

**SENATE  
STATE OF MINNESOTA  
NINETY-FIRST SESSION**

**S.F. No. 647**

(SENATE AUTHORS: EATON)

DATE  
01/31/2019

D-PG

Introduction and first reading  
Referred to Capital Investment

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to capital investment; changing the source of funds from the environment  
1.3 and natural resources trust fund to the general fund to pay back certain appropriation  
1.4 bonds; amending Minnesota Statutes 2018, sections 16A.969, subdivisions 1, 2,  
1.5 4, 7; 116P.08, subdivision 1; Laws 2018, chapter 214, article 6, section 4.

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

1.7 Section 1. Minnesota Statutes 2018, section 16A.969, subdivision 1, is amended to read:

1.8 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

1.9 (b) "Appropriation bond" or "bond" means a bond, note, or other similar instrument of  
1.10 the state payable during a biennium from one or more of the following sources:

1.11 (1) money appropriated by law from the ~~environment and natural resources trust~~ general  
1.12 fund in any biennium for debt service due with respect to obligations described in subdivision  
1.13 2;

1.14 (2) proceeds of the sale of obligations described in subdivision 2;

1.15 (3) payments received for that purpose under agreements and ancillary arrangements  
1.16 described in subdivision 2, paragraph (d); and

1.17 (4) investment earnings on amounts in clauses (1) to (3).

1.18 (c) "Debt service" means the amount payable in any biennium of principal, premium, if  
1.19 any, and interest on appropriation bonds.

1.20 ~~(d) "Environment and natural resources trust fund" or "trust fund" means the fund~~  
1.21 ~~established under the Minnesota Constitution, article XI, section 14, and governed by that~~  
1.22 ~~section and chapter 116P.~~

2.1 Sec. 2. Minnesota Statutes 2018, section 16A.969, subdivision 2, is amended to read:

2.2 Subd. 2. **Authorization to issue appropriation bonds; accounts.** (a) Subject to the  
2.3 limitations of this subdivision, the commissioner may sell and issue appropriation bonds of  
2.4 the state under this section for public purposes and in amounts as provided by law. ~~This~~  
2.5 ~~authorization meets the public purposes established by the Minnesota Constitution, article~~  
2.6 ~~XI, section 14, and chapter 116P and shall be a supplement to the traditional sources of~~  
2.7 ~~funding for environment and natural resources activities.~~

2.8 (b) The special appropriation ~~trust fund~~ environment bond proceeds fund is established  
2.9 in the state treasury. Proceeds of the appropriation bonds issued and sold must be credited  
2.10 to the special appropriation ~~trust fund~~ environment bond proceeds fund. A bond payments  
2.11 account is established in the special appropriation ~~trust fund~~ environment bond proceeds  
2.12 fund. All income from investment of the bond proceeds, as estimated by the commissioner,  
2.13 must be deposited into the account and is appropriated to the commissioner for the payment  
2.14 of principal and interest on the appropriation bonds.

2.15 (c) Appropriation bonds may be issued in one or more issues or series on the terms and  
2.16 conditions the commissioner determines to be in the best interests of the state, but the term  
2.17 on any series of appropriation bonds may not exceed 20 years. The appropriation bonds of  
2.18 each issue and series thereof shall be dated and bear interest, and may be includable in or  
2.19 excludable from the gross income of the owners for federal income tax purposes.

2.20 (d) At the time of, or in anticipation of, issuing the appropriation bonds, and at any time  
2.21 thereafter, so long as the appropriation bonds are outstanding, the commissioner may enter  
2.22 into agreements and ancillary arrangements relating to the appropriation bonds, including  
2.23 but not limited to trust indentures, grant agreements, lease or use agreements, operating  
2.24 agreements, management agreements, liquidity facilities, remarketing or dealer agreements,  
2.25 letter of credit agreements, insurance policies, guaranty agreements, reimbursement  
2.26 agreements, indexing agreements, or interest exchange agreements. Any payments made  
2.27 or received according to the agreement or ancillary arrangement shall be made from or  
2.28 deposited as provided in the agreement or ancillary arrangement. The determination of the  
2.29 commissioner included in an interest exchange agreement that the agreement relates to an  
2.30 appropriation bond shall be conclusive.

2.31 (e) The commissioner may enter into written agreements or contracts relating to the  
2.32 continuing disclosure of information necessary to comply with or facilitate the issuance of  
2.33 appropriation bonds in accordance with federal securities laws, rules, and regulations,  
2.34 including Securities and Exchange Commission rules and regulations in Code of Federal

3.1 Regulations, title 17, section 240.15c 2-12. An agreement may be in the form of covenants  
 3.2 with purchasers and holders of appropriation bonds set forth in the order or resolution  
 3.3 authorizing the issuance of the appropriation bonds, or a separate document authorized by  
 3.4 the order or resolution.

3.5 (f) The appropriation bonds are not subject to chapter 16C.

3.6 Sec. 3. Minnesota Statutes 2018, section 16A.969, subdivision 4, is amended to read:

3.7 Subd. 4. **Refunding bonds.** The commissioner may issue appropriation bonds for the  
 3.8 purpose of refunding any appropriation bonds then outstanding, including the payment of  
 3.9 any redemption premiums on the bonds, any interest accrued or to accrue to the redemption  
 3.10 date, and costs related to the issuance and sale of the refunding bonds. The proceeds of any  
 3.11 refunding bonds may, in the discretion of the commissioner, be applied to the purchase or  
 3.12 payment at maturity of the appropriation bonds to be refunded, to the redemption of the  
 3.13 outstanding appropriation bonds on any redemption date, or to pay interest on the refunding  
 3.14 bonds and may, pending application, be placed in escrow to be applied to the purchase,  
 3.15 payment, retirement, or redemption. Any escrowed proceeds, pending such use, may be  
 3.16 invested and reinvested in obligations that are authorized investments under section 11A.24.  
 3.17 The income earned or realized on the investment may also be applied to the payment of the  
 3.18 appropriation bonds to be refunded or interest or premiums on the refunded appropriation  
 3.19 bonds, or to pay interest on the refunding bonds. After the terms of the escrow have been  
 3.20 fully satisfied, any balance of the proceeds and any investment income may be returned to  
 3.21 the ~~trust~~ general fund or, if applicable, the special appropriation ~~trust fund~~ environment  
 3.22 bond proceeds fund for use in any lawful manner. All refunding bonds issued under this  
 3.23 subdivision must be prepared, executed, delivered, and secured by appropriations in the  
 3.24 same manner as the appropriation bonds to be refunded.

3.25 Sec. 4. Minnesota Statutes 2018, section 16A.969, subdivision 7, is amended to read:

3.26 Subd. 7. **Appropriation for debt service and other purposes.** ~~Notwithstanding section~~  
 3.27 ~~116P.05, subdivision 2, paragraph (b),~~ The amount needed to pay principal and interest on  
 3.28 appropriation bonds issued under this section and as authorized by other law is appropriated  
 3.29 each fiscal year from legally available amounts in the ~~environment and natural resources~~  
 3.30 ~~trust~~ general fund to the commissioner, subject to repeal, unallotment under section 16A.152,  
 3.31 or cancellation, otherwise pursuant to subdivision 6, for deposit into the bond payments  
 3.32 account established for such purpose in the special appropriation ~~trust fund~~ environment  
 3.33 bond proceeds fund. Investment income earned on proceeds of the appropriation bonds

4.1 issued under this section shall be deposited in the bond payments account and is appropriated  
4.2 to the commissioner.

4.3 Sec. 5. Minnesota Statutes 2018, section 116P.08, subdivision 1, is amended to read:

4.4 Subdivision 1. **Expenditures.** (a) Money in the trust fund may be spent only for:

4.5 (1) the reinvest in Minnesota program as provided in section 84.95, subdivision 2;

4.6 (2) research that contributes to increasing the effectiveness of protecting or managing  
4.7 the state's environment or natural resources;

4.8 (3) collection and analysis of information that assists in developing the state's  
4.9 environmental and natural resources policies;

4.10 (4) enhancement of public education, awareness, and understanding necessary for the  
4.11 protection, conservation, restoration, and enhancement of air, land, water, forests, fish,  
4.12 wildlife, and other natural resources;

4.13 (5) capital projects for the preservation and protection of unique natural resources;

4.14 (6) activities that preserve or enhance fish, wildlife, land, air, water, and other natural  
4.15 resources that otherwise may be substantially impaired or destroyed in any area of the state;

4.16 (7) administrative and investment expenses incurred by the State Board of Investment  
4.17 in investing deposits to the trust fund; and

4.18 (8) administrative expenses subject to the limits in section 116P.09; and

4.19 ~~(9) to pay principal and interest on special appropriation trust fund bonds issued pursuant~~  
4.20 ~~to section 16A.969 and other law.~~

4.21 (b) In making recommendations for expenditures from the trust fund, the commission  
4.22 shall give priority to funding programs and projects under paragraph (a), clauses (1) and  
4.23 (6). Any requests for proposals issued by the commission shall clearly indicate these  
4.24 priorities.

4.25 Sec. 6. Laws 2018, chapter 214, article 6, section 4, is amended to read:

4.26 Sec. 4. **SPECIAL ENVIRONMENT APPROPRIATION TRUST FUND BONDS;**  
4.27 **AUTHORIZATION; APPROPRIATIONS.**

4.28 Subdivision 1. **Appropriations; general.** The sums shown in the column under  
4.29 "Appropriations" are appropriated from the special appropriation ~~trust fund~~ environment  
4.30 bond proceeds fund established in Minnesota Statutes, section 16A.969, to the state agencies

5.1 or officials indicated, to be spent for public purposes. Money appropriated in this section  
 5.2 must be spent as authorized by the Minnesota Constitution, article XI, ~~section 14, Minnesota~~  
 5.3 ~~Statutes, section 16A.969, and unless otherwise specified, as authorized by and subject to~~  
 5.4 ~~the requirements of Minnesota Statutes, chapter 116P.~~ Unless otherwise specified, money  
 5.5 appropriated in this section is available until June 30, ~~2022~~ 2023. Money remaining from  
 5.6 an appropriation for a project that is completed or abandoned cancels to the bond payments  
 5.7 account established for such purpose in the special appropriation ~~trust fund~~ environment  
 5.8 bond proceeds fund, or if not needed for debt service, to the ~~environment and natural~~  
 5.9 ~~resources trust~~ general fund.

5.10 **Subd. 2. ~~Legislative findings; appropriations supplement other sources of funding~~**  
 5.11 **~~for projects.~~** The legislature finds that the appropriations in this section are consistent with  
 5.12 the requirement in Minnesota Statutes, section 116P.03, that expenditures of money from  
 5.13 the ~~environment and natural resources trust fund~~ are for public purposes that supplement  
 5.14 traditional sources of money to pay for expenditures authorized by Minnesota Statutes,  
 5.15 section 116P.08, subdivision 1. Further, the legislature finds that notwithstanding any  
 5.16 limitation on use of trust fund money in Minnesota Statutes, chapter 116P, the appropriations  
 5.17 in this section are for a public purpose and supplement other sources of money to help pay  
 5.18 for projects that are consistent with the purposes of the trust fund.

5.19 **Subd. 3. Bond sale authorization.** To provide the money appropriated in this section,  
 5.20 and to pay debt service including capitalized interest, costs of issuance, costs of credit  
 5.21 enhancement, or make payments under other agreements entered into under Minnesota  
 5.22 Statutes, section 16A.969, the commissioner of management and budget shall sell and issue  
 5.23 up to \$98,000,000, net of costs of issuance, of ~~special appropriation trust fund~~ bonds, in the  
 5.24 manner, upon the terms, and with the effect prescribed by Minnesota Statutes, section  
 5.25 16A.969.

5.26 **Subd. 4. Management and budget; bond sale expenses; annual debt service.** Up to  
 5.27 \$2,940,000 is appropriated in fiscal year 2019 and up to \$7,840,000 is appropriated each  
 5.28 fiscal year beginning in fiscal year 2020 and through fiscal year 2039, from the ~~environment~~  
 5.29 ~~and natural resources trust~~ general fund to the commissioner of management and budget to  
 5.30 pay principal and interest on appropriation bonds issued under this section, as provided in  
 5.31 Minnesota Statutes, section 16A.969, subdivision 7.

5.32 **Subd. 5. Natural Resources**

5.33 To the commissioner of natural resources for  
 5.34 the purposes specified in this section.

6.1	<b>(1) Natural Resources Asset Preservation</b>	3,419,000
6.2	For the renovation of state-owned facilities	
6.3	and recreational assets within units of the	
6.4	outdoor recreation system classified under	
6.5	Minnesota Statutes, section 86A.05, operated	
6.6	by the commissioner of natural resources to	
6.7	be spent in accordance with Minnesota	
6.8	Statutes, section 84.946. Notwithstanding	
6.9	Minnesota Statutes, section 84.946, the	
6.10	commissioner may use this appropriation to	
6.11	replace buildings if, considering the embedded	
6.12	energy in the building, that is the most	
6.13	energy-efficient and carbon-reducing method	
6.14	of renovation.	
6.15	<b>(2) Elk River - Lake Orono</b>	1,500,000
6.16	For a grant to the city of Elk River to dredge	
6.17	Lake Orono.	
6.18	<b>(3) South St. Paul - Seidl's Lake</b>	781,000
6.19	For a grant to the city of South St. Paul for	
6.20	capital improvements to improve the water	
6.21	quality of Seidl's Lake. The capital	
6.22	improvements include design, engineering,	
6.23	construction, and equipping of a storm water	
6.24	lift station to discharge excess storm water	
6.25	into the city of South St. Paul's storm sewer	
6.26	system to minimize the fluctuating water	
6.27	levels of the lake. This project would be	
6.28	implemented jointly by the cities of South St.	
6.29	Paul, Inver Grove Heights, and West St. Paul.	
6.30	<b>Subd. 6. Pollution Control Agency</b>	
6.31	To the Pollution Control Agency for the	
6.32	purposes specified in this section.	
6.33	<b>(1) Anoka County-Waste Disposal Engineering</b>	
6.34	<b>Closed Landfill</b>	6,000,000

7.1 ~~Notwithstanding Minnesota Statutes, section~~  
 7.2 ~~116P.08, subdivision 2,~~ To design and  
 7.3 construct remedial systems, including cleanup  
 7.4 and removal of a leaking hazardous waste pit  
 7.5 and protection of groundwater, at the Waste  
 7.6 Disposal Engineering site in Anoka County  
 7.7 in accordance with the closed landfill program  
 7.8 under Minnesota Statutes, sections 115B.39  
 7.9 to 115B.42.

7.10 **(2) Lake Redwood Reclamation** 7,300,000

7.11 For a grant to the Redwood-Cottonwood  
 7.12 Rivers Control Area, a joint powers entity, to  
 7.13 predesign, design, construct, and equip the  
 7.14 reservoir reclamation and enhancement of the  
 7.15 66-acre Lake Redwood Reservoir, to remove  
 7.16 approximately 650,000 cubic yards of  
 7.17 sediment and increase its depth from  
 7.18 approximately 2.8 feet to 20 feet in order to  
 7.19 secure renewable energy capacity of the  
 7.20 hydroelectric dam which is impeded by lack  
 7.21 of water capacity, reduce the flow of pollutants  
 7.22 to the Minnesota River, and increase fish  
 7.23 habitat and enhance recreational opportunities.

7.24 **Subd. 7. Board of Water and Soil Resources**

7.25 To the Board of Water and Soil Resources for  
 7.26 the purposes specified in this section.

7.27 **Reinvest in Minnesota (RIM) Reserve Program** 10,000,000

7.28 (a) To acquire conservation easements from  
 7.29 landowners to preserve, restore, create, and  
 7.30 enhance wetlands and associated uplands of  
 7.31 prairie and grasslands, and restore and enhance  
 7.32 rivers and streams, riparian lands, and  
 7.33 associated uplands of prairie and grasslands  
 7.34 in order to protect soil and water quality,

8.1 support fish and wildlife habitat, reduce flood  
8.2 damage, and provide other public benefits.

8.3 The provisions of Minnesota Statutes, section  
8.4 103F.515, apply to this program.

8.5 (b) The board shall give priority to leveraging  
8.6 federal money by enrolling targeted new lands  
8.7 or enrolling environmentally sensitive lands  
8.8 that have expiring federal conservation  
8.9 agreements.

8.10 (c) The board is authorized to enter into new  
8.11 agreements and amend past agreements with  
8.12 landowners as required by Minnesota Statutes,  
8.13 section 103F.515, subdivision 5, to allow for  
8.14 restoration.

8.15 (d) Of this appropriation, up to five percent  
8.16 may be used for restoration, rehabilitation, and  
8.17 enhancement; and no more than \$1,000,000  
8.18 may be used to acquire working lands  
8.19 easements.

8.20 **Subd. 8. Public Facilities Authority**

8.21 ~~Notwithstanding Minnesota Statutes, section~~  
8.22 ~~116P.08, subdivision 2,~~ To the Public  
8.23 Facilities Authority for the purposes specified  
8.24 in this section.

8.25 **(1) State Match for Federal Grants** 6,000,000

8.26 To match federal grants for the clean water  
8.27 revolving fund for wastewater treatment under  
8.28 Minnesota Statutes, section 446A.07. This  
8.29 appropriation must be used for qualified  
8.30 capital projects.

8.31 **(2) Water Infrastructure Funding Program** 14,652,000

8.32 For grants to eligible municipalities under the  
8.33 wastewater infrastructure funding program



9.1 under Minnesota Statutes, section 446A.072,  
 9.2 for wastewater projects listed on the Pollution  
 9.3 Control Agency's project priority list in the  
 9.4 fundable range under the clean water revolving  
 9.5 fund program.

9.6 **(3) Point Source Implementation Grants**  
 9.7 **Program** 38,348,000

9.8 For grants to eligible municipalities under the  
 9.9 point source implementation grants program  
 9.10 under Minnesota Statutes, section 446A.073.  
 9.11 This appropriation must be used for qualified  
 9.12 capital projects.

9.13 **Subd. 9. Metropolitan Council**

9.14 To the Metropolitan Council for the purposes  
 9.15 specified in this section.

9.16 **Metropolitan Regional Parks and Trails Capital**  
 9.17 **Improvements** 10,000,000

9.18 For the cost of improvements and betterments  
 9.19 of a capital nature and acquisition by the  
 9.20 council and local government units of regional  
 9.21 recreational open-space lands in accordance  
 9.22 with the council's policy plan as provided in  
 9.23 Minnesota Statutes, section 473.147. This  
 9.24 appropriation must not be used to purchase  
 9.25 easements.

9.26 **Sec. 7. EFFECTIVE DATE.**

9.27 Sections 1 to 6 are effective the day following final enactment.