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HOUSE FILE NO. 3037

FIRST COMMITTEE ENGROSSMENT

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

Referred by Chair to Higher Education and Workforce Development Finance and Policy Division.

March 11, 2010

Returned to the Committee on Finance as Amended.

1.1 A bill for an act
1.2 relating to economic development; establishing a manufacturing equipment
1.3 loan program for manufacturing businesses in the state; authorizing sale and
1.4 issuance of revenue bonds; proposing coding for new law in Minnesota Statutes,
1.5 chapter 116J.

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

1.7 Section 1. **[116J.4361] MANUFACTURING EQUIPMENT LOAN PROGRAM.**

1.8 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
1.9 have the meanings given.

1.10 (b) "Business entity" means a sole proprietorship, partnership, limited liability
1.11 corporation, or corporation.

1.12 (c) "Manufacturing" means manufacturing, fabricating, mining, or refining of
1.13 materials resulting in the production of personal property to be sold at wholesale or retail.

1.14 (d) "Manufacturing equipment" means machinery and equipment purchased and
1.15 used in this state by the purchaser essential to the integrated production process of
1.16 manufacturing.

1.17 (e) "Qualifying manufacturing business" means a business entity with at least ..
1.18 employees that is involved in manufacturing and is located or has a physical presence in
1.19 the state at which the manufacturing equipment will be used.

1.20 Subd. 2. **Purpose.** The commissioner shall administer a manufacturing equipment
1.21 loan program under this section to make low-interest, long-term loans to qualifying
1.22 manufacturing businesses to purchase and install manufacturing equipment. A
1.23 manufacturing business shall apply for a loan under this section in a manner and on a form
1.24 prescribed by the commissioner. Loans under this section are intended to cover up to 50
1.25 percent of the cost of the project.

2.1 Subd. 3. **Loan proposals.** At least once a year, the commissioner shall publish in
2.2 the State Register a request for proposals for a loan under this section. Within 45 days
2.3 after the deadline for receipt of proposals, the commissioner shall select proposals based
2.4 on the following criteria:

2.5 (1) the business growth and jobs that will be created as a result of the loan;

2.6 (2) the reliability, efficiency, and cost-effectiveness of the manufacturing equipment
2.7 to be installed under the proposal;

2.8 (3) the geographic distribution of projects throughout the state;

2.9 (4) the percentage of total project cost requested;

2.10 (5) the proposed security for payback of the loan; and

2.11 (6) other criteria determined by the commissioner to maximize economic
2.12 development with loans under this section.

2.13 Subd. 4. **Loan terms.** A loan under this section must be issued at the lowest interest
2.14 rate required to recover principal and interest plus the costs of issuing the loan, and must be
2.15 for a minimum of 15 years, unless the commissioner determines that a shorter loan period
2.16 is necessary and feasible. A grace period of up to 24 months before payments become due
2.17 on the loan may be extended by the commissioner to qualifying manufacturing businesses.

2.18 Subd. 5. **Account.** A manufacturing equipment loan account is established in the
2.19 state treasury. Money in the account consists of the proceeds of revenue bonds issued
2.20 under section 116J.4362, interest and other earnings on money in the account, money
2.21 received in repayment of loans from the account, and money from any other source
2.22 credited to the account.

2.23 Subd. 6. **Appropriation.** Money in the account is appropriated to the commissioner
2.24 to make manufacturing equipment loans under this section and to the commissioner of
2.25 management and budget to pay debt service and other costs under section 116J.4362.
2.26 Payment of debt service costs and funding reserves take priority over use of money in the
2.27 account for any other purpose.

2.28 Sec. 2. **[116J.4362] MANUFACTURING EQUIPMENT LOAN REVENUE**
2.29 **BONDS.**

2.30 Subdivision 1. **Bonding authority; definition.** (a) The commissioner of
2.31 management and budget, if requested by the commissioner of employment and economic
2.32 development, shall sell and issue state revenue bonds for the following purposes:

2.33 (1) to make manufacturing equipment loans under section 116J.4361;

2.34 (2) to pay the costs of issuance, debt service, and bond insurance or other credit
2.35 enhancements, and to fund reserves; and

3.1 (3) to refund bonds issued under this section.

3.2 (b) The aggregate principal amount of bonds for the purposes of paragraph (a),
3.3 clause (1), that may be outstanding at any time may not exceed \$.....; the principal
3.4 amount of bonds that may be issued for the purposes of paragraph (a), clauses (2) and
3.5 (3), is not limited.

3.6 (c) For the purpose of this section, "commissioner" means the commissioner of
3.7 management and budget.

3.8 Subd. 2. **Procedure.** The commissioner may sell and issue the bonds on the terms
3.9 and conditions the commissioner determines to be in the best interests of the state. The
3.10 bonds may be sold at public or private sale. The commissioner may enter into any
3.11 agreements or pledges the commissioner determines necessary or useful to sell the bonds
3.12 that are not inconsistent with section 116J.4361. Sections 16A.672 to 16A.675 apply to
3.13 the bonds. The proceeds of the bonds issued under this section must be credited to the
3.14 manufacturing equipment loan account created under section 116J.4361.

3.15 Subd. 3. **Revenue sources.** The debt service on the bonds is payable only from the
3.16 following sources:

3.17 (1) revenue credited to the manufacturing equipment loan account from the sources
3.18 identified in section 116J.4361 or from any other source; and

3.19 (2) other revenues pledged to the payment of the bonds.

3.20 Subd. 4. **Refunding bonds.** The commissioner may issue bonds to refund
3.21 outstanding bonds issued under subdivision 1, including the payment of any redemption
3.22 premiums on the bonds and any interest accrued or to accrue to the first redemption date
3.23 after delivery of the refunding bonds. The proceeds of the refunding bonds may, at the
3.24 discretion of the commissioner, be applied to the purchases or payment at maturity of the
3.25 bonds to be refunded, or the redemption of the outstanding bonds on the first redemption
3.26 date after delivery of the refunding bonds and may, until so used, be placed in escrow to
3.27 be applied to the purchase, retirement, or redemption. Refunding bonds issued under this
3.28 subdivision must be issued and secured in the manner provided by the commissioner.

3.29 Subd. 5. **Not a general or moral obligation.** Bonds issued under this section are
3.30 not public debt, and the full faith, credit, and taxing powers of the state are not pledged
3.31 for their payment. The bonds may not be paid, directly in whole or in part from a tax of
3.32 statewide application on any class of property, income, transaction, or privilege. Payment
3.33 of the bonds is limited to the revenues explicitly authorized to be pledged under this
3.34 section. The state neither makes nor has a moral obligation to pay the bonds if the pledged
3.35 revenues and other legal security for them is insufficient.

4.1 Subd. 6. **Trustee.** The commissioner may contract with and appoint a trustee for
4.2 bondholders. The trustee has the powers and authority vested in it by the commissioner
4.3 under the bond and trust indentures.

4.4 Subd. 7. **Pledges.** A pledge made by the commissioner is valid and binding from
4.5 the time the pledge is made. The money or property pledged and later received by the
4.6 commissioner is immediately subject to the lien of the pledge without any physical
4.7 delivery of the property or money or further act, and the lien of the pledge is valid and
4.8 binding as against all parties having claims of any kind in tort, contract, or otherwise
4.9 against the commissioner, whether or not those parties have notice of the lien or pledge.
4.10 Neither the order nor any other instrument by which a pledge is created need be recorded.

4.11 Subd. 8. **Bonds; purchase and cancellation.** The commissioner, subject to
4.12 agreements with bondholders that may then exist, may, out of any money available for the
4.13 purpose, purchase bonds of the commissioner at a price not exceeding (1) if the bonds are
4.14 then redeemable, the redemption price then applicable plus accrued interest to the next
4.15 interest payment date thereon, or (2) if the bonds are not redeemable, the redemption price
4.16 applicable on the first date after the purchase upon which the bonds become subject to
4.17 redemption plus accrued interest to that date.

4.18 Subd. 9. **State pledge against impairment of contracts.** The state pledges and
4.19 agrees with the holders of any bonds that the state will not limit or alter the rights vested in
4.20 the commissioner to fulfill the terms of any agreements made with the bondholders, or
4.21 in any way impair the rights and remedies of the holders until the bonds, together with
4.22 interest on them, with interest on any unpaid installments of interest, and all costs and
4.23 expenses in connection with any action or proceeding by or on behalf of the bondholders,
4.24 are fully met and discharged. The commissioner may include this pledge and agreement
4.25 of the state in any agreement with the holders of bonds issued under this section.