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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-SIXTH
SESSION**

HOUSE FILE No. 686

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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; emergency debt certificates; authorizing cities and counties
1.3 to issue certificates for unexpected revenue shortfalls; amending Minnesota
1.4 Statutes 2008, sections 275.065, subdivision 6; 475.58, subdivision 1; proposing
1.5 coding for new law in Minnesota Statutes, chapter 475.

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

1.7 Section 1. Minnesota Statutes 2008, section 275.065, subdivision 6, is amended to read:

1.8 Subd. 6. **Public hearing; adoption of budget and levy.** (a) For purposes of this
1.9 section, the following terms shall have the meanings given:

1.10 (1) "Initial hearing" means the first and primary hearing held to discuss the taxing
1.11 authority's proposed budget and proposed property tax levy for taxes payable in the
1.12 following year, or, for school districts, the current budget and the proposed property tax
1.13 levy for taxes payable in the following year.

1.14 (2) "Continuation hearing" means a hearing held to complete the initial hearing, if
1.15 the initial hearing is not completed on its scheduled date.

1.16 (3) "Subsequent hearing" means the hearing held to adopt the taxing authority's final
1.17 property tax levy, and, in the case of taxing authorities other than school districts, the final
1.18 budget, for taxes payable in the following year.

1.19 (b) Between November 29 and December 20, the governing bodies of a city that has a
1.20 population over 500, county, metropolitan special taxing districts as defined in subdivision
1.21 3, paragraph (i), and regional library districts shall each hold an initial public hearing
1.22 to discuss and seek public comment on its final budget and property tax levy for taxes
1.23 payable in the following year, and the governing body of the school district shall hold an
1.24 initial public hearing to review its current budget and proposed property tax levy for taxes
1.25 payable in the following year. The metropolitan special taxing districts shall be required to

2.1 hold only a single joint initial public hearing, the location of which will be determined by
2.2 the affected metropolitan agencies. A city, county, metropolitan special taxing district as
2.3 defined in subdivision 3, paragraph (i), regional library district established under section
2.4 134.201, or school district is not required to hold a public hearing under this subdivision
2.5 unless its proposed property tax levy for taxes payable in the following year, as certified
2.6 under subdivision 1, has increased over its final property tax levy for taxes payable in the
2.7 current year by a percentage that is greater than the percentage increase in the implicit
2.8 price deflator for government consumption expenditures and gross investment for state
2.9 and local governments prepared by the Bureau of Economic Analysts of the United States
2.10 Department of Commerce for the 12-month period ending March 31 of the current year.

2.11 (c) The initial hearing must be held after 5:00 p.m. if scheduled on a day other than
2.12 Saturday. No initial hearing may be held on a Sunday.

2.13 (d) At the initial hearing under this subdivision, the percentage increase in property
2.14 taxes proposed by the taxing authority, if any, and the specific purposes for which property
2.15 tax revenues are being increased must be discussed. During the discussion, the governing
2.16 body shall hear comments regarding a proposed increase and explain the reasons for the
2.17 proposed increase. The public shall be allowed to speak and to ask questions. At the public
2.18 hearing, the school district must also provide and discuss information on the distribution
2.19 of its revenues by revenue source, and the distribution of its spending by program area.

2.20 (e) If the initial hearing is not completed on its scheduled date, the taxing authority
2.21 must announce, prior to adjournment of the hearing, the date, time, and place for the
2.22 continuation of the hearing. The continuation hearing must be held at least five business
2.23 days but no more than 14 business days after the initial hearing. A continuation hearing
2.24 may not be held later than December 20 except as provided in paragraphs (f) and (g).
2.25 A continuation hearing must be held after 5:00 p.m. if scheduled on a day other than
2.26 Saturday. No continuation hearing may be held on a Sunday.

2.27 (f) The governing body of a county shall hold its initial hearing on the first Thursday
2.28 in December each year, and may hold additional initial hearings on other dates before
2.29 December 20 if necessary for the convenience of county residents. If the county needs a
2.30 continuation of its hearing, the continuation hearing shall be held on the third Tuesday
2.31 in December. If the third Tuesday in December falls on December 21, the county's
2.32 continuation hearing shall be held on Monday, December 20.

2.33 (g) The metropolitan special taxing districts shall hold a joint initial public hearing
2.34 on the first Wednesday of December. A continuation hearing, if necessary, shall be held on
2.35 the second Wednesday of December even if that second Wednesday is after December 10.

3.1 (h) The county auditor shall provide for the coordination of initial and continuation
3.2 hearing dates for all school districts and cities within the county to prevent conflicts under
3.3 clauses (i) and (j).

3.4 (i) By August 10, each school board and the board of the regional library district
3.5 shall certify to the county auditors of the counties in which the school district or regional
3.6 library district is located the dates on which it elects to hold its initial hearing and any
3.7 continuation hearing. If a school board or regional library district does not certify these
3.8 dates by August 10, the auditor will assign the initial and continuation hearing dates. The
3.9 dates elected or assigned must not conflict with the initial and continuation hearing dates
3.10 of the county or the metropolitan special taxing districts.

3.11 (j) By August 20, the county auditor shall notify the clerks of the cities within the
3.12 county of the dates on which school districts and regional library districts have elected to
3.13 hold their initial and continuation hearings. At the time a city certifies its proposed levy
3.14 under subdivision 1 it shall certify the dates on which it elects to hold its initial hearing and
3.15 any continuation hearing. Until September 15, the first and second Mondays of December
3.16 are reserved for the use of the cities. If a city does not certify its hearing dates by
3.17 September 15, the auditor shall assign the initial and continuation hearing dates. The dates
3.18 elected or assigned for the initial hearing must not conflict with the initial hearing dates
3.19 of the county, metropolitan special taxing districts, regional library districts, or school
3.20 districts within which the city is located. To the extent possible, the dates of the city's
3.21 continuation hearing should not conflict with the continuation hearing dates of the county,
3.22 metropolitan special taxing districts, regional library districts, or school districts within
3.23 which the city is located. This paragraph does not apply to cities of 500 population or less.

3.24 (k) The county initial hearing date and the city, metropolitan special taxing district,
3.25 regional library district, and school district initial hearing dates must be designated on
3.26 the notices required under subdivision 3. The continuation hearing dates need not be
3.27 stated on the notices.

3.28 (l) At a subsequent hearing, each county, school district, city over 500 population,
3.29 and metropolitan special taxing district may amend its proposed property tax levy
3.30 and must adopt a final property tax levy. Each county, city over 500 population, and
3.31 metropolitan special taxing district may also amend its proposed budget and must adopt a
3.32 final budget at the subsequent hearing. The final property tax levy must be adopted prior
3.33 to adopting the final budget. A school district is not required to adopt its final budget at the
3.34 subsequent hearing. The subsequent hearing of a taxing authority must be held on a date
3.35 subsequent to the date of the taxing authority's initial public hearing. If a continuation
3.36 hearing is held, the subsequent hearing must be held either immediately following the

4.1 continuation hearing or on a date subsequent to the continuation hearing. The subsequent
 4.2 hearing may be held at a regularly scheduled board or council meeting or at a special
 4.3 meeting scheduled for the purposes of the subsequent hearing. The subsequent hearing
 4.4 of a taxing authority does not have to be coordinated by the county auditor to prevent a
 4.5 conflict with an initial hearing, a continuation hearing, or a subsequent hearing of any
 4.6 other taxing authority. All subsequent hearings must be held prior to five working days
 4.7 after December 20 of the levy year. The date, time, and place of the subsequent hearing
 4.8 must be announced at the initial public hearing or at the continuation hearing.

4.9 (m) The property tax levy certified under section 275.07 by a city of any population,
 4.10 county, metropolitan special taxing district, regional library district, or school district
 4.11 must not exceed the proposed levy determined under subdivision 1, except by an amount
 4.12 up to the sum of the following amounts:

4.13 (1) the amount of a school district levy whose voters approved a referendum to
 4.14 increase taxes under section 123B.63, subdivision 3, or 126C.17, subdivision 9, after
 4.15 the proposed levy was certified;

4.16 (2) the amount of a city or county levy approved by the voters after the proposed
 4.17 levy was certified;

4.18 (3) the amount of a levy to pay principal and interest on bonds approved by the
 4.19 voters under section 475.58 after the proposed levy was certified;

4.20 (4) the amount of a levy to pay costs due to a natural disaster occurring after the
 4.21 proposed levy was certified, if that amount is approved by the commissioner of revenue
 4.22 under subdivision 6a;

4.23 (5) the amount of a levy to pay tort judgments against a taxing authority that become
 4.24 final after the proposed levy was certified, if the amount is approved by the commissioner
 4.25 of revenue under subdivision 6a;

4.26 (6) the amount of an increase in levy limits certified to the taxing authority by the
 4.27 commissioner of education or the commissioner of revenue after the proposed levy was
 4.28 certified; ~~and~~

4.29 (7) the amount required under section 126C.55; and

4.30 (8) the levy to pay emergency debt certificates under section 475.755 authorized and
 4.31 issued after the proposed levy was certified.

4.32 (n) This subdivision does not apply to towns and special taxing districts other than
 4.33 regional library districts and metropolitan special taxing districts.

4.34 (o) Notwithstanding the requirements of this section, the employer is required to
 4.35 meet and negotiate over employee compensation as provided for in chapter 179A.

4.36 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.1 Sec. 2. Minnesota Statutes 2008, section 475.58, subdivision 1, is amended to read:

5.2 Subdivision 1. **Approval by electors; exceptions.** Obligations authorized by law or
 5.3 charter may be issued by any municipality upon obtaining the approval of a majority of
 5.4 the electors voting on the question of issuing the obligations, but an election shall not be
 5.5 required to authorize obligations issued:

5.6 (1) to pay any unpaid judgment against the municipality;

5.7 (2) for refunding obligations;

5.8 (3) for an improvement or improvement program, which obligation is payable wholly
 5.9 or partly from the proceeds of special assessments levied upon property specially benefited
 5.10 by the improvement or by an improvement within the improvement program, or from tax
 5.11 increments, as defined in section 469.174, subdivision 25, including obligations which are
 5.12 the general obligations of the municipality, if the municipality is entitled to reimbursement
 5.13 in whole or in part from the proceeds of such special assessments or tax increments and
 5.14 not less than 20 percent of the cost of the improvement or the improvement program is to
 5.15 be assessed against benefited property or is to be paid from the proceeds of federal grant
 5.16 funds or a combination thereof, or is estimated to be received from tax increments;

5.17 (4) payable wholly from the income of revenue producing conveniences;

5.18 (5) under the provisions of a home rule charter which permits the issuance of
 5.19 obligations of the municipality without election;

5.20 (6) under the provisions of a law which permits the issuance of obligations of a
 5.21 municipality without an election;

5.22 (7) to fund pension or retirement fund or postemployment benefit liabilities pursuant
 5.23 to section 475.52, subdivision 6;

5.24 (8) under a capital improvement plan under section 373.40; ~~and~~

5.25 (9) under sections 469.1813 to 469.1815 (property tax abatement authority bonds), if
 5.26 the proceeds of the bonds are not used for a purpose prohibited under section 469.176,
 5.27 subdivision 4g, paragraph (b); and

5.28 (10) under section 475.755.

5.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.30 Sec. 3. **[475.755] EMERGENCY DEBT CERTIFICATES.**

5.31 (a) If at any time during a fiscal year the receipts of a local government are
 5.32 reasonably expected to be reduced below the amount provided in the local government's
 5.33 budget when the final property tax levy to be collected during the fiscal year was certified
 5.34 and the receipts are insufficient to meet the expenses incurred or to be incurred during the
 5.35 fiscal year, the governing body of the local government may authorize and sell certificates

6.1 of indebtedness to mature within two years or less from the end of the fiscal year in which
6.2 the certificates are issued. The maximum principal amount of the certificates that it may
6.3 issue in a fiscal year is limited to the expected reduction in receipts plus the cost of
6.4 issuance. The certificates may be issued in the manner and on the terms the governing
6.5 body determines by resolution.

6.6 (b) The governing body of the local government shall levy taxes for the payment of
6.7 principal and interest on the certificates in accordance with section 475.61.

6.8 (c) The certificates are not to be included in the net debt of the issuing local
6.9 government.

6.10 (d) For purposes of this section, the following terms have the meanings given:

6.11 (1) "Local government" means a statutory or home rule charter city, a town, or
6.12 a county.

6.13 (2) "Receipts" includes the following amounts scheduled to be received by the
6.14 local government for the fiscal year from:

6.15 (i) taxes;

6.16 (ii) aid payments previously certified by the state to be paid to the local government;

6.17 (iii) state reimbursement payments for property tax credits; and

6.18 (iv) any other source.

6.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.