

HOUSE RESEARCH

Bill Summary

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Overview

Authorizes the Metropolitan Council to issue up to \$32 million in bonds for transit capital improvements.

Expands the authority to issue capital notes for computer software, extends the sunset dates for establishing special service districts and housing improvements districts by two years, and expands the authority to use city capital improvement program bonds for street improvements.

Allows the city of St. Paul to create a nonprofit organization that will take over responsibility for the RiverCentre complex and the Convention and Visitors Bureau.

Authorizes cities outside the metro area to contract with a nonprofit organization to manage and provide the services under a special services district.

Increases the duration limits for tax abatement by 5 years.

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Provides that the Lakes Area Economic Development Authority (EDA) is a "special taxing district," which then has the authority to levy property taxes. Under current law each of the members in the Lakes Area EDA levy the tax for the benefit of the Authority. Reestablishes the Aitkin Drainage and Conservancy District. Effective the day following final enactment; the district expires December 31, 2008.

- 1 Local appropriation; prevention of cruelty to animals.** Increases the maximum city or county appropriation to a society for the prevention of cruelty to animals from the greater of \$4,800 or 50 cents per capita to 75 cents per capita, with no minimum amount specified.
- 2 County capital notes; software.** Clarifies the authority of counties to issue capital notes for computer software. The 2003 Legislature authorized the use of capital notes for "original operating system software." This term is undefined and its application and meaning is unclear. This section expands the authority to all types of software and applications development costs, but excludes the purchase of upgrades. Under present law, the authority to issue capital notes for software expires on July 1, 2005.

Capital notes may be issued without a referendum. They are, however, subject to net debt limits and to terms of 5 years or the useful life of the financed equipment, whichever is less.

- 3 Levy for non-county owned nursing homes.** Applies to a county that:
- Owns a nursing home;
 - Funds the nursing home with county money; and
 - Has other publicly (governmentally) owned nursing homes in the county.

It requires the county to levy a property tax to distribute to all of the public nursing homes in the county in an equal amount (in proportion to their number of beds). It applies beginning with the 2004 property tax levy.

- 4 County CIP bonds, conservation easements.** Clarifies that county capital improvement plan bonds (or CIP bonds) may be used to acquire, but not better, conservation easements.
- 5 Definition of "subsystems."** Redefines "public safety radio subsystems" by:

- Including in the definition systems identified in the statewide, shared radio and communication system project plan developed by the public safety radio system planning committee (under current law the term includes only those systems identified in the Metropolitan Radio Board's regionwide plan).
- Including in the definition systems identified as third-phase backbone, rather than only first-phase backbone as in current law.

(Under current law "backbone" is defined as a regionwide public safety radio communication system consisting of a shared region-wide infrastructure network. "Third-phase" is identified as the extension of the backbone system to serve the southeast and central districts of the State Patrol.)

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6 **Authorization.** Allows the Metropolitan Council to issue revenue bonds to provide money for assistance to local governments for up to 50 percent of the cost of building a public safety radio subsystem in the southeast district or in the counties of Benton, Sherburne, Stearns, or Wright in the central district of the State Patrol.

7 **Use of revenue bond money.** Specifies that money from revenue bonds issued to pay for local subsystems of the radio systems may only be spent for subsystems identified in the Metropolitan Radio Board's public safety radio system communication plan.

Allows the council to issue \$9.557 million in additional revenue bonds and appropriates the proceeds to the Department of Public Safety for the purposes of section 0. Specifies that the money may not be used to pay for portable or subscriber radio sets.

8 **Capital notes; home rule charter cities.** Clarifies the authority of home rule charter cities to issue capital notes for software in a manner identical to the changes for counties and statutory cities in sections 0and 0.

9 **Capital notes; statutory cities.** Clarifies the authority of statutory cities to issue capital notes for software in a manner identical to the changes for counties and home rule cities in sections 0and 0.

10 **Special services district ordinance.** Authorizes a city outside the metropolitan area, in an ordinance for a special services district, to contract with a nonprofit corporation for management and/or provision of the district's services. This does not explicitly give the city authority to establish a nonprofit corporation to perform this function. Section 465.717 generally prohibits cities from establishing corporations.

Effective date : Ordinances for which the public hearing was conducted after June 30, 2004.

11 **Hearing.** Requires the notice for a hearing on establishing a special service district as provided in section 0to state the city will contract with a nonprofit entity, if the city intends to use that authority.

Effective date : Applies to notices for which the public hearing is conducted after June 30, 2004.

12 **Special service districts.** Extends the sunset date for the authority to establish new special service districts from June 30, 2005, to June 30, 2007. The special service district law permits cities to establish these districts to provide a higher level of services in parts of the city. The costs can be funded with special assessments or ad valorem services charges on nonresidential taxable properties.

13 **Notification.** Requires cities to provide copies of special service district ordinances to the Office of State Auditor by the end of the calendar year in which the ordinance is adopted. Cities with existing special service district are required to file copies of their ordinances by December 31, 2004.

14 **Housing improvement districts.** Extends the sunset date for the authority to establish new housing improvement districts from June 30, 2005, to June 30, 2007. This authority permits a city to fund improvements to a multi-unit housing development by issuing bonds and/or imposing charges on the development.

15 **Notification.** Requires cities to provide copies of housing improvement district ordinances to the Office of State Auditor by the end of the calendar year in which the ordinance is adopted. Cities with existing districts must file copies of their ordinances by December 31, 2004.

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16 HRA general obligation bond projects. Makes two changes.

The first expands the definition of "qualified housing development project." These projects are a permitted use of HRA general obligation bonds. Under present law, the HRA itself must be the owner of the project for the term of the bonds. This section expands the definition to permit the project to be owned by a limited partnership or other entity (e.g., an Limited Liability Company). To qualify, the entity must:

- Have the HRA (or another entity under the control of the HRA) as its sole general partner
- Must have (or likely will receive) an allocation of both tax exempt bonding and federal low-income housing tax credits.

This modification will allow outside investors to become limited partners in the project and to qualify for the federal low-income housing tax credit. Effective the day following final enactment.

The second change provides housing and redevelopment authority revenue bonds may have a maximum maturity of 40 years. Present law allows a maximum maturity of 30 years from the estimated completion date of the project (rather than issuance of the bonds, as would be the case with the 40-year limit).

17 Abatement. Allows use of economic development abatement for historic and heritage preservation.

18 Duration limit, tax abatement. Increases the duration limits that apply under the tax abatement program from 10 years to 15 years, if all of three of the taxing districts (county, city, and school district) approve abatements, and from 15 years to 20 years, if one or two of the taxing districts approve.

19 Transit bond authorization. Authorizes the Metropolitan Council to issue \$32 million of debt obligations for capital expenditures under its regional transit master plan and transit capital improvement plan, plus the cost of issuance.

Background. The legislature has authorized the following amounts for transit bonding in the last five legislative sessions:

1999	\$36,000,000
2000	19,400,000
2001	45,000,000
2002	54,000,000
2003	45,000,000

20 Metropolitan transit levy. Limits the additional levy authority (triggered by an increase in metropolitan transit funding of less than CPI increase) for transit debt to certificates issued before July 1, 2004.

21 Bond allocation, notice deadline. Modifies the deadline for filing with the Department of

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Finance the notice of issuance of bonds under the state's cap on tax exempt bonds. The section changes this deadline from the last Monday in December to the last business day in December and clarifies that submissions by 4:30 p.m. are timely. (These notices must be filed within 5 days after issuance, if that is earlier.)

22 Technical change. Adds a semicolon to set off one item in a series listing the types of improvements that may be financed with bonds issued by a statutory city.

23 Technical change. Adds a comma to set off one item in a series listing the types of improvements that may be financed with bonds issued by a county.

24 Technical change. Adds a comma to set off one item in a series listing the types of improvements that may be financed with bonds issued by a town.

25 City CIP bonds, debt limit. Modifies the debt limit on city capital improvement program (CIP) bonds. Present law expresses this limit as a percentage of the taxable market value of property in the *county*, even though the city is issuing and paying for the bonds. (This was likely a drafting error in the 2003 legislation authorizing these bonds.) The section sets this limit as 0.1 percent of the city's taxable market value (present law is 0.05367 of the county's taxable market value).

26 City CIP bonds for street reconstruction. Modifies the permitted use of city CIP bonds for street reconstruction to permit use for:

- Turn lanes
- Improvements having a substantial public safety function
- Realignments

27 Authority to levy taxes. Provides that the Lakes Area Economic Development Authority (EDA) is a special taxing district, which then has the power to adopt its own levy and certify the levy to the county auditor. Under current law each member, at the request of the Lakes Area EDA, levies a tax for the benefit of the authority. This proposal would allow the authority to levy the tax itself, and not request the member taxing jurisdictions to do it for them. There is no change in the total amount that can be levied for the Lakes Area EDA.

Provides that the tax levied under this section shall be separately stated on the property tax statement.

Effective for taxes levied in 2004, payable in 2005 and thereafter.

28 Aitkin Drainage and Conservancy District. Reestablishes the Aitkin Drainage and Conservancy District that was abolished in 1987.

The bill is effective the day following final enactment, but the district sunsets December 31, 2008.

In 1986 and 1987, these drainage and conservancy districts were abolished as part of the repeal of the old "ditch laws." The Army Corp of Engineers has informed Aitkin County that if the district's ditches and easements are not maintained, it will not be eligible for any federal funds for flood purposes. There are funds remaining from the Aitkin Drainage and

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Conservancy District that are in a county fund. However, Aitkin County officials do not feel the money can be spent nor can they have access to the property without legislation authorizing it. This section reestablishes the district so that work can be done (some trees need to be removed) and that action will allow them to qualify for federal funds.

The district is abolished December 31, 2008. This will give the district time to plan for how these issues should be addressed in the long term (i.e., may establish a local and water planning board, watershed, etc.).

29 Definitions. Defines terms used in sections 0 to 0.

30 St. Paul; creation of nonprofit organization.

Subd. 1. Authority to create a nonprofit organization. Permits St. Paul to participate in creating a nonprofit organization.

Subd. 2. Governing board; appointment process. (a) Provides for the mayor to appoint a majority of the nonprofit's governing board, subject to approval by the city council. Permits the mayor to appoint officers and employees of the city.

(b) Directs the mayor to appoint two city council members to the nonprofit's board.

(c) Provides that only the mayor can remove mayoral appointees.

Subd. 3. President. Provides for the governing board to appoint a president for the nonprofit, subject to approval by the mayor.

Subd. 4. Conflicts of interest. Exempts the nonprofit board members from conflicts of interest procedures with regard to contracts and transactions between the nonprofit and the city.

31 RiverCentre management; operations contract.

Subd. 1. Authority to contract with nonprofit organization. Permits the city to contract with the nonprofit to equip, maintain, manage, and operate all or a portion of the RiverCentre complex, and to manage and operate a convention and visitors bureau. Permits the nonprofit to use the city attorney's services and the city's purchasing department.

Subd. 2. Bondholders' rights and RiverCentre complex tax exemptions preserved. Requires the city to protect the bondholders' rights under bonds issued for the RiverCentre complex. Provides that the RiverCentre complex retains the same tax exemptions it had when it was the responsibility of the city. RiverCentre concert ticket sales made by the nonprofit organization are specifically excluded from the sales tax exemption for nonprofit arts organizations.

Subd. 3. Applicable general laws. Requires the nonprofit to comply with the open meeting law and the government data practices act the same as the city, to the extent

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practicable.

Subd. 4. Succession. Makes the nonprofit the successor to the RiverCentre Authority under the laws listed. Provides that the RiverCentre Authority ceases to exist for as long as the city's contract with the nonprofit is in effect.

32 Liability. Makes the nonprofit organization a "municipality" for the purposes of the Municipal Tort Liability statute. Requires the city to defend and indemnify the nonprofit against claims arising out of the nonprofit's performance under the contract with the city.

33 Fairmont abatement authority. Authorizes the city of Fairmont, Martin County, and Independent School District No. 2752, to abate the taxes on the original tax capacity of TIF district No. 20 in Fairmont. This will permit the city to reimburse the developer for TIF that he expected to receive because the county represented that exempt property (a U.S. Post Office) would be included in the TIF district with an original value of zero. Allows the abatement to benefit a local elected official if the official discloses his interest and potential benefit and abstains from voting on the abatement.

34 HESO bonding authority. Authorizes the Minnesota Housing Finance Authority to transfer to the Higher Education Service Office \$50 million of its tax exempt bond allocation for calendar year 2004. This allocation will be used to issue student loan bonds.

35 Effective date. Provides the bill is effective the day following final enactment, unless otherwise specifically provided. The RiverCentre changes are effective upon local approval by the city of St. Paul.