

**Subject** Omnibus public finance; capital investment; taxes; supplemental budget

**Authors** Murphy and others

**Analyst** Deborah Dyson (Capital Investment, Articles 1 to 5)  
Christopher Kleman (Taxes, Article 7)  
Sean Williams (Taxes, Article 7)  
Alexandra Haigler (Taxes, Article 8)  
Jared Swanson (Taxes, Article 8)  
Colbey Sullivan (Articles 6 & 9)

**Date** October 12, 2020

### **Overview**

This public finance bill includes capital investment, tax, and supplemental budget provisions.

Article 1 contains the appropriations of general obligation bond proceeds. Article 2 contains trunk highway bonding. Article 3 contains general fund appropriations for capital projects. For details of these articles, see the spreadsheet by Andrew Lee, House Fiscal Analyst.

The remaining articles are summarized in this document.

Article 4: Appropriation Bonds .....	2
Article 5: Miscellaneous.....	3
Article 6: General Fund Spending Offsets.....	8
Article 7: Individual Income and Corporate Franchise Taxes .....	9
Article 8: Miscellaneous Taxes.....	10
Article 9: Supplemental State Government Appropriations .....	12

## Article 4: Appropriation Bonds

### Section Description: Article 4 – Appropriation Bonds

---

- 1 Electric vehicle infrastructure appropriation bonds.**  
Authorizes \$2,000,000 (net) in state appropriation bonds for the commissioner of administration to design, install, and equip electrical infrastructure and electric vehicle charging stations on state-owned property.
- 2 Public television equipment appropriation bonds.**  
Authorizes \$15,000,000 (net) in state appropriation bonds for the commissioner of administration for equipment grants to public stations under section 129D.15. Grants must be allocated two-sevenths to Twin Cities PBS, one-seventh to KSMQ public television in Austin, one-seventh to Pioneer public television in Granite Falls, one-seventh to Lakeland PBS in Bemidji, one-seventh to Prairie Public in Fargo/Moorhead, and one-seventh to WDSE public television in Duluth.
- 3 Response to releases appropriation bonds.**  
Authorizes \$30,400,000 (net) in state appropriation bonds for the commissioner of the Pollution Control Agency for removal and remedial actions under section 115B.17 and further subject to the conditions in chapter 115B to address risks to human health and the environment at the following sites: the Esko Groundwater Contamination Superfund site; the city of Duluth Dump #1 Superfund site; the Perham Arsenic site; and the Precision Plating State Superfund site (in Minneapolis).
- 4 Definitions (MHFA housing infrastructure bonds).**  
Adds to the definition of “housing infrastructure bonds,” bonds to finance the construction or rehabilitation of single family houses that qualify for mortgage financing within the meaning of the provision of federal tax law relating to mortgage revenue bonding by state or local governments (section 143 of the Internal Revenue Code). In general, this means the housing must be owner-occupied; the owner has not owned a home in the prior three years; the owner falls within income limits in the law; the mortgage financing from the state bonds cannot be used to refinance an existing mortgage; and the bonds may be for mortgages in targeted areas.
- 5 Authorization (MHFA housing infrastructure bonds).**  
Allows housing infrastructure bonds to be used to finance the acquisition, rehabilitation, adaptive reuse, or new construction of single family housing.
- 6 Additional authorization (MHFA housing infrastructure bonds).**  
Authorizes \$100,000,000 in housing infrastructure bonds.

**Section Description: Article 4 – Appropriation Bonds**

---

- 7 **Additional appropriation (MHFA housing infrastructure bonds).**  
Provides for payment from the general fund for debt service on the housing infrastructure bonds, beginning in July 2022, through 2043.
- 8 **Effective date.**  
Day after enactment.

**Article 5: Miscellaneous**

**Section Description: Article 5 – Miscellaneous**

---

- 1 **Negotiated sales authority.**  
Authorizes Minnesota Management and Budget to sell state bonds by a negotiated sales process. MMB was first given this as temporary authority in 2009. The authority was renewed a couple of times but expired June 30, 2018.
- 2 **Duluth regional exchange.**  
Provides for the appropriation bonds authorized to remain available until December 31, 2027, notwithstanding the four-year limit under the cancellation statute.
- 3 **Report (RFA).**  
Requires the Rural Finance Authority to report quarterly on the estimates of when funding for the authority's bond-funded programs may be exhausted.
- 4 **Greater Minnesota child care facility capital grant program.**  
**Subd. 1. Purpose.** States the purpose of the new grant program is to enhance jobs, increase tax base, or create or expand economic development by providing the workforce child care facilities.  
**Subd. 2. Creation of accounts.** Establishes two grant accounts, one in the special revenue fund and one in the bond proceeds fund. Appropriates money in both accounts to the commissioner of employment and economic development to make grants and provides that the money appropriated is available for four years.  
**Subd. 3. Eligible applicants.** (a) Provides that cities, counties, school district, or joint powers board comprised of two or more of these entities are eligible to apply for a grant from either account.

**Section Description: Article 5 – Miscellaneous**

---

(b) Provides that private child care providers may apply for a general fund grant.

(c) Requires applicants to be located outside the seven-county metropolitan area.

**Subd. 4. Local government authority.** Gives eligible local governments authority to own and operate child care facilities. Permits local governments to enter into lease or management agreements with licensed child care providers to operate in publicly owned facilities.

**Subd. 5. Eligible project.** Describes eligible projects and requires all projects to increase child care capacity in the community served by the provider, and to meet all state requirements for child care facilities or programs.

**Subd. 6. Grants.** (a) Provides that grants are for up to 50 percent of capital costs. Permits in-kind contributions, including those made before a grant is awarded to count towards nonstate match.

(b) Permits the commissioner to use regional organizations to distribute grants.

(c) Requires the commissioner to explain to legislators reasons if less than 50 percent of costs are granted.

**Subd. 7. Application; criteria.** Directs the commissioner to develop the forms and procedures for soliciting and reviewing applications. Lists minimum contents of an application.

**Subd. 8. Maximum grant amount.** \$500,000 per project; \$2 million in two years to an applicant for one or more projects in the same city or county.

**Subd. 9. Cancellation of grant; return of money.** Directs the commissioner to cancel a grant and to have the grantee return the money if the grantee is unable to proceed. The money goes back to the commissioner to make another grant. For grant money returned, the cancellation statute that applies to appropriations for capital projects begins to run in the year in which the grant money is returned.

**5 - 10 Maximum effort school loan program (MESL).**

Sections 5 to 10 modify the maximum effort school loan program to recognize that there are some loans that will never get repaid and converts them to grants.

In section 37, cancels the Nett Lake and Red Lake loans except for an amount equal to the amount the district would levy for the remainder of the loan period, resulting in a \$7,000 cost to the state's debt service fund in FY 2022-23 as loan repayments will decrease. Under current law, these districts get some debt service equalization aid

**Section Description: Article 5 – Miscellaneous**

---

that they end up repaying to the MESL fund. Because they will no longer be able to get debt service aid for these capital loans, the loan repayments will decrease, thus the transfer to the state's debt service fund decreases resulting in a general fund cost.

Amends debt service equalization aid to exclude the additional maximum effort levy from aid eligibility, this results in \$18,000 of general fund savings in FY 2021 and \$40,000 of general fund savings in FY 2022-2023.

Because the debt service equalization aid is a general fund savings if you subtract the cost due to the decreased loan repayments you get a net general fund impact for this proposal in FY 2022-2023 of -\$33,000.

Limits future capital loans to the portion of the approved amount districts are expected to repay over the 50 year term of the loan with the remaining balance being a state grant.

**11 Qualifications; accessibility grants (libraries).**

Increases the maximum grant amount for library accessibility grants from \$200,000 to \$300,000. The last time the amount was increased was in 2005, when it was increased from \$150,000 to \$200,000.

**12 - 16 Purpose (University of Minnesota – Clinical Research Facility financing).**

Sections 12 to 16 allow the University of Minnesota to refinance its existing debt for the biomedical science research facilities. The provisions then allow the state general fund appropriation to the University of Minnesota that pays debt service on 75 percent of the university bonds issued for the biomedical science research facilities also to be used to pay debt service on university bonds issued for the Clinical Research Facility (CRF). Design, land acquisition, site preparation, and preconstruction services for the CRF project are estimated to cost \$27 million and the university's request for state general obligation bond funding for two-thirds of that (\$18 million) was not included in the governor's bonding recommendations for 2020. The annual appropriation remains \$13.930 million.

**17 Promoting construction and renovation of public skate parks.**

Establishes a skate park construction and renovation grant program under the Minnesota Amateur Sports Commission.

**18 Scope of application; state capital funding.**

Extends the affirmative action plan and equal pay certificates of compliance requirements to a contract of any public entity using state general obligation bond proceeds for part or all of a capital project, including political subdivisions. The

**Section Description: Article 5 – Miscellaneous**

---

requirements apply to a capital project or discrete phase of a capital project that is appropriated bond proceeds on or after January 1, 2022.

Current state law requires certain businesses seeking to contract with the state to obtain a workforce certificate of compliance from the Minnesota Department of Human Rights before bidding on, responding to any requests for proposals, or executing any contracts or agreements for goods or services in excess of \$100,000. The amount is increased to \$250,000 for political subdivisions.

**19 Scope (equal pay, certificates of compliance).**

Extends the equal pay certificate of compliance requirement to a contract of any public entity using state general obligation bond proceeds for part or all of a capital project, including political subdivisions. Applies to projects appropriated money on or after January 1, 2022.

Current state law requires certain state contractors to obtain equal pay certificates of compliance from the Minnesota Department of Human Rights before entering into a contract for goods or services valued at more than \$500,000. This amount is increased to \$1,000,000 for political subdivisions.

**20 Systemwide campus redevelopment, reuse, or demolition.**

Permits Cass County to transfer to the Walker Hackensack Akeley school district for school purposes, and for no consideration, the campus of the former Ah Gwah Ching Regional Treatment Center, notwithstanding the 2008 law which requires redevelopment or reuse of the property consistent with the 2003 redevelopment plan.

**21 Central Minnesota Regional Parks.**

Modifies the project description of the 2014 appropriation to Sartell and extends its availability to December 31, 2024.

**22 Richfield – 77<sup>th</sup> Street Underpass.**

Extends the availability of the 2015 appropriation to December 31, 2024.

**23 Northeast Regional Corrections Center.**

Extends the availability of the 2015 appropriation to December 31, 2024.

**24 Local road improvement fund grants.**

Allows the 2017 appropriation for Anoka County’s interchange project near Columbus to be used for another related part of the project and extends the availability of the money to December 31, 2024.

**Section Description: Article 5 – Miscellaneous**

---

- 25     **Rail grade separation on crude oil rail corridors.**  
Adds right-of-way acquisition to the 2017 appropriation for the Sturgeon Lake Road project in Red Wing and extends the availability of the money to December 31, 2024.
- 26     **Minneapolis Veterans Home truss bridge (2017 appropriation).**  
Allows money not needed for the bridge to be used for asset preservation and campus safety and security upgrades at veterans homes statewide. Extends its availability to December 31, 2024.
- 27     **Minnesota Museum of American Art.**  
Strikes language relating to state historic tax credits and extends the availability of the 2017 appropriation to December 31, 2024.
- 28     **Glensheen renewal.**  
Eliminates the match requirement for the project and modifies the purpose.
- 29     **2018 act.**  
Technical correction to a total.
- 30     **Hennepin County – Railroad Crossing Safety.**  
Modifies the 2018 project description.
- 31     **2018 act.**  
Technical correction to a total.
- 32     **Pipestone County – Dental Facility.**  
Exempts the 2018 project from the sustainable building guidelines.
- 33     **Minnesota Museum of American Art.**  
Extends the availability of the 2018 appropriation to December 31, 2024.
- 34     **Wabasha – National Eagle Center and Wabasha Riverfront Revitalization.**  
Modifies the 2018 appropriation to break into discrete elements.
- 35     **Anoka County; Ramsey Boulevard.**  
Modifies the 2018 project description.
- 36     **Debt service equalization aid.**  
Relates to the maximum effort school loan program changes.

**Section Description: Article 5 – Miscellaneous**

---

- 37     **Red Lake and Net Lake capital loans.**  
Relates to the maximum effort school loans. Reduces the loan balances as of stated dates and forgives the balances.
- 38     **Lake Vermilion-Soudan Underground Mine State Park.**  
Designates an area in the park as a secondary unit and a state recreational area in which off-road vehicles are permitted.
- 39     **Sustainable building guidelines for small projects.**  
Directs the commissioners of administration and commerce to provide recommendations by February 15, 2021, to the chairs and ranking minority members of the committees in the senate and the house of representatives with jurisdiction over capital investment for revisions to the sustainable building guidelines to simplify the approval and exemption processes and reduce compliance costs for small scale projects.
- 40     **Repealer.**  
Repeals provisions related to the changes in the maximum effort school loan program. Also repeals the requirement for a biennial report on jobs created or retained as a result of capital project funding by the state, whether with state general obligation bond proceeds or other state funding sources, during the previous biennium that was originally enacted in 2012.
- 41     **Effective date.**  
Day following final enactment.

## **Article 6: General Fund Spending Offsets**

This article increases general fund resources for the fiscal years 2020-2021 biennium and thereby offsets general fund spending elsewhere in the bill.

**Section Description – Article 6: General Fund Spending Offsets**

---

- 1     **Premium security account transfer.**  
Requires Minnesota Management and Budget to transfer \$100,000,000 from the dedicated premium security account to the general fund in fiscal year 2021.  
Background: the legislature established the premium security account in 2017 as a dedicated source of funding to the Minnesota Comprehensive Health Association for

**Section Description – Article 6: General Fund Spending Offsets**

---

administrative costs and reinsurance payments to eligible health carriers under the Minnesota Premium Security Plan.

Effective date: This section takes effect the day following final enactment.

**2 General obligation bond refinancing savings.**

Recognizes general fund savings relative to the February state budget forecast by decreasing debt service expenditures for fiscal years 2021, 2022, and 2023. These reductions reflect savings achieved when Minnesota Management and Budget refinanced certain outstanding general obligation bonds, decreasing state debt service obligations relative to the February forecast.

Effective date: This section takes effect the day following final enactment.

## **Article 7: Individual Income and Corporate Franchise Taxes**

Makes the following change to income and corporate franchise taxes:

- eliminates the state add-back for the section 179 deduction for tax years beginning in 2020 and also retroactively, for property acquired in a like-kind exchange in tax years beginning in 2018;

**Section Description – Article 7: Individual Income and Corporate Franchise Taxes**

---

**1 Section 179 expensing; individuals, estates, and trusts.**

Eliminates the state addition for the federal section 179 deduction and retroactively creates an exception to this addition for qualifying depreciable property. “Qualifying depreciable property” is defined as property acquired in a like-kind exchange in which the exchanged property did not qualify for a gain deferral due to the elimination of the deferral under the Tax Cuts and Jobs Act.

Effective for all section 179 property beginning in tax year 2020 and later. The provision for qualifying depreciable property is effective retroactively, for tax years beginning in the year the federal changes to gain deferral on like-kind exchanges were effective.

**2 Section 179 expensing; corporations.**

Eliminates the state addition for the federal section 179 deduction and retroactively creates an exception to this addition for qualifying depreciable property. “Qualifying depreciable property” is defined as property acquired in a like-kind exchange in

**Section Description – Article 7: Individual Income and Corporate Franchise Taxes**

---

which the exchanged property did not qualify for a gain deferral due to the elimination of the deferral under the Tax Cuts and Jobs Act.

Effective for all section 179 property beginning in tax year 2020 and later. The provision for qualifying depreciable property is effective retroactively, for tax years beginning in the year the federal changes to gain deferral on like-kind exchanges were effective.

**3 Section 179 expensing; subtractions.**

Clarifies that any subtraction taken for qualifying depreciable property now allowed to be fully expensed under sections 1 and 2 of this article must be recomputed to take into account the retroactive application of full expensing for that property.

Effective retroactively for tax years in which the like-kind exchange changes under the Tax Cuts and Jobs Act were effective for federal purposes.

## **Article 8: Miscellaneous Taxes**

Makes the following changes to property taxes and sales taxes:

- provides certain waiver authority to county auditors;
- classifies nonhomestead short-term rental property as 4(b)1 residential;
- allows the spouse of a deceased veteran a onetime transfer of the disabled veterans' homestead exclusion;
- provides certain authority to Independent School District No. 709, Duluth, for the sale of Duluth Old Central High School; and
- provides the Minnesota State High School League with flexibility in the use of up to a total of \$500,000 of revenues equivalent to forgone sales tax revenues on state high school league tournaments for school years 2019-2020 and 2020-2021.

**Section Description – Article 8: Miscellaneous Taxes**

---

**1 Taxes to be paid first.**

Allows a county auditor to waive the requirement that all property taxes on a parcel be paid before any structures, minerals, timber, etc. are removed from the property if the county auditor determines that the removal is in the public interest, including

**Section Description – Article 8: Miscellaneous Taxes**

---

the health, safety, and well-being of the surrounding area, and that removal will not impair the collection of property taxes.

Effective the day following final enactment.

**2 Class 4.**

Adds to the 4(b)(1) property tax classification short-term rental properties containing fewer than four units that were rented for more than 14 days in the preceding year. Under this provision, homestead properties are not considered short-term rental properties. The 4(b)(1) classification has a class rate of 1.25 percent, is not subject to the state general levy, and is subject to referendum market value (RMV) taxes.

Effective beginning with assessments in 2021.

**3 Homestead of veteran with a disability or family caregiver.**

Allows the spouse of a deceased veteran to transfer the disabled veterans' homestead exclusion to a new property, provided that the new property has a market value less than or equal to the value of the original property. The spouse would be limited to one such transfer.

Effective beginning with property taxes payable in 2021.

**4 School building efficiencies; Duluth school district.**

Requires the Duluth school district to develop a plan to sell the Historic Old Central High School. The plan must cover current operating costs, future maintenance costs, and describe possible uses and staffing. The plan must also cover capital improvements and facility changes. Provides for a public hearing, review, and comment on the plan. Authorizes the school district to issue up to \$31.5 million in general obligation bonds without a referendum to implement the plan. Requires a report to the legislature.

Effective the day following final enactment.

**5 State high school league; funding flexibility.**

The Minnesota State High School League (MSHL) currently has a sales tax exemption for all admissions to regional and state tournaments and events provided an amount equal to the foregone revenues is transferred to a nonprofit for use in supporting extracurricular activities and scholarships.

This provision allows the MSHL to not transfer up to a total of \$500,000 of the revenue over a two-year period, provided that the retained revenue is used for MSHL operations.

**Section Description – Article 8: Miscellaneous Taxes**

---

Effective the day following final enactment and applies retroactively to sales tax savings in the 2019-2020 and 2020-2021 school years.

## **Article 9: Supplemental State Government Appropriations**

This article authorizes supplemental fiscal year 2021 spending for specified purposes and offsets these expenditures to some degree by reducing existing general fund appropriations for Medical Assistance and coronavirus-related activities.

**Section Description – Article 9: Supplemental State Government Appropriations**

---

**1 Appropriations; direct care and treatment.**

Appropriates supplemental funding in fiscal year 2021 from the general fund to the Department of Human Services (DHS) to support direct care and treatment services. Authorizes DHS to transfer this funding between direct care and treatment appropriations. Specifies that this is a onetime appropriation available until June 30, 2022.

Effective date: This section takes effect the day following final enactment.

**2 Appropriations; Department of Public Safety.**

Appropriates supplemental funding in fiscal year 2021 from the general fund and trunk highway fund to the Department of Public Safety for specified purposes. Establishes the base, or ongoing, funding level for certain appropriations, while specifying that other appropriations are onetime only.

Effective date: This section takes effect the day following final enactment.

**3 Appropriation; Department of Corrections.**

Appropriates supplemental funding in fiscal year 2021 from the general fund to the Department of Corrections for overtime and staffing. Specifies that this is a onetime appropriation.

Effective date: This section takes effect the day following final enactment.

**4 Appropriations; Department of Public Safety; Bureau of Criminal Apprehension.**

Appropriates supplemental funding in fiscal year 2021 from the general fund to the Department of Public Safety, Bureau of Criminal Apprehension, for testing and storage of sexual assault kits, developing an informational website for sexual assault survivors to learn the status of the testing of that person's individual sexual assault

**Section Description – Article 9: Supplemental State Government Appropriations**

---

examination kit, and enhancing laboratory capacity for forensic testing to combat violent crime. Establishes the base or ongoing funding level for these appropriations

Effective date: This section takes effect the day following final enactment.

**5 Appropriation; natural resources civil unrest costs.**

Appropriates supplemental funding in fiscal year 2021 from the general fund to the Department of Natural Resources for costs related to the agency’s response to civil unrest in the Minneapolis-St. Paul area. Specifies that this is a onetime appropriation.

Effective date: This section takes effect the day following final enactment.

**6 Appropriation; Department of Transportation.**

Appropriates supplemental funding in fiscal year 2021 from the trunk highway fund to the Department of Transportation for costs related to the response to civil unrest in the Minneapolis-St. Paul area. Specifies that this is a onetime appropriation.

Effective date: This section takes effect the day following final enactment.

**7 Appropriation changes; medical assistance.**

Reduces a fiscal year 2021 general fund appropriation to the Department of Human Services for Medical Assistance. The appropriation was first enacted in 2019. Attributes the savings to federal coronavirus relief aid, which temporarily increases the federal government’s share of funding for the state-federal Medicaid program.

Effective date: This section takes effect the day following final enactment.

**8 COVID-19 appropriation; funding source.**

This section could increase general fund resources in the fiscal years 2020-2021 biennium by cancelling or reducing existing coronavirus-related appropriations and transfers and using federal coronavirus aid to pay for these expenditures instead.

**Subd. 1. Application.** Specifies that this section applies to unspent federal coronavirus relief fund aid that was distributed to local units of government by the Department of Revenue (i.e., “coronavirus relief fund request #14”) and returned to the state after December 10, 2020. (Background: the Department of Revenue requires cities and towns to incur eligible coronavirus-related costs by November 15, 2020, and counties must incur eligible costs by December 1, 2020.)

Section Description – Article 9: Supplemental State Government Appropriations

**Subd. 2. Appropriation.** Requires Minnesota Management and Budget (MMB) to review all general fund appropriations and transfers contained in specified state coronavirus relief laws to determine whether the funded activities are eligible uses of federal coronavirus relief fund aid received by the state. Requires MMB to designate the total amount of eligible general fund appropriations and transfers, which cannot exceed the total amount of coronavirus relief aid returned to the Department of Revenue by local units of government, as determined under subdivision 1. Cancels the total amount of MMB-designated appropriations and transfers to the general fund, and appropriates corresponding amounts of coronavirus federal aid for the same purposes.

Effective date: This section takes effect the day following final enactment.



*Minnesota House Research Department provides nonpartisan legislative, legal, and information services to the Minnesota House of Representatives. This document can be made available in alternative formats.*

[www.house.mn/hrd](http://www.house.mn/hrd) | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155