

**SENATE  
STATE OF MINNESOTA  
NINETY-THIRD SESSION**

**S.F. No. 2405**

(SENATE AUTHORS: REST, Klein, Weber and Nelson)

DATE  
03/02/2023

D-PG  
1270 Introduction and first reading  
Referred to Taxes  
See HF1938

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to public finance; modifying local government debt financing; amending  
1.3 Minnesota Statutes 2022, sections 118A.04, subdivision 5; 123B.61; 366.095,  
1.4 subdivision 1; 373.01, subdivision 3; 383B.117, subdivision 2; 410.32; 412.301;  
1.5 469.033, subdivision 6; 469.053, subdivisions 4, 6; 469.107, subdivision 1;  
1.6 474A.02, subdivisions 22b, 23a; 475.54, subdivision 1.

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

1.8 Section 1. Minnesota Statutes 2022, section 118A.04, subdivision 5, is amended to read:

1.9 Subd. 5. **Time deposits.** Funds may be invested in time deposits that are fully insured  
1.10 by the Federal Deposit Insurance Corporation, the National Association of Credit Unions,  
1.11 or bankers acceptances of United States banks.

1.12 Sec. 2. Minnesota Statutes 2022, section 123B.61, is amended to read:

1.13 **123B.61 PURCHASE OF CERTAIN EQUIPMENT.**

1.14 The board of a district may issue general obligation certificates of indebtedness or capital  
1.15 notes subject to the district debt limits to: (a) purchase vehicles, computers, telephone  
1.16 systems, cable equipment, photocopy and office equipment, technological equipment for  
1.17 instruction, and other capital equipment having an expected useful life at least as long as  
1.18 the terms of the certificates or notes; (b) purchase computer hardware and software, without  
1.19 regard to its expected useful life, whether bundled with machinery or equipment or  
1.20 unbundled, together with application development services and training related to the use  
1.21 of the computer; and (c) prepay special assessments. The certificates or notes must be  
1.22 payable in not more than ~~ten~~ 20 years and must be issued on the terms and in the manner  
1.23 determined by the board, ~~except that certificates or notes issued to prepay special assessments~~

2.1 ~~must be payable in not more than 20 years.~~ The certificates or notes may be issued by  
 2.2 resolution and without the requirement for an election. The certificates or notes are general  
 2.3 obligation bonds for purposes of section 126C.55. A tax levy must be made for the payment  
 2.4 of the principal and interest on the certificates or notes, in accordance with section 475.61,  
 2.5 as in the case of bonds. The sum of the tax levies under this section and section 123B.62  
 2.6 for each year must not exceed the lesser of the amount of the district's total operating capital  
 2.7 revenue or the sum of the district's levy in the general and community service funds excluding  
 2.8 the adjustments under this section for the year preceding the year the initial debt service  
 2.9 levies are certified. The district's general fund levy for each year must be reduced by the  
 2.10 sum of (1) the amount of the tax levies for debt service certified for each year for payment  
 2.11 of the principal and interest on the certificates or notes issued under this section as required  
 2.12 by section 475.61, (2) the amount of the tax levies for debt service certified for each year  
 2.13 for payment of the principal and interest on bonds issued under section 123B.62, and (3)  
 2.14 any excess amount in the debt redemption fund used to retire bonds, certificates, or notes  
 2.15 issued under this section or section 123B.62 after April 1, 1997, other than amounts used  
 2.16 to pay capitalized interest. If the district's general fund levy is less than the amount of the  
 2.17 reduction, the balance shall be deducted first from the district's community service fund  
 2.18 levy, and next from the district's general fund or community service fund levies for the  
 2.19 following year. A district using an excess amount in the debt redemption fund to retire the  
 2.20 certificates or notes shall report the amount used for this purpose to the commissioner by  
 2.21 July 15 of the following fiscal year. A district having an outstanding capital loan under  
 2.22 section 126C.69 must not use an excess amount in the debt redemption fund to retire the  
 2.23 certificates or notes.

2.24 Sec. 3. Minnesota Statutes 2022, section 366.095, subdivision 1, is amended to read:

2.25 Subdivision 1. **Certificates of indebtedness.** The town board may issue certificates of  
 2.26 indebtedness within the debt limits for a town purpose otherwise authorized by law, including  
 2.27 projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2). The  
 2.28 certificates shall be payable in not more than ~~ten~~ 20 years and be issued on the terms and  
 2.29 in the manner as determined by the board ~~may determine, provided that notes issued for~~  
 2.30 ~~projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause (2), must~~  
 2.31 ~~be payable in not more than 20 years.~~ If the amount of the certificates to be issued exceeds  
 2.32 0.25 percent of the estimated market value of the town, they shall not be issued for at least  
 2.33 ten days after publication in a newspaper of general circulation in the town of the board's  
 2.34 resolution determining to issue them. If within that time, a petition asking for an election  
 2.35 on the proposition signed by voters equal to ten percent of the number of voters at the last

3.1 regular town election is filed with the clerk, the certificates shall not be issued until their  
 3.2 issuance has been approved by a majority of the votes cast on the question at a regular or  
 3.3 special election. A tax levy shall be made to pay the principal and interest on the certificates  
 3.4 as in the case of bonds.

3.5 Sec. 4. Minnesota Statutes 2022, section 373.01, subdivision 3, is amended to read:

3.6 Subd. 3. **Capital notes.** (a) A county board may, by resolution and without referendum,  
 3.7 issue capital notes subject to the county debt limit to purchase capital equipment useful for  
 3.8 county purposes that has an expected useful life at least equal to the term of the notes. The  
 3.9 notes shall be payable in not more than ~~ten~~ 20 years and shall be issued on the terms and in  
 3.10 a the manner determined by the board determines. A tax levy shall be made for payment of  
 3.11 the principal and interest on the notes, in accordance with section 475.61, as in the case of  
 3.12 bonds.

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

3.14 (1) public safety, ambulance, road construction or maintenance, and medical equipment;  
 3.15 ~~and~~

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

3.19 (3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause  
 3.20 (2).

3.21 Sec. 5. Minnesota Statutes 2022, section 383B.117, subdivision 2, is amended to read:

3.22 Subd. 2. **Equipment acquisition; capital notes.** The board may, by resolution and  
 3.23 without public referendum, issue capital notes within existing debt limits for the purpose  
 3.24 of purchasing ambulance and other medical equipment, road construction or maintenance  
 3.25 equipment, public safety equipment, including projects that eliminate R-22, as defined in  
 3.26 section 240A.09, paragraph (b), clause (2), and other capital equipment having an expected  
 3.27 useful life at least equal to the term of the notes issued. The notes shall be payable in not  
 3.28 more than ~~ten~~ 20 years and shall be issued on the terms and in a the manner as determined  
 3.29 by the board determines, provided that notes issued for projects that eliminate R-22, as  
 3.30 defined in section 240A.09, paragraph (b), clause (2), must be payable in not more than 20  
 3.31 years. The total principal amount of the notes issued for any fiscal year shall not exceed  
 3.32 one percent of the total annual budget for that year and shall be issued solely for the purchases

4.1 authorized in this subdivision. A tax levy shall be made for the payment of the principal  
 4.2 and interest on such notes as in the case of bonds. For purposes of this subdivision,  
 4.3 "equipment" includes computer hardware and software, whether bundled with machinery  
 4.4 or equipment or unbundled. For purposes of this subdivision, the term "medical equipment"  
 4.5 includes computer hardware and software and other intellectual property for use in medical  
 4.6 diagnosis, medical procedures, research, record keeping, billing, and other hospital  
 4.7 applications, together with application development services and training related to the use  
 4.8 of the computer hardware and software and other intellectual property, all without regard  
 4.9 to their useful life. For purposes of determining the amount of capital notes which the county  
 4.10 may issue in any year, the budget of the county and Hennepin Healthcare System, Inc. shall  
 4.11 be combined and the notes issuable under this subdivision shall be in addition to obligations  
 4.12 issuable under section 373.01, subdivision 3.

4.13 Sec. 6. Minnesota Statutes 2022, section 410.32, is amended to read:

4.14 **410.32 CITIES MAY ISSUE CAPITAL NOTES FOR CAPITAL EQUIPMENT.**

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

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

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

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

4.24 (3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause  
 4.25 (2).

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

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

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

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

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

5.8 Sec. 7. Minnesota Statutes 2022, section 412.301, is amended to read:

5.9 **412.301 FINANCING PURCHASE OF CERTAIN EQUIPMENT.**

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

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

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

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

5.18 (3) projects that eliminate R-22, as defined in section 240A.09, paragraph (b), clause  
5.19 (2).

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

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

5.26 (e) If the amount of the certificates or notes to be issued to finance any such purchase  
5.27 exceeds 0.25 percent of the estimated market value of taxable property in the city, they shall  
5.28 not be issued for at least ten days after publication in the official newspaper of a council  
5.29 resolution determining to issue them; and if before the end of that time, a petition asking  
5.30 for an election on the proposition signed by voters equal to ten percent of the number of  
5.31 voters at the last regular municipal election is filed with the clerk, such certificates or notes

6.1 shall not be issued until the proposition of their issuance has been approved by a majority  
6.2 of the votes cast on the question at a regular or special election.

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

6.5 Sec. 8. Minnesota Statutes 2022, section 469.033, subdivision 6, is amended to read:

6.6 Subd. 6. **Operation area as taxing district, special tax.** All of the territory included  
6.7 within the area of operation of any authority shall constitute a taxing district for the purpose  
6.8 of levying and collecting special benefit taxes as provided in this subdivision. All of the  
6.9 taxable property, both real and personal, within that taxing district shall be deemed to be  
6.10 benefited by projects to the extent of the special taxes levied under this subdivision. Subject  
6.11 to the consent by resolution of the governing body of the city in and for which it was created,  
6.12 an authority may levy a tax upon all taxable property within that taxing district. The tax  
6.13 shall be extended, spread, and included with and as a part of the general taxes for state,  
6.14 county, and municipal purposes by the county auditor, to be collected and enforced therewith,  
6.15 together with the penalty, interest, and costs. As the tax, including any penalties, interest,  
6.16 and costs, is collected by the county treasurer it shall be accumulated and kept in a separate  
6.17 fund to be known as the "housing and redevelopment project fund." The money in the fund  
6.18 shall be turned over to the authority at the same time and in the same manner that the tax  
6.19 collections for the city are turned over to the city, and shall be expended only for the purposes  
6.20 of sections 469.001 to 469.047. It shall be paid out upon vouchers signed by the chair of  
6.21 the authority or an authorized representative. The amount of the levy shall be an amount  
6.22 approved by the governing body of the city, but shall not exceed 0.0185 percent of estimated  
6.23 market value. The authority shall each year formulate and file a budget in accordance with  
6.24 the budget procedure of the city in the same manner as required of executive departments  
6.25 of the city or, if no budgets are required to be filed, by August 1. The amount of the tax  
6.26 levy for the following year shall be based on that budget. The requirements of section  
6.27 275.067 apply to a port authority that has not previously certified a levy.

6.28 Sec. 9. Minnesota Statutes 2022, section 469.053, subdivision 4, is amended to read:

6.29 Subd. 4. **Mandatory city levy.** A city shall, at the request of the port authority, levy a  
6.30 tax in any year for the benefit of the port authority. The tax must not exceed 0.01813 percent  
6.31 of estimated market value. The amount levied must be paid by the city treasurer to the  
6.32 treasurer of the port authority, to be spent by the authority. The requirements of section  
6.33 275.067 apply to a port authority that has not previously certified a levy.

7.1 Sec. 10. Minnesota Statutes 2022, section 469.053, subdivision 6, is amended to read:

7.2 Subd. 6. **Discretionary city levy.** Upon request of a port authority, the port authority's  
7.3 city may levy a tax to be spent by and for its port authority. The tax must enable the port  
7.4 authority to carry out efficiently and in the public interest sections 469.048 to 469.068 to  
7.5 create and develop industrial development districts. The levy must not be more than 0.00282  
7.6 percent of estimated market value. The county treasurer shall pay the proceeds of the tax  
7.7 to the port authority treasurer. The money may be spent by the authority in performance of  
7.8 its duties to create and develop industrial development districts. In spending the money the  
7.9 authority must judge what best serves the public interest. The levy in this subdivision is in  
7.10 addition to the levy in subdivision 4. The requirements of section 275.067 apply to a port  
7.11 authority that has not previously certified a levy.

7.12 Sec. 11. Minnesota Statutes 2022, section 469.107, subdivision 1, is amended to read:

7.13 Subdivision 1. **City tax levy.** A city may, at the request of the authority, levy a tax in  
7.14 any year for the benefit of the authority. The tax must be not more than 0.01813 percent of  
7.15 estimated market value. The amount levied must be paid by the city treasurer to the treasurer  
7.16 of the authority, to be spent by the authority. The requirements of section 275.067 apply to  
7.17 an economic development authority that has not previously certified a levy.

7.18 Sec. 12. Minnesota Statutes 2022, section 474A.02, subdivision 22b, is amended to read:

7.19 Subd. 22b. **Public facilities project.** "Public facilities project" means ~~any publicly owned~~  
7.20 ~~facility, or a facility that is used for district heating or cooling,~~ whether publicly or privately  
7.21 owned, that is eligible to be financed with the proceeds of public facilities bonds as defined  
7.22 under section 474A.02, subdivision 23a.

7.23 Sec. 13. Minnesota Statutes 2022, section 474A.02, subdivision 23a, is amended to read:

7.24 Subd. 23a. **Qualified bonds.** "Qualified bonds" means the specific type or types of  
7.25 obligations that are subject to the annual volume cap. Qualified bonds include the following  
7.26 types of obligations as defined in federal tax law:

7.27 (a) "public facility bonds" means "exempt facility bonds" as defined in federal tax law,  
7.28 except for residential rental project bonds, ~~which are those obligations issued to finance~~  
7.29 ~~airports, docks and wharves, mass commuting facilities, facilities for the furnishing of water,~~  
7.30 ~~sewage facilities, solid waste disposal facilities, facilities for the local furnishing of electric~~  
7.31 ~~energy or gas, local district heating or cooling facilities, and qualified hazardous waste~~

8.1 ~~facilities~~. New bonds and other obligations are ineligible to receive state allocations or  
 8.2 entitlement authority for public facility projects under this section if they have been issued:

8.3 (1) for the purpose of refinancing, refunding, or otherwise defeasing existing debt; and

8.4 (2) more than one calendar year prior to the date of application;

8.5 (b) "residential rental project bonds" which are those obligations issued to finance  
 8.6 qualified residential rental projects;

8.7 (c) "mortgage bonds";

8.8 (d) "small issue bonds" issued to finance manufacturing projects and the acquisition or  
 8.9 improvement of agricultural real or personal property under sections 41C.01 to 41C.13;

8.10 (e) "student loan bonds" issued by or on behalf of the Minnesota Office of Higher  
 8.11 Education;

8.12 (f) "redevelopment bonds";

8.13 (g) "governmental bonds" with a nonqualified amount in excess of \$15,000,000 as set  
 8.14 forth in section 141(b)5 of federal tax law; and

8.15 (h) "enterprise zone facility bonds" issued to finance facilities located within  
 8.16 empowerment zones or enterprise communities, as authorized under Public Law 103-66,  
 8.17 section 13301.

8.18 Sec. 14. Minnesota Statutes 2022, section 475.54, subdivision 1, is amended to read:

8.19 Subdivision 1. **In installments; exception; annual limit.** Except as provided in  
 8.20 subdivision 3, 5a, 15, or 17, or as expressly authorized in another law, all obligations of  
 8.21 each issue shall mature or be subject to mandatory sinking fund redemption in installments,  
 8.22 the first not later than three years and the last not later than 30 years from the date of the  
 8.23 issue; or 40 years or the useful life of the asset, whichever is less, for ~~municipal water and~~  
 8.24 ~~wastewater treatment systems and~~ essential community facilities financed or guaranteed by  
 8.25 the United States Department of Agriculture and municipal water and wastewater treatment  
 8.26 systems. No amount of principal of the issue payable in any calendar year shall exceed an  
 8.27 amount equal to the smallest amount payable in any preceding calendar year ending three  
 8.28 years or more after the issue date multiplied:

8.29 (1) by five, in the case of obligations maturing not later than 25 years from the date of  
 8.30 issue; and

8.31 (2) by six, in the case of obligations maturing 25 years or later from the date of issue.