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Bill Summary —

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Overview

This is the annual bill sponsored by the Public Finance Institute, a trade association of businesses and professionals providing services in connection with state and local government bonding. The bill makes changes in:

- The 2010 law that authorized local governments to issue bonds to finance private energy related improvements by permitting these bonds to be general obligation improvement bonds of the issuing local government
- The county and city capital improvement plan (CIP) bond programs
- The law permitting special assessments for services provided (rather than for improvements)
- Bond allocation for exempt, private facilities
- Energy improvement financing program (EIFP); qualifying property. Modifies the definition of qualifying real property under the energy improvement financing program (EIFP), enacted by the 2010 Legislature, to require that the properties realize increased energy efficiency through the installation of the improvements. Current law states the property must "benefit" by the installation.
- **EFIP loan repayment.** Authorizes repayment of EFIP loans over 20-year terms and strikes a reference to "benefited" properties to be consistent with the provisions of section 1.
- **EFIP bonds.** Limits the maximum maturity of EFIP bonds to 20 years.
- 4 County capital improvement program (CIP) bonds. Expands the permitted facilities and expenditures that may be financed with county CIP bonds to include:
 - Public works facilities
 - Fairgrounds buildings
 - Records and data storage facilities
 - Expenditures incurred before adoption of the plan, if the expenditures are included in the plan.

Under present law, CIP bonds may be issued without referendum approval, but issuance is subject to a reverse referendum.

- 5 County CIP bonds; election requirement. Makes a series of changes in the statute related to the reverse referendum authority for county CIP bonds. The section:
 - Shortens from 14 to 10 days the minimum number of days notice must be published before the public meeting on issuance of CIP bonds (the maximum period of 28 days before the meeting remains unchanged).
 - Ties the 5-percent petition requirement to the number of voters in the last county general election. Current law ties this to the most recent general election, regardless of whether county officials were on the ballot.
 - Eliminates the requirement that the commissioner of revenue prepare the ballot question.
 - Prohibits the county from proposing to issue CIP bonds for a one-year period, if a reverse referendum petition is filed and the county chooses not to issue the bonds, rather than holding an election to approve them. If the issue is submitted and the voters do not approve, the issue can be resubmitted to the voters after 180 days.
- **CIP bonds amount limitation; Build America Bonds.** Excludes from the statutory dollar limit on CIP bonds the interest paid by the federal government (e.g., under the Build America Bonds or BAB program), so that the limit applies only to the portion of the interest paid by the county. This puts BABs on an equal footing with tax exempt bonds, for which the interest is lower as a result of a tax expenditure, rather than because of direct payment by the federal government.
- Bond allocation; exempt facilities projects. Expands the permitted "public facilities projects" under the bond allocation law to include privately owned facilities. Current law limits these projects to governmentally owned projects or nonprofit district heating projects. This change will open up allocations of Minnesota's allocation of private activity bonds to privately owned projects that qualify for financing under federal law as "exempt facilities bonds" (I.R.C. § 142). These include financings of:
 - Airports
 - Docks and wharves
 - Mass commuting facilities
 - Facilities for the furnishing of water
 - Sewage facilities
 - Solid waste disposal facilities
 - Facilities for the local furnishing of electric energy or gas
 - Local district heating or cooling facilities
 - Qualified hazardous waste facilities
 - High-speed intercity rail facilities
 - Environmental enhancements of hydroelectric generating facilities
 - Qualified public educational facilities

- Qualified green building and sustainable design projects
- Qualified highway or surface freight transfer facilities
- Qualified bonds for exempt facilities. Eliminates references to specific types of projects that qualify for bond allocations as "public facility bond projects" and updates a reference to the Internal Revenue Code. As a result, any project that qualifies under the federal law (except residential rental bonds, which have a specific allocation) could qualify for an allocation of this type of tax exempt bonding. See section 7 for a list of the types of facilities that qualify under federal law.
- 9 **City CIP bonds.** Authorizes use of city CIP bonds for expenditures incurred before adoption of the capital improvement plan, if the expenditures are included in the plan. This parallels the similar change in section 4 for county CIP bonds.
- 10 City CIP bonds; election requirement. Makes changes to the city CIP reverse referendum provisions that parallel those made to the county CIP program by section 5.
- City CIP bonds amount limitation; Build America Bonds. Excludes from the statutory dollar limit on CIP bonds the interest paid by the federal government (e.g., under the Build America Bond program), so that the limit applies only to the portion of the interest paid by the city. This parallels the changes made in section 6 to the county CIP law.
- Street reconstruction bonds. Makes changes in the reverse referendum provisions governing street reconstruction bonds for questions that are subject to referendum, but that are not submitted to the voters or that are defeated to parallel the similar provisions for county and city CIP bonds in sections 5 and 10, and also provides that expenditures incurred before adoption of the capital improvement plan can be financed with the bonds, if the expenditures are included in the plan.