund guaranteed bonds, the following statement or such modification thereof consistent with sections 475A.01 to 475A.06 as the secretary shall prescribe:

The payment of this bond and the interest thereon is secured by the state municipal bond guaranty fund in accordance with the Minnesota Municipal Debt Service Aid Law.

The bonds may also include the designation "secured by the state municipal bond guaranty fund", and the notice of sale of such bonds may include a reference to such guaranty.

Subd. 2. **Resolution; application.** Subject to the provisions of sections 475A.01 to 475A.06, the state, upon application of the appropriate officer of any municipality, shall guarantee general obligation bonds of the municipality issued for the purpose of providing funds for acquisition or betterment of public lands or buildings or other public improvements of a capital nature or for the refunding of guaranteed bonds. The governing body of any municipality seeking a state guaranty of bonds shall by resolution or ordinance undertake to pay the fee required and to comply with the other conditions of sections 475A.01 to 475A.06, and authorize and direct the appropriate officer of the municipality to apply to the commissioner of management and budget on behalf of the municipality for such guaranty. The application shall include a certified copy of the resolution or ordinance, and shall set forth the principal amount of the bonds to be issued, a maturity schedule for the bonds, the dates on which principal and interest are to be paid, and such other information as the commissioner of management and budget shall prescribe.

Subd. 3. **Computation for approval.** Upon receipt of the application the commissioner of management and budget shall estimate the total amount of principal and interest calculated at the probable average rate on the bonds described in the application, together with the total amount of principal and interest to become due on all guaranteed bonds then outstanding, and if the sum of these amounts does not exceed 20 times the sum of (a) the aggregate principal amount of all Minnesota state municipal aid bonds theretofore authorized and not theretofore issued, plus (b) the balance then on hand in the state municipal bond guaranty fund, the commissioner shall approve the application and issue the certificate provided in subdivision 4.

Subd. 4. **Certificate; time of effect; opinion.** Upon receipt of the application in the proper form the commissioner of management and budget shall execute and issue to the municipality not less than 14 days thereafter a certificate of guaranty which shall provide that the payment of the bonds and interest shall be secured by the state municipal bond guaranty fund in accordance with the provisions of sections 475A.01 to 475A.06. Such guaranty shall become effective as of the date of payment for and delivery of the guaranteed obligations: provided that counsel subject to whose opinion the bonds are offered for sale, issues as of that date a written opinion, based on examination of a transcript of proceedings taken preliminary to their issuance, that the bonds are validly authorized for the acquisition or betterment of public lands, buildings, or capital improvements, or for the refunding of guaranteed bonds; that they are valid and binding general obligations of the issuer; and that all taxable property within the corporate limits of the municipality is subject to the levy of a direct, general, annual ad valorem tax for the payment of the bonds and interest thereon when due, without limitation as to rate or amount.

Subd. 5. **Fee; failure to pay.** Within 14 days after the date of payment and delivery of the guaranteed obligations, the municipality shall remit to the commissioner of management and budget a guaranty fee in an amount equal to 2-1/2 percent of the total principal sum of the guaranteed obligations or $1,000, whichever is higher, which fee may be paid out of the proceeds of the guaranteed obligations as an expense incidental to the issuance of such obligations. All guaranty fees shall be credited to the municipal bond guaranty fund created by section 475A.05. Failure of the municipality to remit the guaranty fee required by this subdivision shall not invalidate the municipal bonds or the state's guaranty thereof: if the fee is unpaid the state auditor shall include in the certification under section 475A.04, subdivision 3, an amount equal to three percent of the total principal sum of the guaranteed bonds or $1,500, whichever is higher.

Subd. 6. **Investigation of deficiency.** Upon the occurrence of any deficiency requiring a loan under section 475A.04 the commissioner of management and budget shall make an investigation to ascertain the reasons therefor and to assure that adequate amounts of taxes, special assessments, and other revenues pledged for payment of the bonds have been levied and provided for in accordance with law and the provisions of the resolution or other instrument securing the bonds, and the officers of the municipality shall furnish all information and copies of all documents and records requested by the secretary for this purpose and shall promptly take all action requested and permitted by law to avoid future deficiencies. The commissioner of management and budget may request the state auditor to examine the books, records, accounts, and affairs of the municipality, and the cost of such examination shall be paid by the municipality.

History: *1971 c 856 s 3; Ex1971 c 46 s 3; 1973 c 492 s 7,14; 1984 c 597 s 50; 1986 c 444; 2009 c 101 art 2 s 109*

475A.04 DEBT SERVICE DEFICIENCY LOANS.

Subdivision 1. **Procedure.** In the event that funds sufficient to pay all of the principal and interest due on any guaranteed bond are not in the hands of the municipal treasurer or the paying agent at least 15 days before the due date, the treasurer or agent shall report the amount of the deficiency to the paying agent and the auditor who shall grant a loan to the issuer in this amount and shall certify to the issuer, the paying agent, and the auditor and treasurer of each county in which property subject to taxation by the issuer is situated, the amount of the loan and interest to accrue thereon to the due date of the loan, and the commissioner of management and budget shall issue a warrant for the principal amount and shall remit it to the paying agent on or before the due date. If the municipal treasurer fails to deposit funds with the paying agent sufficient to pay all principal and interest due on any guaranteed bond on any date, without having previously given the notice herein required, the paying agent may report the amount of the deficiency to the commissioner of management and budget, who shall forthwith grant a loan to the issuer for this amount plus interest to accrue thereon for one month at the rate represented by the coupons then due, and the loan shall be certified and remitted as provided above. The paying agent may advance its own funds for the payment of any guaranteed bonds and interest due for which it has not received sufficient funds from the municipality, and may contract with the municipality to make such advances, and shall be entitled to reimbursement therefor from the proceeds of the loan, with interest at the rate represented by the coupons due. The issuing municipality shall give a receipt to the commissioner of management and budget for the amount of the loan and interest.

Subd. 2. **Due date; interest; prepayment.** Each loan shall become due on December 31 in the year following the year when a tax is levied for its payment as provided in subdivision 3, and shall bear interest from the date of its disbursement until paid, at a rate determined by the commissioner of management and budget, not less than the average annual rate payable on state municipal aid bonds most recently issued before such disbursement, and in no event less than 3-1/2 percent per annum. Any loan may be prepaid at any time with interest to the date of prepayment, by remittance to the commissioner of management and budget, who shall deposit the prepayment to the credit of the municipal bond guarantee fund and shall issue a receipt to the municipality with a copy to the treasurer of each county in which taxable property within the municipality is situated. Interest on loans not prepaid shall be due at the same time as principal.

Subd. 3. **Levy.** Before October 1 in each year the state auditor shall certify to the county auditor and treasurer of each county containing taxable property situated within any municipality having an outstanding loan, and to the municipality, the amount, if any, necessary to be levied to produce the total amount of principal and interest to become due in the next ensuing year on such loan plus the amount of any guaranty fee unpaid. After receipt of the certification each county auditor, upon ascertaining the current year's net tax capacity of all taxable property within the municipality which is situated within that county, and upon ascertaining from the county auditors of other counties the net tax capacity of any such property situated within their counties, shall extend upon the tax rolls an ad valorem tax upon all such property within that county, in an amount equal to that proportion of the total amount certified by the secretary which the net tax capacity of such property bears to the net tax capacity of all taxable property within the municipality.

Subd. 4. **First lien.** Each loan shall be a first lien and charge on all collections of taxes levied on property by the municipality to which the loan is granted, which are due and payable on and after October 31 in the year in which the loan is due. Unless a receipt for the prepayment thereof has theretofore been filed with the treasurer of each county in which property taxable by the municipality to which the loan was granted is situated, each such treasurer shall deduct from the first such taxes to be distributed to the municipality the full amount of the tax extended pursuant to subdivision 3, and shall remit the same to the commissioner of management and budget, who shall deposit the remittance to the credit of the municipal bond guaranty fund and shall issue a receipt to the municipality with a copy to the county treasurer.

History: *1971 c 856 s 4; Ex1971 c 46 s 4; 1973 c 492 s 14; 1986 c 444; 1988 c 719 art 5 s 84; 1989 c 329 art 13 s 20; 2003 c 112 art 2 s 44; 2009 c 101 art 2 s 109*

475A.05 MUNICIPAL BOND GUARANTY FUND.

Subdivision 1. **Money in fund; excess.** For the purpose of providing money to be loaned to municipalities to acquire and to better public lands and buildings and other public improvements of a capital nature, when needed to pay the principal of or interest on bonds issued for this purpose, or bonds issued to refund such guaranteed bonds, the municipal bond guaranty loan fund is created as a separate bookkeeping account in the general books of account of the state. All proceeds of state bonds credited to this fund, all amounts transferred from the general fund, all guaranty fees received, and all repayments of principal and interest on loans made from the fund are appropriated for construction and other permanent improvement and shall be available until the purposes for which the appropriation was made have been accomplished, except that at any time when the balance on hand in the state municipal bond guaranty fund exceeds ten percent of the principal amount of all then outstanding bonds secured by the fund, the state may reappropriate to the general fund the balance in excess of this amount.

Subd. 1a. **General fund appropriation.** In order to eliminate the need to sell Minnesota state municipal aid bonds, there is annually appropriated from the general fund to the commissioner of management and budget for transfer to the municipal bond guaranty loan fund the amounts needed to meet the state's obligations under sections 475A.01 to 475A.06, not to exceed a total of $4,330,000. This subdivision does not prevent the sale of state municipal aid bonds to the extent that the amount available for transfer from the general fund is not sufficient to meet all the state's obligations under sections 475A.01 to 475A.06.

Subd. 2. **Transfer of excess; appropriation.** All money deposited to the credit of the municipal bond guaranty fund shall be available for the making of loans under section 475A.04, except that on November 1 in each year the commissioner of management and budget shall certify the balance then on hand in the fund which the commissioner believes will not be required for loans to be made in the following year, and there shall then be transferred and credited to the state municipal aid bond account in the state bond fund the entire balance or so much thereof as, with the balance then in the bond account, will equal the total amount of principal and interest due and to become due on state municipal aid bonds to and including July 1 in the second ensuing year. Amounts so transferred and credited are appropriated for the purpose of reducing the amount of tax otherwise required to be levied for the state bond fund by article XI, section 7 of the Constitution.

History: *1971 c 856 s 5; Ex1971 c 46 s 5; 1973 c 492 s 14; 1976 c 2 s 172; 1984 c 597 s 51,52; 1986 c 444; 2003 c 112 art 2 s 50; 2009 c 101 art 2 s 109*

475A.06 MINNESOTA STATE MUNICIPAL AID BONDS.

Subdivision 1. **Authority; proceeds; limit.** For the purpose of providing money appropriated for loans to municipalities from the municipal bond guaranty fund under the provisions of section 475A.05, when authorized by law, the commissioner of management and budget shall issue and sell bonds of the state of Minnesota for the prompt and full payment of which bonds, with interest thereon, the full faith and credit and taxing powers of the state are irrevocably pledged; provided that pending the sale and delivery of such bonds, the commissioner of management and budget may advance temporarily to the municipal bond guaranty fund any money available in the general fund of the state to be reimbursed from the proceeds of the bonds when issued and sold. The proceeds of each issue of such bonds shall be credited to the municipal bond guaranty fund, except that a sum equal to the interest to accrue thereon to July 1 in the second year after such issue shall be credited to the state municipal aid bond account in the state bond fund. No issue of such bonds shall exceed in principal amount a sum equal to (a) $2,000,000 plus (b) the principal amount of loans outstanding and unpaid at the time of such issue, less (c) the balance then on hand in the state municipal bond guaranty fund, less (d) the principal amount of such bonds then outstanding.

Subd. 2. **Formalities.** The bonds shall be issued and sold upon sealed bids and upon such notice, at such price, at such times, in such form and denominations, bearing interest at such rate or rates, maturing in such amounts and on such dates, either without option of prepayment or subject to prepayment upon such notice and at such times and prices, payable at such bank or banks within or outside the state, with such provisions for registration, conversion, and exchange and for the issuance of notes in anticipation of the sale or delivery of definitive bonds, and in accordance with such further rules, as the commissioner of management and budget shall determine, subject to the approval of the attorney general, but not subject to chapter 14, including section 14.386. The bonds shall be executed by the commissioner of management and budget under official seal. The signature of the commissioner on the bonds and any appurtenant interest coupons and the seal may be printed, lithographed, engraved, or stamped thereon, except that each bond shall be authenticated by the manual signature on its face of the commissioner or of an officer of a bank designated by them as authenticating agent. The commissioner of management and budget shall ascertain and certify to the purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota, subject to the approval of the attorney general.

Subd. 3. **Appropriation for expenses; condition.** All expenses incidental to the sale, printing, execution, and delivery of bonds pursuant to this section, including but not limited to actual and necessary travel and subsistence expenses of state officers and employees for such purposes, shall be paid from the municipal bond guaranty fund, and the amounts necessary therefor are appropriated from that fund; provided that if any amount is specifically appropriated for this purpose in an act authorizing the issuance of bonds pursuant to this section, such expenses shall be limited to the amount so appropriated.

Subd. 4. **Separate account.** The commissioner of management and budget shall maintain in the state bond fund a separate bookkeeping account which shall be designated as the state municipal aid bond account, to record receipts and disbursements of money transferred to the fund to pay Minnesota state municipal aid bonds and income from the investment of such money, which income shall be credited to the account in each fiscal year in an amount equal to the approximate average return that year on all funds invested by the commissioner of management and budget, as determined by the commissioner of management and budget, times the average balance in the account that year.

Subd. 5. **Transfer to reduce constitutional levy; appropriations.** In addition to the money required to be transferred to the state municipal aid bond account under section 475A.05, subdivision 2 and section 475A.06, subdivision 1, and in order to reduce the amount of taxes otherwise required by the Constitution to be levied for the state bond fund, there shall also be transferred from the general fund to the state municipal aid bond account, on November 1 in each year, a sum of money sufficient in amount, when added to the balance then on hand therein, to pay all Minnesota state municipal aid bonds and interest thereon due and to become due to and including July 1 in the second ensuing year. All money to be credited and all income from the investment thereof is annually appropriated for the payment of such bonds and interest thereon, and shall be available in the state municipal aid bond account prior to the levy of the tax in any year required by the Constitution, article XI, section 7. The legislature may also appropriate to the state municipal aid bond account any other money in the state treasury not otherwise appropriated, for the security of Minnesota state municipal aid bonds in the event that sufficient money should not be available in the account from the sources herein appropriated, prior to the levy of such tax in any year. The commissioner of management and budget is directed to make the appropriate entries in the accounts of the respective funds.

Subd. 6. **Constitutional levy.** On or before December 1 in each year the state auditor shall levy on all taxable property within the state whatever tax may be necessary to produce an amount sufficient, with all money then and theretofore credited to the Minnesota state municipal aid bond account, to pay the entire amount of principal and interest then and theretofore due and principal and interest to become due on or before July 1 in the second year thereafter on Minnesota state municipal aid bonds. This tax shall be subject to no limitation of rate or amount until all such bonds and interest thereon are fully paid. The proceeds of this tax are appropriated and shall be credited to the state bond fund, and the principal of and interest on the bonds are payable from such proceeds, and the whole thereof, or so much as may be necessary, is appropriated for such payments. If at any time there is insufficient money from the proceeds of such taxes to pay the principal and interest when due on Minnesota state municipal aid bonds, such principal and interest shall be paid out of the general fund in the state treasury, and the amount necessary therefor is hereby appropriated.

Subd. 7. **Authority for bonds; limit; appropriation purpose; procedural sources.** The commissioner of management and budget is authorized to sell and issue Minnesota state municipal aid bonds in an aggregate principal amount not to exceed $1,192,295, the proceeds of which, except as provided in subdivision 1, are appropriated to the state municipal bond guaranty fund for the purpose of providing funds to be loaned to municipalities for the acquisition and betterment of public lands and buildings and other public improvements of a capital nature, when needed to pay the principal of or interest on bonds issued for this purpose or bonds issued to refund such guaranteed bonds, in accordance with the provisions of sections 475A.01 to 475A.06. The bonds shall be sold, issued, and secured as provided in subdivisions 1 to 6 and in article XI, section 7 of the Constitution.

History: *1971 c 856 s 6; Ex1971 c 46 s 6; 1973 c 492 s 14; 1976 c 2 s 172; 1982 c 424 s 130; 1984 c 597 s 53; 1985 c 248 s 70; 1Sp1985 c 14 art 4 s 95; 1995 c 233 art 2 s 56; 1997 c 187 art 5 s 33; 1997 c 202 art 2 s 50; 2003 c 112 art 2 s 45; 2003 c 112 art 2 s 50; 2009 c 101 art 2 s 109*