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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-SIXTH  
SESSION**

**HOUSE FILE No. 1254**

March 2, 2009

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

1.1 A bill for an act  
1.2 relating to taxation; sales and use; extending the years the city of St. Paul can  
1.3 use sales tax revenue to pay the principal of certain bonds; clarifying use of  
1.4 certain unexpended funds; modifying the process for application and review of  
1.5 proposals under the neighborhood program; amending Laws 1993, chapter 375,  
1.6 article 9, section 46, subdivision 2, as amended, by adding a subdivision; Laws  
1.7 1998, chapter 389, article 8, section 37, subdivision 1.

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

1.9 Section 1. Laws 1993, chapter 375, article 9, section 46, subdivision 2, as amended  
1.10 by Laws 1997, chapter 231, article 7, section 40, and Laws 1998, chapter 389, article 8,  
1.11 section 30, and Laws 2003, First Special Session chapter 21, article 8, section 13, and  
1.12 Laws 2005, First Special Session chapter 3, article 5, section 26, is amended to read:

1.13 Subd. 2. **Use of revenues.** Revenues received from the tax authorized by  
1.14 subdivision 1 may only be used by the city to pay the cost of collecting the tax, and to pay  
1.15 for the following projects or to secure or pay any principal, premium, or interest on bonds  
1.16 issued in accordance with subdivision 3 for the following projects.

1.17 (a) To pay all or a portion of the capital expenses of construction, equipment and  
1.18 acquisition costs for the expansion and remodeling of the St. Paul Civic Center complex,  
1.19 including the demolition of the existing arena and the construction and equipping of a  
1.20 new arena.

1.21 (b) Except as provided in paragraphs (e) and (f), the remainder of the funds must be  
1.22 spent for:

1.23 (1) capital projects to further residential, cultural, commercial, and economic  
1.24 development in both downtown St. Paul and St. Paul neighborhoods; and

2.1 (2) capital and operating expenses of cultural organizations in the city, provided  
 2.2 that the amount spent under this clause must equal ten percent of the total amount spent  
 2.3 under this paragraph in any year.

2.4 (c) The amount apportioned under paragraph (b) shall be no less than 60 percent  
 2.5 of the revenues derived from the tax each year, except to the extent that a portion of that  
 2.6 amount is required to pay debt service on (1) bonds issued for the purposes of paragraph (a)  
 2.7 prior to March 1, 1998; or (2) bonds issued for the purposes of paragraph (a) after March 1,  
 2.8 1998, but only if the city council determines that 40 percent of the revenues derived from  
 2.9 the tax together with other revenues pledged to the payment of the bonds, including the  
 2.10 proceeds of definitive bonds, is expected to exceed the annual debt service on the bonds.

2.11 (d) If in any year more than 40 percent of the revenue derived from the tax authorized  
 2.12 by subdivision 1 is used to pay debt service on the bonds issued for the purposes of  
 2.13 paragraph (a) and to fund a reserve for the bonds, the amount of the debt service payment  
 2.14 that exceeds 40 percent of the revenue must be determined for that year. In any year when  
 2.15 40 percent of the revenue produced by the sales tax exceeds the amount required to pay  
 2.16 debt service on the bonds and to fund a reserve for the bonds under paragraph (a), the  
 2.17 amount of the excess must be made available for capital projects to further residential,  
 2.18 cultural, commercial, and economic development in the neighborhoods and downtown  
 2.19 until the cumulative amounts determined for all years under the preceding sentence have  
 2.20 been made available under this sentence. The amount made available as reimbursement in  
 2.21 the preceding sentence is not included in the 60 percent determined under paragraph (c).

2.22 (e) In each of calendar years ~~2006, 2007, 2008, and 2009~~ to 2014, revenue not to  
 2.23 exceed \$3,500,000 may be used to pay the principal of bonds issued for capital projects of  
 2.24 the city. After December 31, ~~2009~~ 2014, revenue from the tax imposed under subdivision  
 2.25 1 may not be used for this purpose.

2.26 (f) By January 15 of each year, the mayor and the city council must report to the  
 2.27 legislature on the use of sales tax revenues during the preceding one-year period.

2.28 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
 2.29 the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section  
 2.30 645.021, subdivisions 2 and 3.

2.31 Sec. 2. Laws 1993, chapter 375, article 9, section 46, is amended by adding a  
 2.32 subdivision to read:

2.33 Subd. 2a. **Unexpended funds and interest.** Any interest from loan repayments  
 2.34 or returned funds from revenues apportioned under subdivision 2, paragraph (b), clause

3.1 (1), must be made available only for projects qualifying under subdivision 2, paragraph  
3.2 (b), clause (1).

3.3 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
3.4 the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section  
3.5 645.021, subdivisions 2 and 3.

3.6 Sec. 3. Laws 1998, chapter 389, article 8, section 37, subdivision 1, is amended to read:

3.7 Subdivision 1. **Requirement.** Expenditures of revenues from the sales tax imposed  
3.8 by the city of St. Paul that are dedicated to neighborhood investments may be made only  
3.9 after review of the proposals for expenditures by the citizen review panel described in this  
3.10 section. The panel must ensure that the application process for all proposals is open, fair,  
3.11 and competitive. All proposals must be reviewed by the panel prior to presentation of the  
3.12 proposal to the city council. The panel must evaluate the proposals and provide a report  
3.13 to the city council that makes recommendations regarding the proposed expenditures  
3.14 in rank order.

3.15 **EFFECTIVE DATE.** This section is effective the day after the governing body of  
3.16 the city of St. Paul and its chief clerical officer comply with Minnesota Statutes, section  
3.17 645.021, subdivisions 2 and 3.