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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 2467

May 7, 2007

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The bill was read for the first time and referred to the Committee on Taxes

A bill for an act

relating to taxation; eliminating the authority of the Metropolitan Airports Commission to levy property taxes for nondebt purposes; prohibiting issuance of new general obligation bonds by the commission; amending Minnesota Statutes 2006, sections 275.066; 473.621, subdivision 5; 473.661, subdivision 3; 473.667, subdivisions 2, 8a, 9, 10, 11, 12; 473.6671, subdivision 1; 473.671; repealing Minnesota Statutes 2006, sections 473.627; 473.661, subdivisions 2, 3.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2006, section 275.066, is amended to read:

275.066 SPECIAL TAXING DISTRICTS; DEFINITION.

For the purposes of property taxation and property tax state aids, the term "special taxing districts" includes the following entities:

- (1) watershed districts under chapter 103D;
- (2) sanitary districts under sections 115.18 to 115.37;
- (3) regional sanitary sewer districts under sections 115.61 to 115.67;
- (4) regional public library districts under section 134.201;
- (5) park districts under chapter 398;
- (6) regional railroad authorities under chapter 398A;
- (7) hospital districts under sections 447.31 to 447.38;
- (8) St. Cloud Metropolitan Transit Commission under sections 458A.01 to 458A.15;
- (9) Duluth Transit Authority under sections 458A.21 to 458A.37;
- (10) regional development commissions under sections 462.381 to 462.398;
- (11) housing and redevelopment authorities under sections 469.001 to 469.047;
- (12) port authorities under sections 469.048 to 469.068;
- (13) economic development authorities under sections 469.090 to 469.1081;

- 2.1 (14) Metropolitan Council under sections 473.123 to 473.549;
- 2.2 (15) Metropolitan Airports Commission under sections 473.601 to 473.680, subject
- 2.3 to the limitations in section 473.671;
- 2.4 (16) Metropolitan Mosquito Control Commission under sections 473.701 to 473.716;
- 2.5 (17) Morrison County Rural Development Financing Authority under Laws 1982,
- 2.6 chapter 437, section 1;
- 2.7 (18) Croft Historical Park District under Laws 1984, chapter 502, article 13, section
- 2.8 6;
- 2.9 (19) East Lake County Medical Clinic District under Laws 1989, chapter 211,
- 2.10 sections 1 to 6;
- 2.11 (20) Floodwood Area Ambulance District under Laws 1993, chapter 375, article
- 2.12 5, section 39;
- 2.13 (21) Middle Mississippi River Watershed Management Organization under sections
- 2.14 103B.211 and 103B.241;
- 2.15 (22) emergency medical services special taxing districts under section 144F.01;
- 2.16 (23) a county levying under the authority of section 103B.241, 103B.245, or
- 2.17 103B.251;
- 2.18 (24) Southern St. Louis County Special Taxing District; Chris Jensen Nursing Home
- 2.19 under Laws 2003, First Special Session chapter 21, article 4, section 12; and
- 2.20 (25) any other political subdivision of the state of Minnesota, excluding counties,
- 2.21 school districts, cities, and towns, that has the power to adopt and certify a property tax
- 2.22 levy to the county auditor, as determined by the commissioner of revenue.

2.23 **EFFECTIVE DATE.** This section is effective for taxes levied in 2007, payable

2.24 in 2008, and thereafter.

2.25 Sec. 2. Minnesota Statutes 2006, section 473.621, subdivision 5, is amended to read:

2.26 Subd. 5. ~~**City cost calculation; Land reversion.** The investment of the cities of~~

2.27 ~~Minneapolis and St. Paul in the metropolitan airports system, from the date of the original~~

2.28 ~~enactment of this section to January 1, 1973, includes the land comprising airports owned~~

2.29 ~~by them and taken over pursuant to subdivision 2, and taxes levied on property within~~

2.30 ~~the cities in the years 1944 to 1969, the proceeds of which, together with revenues of the~~

2.31 ~~system and federal funds, were expended for the operation, administration, maintenance,~~

2.32 ~~improvement, and extension of the system and the service of debt incurred for such~~

2.33 ~~improvement and extension, including improvement of the city lands. The aggregate~~

2.34 ~~amount of such taxes was \$19,816,873, of which \$7,294,022 would have been assessed~~

2.35 ~~and extended against property outside the cities if the entire metropolitan area, which will~~

3.1 ~~be taxable by the corporation in 1974 and subsequent years under section 473.661, had~~
 3.2 ~~been within its taxing jurisdiction when those levies were made. If it should become~~
 3.3 ~~necessary for the corporation to levy any such taxes for any purpose other than the~~
 3.4 ~~payment of bonds and interest, they shall be extended and assessed exclusively against~~
 3.5 ~~taxable property outside the cities until the total amount so assessed and extended equals~~
 3.6 ~~\$7,294,022.~~ In the event that the airport land owned by either city should no longer be
 3.7 used for airport purposes, the corporation's control thereof shall cease, and title to the land
 3.8 and all improvements shall be and remain in the city, but the city shall become liable to the
 3.9 corporation for the repayment, without interest, of an amount of the taxes so paid which
 3.10 is proportionate to its own share of the cities' original investment, being 60 percent for
 3.11 Minneapolis and 40 percent for St. Paul. In the event that any other land or improvements
 3.12 owned or controlled by the corporation should ever cease to be used for airport purposes,
 3.13 all income therefrom and all proceeds received upon disposal thereof shall continue to
 3.14 be used for purposes of the metropolitan airports system, subject to federal laws and
 3.15 regulations governing such disposal; or if the operation of the system should ever be
 3.16 terminated, all such income and proceeds shall be distributed to the seven counties in the
 3.17 metropolitan area, in amounts proportionate to the net tax capacity of taxable property in
 3.18 each county at the time of such distribution.

3.19 Sec. 3. Minnesota Statutes 2006, section 473.661, subdivision 3, is amended to read:

3.20 Subd. 3. **Levy Budget limit.** In any budget certified by the commissioners under
 3.21 this section, the amount included for operation and maintenance shall not exceed an
 3.22 amount which, ~~when extended against the property taxable therefor under section 473.621,~~
 3.23 ~~subdivision 5, will require a levy at a rate of 0.00806 percent of market value. Taxes~~
 3.24 ~~levied by the corporation shall not affect the amount or rate of taxes which may be levied~~
 3.25 ~~by any other local government unit within the metropolitan area under the provisions of~~
 3.26 ~~any charter~~ can be paid from revenue sources other than property taxes.

3.27 Sec. 4. Minnesota Statutes 2006, section 473.667, subdivision 2, is amended to read:

3.28 Subd. 2. **Borrowing authorization.** No additional bonds shall be issued under the
 3.29 provisions of section 473.665, over and above the amount outstanding April 1, 1974.
 3.30 Except for refunding bonds and certificates of indebtedness, the principal amount of
 3.31 bonds that may be issued under this section, over and above the amount of bonds of the
 3.32 commission outstanding January 15, 1988, is limited to \$150,000,000 ~~until and unless~~
 3.33 ~~this limitation is increased by law.~~ No additional bonds may be issued under this section
 3.34 after April 30, 2007, except to refund bonds outstanding on that date. The pledge of

4.1 revenues of the commission to its debt service fund in lieu of the taxes otherwise required
4.2 by section 473.665 to be assessed and extended shall be and remain a first charge on all
4.3 current revenues of the commission to the extent required annually to cancel such taxes.

4.4 Sec. 5. Minnesota Statutes 2006, section 473.667, subdivision 8a, is amended to read:

4.5 Subd. 8a. **Refunding bonds.** The commission may issue general obligation revenue
4.6 refunding bonds to refund bonds issued pursuant to this section prior to May 1, 2007, in
4.7 accordance with section 475.67, subdivisions 1 to 11.

4.8 Sec. 6. Minnesota Statutes 2006, section 473.667, subdivision 9, is amended to read:

4.9 Subd. 9. **Additional taxes.** Nothing herein shall prevent the commission from
4.10 levying a tax ~~not to exceed 0.00121 percent of market value on taxable property within~~
4.11 ~~its taxing jurisdiction, in addition to any levies found~~ necessary for the debt service fund
4.12 authorized by section 473.671. Nothing herein shall prevent the levy and appropriation for
4.13 purposes of the commission of any other tax ~~on property or~~ on any income, transaction, or
4.14 privilege, when and if authorized by law. All collections of any taxes so levied shall be
4.15 included in the revenues appropriated for the purposes referred to in this section, unless
4.16 otherwise provided in the law authorizing the levies; but no covenant as to the continuance
4.17 or as to the rate and amount of any such levy shall be made with the holders of the
4.18 commission's bonds unless specifically authorized by law.

4.19 Sec. 7. Minnesota Statutes 2006, section 473.667, subdivision 10, is amended to read:

4.20 Subd. 10. **Emergency borrowing.** If in any budget year revenue receipts should
4.21 from any unforeseen cause become insufficient to pay budgeted current expenses, or if a
4.22 public emergency should necessitate expenditures in excess of revenues anticipated to
4.23 meet the current budget, the commission may make an emergency appropriation sufficient
4.24 to meet the deficiency and may authorize the issuance and sale of ~~general obligation~~
4.25 certificates of indebtedness in this amount, maturing not later than October 10 in the
4.26 following budget year, at public or private sale and upon such other terms and conditions
4.27 as the commission may determine. The principal of and interest on such certificates of
4.28 indebtedness, unless paid from other revenues, shall be payable from the debt service
4.29 fund. The principal of and interest on certificates of indebtedness issued after April 30,
4.30 2007, may not be paid from revenues derived from a property tax levy.

4.31 Sec. 8. Minnesota Statutes 2006, section 473.667, subdivision 11, is amended to read:

5.1 Subd. 11. **Additional bonds.** (a) Prior to May 1, 2007, the commission may issue
5.2 general obligation revenue bonds under this section for the purposes of:

5.3 (1) acquiring by purchase real and personal properties located within the
5.4 metropolitan area that are related to airline operations to be leased to airline corporations,
5.5 or to other corporations affiliated by common ownership with airline corporations, for use
5.6 in connection with their airline operations, including real and personal properties for use
5.7 as flight training facilities; and

5.8 (2) financing or refinancing real and personal properties owned by the commission
5.9 which may include discharging a leasehold interest on the properties to be leased to airline
5.10 corporations and used in connection with the operations of the airline corporations at
5.11 airports under the commission's jurisdiction.

5.12 Prior to the issuance of the general obligation revenue bonds, the commission shall
5.13 enter into a lease with the airline corporations, or with other corporations affiliated by
5.14 common ownership with airline corporations, for the use of the acquired real and personal
5.15 properties referenced in clause (1), and shall enter into a revenue agreement with the
5.16 airline corporation for the use of the properties financed or refinanced referenced in clause
5.17 (2). The commission shall seek to obtain the best available terms and security for the lease
5.18 and agreement. The terms and security must be reasonably determined by the commission
5.19 to be adequate and of the kind and degree which would be required by an investment
5.20 banking or other financial institution. All such properties are airport facilities for purposes
5.21 of complying with the provisions of subdivisions 3 and 5.

5.22 (b) In addition to the covenants and agreements otherwise required or negotiated
5.23 by the commission, the leases and revenue agreements for the properties must contain
5.24 covenants and agreements by the airline corporation, and if the user is not the airline
5.25 corporation, also by the airline corporation, satisfactory to the commission providing for:

5.26 (1) the payment of rents in amounts and at times adequate to pay the principal and
5.27 interest as due on the general obligation revenue bonds issued to acquire, finance, or
5.28 refinance the properties and to pay the commission's costs and expenses of issuing the
5.29 bonds and acquiring and owning the properties, and otherwise satisfying the requirements
5.30 of section 469.155, subdivision 5;

5.31 (2) the adequate security for payment of rents so that the net unencumbered value of
5.32 the leased property described in paragraph (a), clause (1), and other collateral pledged to
5.33 the commission from time to time by the airline corporation, as independently appraised at
5.34 the time of issuance and periodically to the satisfaction of the commission during the term
5.35 of the general obligation revenue bonds, is a percentage of the principal amount of the
5.36 outstanding general obligation revenue bonds under this subdivision as determined by

6.1 the commission; provided that the percentage determined by the commission must not
6.2 be less than 125 percent;

6.3 (3) the retention and location of operations and facilities, including headquarters,
6.4 of the airline corporation in the metropolitan area and the state for the term of the lease
6.5 and aircraft noise abatement; and

6.6 (4) early repayment, or the establishment of a defeasance account to provide for
6.7 timely repayment, of the general obligation revenue bonds upon the occurrence of events
6.8 and upon terms and conditions as are satisfactory to the commission, together with
6.9 financial requirements and covenants satisfactory to the commission.

6.10 (c) The purchase price of the acquired properties described in paragraph (a), clause
6.11 (1), must be in an amount equivalent to a percentage of its then fair market value as
6.12 determined by the commission; provided that the percentage shall not exceed 85 percent.
6.13 The portion of the general obligation revenue bonds attributable to the financing or
6.14 refinancing of the property described in paragraph (a), clause (2), must be in an amount
6.15 equivalent to a percentage of its then fair market value as determined by the commission;
6.16 provided that the percentage shall not exceed 85 percent. The principal amount of the
6.17 general obligation revenue bonds issued under this subdivision is limited to \$270,000,000
6.18 in excess of the amount authorized by subdivision 2; provided that the sum of the original
6.19 principal amounts of the general obligation revenue bonds issued under this subdivision,
6.20 and the revenue bonds issued under section 473.6671, shall not exceed \$390,000,000.
6.21 Before the commission may issue the general obligation revenue bonds described in this
6.22 subdivision, the commission shall have received, in form and substance satisfactory to
6.23 the commission, reports described in section 473.6671, subdivision 3, relating to the
6.24 general obligation revenue bonds.

6.25 (d) In addition to other purposes authorized by law, the proceeds of the general
6.26 obligation revenue bonds may be used to fund a debt service reserve account or other
6.27 reserve account.

6.28 Sec. 9. Minnesota Statutes 2006, section 473.667, subdivision 12, is amended to read:

6.29 Subd. 12. **Bonds for heavy maintenance facility.** (a) Prior to May 1, 2007, the
6.30 commission may issue general obligation revenue bonds under this section for the purpose
6.31 of acquisition and betterment of a heavy maintenance facility for aircraft to be located
6.32 at Minneapolis-St. Paul International Airport. The heavy maintenance facility must
6.33 be owned by the commission and leased to and operated by airline corporations, for
6.34 use by airline corporations in connection with their airline operations. The principal

7.1 amount of the general obligation revenue bonds issued under this subdivision is limited to
7.2 \$230,000,000 in excess of the amount authorized by subdivision 2.

7.3 (b) To reduce the risk that commission money, including a property tax levy, will
7.4 be needed to pay debt service on the general obligation revenue bonds, the commission
7.5 must require that the financing arrangements include a coverage test satisfactory to the
7.6 commission, so that the sum of the value of the assets and other security pledged to
7.7 the payment of the general obligation revenue bonds or the rent due under any lease
7.8 of the facility and taken into account by the commission is no less than 125 percent of
7.9 the difference between the outstanding general obligation revenue bonds and any cash
7.10 collateral held in a debt service reserve fund and pledged to the payment of principal
7.11 and interest for the general obligation revenue bonds and no other bonds. Assets and
7.12 other security that may be taken into account include (1) the net unencumbered value
7.13 of the facility and any collateral or third party guaranty, including a letter of credit,
7.14 pledged or otherwise furnished by a user of the facility or by a benefited airline company
7.15 as security for the payment of rent, (2) the general obligation revenue bond proceeds,
7.16 including earnings thereon, and (3) prepayments of rent, after making such adjustments
7.17 the commission determines to be appropriate to take into account any outstanding bonds
7.18 secured by a lien on the facility or rent that is prior to the lien thereon that is securing
7.19 the general obligation revenue bonds, but excluding any cash collateral deducted from
7.20 the outstanding general obligation revenue bonds in applying the coverage test. The
7.21 commission may adopt the method of valuing the assets and other security it determines to
7.22 be appropriate, including valuation of the facility as its original cost less depreciation.
7.23 Cash collateral means cash or securities issued or unconditionally guaranteed as to
7.24 payment of principal and interest by the United States of America and maturing or callable
7.25 at the option of the holder within two years.

7.26 (c) In addition to other purposes authorized by law, the proceeds of the general
7.27 obligation revenue bonds may be used to fund a debt service reserve account or other
7.28 reserve account.

7.29 (d) For purposes of this subdivision, the commission may exercise any powers
7.30 vested in a redevelopment agency under sections 469.152 to 469.165. Any deed granted or
7.31 received by the commission and any mortgage granted by the commission in connection
7.32 with the issuance of the general obligation revenue bonds is exempt from deed tax and
7.33 mortgage registry tax imposed under chapter 287. The lease must contain covenants and
7.34 agreements by the airline corporation and any successor in interest providing for: (1)
7.35 the retention and location of existing employees, operations, and facilities, including

8.1 headquarters, of the airline corporation in the state until the principal and interest on the
8.2 last series of bonds are paid; and (2) aircraft noise abatement.

8.3 Sec. 10. Minnesota Statutes 2006, section 473.6671, subdivision 1, is amended to read:

8.4 Subdivision 1. **Authorization.** (a) The commission may issue revenue bonds for
8.5 the purpose of:

8.6 (1) acquiring by purchase real and personal properties located within the
8.7 metropolitan area that are related to airline operations to be leased to airline corporations,
8.8 or to other corporations affiliated by common ownership with airline corporations, for use
8.9 in connection with their airline operations, including real and personal properties for use
8.10 as flight training facilities; ~~and~~

8.11 (2) financing or refinancing real and personal properties owned by the commission to
8.12 be leased to airline corporations and used in connection with the operations of the airline
8.13 corporations at airports under the commission's jurisdiction; and

8.14 (3) any other purposes for which general obligation revenue bonds could have been
8.15 issued under section 473.667 prior to May 1, 2007.

8.16 Prior to the issuance of the revenue bonds, the commission shall enter into a lease
8.17 with the airline corporations, or with other corporations affiliated by common ownership
8.18 with airline corporations, for the use of such acquired real and personal properties
8.19 referenced in clause (1), and shall enter into a revenue agreement with the airline
8.20 corporation for the use of the properties financed or refinanced referenced in clause (2).

8.21 The commission shall seek to obtain the best available terms and security for the lease and
8.22 agreement. The terms and security must be reasonably determined by the commission
8.23 to be adequate and of the kind and degree which would be required by an investment
8.24 banking or other financial institution.

8.25 (b) In addition to the covenants and agreements otherwise required or negotiated
8.26 by the commission, the leases and revenue agreements for the properties must contain
8.27 covenants and agreements by the airline corporation, and if the user is not the airline
8.28 corporation, also by the airline corporation, satisfactory to the commission providing for:

8.29 (1) the payment of rents in amounts and at times adequate to pay the principal and
8.30 interest as due on the revenue bonds issued to acquire, finance, or refinance the properties
8.31 and to pay the commission's costs and expenses of issuing the bonds and acquiring and
8.32 owning the properties, and otherwise satisfying the requirements of section 469.155,
8.33 subdivision 5;

8.34 (2) the retention and location of operations and facilities, including headquarters, of
8.35 the airline corporation in the metropolitan area and the state for the term of the lease;

9.1 (3) aircraft noise abatement; and

9.2 (4) early repayment, or the establishment of a defeasance account to provide for
9.3 timely repayment, of the general obligation revenue bonds upon the occurrence of events
9.4 and upon terms and conditions as are satisfactory to the commission, together with
9.5 financial requirements and covenants satisfactory to the commission.

9.6 (c) The sum of the original principal amounts of the revenue bonds issued under
9.7 this subdivision, and the general obligation revenue bonds issued under section 473.667,
9.8 subdivision 11, shall not exceed \$390,000,000. Except as provided in this section, the
9.9 revenue bonds must be issued in the manner and are subject to the requirements of chapter
9.10 475. Compliance with the requirements of section 475.60 is at the discretion of the
9.11 commission. For purposes of this subdivision, the commission may exercise any powers
9.12 vested in a redevelopment agency under sections 469.152 to 469.165.

9.13 **EFFECTIVE DATE.** This section is effective May 1, 2007.

9.14 Sec. 11. Minnesota Statutes 2006, section 473.671, is amended to read:

9.15 **473.671 LIMIT OF TAX LEVY.**

9.16 For taxes levied in 2007, payable in 2008, and thereafter, the Metropolitan Airports
9.17 Commission may not levy property taxes for any purpose other than to pay debt service on
9.18 obligations issued before May 1, 2007, for which the taxing authority of the commission
9.19 was pledged. The taxes levied against the property of the metropolitan area in any one
9.20 year shall not exceed 0.00806 percent of taxable market value, exclusive of taxes levied
9.21 to pay the principal or interest on any bonds or indebtedness of the city issued under
9.22 Laws 1943, chapter 500, and exclusive of any taxes levied to pay the share of the city for
9.23 payments on bonded indebtedness of the corporation provided for in Laws 1943, chapter
9.24 500. The levy of taxes authorized in Laws 1943, chapter 500, shall be in addition to the
9.25 maximum rate allowed to be levied to defray the cost of government under the provisions
9.26 of the charter of any city affected by Laws 1943, chapter 500.

9.27 Sec. 12. **REPEALER.**

9.28 Minnesota Statutes 2006, sections 473.627; and 473.661, subdivisions 2 and 3, are
9.29 repealed.

473.627 TAX FOR POLICE, FIRE, STREETS, PARKING.

The said commission shall on or before October 10 of each calendar year certify to the county auditor of said county, the amount determined by the commission to be raised on taxable properties within such territory to provide funds for policing and fire protection at and within said airport, and for the construction, maintenance and repair of streets and motor vehicle parking areas within such airport and the auditor shall extend, spread and include the same with and as a part of the general taxes for state and county purposes, to be collected and enforced therewith, together with penalties and interest and costs, and the county treasurer upon collection of the same, shall transfer the same to the treasurer of said public corporation.

473.661 BUDGET SPECIFYING AMOUNTS FOR SEPARATE ITEMS.

Subd. 2. **September 15 to county auditors.** The commissioners shall on or before September 15 of each calendar year, certify to the county auditor of each county in the metropolitan area the total amount to be raised by the commissioners during the next calendar year through taxation, and each county auditor shall extend and assess against all property in the auditor's county which is then taxable by the corporation for the purpose for which the levy is made under the provisions of section 473.621, subdivision 5, that sum which bears the same proportion to the total amount as the net tax capacity of such taxable property bears to the net tax capacity of all property in the metropolitan area which is then taxable by the corporation for the purpose for which the levy is made. The county auditor shall extend, spread, and include the same with and as a part of the general taxes for state, county, and municipal purposes, to be collected and enforced therewith, together with penalties and interest and costs, and the county treasurer, upon collection of the same, shall transfer the same to the treasurer of the corporation.

Subd. 3. **Levy limit.** In any budget certified by the commissioners under this section, the amount included for operation and maintenance shall not exceed an amount which, when extended against the property taxable therefor under section 473.621, subdivision 5, will require a levy at a rate of 0.00806 percent of market value. Taxes levied by the corporation shall not affect the amount or rate of taxes which may be levied by any other local government unit within the metropolitan area under the provisions of any charter.