

NOTICE OF GUIDANCE
Minnesota Recovery Zone Bond Reallocation
Minnesota Management and Budget
February 1, 2010

The United States Department of the Treasury, through the American Recovery and Reinvestment Act of 2009 (ARRA), has allocated Recovery Zone (RZ) Economic Development and Facility bonding authority to certain Minnesota counties, Minneapolis and St. Paul. It is anticipated that some recipients will be unable to utilize all of their bond allocations while others will want to utilize more cap than was allocated initially.

Chapter 88, Article 6, Section 21 of the Laws of 2009 authorizes the Commissioner of Minnesota Management and Budget (MMB) to administer volume cap allocations related to bond authority contained in the ARRA.

The State of Minnesota received allocations totaling \$330 million for the two programs - \$132 million for Economic Development Bonds and \$198 million for Facilities Bonds. The ARRA and IRS guidance allows MMB to reallocate to any volume cap conferred under ARRA but waived due to an inability to utilize the entire amount.

What are Recovery Zone Bonds?

RZ bonds allow local governments and private entities to borrow funds for eligible projects at lower borrowing costs based on federal tax incentives. The bonds are designed to promote job creation and economic development recovery in areas designated as Recovery Zones by the issuer. ARRA requires that the RZ bonds must be issued before January 1, 2011.

RZ bonds are not direct grants or appropriations like some stimulus programs. The two types of bonds (RZ Economic Development Bonds and RZ Facility Bonds), are described below:

RZ Economic Development Bonds are conventional taxable bonds which allow municipalities to obtain financing at lower borrowing costs because the Treasury Department will pay the municipality a direct payment subsidy equal to 45 percent of the coupon interest on the bonds. The bonds can be used to finance activities that promote economic activity within a designated recovery zone. Such activities may include capital investments in public projects, public infrastructure projects, and for job training and education, as it relates to economic development. Projects funded by these bonds are covered under the Davis-Bacon Act.

RZ Facility Bonds are traditional tax-exempt bonds which have lower interest rates because the interest is tax-exempt to the investors for Federal tax purposes. The RZ Facility bonds can be used by private businesses for depreciable capital projects (e.g., buildings and equipment) for original use in active businesses in recovery

zones. These bonds cannot be used for multi-family housing. Products funded by these bonds are not covered under the Davis-Bacon Act.

How will bonding authority be reallocated?

ARRA and IRS Notice 2009-50 allows the bonding authority to be reallocated to an eligible issuer within a county or city's jurisdiction or to the state. MMB has developed forms to help the State of Minnesota track RZ bond issuance, as well as notify the state that a recipient of bonding authority is returning its allocation to the state. As bonds are issued, MMB requests that the issuing authority complete MMB's one-page RZ Bond "Notice of Issue" form. If MMB does not receive notice from a county or large city that bonds have been issued or if bond allocations remain, MMB will contact governmental units by May 1, 2010 and request that the bond authority be returned to the state of Minnesota through a "Notice of Waiver and Allocation Form". Both forms are available on the MMB website at <http://www.mmb.state.mn.us/bond-rez-forms>.

Upon waiver to the state, the state is authorized to reallocate the waived volume cap in any reasonable manner as it determines in good faith at its discretion. Eligible issuers (i.e., recipients of state reallocations) of RZ bonds include States and many political subdivisions and other entities empowered to issue bonds. It is the intention of MMB to maximize the use of the RZ bonds through this reallocation process.

MMB will accept applications for the RZ bonds reallocated to the state programs beginning on March 1, 2010, using a new form developed by MMB, the Department of Employment and Economic Development (DEED) and its counsel entitled "Request for Reallocation of Recovery Zone Facility Bond Authority". This form can be found on the MMB website at <http://www.mmb.state.mn.us/bond-rez-forms>. Applications will be accepted until June 1, 2010. MMB will work with DEED to review applications and make reallocation determinations based on readiness, economic impact, job creation and the potential for private investment in the project. Bond reallocations will conclude no later than August 1, 2010.

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Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Minnesota		132,154,000	198,231,000
Minneapolis city, MN		12,993,000	19,490,000
St. Paul city, MN		8,672,000	13,008,000
Aitkin County, MN		50,000	75,000
Anoka County, MN		11,466,000	17,200,000
Becker County, MN		914,000	1,371,000
Beltrami County, MN		0	0
Benton County, MN		457,000	685,000
Big Stone County, MN		0	0
Blue Earth County, MN		2,399,000	3,599,000
Brown County, MN		0	0
Carlton County, MN		675,000	1,013,000
Carver County, MN		3,021,000	4,532,000
Cass County, MN		398,000	597,000
Chippewa County, MN		0	0
Chisago County, MN		1,633,000	2,450,000
Clay County, MN		0	0
Clearwater County, MN		0	0
Cook County, MN		310,000	464,000
Cottonwood County, MN		12,000	18,000
Crow Wing County, MN		926,000	1,388,000
Dakota County, MN		13,966,000	20,949,000
Dodge County, MN		174,000	261,000
Douglas County, MN		189,000	283,000
Faribault County, MN		342,000	513,000
Fillmore County, MN		861,000	1,291,000
Freeborn County, MN		133,000	199,000
Goodhue County, MN		215,000	323,000
Grant County, MN		0	0
Hennepin County, MN	Residual	26,853,000	40,280,000
Houston County, MN		174,000	261,000
Hubbard County, MN		0	0
Isanti County, MN		1,291,000	1,937,000
Itasca County, MN		1,492,000	2,237,000
Jackson County, MN		0	0
Kanabec County, MN		248,000	371,000
Kandiyohi County, MN		522,000	783,000
Kittson County, MN		0	0
Koochiching County, MN		153,000	230,000
Lac qui Parle County, MN		130,000	195,000
Lake County, MN		0	0
Lake of the Woods County, MN		50,000	75,000
Le Sueur County, MN		808,000	1,211,000
Lincoln County, MN		0	0
Lyon County, MN		88,000	133,000
McLeod County, MN		0	0
Mahnomen County, MN		115,000	172,000
Marshall County, MN		0	0
Martin County, MN		0	0
Meeker County, MN		0	0
Mille Lacs County, MN		920,000	1,380,000
Morrison County, MN		0	0
Mower County, MN		0	0
Murray County, MN		254,000	380,000
Nicollet County, MN		1,276,000	1,915,000
Nobles County, MN		0	0
Norman County, MN		0	0
Olmsted County, MN		1,268,000	1,901,000
Otter Tail County, MN		0	0
Pennington County, MN		0	0
Pine County, MN		0	0
Pipestone County, MN		0	0
Polk County, MN		0	0
Pope County, MN		0	0
Ramsey County, MN	Residual	7,770,000	11,655,000

Area	Recovery Zone		
	Residual	Economic Development Bond	Recovery Zone Facility Bond
Red Lake County, MN		430,000	646,000
Redwood County, MN		613,000	920,000
Renville County, MN		0	0
Rice County, MN		77,000	115,000
Rock County, MN		209,000	314,000
Roseau County, MN		242,000	363,000
St. Louis County, MN		4,059,000	6,088,000
Scott County, MN		4,445,000	6,668,000
Sherburne County, MN		2,933,000	4,399,000
Sibley County, MN		0	0
Stearns County, MN		1,665,000	2,498,000
Steele County, MN		0	0
Stevens County, MN		197,000	296,000
Swift County, MN		601,000	902,000
Todd County, MN		525,000	787,000
Traverse County, MN		180,000	270,000
Wabasha County, MN		192,000	287,000
Wadena County, MN		0	0
Waseca County, MN		0	0
Washington County, MN		7,773,000	11,659,000
Watsonwan County, MN		483,000	725,000
Wilkin County, MN		230,000	345,000
Winona County, MN		106,000	159,000
Wright County, MN		3,976,000	5,965,000
Yellow Medicine County, MN		0	0