

SENATE
STATE OF MINNESOTA
NINETY-FOURTH SESSION

S.F. No. 4982

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DATE	D-PG	OFFICIAL STATUS
04/07/2026	7913	Introduction and first reading
		Referred to Capital Investment
04/20/2026	8524	Author added Maye Quade

- 1.1 A bill for an act
- 1.2 relating to capital investment; authorizing a lease-purchase agreement and the sale
- 1.3 and issuance of certificates of participation to fund improvements to or replacement
- 1.4 of the state's MAXIS system; proposing coding for new law in Minnesota Statutes,
- 1.5 chapter 16A.
- 1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.7 Section 1. **[16A.83] MAXIS IMPROVEMENTS LEASE-PURCHASE FINANCING.**
- 1.8 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
- 1.9 the meanings given.
- 1.10 (b) "Lease-purchase agreement" means an agreement for the lease and installment
- 1.11 purchase of the MAXIS project, or a portion of the project, between the commissioner, on
- 1.12 behalf of the state, and a vendor or a third-party financing source.
- 1.13 (c) "MAXIS lease-purchase guidelines" means policies, procedures, and requirements
- 1.14 established by the commissioner for the MAXIS project that is financed pursuant to a
- 1.15 lease-purchase agreement.
- 1.16 (d) "MAXIS project" means the development, acquisition, installation, and
- 1.17 implementation of a modernization plan or replacement of the state's MAXIS system.
- 1.18 Subd. 2. **Lease-purchase financing.** The commissioner may enter into a lease-purchase
- 1.19 agreement in an amount sufficient to fund the MAXIS project and authorize the public or
- 1.20 private sale and issuance of certificates of participation, provided that:
- 1.21 (1) the MAXIS project has been authorized by law to be funded pursuant to a
- 1.22 lease-purchase agreement;

(2) the term of the lease-purchase agreement and the related certificates of participation shall not exceed the lesser of (i) the expected useful life of the MAXIS project financed by the lease-purchase agreement and the certificates or (ii) ten years from the date of issuance of the lease-purchase agreement and the certificates;

(3) the principal amount of the lease-purchase agreement and the certificates is sufficient to provide for the costs of issuance, capitalized interest, credit enhancement, or reserves, if any, as required under the lease-purchase agreement;

(4) money sufficient for payment of lease obligations has been committed in the authorizing legislation for the MAXIS project for the fiscal year during which the lease-purchase agreement is entered into, provided that no lease-purchase agreement shall obligate the state to appropriate money sufficient to make lease payments due under an agreement in a future fiscal year; and

(5) planned expenditures for the MAXIS project are permitted within the MAXIS lease-purchase guidelines.

Subd. 3. **Covenants.** The commissioner may covenant in a lease-purchase agreement that the state will abide by the terms and provisions that are customary in lease-purchase financing transactions, including but not limited to covenants providing that the state:

(1) must maintain insurance as required under the terms of the lease-purchase agreement;

(2) is responsible to the lessor for any public liability or property damage claims or costs related to the selection, use, or maintenance of the MAXIS project; to the extent of insurance or self-insurance maintained by the state; and for costs and expenses incurred by the lessor as a result of any default by the state; or

(3) authorizes the lessor to exercise the rights of a secured party with respect to the MAXIS project or any portion of the project in the event of default or nonappropriation of money by the state, and for the present recovery of lease payments due during the current term of the lease-purchase agreement as liquidated damages in the event of default.

Subd. 4. **Credit and appropriation of proceeds.** Proceeds of the lease-purchase agreement and certificates of participation must be credited to the MAXIS lease project fund in the state treasury. Net income from investment of the proceeds, as estimated by the commissioner, must be credited to the appropriate accounts in the MAXIS lease project fund. Money in the MAXIS lease project fund is appropriated for the purposes described in the authorizing law for the MAXIS project under this section.

3.1 Subd. 5. **Transfer of funds.** Before the lease-purchase proceeds are received in the
3.2 MAXIS lease project fund, the commissioner may transfer to that fund from the general
3.3 fund amounts not exceeding the expected proceeds from the lease-purchase agreement and
3.4 certificates of participation. The commissioner shall return these amounts to the general
3.5 fund by transferring proceeds when received. The amounts of these transfers are appropriated
3.6 from the general fund and from the MAXIS lease project fund.

3.7 Subd. 6. **Administrative expenses.** Actual and necessary travel and subsistence expenses
3.8 of employees and all other nonsalary expenses incidental to the sale, printing, execution,
3.9 and delivery of the lease-purchase agreement and certificates of participation may be paid
3.10 from the lease-purchase proceeds. The lease-purchase proceeds are appropriated for this
3.11 purpose.

3.12 Subd. 7. **Treatment of MAXIS lease project fund.** Lease-purchase proceeds remaining
3.13 in the MAXIS lease project fund after the purpose for which the lease-purchase agreement
3.14 was undertaken is accomplished or abandoned, as determined by the commissioner, must
3.15 be transferred to the general fund.

3.16 Subd. 8. **Lease-purchase not public debt.** A lease-purchase agreement does not
3.17 constitute or create a general or moral obligation or indebtedness of the state in excess of
3.18 the money from time to time appropriated or otherwise available for payments or obligations
3.19 under the agreement. Payments due under a lease-purchase agreement during a current lease
3.20 term for which money has been appropriated is a current expense of the state.

3.21 Subd. 9. **Tax treatment.** Property purchased subject to a lease-purchase agreement
3.22 under this section is not subject to personal property taxes. The purchaser of property for
3.23 lease to the state under a valid lease-purchase agreement under this section is not subject
3.24 to the sales tax on the purchase of the property or on the payments received under the
3.25 agreement, but the state is subject to the tax under chapter 297A on property acquired under
3.26 the agreement.

3.27 Subd. 10. **Refunding certificates.** The commissioner from time to time may enter into
3.28 a new lease-purchase agreement and issue and sell certificates of participation for the purpose
3.29 of refunding any lease-purchase agreement and related certificates of participation then
3.30 outstanding, including the payment of any redemption premiums, any interest accrued or
3.31 that is to accrue to the redemption date, and costs related to the issuance and sale of the
3.32 refunding certificates. The proceeds of any refunding certificates may, in the discretion of
3.33 the commissioner, be applied (1) to the purchase or payment at maturity of the certificates
3.34 to be refunded, (2) to the redemption of outstanding lease-purchase agreements and

certificates on any redemption date, or (3) to pay interest on the refunding lease-purchase agreements and certificates and may, pending application, be placed in escrow to be applied to the purchase, payment, retirement, or redemption. Any escrowed proceeds, pending use, may be invested and reinvested in obligations that are authorized investments under section 11A.24. The income earned or realized on any authorized investment may also be applied to the payment of the lease-purchase agreements and certificates to be refunded, interest or premiums on the refunded certificates, or to pay interest on the refunding lease-purchase agreements and certificates. After the terms of the escrow have been fully satisfied, any balance of proceeds and any investment income may be returned to the general fund or, if applicable, the MAXIS lease project fund, for use in a lawful manner. All refunding lease-purchase agreements and certificates issued under the provisions of this subdivision must be prepared, executed, delivered, and secured by appropriations in the same manner as the lease-purchase agreements and certificates to be refunded.

Sec. 2. **[16A.835] MAXIS LEASE-PURCHASE APPROPRIATION.**

\$10,000,000 in fiscal year 2027, \$10,000,000 in fiscal year 2028, and \$10,000,000 in each fiscal year 2029 to 2036 are appropriated from the general fund to the commissioner to make payments under a lease-purchase agreement as defined in section 16A.83 for development, acquisition, installation, and implementation of a modernization plan or replacement of the state's MAXIS system, provided that the state is not obligated to continue the appropriation of money or to make lease payments in any future fiscal year. Any unexpended portions of this appropriation cancel to the general fund at the close of each biennium. This section expires June 30, 2037.