

Subject Modifying private activity bond allocations

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Summary

The federal government limits the amount of tax-exempt private activity bonds (PABs) that each state (and its agencies and political subdivisions) can issue annually. Minnesota law sets how its PABs are allocated. Under state law, from the start of the year until late into June, 58.3 percent of the state's PABs are reserved for housing projects, 35.6 percent for the small issue pool (which finances enterprise zone projects, manufacturing and agricultural projects, and school loans), and 6.1 percent for public facilities.

At the end of June, unallocated PABs are placed into a unified pool. From July into November, the commissioner of Minnesota Management and Budget (MMB) makes awards of unallocated PABs from the unified pool once every two weeks. Limited types of PABs can be awarded allocations before October 1, but all types of PABs can begin receiving awards from October 1 until MMB stops awarding allocations of PABs near the end of November.

This bill would modify how the state allocates its PABs and how long entities awarded PABs allocations would have to issue those PABs. In the first part of the year, it would reduce the amount of state PABs reserved for the small issue pool by 23.4 percent to increase the amount of PABs reserved for public facilities by the same percentage. The bill would make public facilities bonds eligible for allocations of PABs from the unified pool before October 1 but would make them ineligible for allocations of PABs from the unified pool after October 1. This bill would also set aside a portion of the unified pool for public facilities bonds, equal to the lesser of \$50,000,000 or the amount reserved for public facilities bonds at the start of the year less the amount of PABs allocated for public facilities bonds through June.

Separately, for all but residential rental projects, this bill would increase the time that issuers awarded an allocation of PABs have to issue their allocation before it is returned to the unified pool. The current deadline for issuance is 120 days after allocation, but this bill would extend that deadline to 180 days after allocation. For residential rental projects, the current deadline is the earlier of: (1) 180 days after allocation; or (2) the end of year in which the PABs were allocated.