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January 19, 2010

Ms. Katherine C. Kardell
Assistant Commissioner
Minnesota Management and Budget
400 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

Re: State of Minnesota Certificates of Indebtedness

Dear Ms. Kardell:

You have asked about the effect of Minnesota Statutes, Section 127A.46 upon the proposed issuance of State of Minnesota ("State") certificates of indebtedness pursuant to the Minnesota Constitution, Article XI, Section 6, and Minnesota Statutes, Section 16A.671 (the "Certificates").

Pursuant to Minnesota Statutes, Section 127A.46, if the Commissioner of Management and Budget determines that modifications in the payment schedule to school districts of State school aid "would reduce the need for [S]tate short-term borrowing, the [C]ommissioner [of Education] shall modify payments to districts" according to Section 127A.46. [Emphasis added.] Section 127A.46 goes on to provide a formula for calculating such modifications to district payment schedules to reduce State cash flow needs. We note that any modification must begin no sooner than September 1 of the fiscal year and must remain in effect until no later than May 30 of that same fiscal year, and that a district may appeal a modification according to the procedures established in Section 127A.45, subdivision 4.

When giving our opinion approving the issuance of the Certificates, we will be required to satisfy the opinion standard of the National Association of Bond Lawyers. As presently articulated, that standard is that we must be firmly convinced that under the law in effect on the date of the opinion, the highest court of relevant jurisdiction, being properly briefed and acting reasonably, would reach the conclusion expressed in the opinion. Because Minnesota Statutes, Section 127A.46 appears to require that the Commissioner of Management and Budget and the Commissioner of Education undertake to modify the payment schedules to school districts of State aid in such amount as necessary to reduce or eliminate the need for State short-term borrowing, up to the maximum amount allowed by the statute, we would be unable to render an unqualified legal opinion as to the validity of the Certificates in the absence of demonstrated compliance with Minnesota Statutes, Section 127A.46.

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I hope this is responsive to your question. If you have additional concerns, please do not hesitate to contact me.

Very truly yours,



Leonard S. Rice

LSR/pmh
cc: Christie B. Eller, Esq.